

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

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**COMPANY NAME**

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D	I	A	R	I	E	S																							

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

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Form Type

A	A	C	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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**COMPANY INFORMATION**

Company's Email Address


Company's Telephone Number

7918-8188

Mobile Number


No. of Stockholders

5,625

Annual Meeting (Month / Day)

Every 2nd to the last Friday  
of April Each Year

Fiscal Year (Month / Day)

12/31

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

Name of Contact Person

Ms. Venus A. Mejia

Email Address

venus.mejia@filinvestgro  
up.com

Telephone Number/s

7918-8188

Mobile Number

--

**CONTACT PERSON'S ADDRESS**

79 EDSA, Brgy. Highway Hills, Mandaluyong City

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

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



## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
Filinvest Land, Inc.  
79 EDSA, Brgy. Highway Hills  
Mandaluyong City

### Opinion

We have audited the accompanying consolidated financial statements of Filinvest Land, Inc. (the Parent Company) and its subsidiaries (collectively referred to as “the Group”), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the consolidated financial statements.

### Basis for Opinion

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

### Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements, which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the 2022 consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.



## **Key Audit Matters**

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

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

### ***Real Estate Revenue Recognition***

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) application of the output method as the measure of progress in determining real estate revenue; (3) determination of the actual costs incurred as cost of sales; and (4) recognition of costs to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments (buyer's equity) in relation to the total contract price. Collectability is also assessed by considering factors such as past history with buyers, age of residential and office development receivables and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of coronavirus pandemic, if it would still support its current threshold of buyer's equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's project engineers and third-party project managers.

In determining the actual costs incurred to be recognized as cost of sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Group uses percentage of completion (POC) method in amortizing sales commission consistent with the Group's revenue recognition policy.

Refer to Note 6 to the consolidated financial statements for the disclosures on revenue recognition.



### *Audit Response*

We obtained an understanding of the Group's revenue recognition process.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales cancellations from buyers with accumulated payments above the collection threshold. We also considered the impact of the coronavirus pandemic to the level of cancellations during the year.

In determining revenue from real estate sales, we obtained an understanding of the Group's processes for determining POC under the output method and performed tests of relevant controls. We obtained certified POC reports prepared by internal project engineers for mid-rise real estate development and third-party project managers for high-rise real estate development. We assessed the competence and objectivity of the project engineers and managers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries, including inquiries on how the coronavirus pandemic affected the POC during the period, and obtained supporting details of POC reports.

For the cost of real estate sales, we obtained an understanding of the Group's cost accumulation process and performed tests of relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed, to supporting documents such as project accomplishment reports and progress billings from contractors.

For the recognition of costs to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating sales commission capitalized and portion recognized in profit or loss, particularly: (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from real estate sales.

### ***Recoverability of Goodwill***

The Group is required to test the amount of goodwill for impairment at least annually. As of December 31, 2022, goodwill attributable to the Festival Supermall structure, Filinvest Asia Corporation and Filinvest REIT Corp., which are considered significant, amounted to ₱4,567.24 million. Management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically revenue growth rates, gross margins, discount rates and terminal growth rates.

Refer to Notes 3 and 4 to the consolidated financial statements for the disclosures about goodwill.

### *Audit Response*

We involved our internal specialist in evaluating the methodology and the assumptions used. These assumptions include revenue growth rates, gross margins, discount rates and terminal growth rates.



We compared the key assumptions used, such as revenue growth rates and terminal growth rates against the historical performance of the cash-generating units and relevant external data and gross margins against the historical rates, taking into consideration the impact associated with the coronavirus pandemic. We tested the parameters used in the determination of the discount rates against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill.

### **Other Information**

Management is responsible for Other Information. Other Information comprises the information included in SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditor's report thereon. SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation of these consolidated financial statements in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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



## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.



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

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

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

The engagement partner on the audit resulting in this independent auditor's report is  
Wanessa G. Salvador.

SYCIP GORRES VELAYO & CO.



Wanessa G. Salvador

Partner

CPA Certificate No. 0118546

Tax Identification No. 248-679-852

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 118546-SEC (Group A)

Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-137-2023, January 25, 2023, valid until January 24, 2026

PTR No. 9564692, January 3, 2023, Makati City

March 24, 2023



**FILINVEST LAND, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Thousands of Pesos)

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 7, 20 and 30)	<b>₱6,619,135</b>	₱9,658,260
Contracts receivables (Notes 6, 8 and 30)	<b>2,128,881</b>	5,337,931
Contract assets (Notes 6 and 30)	<b>5,399,792</b>	4,177,819
Other receivables (Notes 9 and 30)	<b>2,902,006</b>	2,710,463
Real estate inventories (Note 10)	<b>71,326,487</b>	68,726,921
Other current assets (Notes 6 and 11)	<b>6,380,765</b>	4,933,311
Total Current Assets	<b>94,757,066</b>	95,544,705
<b>Noncurrent Assets</b>		
Contract assets - net of current portion (Notes 6 and 30)	<b>5,083,164</b>	4,152,756
Investments in associates (Note 12)	<b>5,135,018</b>	5,045,090
Investment properties (Note 13)	<b>77,021,396</b>	72,077,989
Property and equipment (Note 14)	<b>5,485,279</b>	4,794,021
Deferred income tax assets (Note 28)	<b>91,383</b>	95,553
Goodwill (Note 4)	<b>4,567,242</b>	4,567,242
Other noncurrent assets (Note 16)	<b>7,974,631</b>	6,946,175
Total Noncurrent Assets	<b>105,358,113</b>	97,678,826
<b>TOTAL ASSETS</b>	<b>₱200,115,179</b>	₱193,223,531

**LIABILITIES AND EQUITY**

<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Notes 17 and 30)	<b>₱11,948,853</b>	₱11,738,491
Contract liabilities (Note 6)	<b>1,012,294</b>	1,171,384
Lease liabilities - current portion (Note 15)	<b>246,051</b>	248,590
Due to related parties (Notes 20 and 30)	<b>754,264</b>	204,317
Income tax payable	<b>19,553</b>	8,522
Current portion of loans payable (Notes 18 and 30)	<b>8,446,975</b>	4,912,198
Current portion of bonds payable (Notes 19 and 30)	<b>15,017,440</b>	6,991,749
Total Current Liabilities	<b>37,445,430</b>	25,275,251

(Forward)





	December 31	
	2022	2021
<b>Noncurrent Liabilities</b>		
Loans payable - net of current portion (Notes 18 and 30)	₱24,402,509	₱27,270,545
Bonds payable - net of current portion (Notes 19 and 30)	26,115,346	29,297,173
Contract liabilities - net of current portion (Note 6)	283,068	774,212
Lease liabilities - net of current portion (Note 15)	6,262,439	6,099,428
Net retirement liabilities (Note 25)	431,308	459,630
Deferred income tax liabilities - net (Note 28)	5,625,210	5,317,269
Accounts payable and accrued expenses - net of current portion (Notes 17 and 30)	8,047,128	8,939,799
<b>Total Noncurrent Liabilities</b>	<b>71,167,008</b>	<b>78,158,056</b>
<b>Total Liabilities</b>	<b>108,612,438</b>	<b>103,433,307</b>
<b>Equity</b>		
Common stock (Note 26)	24,470,708	24,470,708
Preferred stock (Note 26)	80,000	80,000
Additional paid-in capital	5,612,321	5,612,321
Treasury stock (Note 26)	(221,041)	(221,041)
Retained earnings (Note 26)		
Unappropriated	54,172,008	52,425,032
Appropriated	5,000,000	5,000,000
Revaluation reserve on financial assets at fair value through other comprehensive income	(2,619)	(2,619)
Remeasurement gains (losses) on retirement plan - net of tax (Note 25)	68,185	(16,169)
Share in other components of equity of associates (Note 12)	372,449	372,449
Equity attributable to equity holders of the parent	89,552,011	87,720,681
Noncontrolling interests (Notes 1 and 31)	1,950,730	2,069,543
<b>Total Equity</b>	<b>91,502,741</b>	<b>89,790,224</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱200,115,179</b>	<b>₱193,223,531</b>

See accompanying Notes to Consolidated Financial Statements.



**FILINVEST LAND, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****(Amounts in Thousands of Pesos, Except Earnings Per Share Figures)**

	<b>Years Ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>REVENUE</b>			
Real estate sales (Note 6)	<b>₱12,836,056</b>	₱11,274,509	₱9,837,122
Rental and related services (Notes 6, 13, 15 and 16)	<b>6,350,408</b>	5,591,801	7,527,956
Total revenue	<b>19,186,464</b>	16,866,310	17,365,078
<b>EQUITY IN NET EARNINGS OF ASSOCIATES</b> (Note 12)	<b>78,956</b>	112,023	516,450
<b>OTHER INCOME</b>			
Interest income (Notes 7, 8, 20 and 23)	<b>367,052</b>	409,608	404,142
Others - net (Notes 20 and 24)	<b>311,874</b>	350,978	340,713
	<b>19,944,346</b>	17,738,919	18,626,383
<b>COSTS</b>			
Real estate sales (Note 10)	<b>7,354,689</b>	6,443,688	5,586,834
Rental and related services (Notes 13 and 16)	<b>2,583,493</b>	2,430,623	2,150,070
<b>OPERATING EXPENSES</b>			
General and administrative expenses (Note 21)	<b>2,313,062</b>	1,979,124	2,243,604
Selling and marketing expenses (Note 22)	<b>1,150,643</b>	911,817	1,078,274
<b>INTEREST AND OTHER FINANCE CHARGES</b> (Notes 18, 19 and 23)	<b>2,294,243</b>	2,426,791	3,189,462
	<b>15,696,130</b>	14,192,043	14,248,244
<b>INCOME BEFORE INCOME TAX</b>	<b>4,248,216</b>	3,546,876	4,378,139
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 28)	<b>727,079</b>	(758,352)	420,389
<b>NET INCOME</b>	<b>₱3,521,137</b>	₱4,305,228	₱3,957,750
<b>Net income attributable to:</b>			
Equity holders of the parent	<b>₱2,889,915</b>	₱3,803,377	₱3,733,443
Noncontrolling interest	<b>631,222</b>	501,851	224,307
	<b>₱3,521,137</b>	₱4,305,228	₱3,957,750
<b>Basic/Diluted Earnings Per Share</b> (Note 27)	<b>₱0.12</b>	₱0.16	₱0.15

See accompanying Notes to Consolidated Financial Statements.



**FILINVEST LAND, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Amounts in Thousands of Pesos)**

	<b>Years Ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>NET INCOME</b>	<b>₱3,521,137</b>	<b>₱4,305,228</b>	<b>₱3,957,750</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Other comprehensive income (loss) not to be reclassified to profit or loss			
Remeasurement gains (loss) on retirement plan, net of tax (Notes 25 and 28)	<b>84,354</b>	<b>(1,032)</b>	<b>9,149</b>
Remeasurement gain from investment in associates	<b>—</b>	<b>—</b>	<b>10,655</b>
	<b>84,354</b>	<b>(1,032)</b>	<b>19,804</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱3,605,491</b>	<b>₱4,304,196</b>	<b>₱3,977,554</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent	<b>₱2,974,269</b>	<b>₱3,802,345</b>	<b>₱3,753,247</b>
Noncontrolling interest	<b>631,222</b>	<b>501,851</b>	<b>224,307</b>
	<b>₱3,605,491</b>	<b>₱4,304,196</b>	<b>₱3,977,554</b>

*See accompanying Notes to Consolidated Financial Statements.*

# FILINVEST LAND, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands of Pesos)

	Attributable to Equity Holders of the Parent											
	Common Stock (Note 26)	Preferred Stock (Note 26)	Additional Paid-in Capital	Treasury Stock (Note 26)	Unappropriated Retained Earnings (Note 26)	Appropriated Retained Earnings (Note 26)	Revaluation Reserve on Financial Assets at FVOCI (Note 16)	Remeasurement Losses on Retirement Plan (Note 25)	Share in Other Components of Equity of an Associate (Note 12)	Total	Noncontrolling Interest (Note 31)	Total Equity
For the Year Ended December 31, 2022												
Balances as at January 1, 2022	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱52,425,032	₱5,000,000	(₱2,619)	(₱16,169)	₱372,449	₱87,720,681	₱2,069,543	₱89,790,224
Net income	—	—	—	—	2,889,915	—	—	—	—	2,889,915	631,222	3,521,137
Other comprehensive income	—	—	—	—	—	—	—	84,354	—	84,354	—	84,354
Total comprehensive income	—	—	—	—	2,889,915	—	—	84,354	—	2,974,269	631,222	3,605,491
Dividends declared (Note 26)	—	—	—	—	(1,142,939)	—	—	—	—	(1,142,939)	—	(1,142,939)
Dividend distribution to noncontrolling interest (Note 31)	—	—	—	—	—	—	—	—	—	—	(750,035)	(750,035)
Balances as at December 31, 2022	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱54,172,008	₱5,000,000	(₱2,619)	₱68,185	₱372,449	₱89,552,011	₱1,950,730	₱91,502,741

	Attributable to Equity Holders of the Parent											
	Common Stock (Note 26)	Preferred Stock (Note 26)	Additional Paid-in Capital	Treasury Stock (Note 26)	Unappropriated Retained Earnings (Note 26)	Appropriated Retained Earnings (Note 26)	Revaluation Reserve on Financial Assets at FVOCI (Note 16)	Remeasurement Losses on Retirement Plan (Note 25)	Share in Other Components of Equity of an Associate (Note 12)	Total	Noncontrolling Interest (Note 31)	Total Equity
For the Year Ended December 31, 2021												
Balances as at January 1, 2021	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱38,776,186	₱5,000,000	(₱2,619)	(₱15,136)	₱372,449	₱74,072,868	₱306,075	₱74,378,943
Net income	—	—	—	—	3,803,377	—	—	—	—	3,803,377	501,851	4,305,228
Other comprehensive income	—	—	—	—	—	—	—	(1,032)	—	(1,032)	—	(1,032)
Total comprehensive income	—	—	—	—	3,803,377	—	—	(1,032)	—	3,802,345	501,851	4,304,196
Changes in noncontrolling interests (Note 31)	—	—	—	—	10,465,662	—	—	—	—	10,465,661	1,664,244	12,129,905
Dividends declared (Note 26)	—	—	—	—	(754,223)	—	—	—	—	(754,223)	—	(754,223)
Dividend distribution to noncontrolling interest (Note 31)	—	—	—	—	—	—	—	—	—	—	(402,627)	(402,627)
Impact of adoption of CREATE Act by an associate (Note 12)	—	—	—	—	134,030	—	—	—	—	134,030	—	134,030
Balances as at December 31, 2021	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱52,425,032	₱5,000,000	(₱2,619)	(₱16,168)	₱372,449	₱87,720,681	₱2,069,543	₱89,790,224



Attributable to Equity Holders of the Parent

	Common Stock (Note 26)	Preferred Stock (Note 26)	Additional Paid-in Capital	Treasury Stock (Note 26)	Unappropriated Retained Earnings (Note 26)	Appropriated Retained Earnings (Note 26)	Revaluation Reserve on Financial Assets at FVOCI (Note 16)	Remeasurement Losses on Retirement Plan (Note 25)	Share in Other Components of Equity of an Associate (Note 12)	Total	Noncontrolling Interest (Note 31)	Total Equity
For the Year Ended December 31, 2020												
Balances as at January 1, 2020	P24,470,708	P80,000	P5,612,321	(P221,041)	P41,661,647	P-	(P2,619)	(P24,285)	P361,794	P71,938,525	P225,768	P72,164,293
Net income	-	-	-	-	3,733,443	-	-	-	-	3,733,443	224,307	3,957,750
Other comprehensive income	-	-	-	-	-	-	-	9,149	10,655	19,804	-	19,804
Total comprehensive income	-	-	-	-	3,733,443	-	-	9,149	10,655	3,753,247	224,307	3,977,554
Dividends declared (Note 26)	-	-	-	-	(1,618,904)	-	-	-	-	(1,618,904)	-	(1,618,904)
Dividend distribution to noncontrolling interest	-	-	-	-	-	-	-	-	-	-	(144,000)	(144,000)
Appropriation (Note 26)	-	-	-	-	(5,000,000)	5,000,000	-	-	-	-	-	-
Balances as at December 31, 2020	P24,470,708	P80,000	P5,612,321	(P221,041)	P38,776,186	P5,000,000	(P2,619)	(P15,136)	P372,449	P74,072,868	P306,075	P74,378,943

See accompanying Notes to Consolidated Financial Statements.



**FILINVEST LAND, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱4,248,216</b>	₱3,546,876	₱4,378,139
Adjustments for:			
Interest income (Note 23)	<b>(367,052)</b>	(409,608)	(404,142)
Gain on sale of investment property	—	—	(65,308)
Interest expense and amortization of transaction costs (Note 23)	<b>2,272,368</b>	2,212,916	3,137,791
Depreciation and amortization (Notes 13, 14 and 16)	<b>1,630,038</b>	1,446,779	1,594,368
Equity in net earnings of associates (Note 12)	<b>(78,956)</b>	(112,023)	(516,450)
Pension expense, net of contribution and benefits paid (Note 25)	<b>59,619</b>	21,564	47,174
Operating income before changes in operating assets and liabilities	<b>7,764,233</b>	6,706,504	8,171,572
Changes in operating assets and liabilities			
Decrease (increase) in:			
Contracts receivable	<b>3,209,050</b>	(1,180,992)	(2,710,747)
Contract assets	<b>(2,152,381)</b>	603,487	4,181,680
Other receivables	<b>(191,543)</b>	651,720	(187,138)
Real estate inventories	<b>(1,830,758)</b>	(1,744,514)	(2,010,336)
Other assets	<b>(1,180,817)</b>	(610,255)	(282,510)
Increase (decrease) in:			
Accounts payable and accrued expense	<b>1,209,113</b>	(820,155)	172,068
Contract liabilities	<b>(650,234)</b>	(70,673)	263,863
Cash generated from operations	<b>6,176,663</b>	3,535,122	7,598,453
Income taxes paid, including creditable withholding taxes	<b>(409,321)</b>	(384,639)	(710,244)
Interest received	<b>367,052</b>	409,608	404,142
Net cash provided by operating activities	<b>6,134,394</b>	3,560,091	7,292,351
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Investment properties and property and equipment (Notes 13 and 14)	<b>(7,618,103)</b>	(5,344,944)	(5,641,194)
Build-transfer-operate (BTO) rights (Note 16)	<b>(1,396,784)</b>	(1,062,079)	(717,809)
Investment in associates (Note 12)	<b>(10,972)</b>	(11,250)	—
Investment in bonds (Note 16)	<b>(150,000)</b>	—	—
Proceeds from sale of investment property (Note 13)	—	—	737,840
Net cash used in investing activities	<b>(9,175,859)</b>	(6,418,273)	(5,621,163)

(Forward)



	Years Ended December 31		
	2022	2021	2020
<b>CASH FLOWS FROM FINANCING</b>			
<b>ACTIVITIES</b> (Note 35)			
Proceeds from availment of:			
Loans payable (Notes 18 and 30)	<b>₱12,814,900</b>	₱16,600,200	₱10,680,000
Bonds payable (Notes 19 and 30)	<b>11,900,000</b>	10,000,000	8,057,682
Payments of:			
Loans payable (Note 18)	<b>(12,160,435)</b>	(22,598,029)	(8,219,965)
Bonds payable (Note 19)	<b>(7,000,000)</b>	(5,300,000)	(4,300,000)
Cash dividend (Note 26)	<b>(1,140,525)</b>	(784,224)	(1,588,558)
Interest and transaction costs	<b>(3,851,408)</b>	(3,563,316)	(3,917,635)
Lease liabilities (Note 15)	<b>(360,103)</b>	(351,321)	(317,948)
Dividends paid to noncontrolling interest (Note 31)	<b>(750,035)</b>	(402,627)	(144,000)
Increase in noncontrolling interest (Note 31)	—	12,129,905	—
Increase (decrease) in amounts due to related parties	<b>549,946</b>	92,297	(828)
Net cash provided by financing activities	<b>2,340</b>	5,822,885	248,748
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,039,125)</b>	2,964,703	1,919,936
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>9,658,260</b>	6,693,557	4,773,621
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)</b>	<b>₱6,619,135</b>	₱9,658,260	₱6,693,557

See accompanying Notes to Consolidated Financial Statements.



# **FILINVEST LAND, INC. AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information**

Filinvest Land, Inc. (the “Parent Company” or “FLI”) is a property developer engaged mainly in the development of residential subdivisions, construction of housing units and leasing activities. It was incorporated and is domiciled in the Philippines where its shares are publicly traded. Formerly Citation Homes, Inc., the Parent Company was incorporated on November 24, 1989 and later changed to its present name on July 12, 1993. The Parent Company and its subsidiaries (collectively referred to as “the Group”) offer a range of real estate products from socialized and affordable housing to middle-income and high-end housing, various types of subdivision lots, medium-rise residential buildings, farm estates, industrial parks, residential resort projects, condotels, and condominium buildings. The Group also leases out commercial and office spaces in Muntinlupa City, Makati City, Pasay City, Cebu City, Tagaytay City, Cavite, and Clark Mimosa, its major locations for leasing.

The Group’s parent company is Filinvest Development Corporation (FDC), a publicly listed entity. A.L. Gotianun, Inc. (ALG) is the Group’s ultimate parent company. FDC and ALG were incorporated in the Philippines.

The Parent Company’s registered business address is at 79 E. Delos Santos Ave. (EDSA), Brgy. Highway Hills, Mandaluyong City.

On December 28, 2022, FAI entered into a Deed of Absolute Sale of Shares to sell portion of its interest in Pro-excel to FLI for a total consideration of ₱10.97 million. The resulting ownership interest of FLI in Pro-excel after the transfer is 47.5%. The primary purpose of Pro-Excel is to engage in the business of administration, maintenance and management of real estate development, controlled development projects and subdivision projects.

On December 14, 2022, FLI entered into a Deed of Assignment to purchase 100% ownership in SJR Developers, Inc. (SDI). Total acquisition price amounted to ₱0.60 million. The primary purpose of SDI is to own, use, improve, develop, subdivide, sell, exchange, lease and hold for investment or otherwise, real estate of all kinds, including buildings, houses, apartment and other structures. The acquisition of SDI has no material effect to the consolidated financial statements.

On May 26, 2022, OurSpace Solutions, Inc. (OSI), a wholly owned subsidiary of FLI, was incorporated with primary purpose of developing, operating, managing and maintaining commercial buildings to be used as coworking spaces. OSI has not started commercial operations as of December 31, 2022.

On August 12, 2021, Filinvest REIT Corp. (“FILRT”) was listed and traded in the Philippine Stock Exchange as a Real Estate Investment Trust (REIT) company under the PSE ticker symbol FILRT. As a result of the listing, FLI’s interest in Filinvest REIT Corp. decreased to 63.3%. This transaction resulted in changes to the Group’s Cash, Retained earnings and Noncontrolling interest in 2021 (see Note 31).

On August 2, 2021, Co-Living Pro Managers Corp. (CPMC), a wholly owned subsidiary of FLI, was incorporated to engage in business of developing, operating, managing, and maintaining dormitels, lots and buildings whether owned or leased, to make such dormitels available for all clients for temporary stay as well as any and all services and facilities incidental thereto. CPMC has not started commercial operations as of December 31, 2022.





On June 25, 2021, the shareholders of CPI, approved the following amendments to its Articles of Incorporation: (i) change of name of the Company from “Cyberzone Properties, Inc.” to “Filinvest REIT Corp.”, (ii) reduction of the par value of its shares, and (iii) increase of the CPI’s authorized capital stock. The change in name of CPI, the reduction in the par value of its shares, and the increase in its authorized capital stock were approved by the Philippine SEC on July 2, 2021.

On April 13, 2021, FREIT Fund Managers, Inc. (FFMI), a wholly owned subsidiary of FLI, was incorporated to engage in business of providing fund management services to REIT companies. FFMI started commercial operations on August 12, 2021.

On December 21, 2020, FDC subscribed to 110,000,000 common shares of Dreambuilders Pro, Inc. (DPI) with par value of ₱1.00 per share amounting ₱110 million and equivalent to 55% of DPI’s outstanding shares. This resulted in the dilution of FLI’s interest in DPI to 45% and deconsolidation by the Group (see Notes 12 and 24). As a result of the dilution, the investment in DPI is accounted as investment in associate under the equity method.

On December 16, 2020, FLI subscribed to 382,500 shares of stock of Nature Specialists, Inc. (NSI) consisting of 120,000 common shares and 262,500 preferred shares, all with a par value of ₱100 per share with total consideration of ₱47.25 million, equivalent to 75% shareholding. NSI was incorporated on August 24, 2018 to conduct real estate activities primarily focusing on hotels, inns, resorts, lodging houses and all adjunct accessories thereto, including restaurants, cafes, bars, stores, offices. NSI has opened on March 14, 2021.

#### Approval of the Consolidated Financial Statements

The consolidated financial statements as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 were approved and authorized for issue by the BOD on March 24, 2023.

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## **2. Summary of Significant Accounting Policies**

### Basis of Preparation

The consolidated financial statements are prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) that are measured at fair value. The Group’s consolidated financial statements are presented in Philippine Peso (Peso), which is also the functional currency of the Parent Company, its subsidiaries and associates. Amounts are in thousand Pesos except as otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

### Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the following reporting reliefs issued and approved by the SEC under Memorandum Circular No. 34-2020 in response to the COVID-19 pandemic.

1. Assessing if the transaction price includes a significant financing component as discussed in Philippine Interpretations Committee (PIC) Questions and Answers (Q&A) No. 2018-12-D
2. Application of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*).



Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries. The nature of business and the corresponding percentages of ownership over these entities as at December 31, 2022, 2021 and 2020 are as follows. The voting rights held by the Group in these subsidiaries are in proportion to its ownership interest.

Subsidiaries	Nature of Business	2022	2021	2020
Filinvest AII Philippines, Inc. (FAPI)	Real estate developer	100%	100%	100%
FCGC Corporation (FCGCC)	Real estate developer	100%	100%	100%
Filinvest BCDA Clark, Inc. (FBCI) <sup>1</sup>	Real estate developer	55%	55%	55%
Gintong Parisukat Realty and Development Inc. (GPRDI)	Real estate developer	100%	100%	100%
Homepro Realty Marketing, Inc. (Homepro)	Real estate developer	100%	100%	100%
Filinvest REIT Corp. (FILRT) <sup>2</sup>	Leasing	63%	63%	100%
Filinvest Asia Corporation (FAC)	Leasing	60%	60%	60%
Filinvest Cyberparks, Inc. (FCI)	Leasing	100%	100%	100%
Filinvest Clark Mimosa, Inc. (FCMI) <sup>3</sup>	Leasing	100%	100%	100%
Festival Supermall, Inc. (FSI)	Property management	100%	100%	100%
Filinvest Lifemalls Corporation (FLC)	Property management	100%	100%	100%
Filinvest Lifemalls Mimosa, Inc. (FLMI)	Property management	100%	100%	100%
Filinvest Lifemalls Tagaytay, Inc. (FLTI)	Property management	100%	100%	100%
ProOffice Works Services, Inc. (ProOffice) <sup>4</sup>	Property management	100%	100%	100%
Property Specialist Resources, Inc. (Prosper)	Property management	100%	100%	100%
FSM Cinemas, Inc. (FSM Cinemas) <sup>5</sup>	Theater operator	60%	60%	60%
Philippine DCS Development Corporation (PDDC)	District cooling systems, builder and operator	60%	60%	60%
Timberland Sports and Nature Club, Inc. (TSNC)	Recreational Sports and Natures Club	98%	98%	98%
Leisurepro, Inc. (Leisurepro)	Marketing	100%	100%	100%
Proleads Philippines, Inc. (PPI)	Marketing	100%	100%	100%
Property Leaders International Limited (PLIL)	Marketing	100%	100%	100%
Property Maximizer Professional Corp. (Promax)	Marketing	100%	100%	100%
Realpros Philippines, Inc. (RPI)	Marketing	100%	100%	100%
Nature Specialists, Inc. (NSI)	Recreational Sports and Natures Club	75%	75%	75%
FREIT Fund Managers, Inc. (FFMI)	Fund Manager	100%	100%	—

(Forward)



Subsidiaries	Nature of Business	2022	2021	2020
Co-Living Pro Managers Corp. (CPMC)	Real estate developer	100%	100%	—
OurSpace Solutions, Inc. (OSI)	Coworking spaces	100%	—	—
SJR Developers, Inc. (SDI)	Real estate developer	100%	—	—

*Notes:*

1. *FBCI is owned indirectly through FCGCC.*
2. *On August 12, 2021, FILRT shares were listed at the PSE. FLI previously owned 100% of FILRT and sold 36.7% or 1,797.61 million shares in its initial public offering (see Notes 1 and 31).*
3. *Filinvest Cyberzone Mimosa, Inc. (FCMI) was renamed Filinvest Clark Mimosa Inc. on February 15, 2021.*
4. *40% interest is owned by FCI. Effectively, FLI owns 100% of ProOffice.*
5. *FSM Cinemas is owned indirectly through FSI.*

Except PLIL which was incorporated in British Virgin Islands, all of the Parent Company's subsidiaries were incorporated in the Philippines. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies.

None of the foregoing subsidiaries has been a party to any bankruptcy, receivership or similar proceedings and has not undergone or entered into any material classification, merger, consolidation (except as disclosed elsewhere in this report), purchase or sale of a significant amount of assets outside the ordinary course of business.

A subsidiary is an entity which the Group controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has: (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); (b) exposure, or rights, to variable returns from its involvement with the investee, and, (c) the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and, (c) the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statement from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

#### Noncontrolling Interest

Noncontrolling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity under "Retained Earnings" of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

#### Business Combinations Involving Entities under Common Control

A business combination involving entities under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. This will include transactions such as the transfer of subsidiaries or businesses between entities within a group. Common control business combinations are outside the scope of PFRS 3, *Business Combination*.

The Group elected to account for its common control business combination using acquisition method and this is applied consistently for similar transactions. However, where the acquisition method of accounting is selected, the transaction must have commercial substance from the perspective of the reporting entity. Common control business combination without commercial substance is accounted using "pooling of interests" method wherein the assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination and adjustments made are only those adjustments to harmonize accounting policies. No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the periods presented and on retained earnings at the date of acquisition are eliminated to the extent possible.



### Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial years, except for the adoption of the following amendments in PFRS and PAS which became effective beginning January 1, 2022. Unless otherwise indicated, adoption of these amendments to existing standards and interpretations did not have an impact on the consolidated financial statements of the Group.

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

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The Group adopted the amendment beginning January 1, 2022.

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

The amendments prohibit entities 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 costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments do not have a material impact on the Group.

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

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments do not have a material impact on the Group.



- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments had no material impact on the Group.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments do not have a material impact on the Group.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments had no material impact on the Group.

#### Future Changes in Accounting Policy

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise stated, the Group does not expect the adoption of these standards to have a significant impact on the consolidated financial statements.

#### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such



deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The Group is assessing the impact of this amendment.

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

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

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

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

*Effective beginning on or after January 1, 2024*

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

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

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



The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB. PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

*Deferred effectivity*

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.





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

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

	Deferral Period
a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

- The accounting policies applied.
- Discussion of the deferral of the subject implementation issues in the PIC Q&A.
- Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
- Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

After the deferral period, real estate companies have an accounting policy option of applying either the full retrospective approach or modified retrospective approach as provided under SEC MC 8-2021. The Group availed of the SEC relief to defer the above specific provision of PIC Q&A No. 2018-12 on determining whether the transaction price includes a significant financing component. Had this provision been adopted, the mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements in case a full retrospective approach is applied. Depending on the approach of adoption, the adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, contract assets, provision for deferred income tax, deferred tax asset or liability for all years presented (full retrospective approach), and the opening balance of retained earnings (full retrospective approach and modified retrospective approach). The Group has yet to assess if the mismatch constitutes a significant financing component for its contracts to sell. The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented in case of a full retrospective approach. The Group has yet to decide on whether the adoption will be using a full retrospective or modified retrospective approach.



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

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35I of IFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under IAS 23 considering that these inventories are ready for their intended sale in their current condition.

The IFRIC agenda decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

On February 21, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023.

Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes to the Financial Statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the IFRIC agenda decision been adopted.

The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred. This adjustment should have been applied retrospectively and would have resulted to restatement of prior year financial statements. A restatement would have impacted interest expense, cost of sales, provision for deferred income tax, real estate inventories, deferred tax liability and opening balance of retained earnings. The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented in case of a full retrospective approach. The Group has yet to decide on whether the adoption will be using a full retrospective or modified retrospective approach.

### Significant Accounting Policies

#### Current versus Noncurrent Classification

The Group presents assets and liabilities in its consolidated statement of financial position based on a current and noncurrent classification. An asset is current when it is:

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



All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

#### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### Financial Instruments *(Date of recognition)*

Financial assets and liabilities are recognized in the consolidated statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery or assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.



### Recognition and Measurement of Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *Financial Assets*

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVOCI, or at FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or at FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding. This assessment is referred to as the 'solely payments of principal and interest test' and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

As of December 31, 2022 and 2021, the Group's financial assets comprise of financial assets at amortized cost and financial assets at FVOCI.

##### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

##### *Financial assets at amortized cost*

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

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



Financial assets at amortized costs are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as interest income in the consolidated statement of income.

The Group classified cash and cash equivalents, contracts receivable, other receivables and deposits (included in other assets) as financial assets at amortized cost (see Note 29).

*Financial assets at FVOCI (equity instruments)*

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in “Revaluation reserve on financial assets at FVOCI” in the consolidated statement of financial position. Where the asset is disposed of, the cumulative gain or loss previously recognized in “Revaluation reserve on financial assets at FVOCI” is not reclassified to profit or loss, but is reclassified to Retained earnings.

Included under this category are the Group’s investments in quoted and unquoted shares of stocks (included in other noncurrent assets; see Note 16).

Dividends earned on holding these equity instruments are recognized in the consolidated statement of income when the Group’s right to receive the dividends is established in accordance with PFRS 15, unless the dividends clearly represent recovery of a part of the cost of the investment.

*Reclassification of financial assets*

The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify the following financial assets:

- from amortized cost to FVPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
- from FVPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument’s contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated as at FVPL at initial recognition is not permitted.

A change in the objective of the Group’s business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

*Financial liabilities*

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.



#### *Subsequent measurement*

Loans and borrowings (financial liabilities at amortized cost) is the category most relevant to the Group. Issued financial instruments or their components, which are not designated at FVPL, are classified as financial liabilities at amortized cost where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Amortized cost is calculated by taking into account any discount or premium on the issuance and fees that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income.

As of December 31, 2022 and 2021, loans and borrowings consist primarily of accounts payable and accrued expenses excluding deposit from tenants and other payables, lease liabilities, loans payable, bonds payable and due to related parties (see Notes 15, 17, 18, 19 and 20).

#### Impairment of Financial Assets and Contract Assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group applies a simplified approach in calculating ECLs for financial assets at amortized costs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for other receivables and a vintage analysis for contracts receivable and contract assets that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### Modification of financial assets

The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.



When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated statement of income.

#### Derecognition of Financial Assets and Financial Liabilities

##### *Financial Assets*

A financial asset is derecognized when:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of an asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

##### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability expires, is discharged or cancelled.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, where the related assets and liabilities are presented at gross in the consolidated statement of financial position.

#### Real Estate Inventories

##### *Lots, Condominium and Residential Units for Sale*

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



Cost includes:

- Land acquisition costs and expenses directly related to acquisition
- Amounts paid to contractors for development and construction
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

In case of sales cancellation, the Group can repossess the properties and hold it for sale in the ordinary course of business at the prevailing market price. The repossessed properties are accounted for as inventories and recognized at its fair value less cost to repossess at the time of cancellation.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale. The cost of inventory recognized in consolidated statement of income on disposal is determined with reference to the specific costs incurred on the property sold, including an allocation of any non-specific costs based on the relative size of the property sold.

#### *Land and Land Development*

Land and land development consists of properties to be developed into real estate projects for sale that are carried at the lower of cost or NRV. The cost of land and land development include the following: (a) land acquisition costs, (b) costs incurred relative to acquisition and transfer of land title in the name of the Group such as transfer taxes and registration fees, (c) costs incurred on initial development of the raw land in preparation for future projects, and (d) borrowing costs. They are transferred to lots, condominium and residential units for sale under “Real estate inventories” when the project plans, development and construction estimates are completed and the necessary permits are secured.

#### Investments in Associates

The Group’s investment in associates is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in associates is carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group’s share of net assets of the associates. The consolidated statement of income reflects the share of the results of operations of the associates. The Group recognizes its share of the losses of the associate until its share of losses equals or exceeds its interest in the associate, at which point the Group discontinues recognizing its share of further losses.

Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associates and the Group are identical and the associates’ accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on investment in an associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in an associate is impaired.





If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in the associate and its carrying value and recognize the amount in the consolidated statement of income.

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

#### Investment Properties

Investment properties consist of commercial mall, land and other properties that are held for long term rental yields and capital appreciation and land held with undetermined future use. Investment properties also include right-of-use assets involving real properties that are subleased to other entities. Investment properties, except for land, are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Land is carried at cost less accumulated impairment losses, if any. Initial cost of investment properties consists of cash paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction and directly attributable costs of bringing the investment properties to its intended location and working condition, including borrowing costs.

Constructions-in-progress are carried at cost (including borrowing costs) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete.

For those right-of-use assets that qualify as investment properties, i.e., those land that are subleased by the Group, these are classified under investment properties. Consistent with the Group's policy regarding the measurement of investment properties, these assets are subsequently measured at cost less amortization and impairment in value.

Investment properties built on rented properties are depreciated over their estimated useful lives or lease term, whichever is shorter.

Depreciation of investment properties is computed using the straight-line method over the estimated useful lives (EUL) of these assets as follows:

	Years
Buildings and improvement	20-50
Machinery and equipment	5-15

The EUL and the depreciation method is reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefit from items of investment properties.

Investment properties also include prepaid commission representing incremental costs that are directly attributable to negotiating and arranging a lease. These are initially recognized at cost and are amortized over the related lease term.



Investment property is derecognized when it is either disposed of or permanently withdrawn from use and there is no future economic benefit expected from its disposal or retirement. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property 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 property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

#### Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and accumulated impairment losses, if any. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use including borrowing cost.

Construction-in-progress, is stated at cost. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and ready for operational use.

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed on the straight-line basis over the EUL of the assets, as follows:

	Years
Buildings	20-50
Machinery and equipment	5-20
Transportation equipment	5
Furniture and fixtures	3-5

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

The useful life and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When an item of property and equipment is derecognized, the cost of the related accumulated depreciation and amortization and accumulated impairment losses, if any, is removed from the account. Any gain or loss arising from derecognition of the asset is included in the consolidated statement of income in the year the asset is derecognized.



### Intangible Assets

Intangible assets include goodwill, and build, transfer and operate (BTO) rights and developmental rights, which are presented under other noncurrent assets.

Intangible assets acquired separately are measured on initial recognition at costs. The cost of intangible assets acquired in a business combination or contracted arrangements is their fair value at the date of acquisition. Following initial recognition, intangible assets, excluding goodwill, are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intangible assets with finite lives (i.e., BTO rights and developmental rights) are amortized over the economic useful life (i.e., 25 years) and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income.

Intangible assets with indefinite useful lives (i.e., goodwill) are not amortized, but are tested for impairment annually or more frequently, either individually or at the cash generating unit level.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

### Other Assets

Other current and noncurrent assets including construction materials and supplies are carried at cost and pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group.

### Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable and payable from the taxation authority is included as part of “Other assets” and “Accounts payable and accrued expenses”, respectively, in the consolidated statement of financial position.



### Impairment of Nonfinancial Assets

The carrying values of investment in associates, property and equipment, investment properties, right-of-use assets and other nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of income.

For nonfinancial assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually or more frequent if events or changes of circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating unit) is less than their carrying amount of cash-generating unit (or group of cash-generating unit) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

### Revenue Recognition

#### *Revenue from Contracts with Customers*

The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water and electricity in its mall retail spaces and office leasing activities, wherein it is acting as agent.



In September 2019, the Philippine Interpretations Committee (PIC) issued additional guidance to the real estate industry on the implementation of PFRS 15, including guidance on the recording of the difference between the consideration received from the customer and the transferred goods to the customer (i.e., measured based on percentage-of-completion). The PIC allowed real estate companies to recognize the difference as either a contract asset or unbilled receivable. If presented as a contract asset, the disclosures required under PFRS 15 should be complied with. Otherwise, the disclosures required under PFRS 9 should be provided.

The Group opted to retain its existing policy of recording the difference between the consideration received from the customer and the transferred goods to the customer as contract asset.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

#### *Real estate sales*

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

In measuring the progress of its performance obligation over time, the Group uses output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the project accomplishment reports prepared by the third party project managers for high-rise real estate developments and internal project engineers for mid-rise real estate development. The project technical head integrates, reviews and approves the surveys of performance to date of the construction activities of subcontractors.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables is included in the "contract asset" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized installment contract receivables is included in the "contract liabilities" account in the liabilities section of the consolidated statement of financial position.

In case of sales cancellation, the difference between the fair value of the repossessed property less cost to repossess and the outstanding receivable and related accounts at the time of cancellation is recognized in profit or loss.

#### *Common usage service area (CUSA) charges and air conditioning dues (included as part of 'Rental and related services')*

CUSA charges are recognized when the related services are rendered. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, and electricity in its office leasing activities, wherein it is acting as agent. Income from common area and air conditioning dues is computed based on a fixed rate per square meter of the leasable area occupied by the tenant and are presented gross of related cost and expenses.



*Other dues*

For the administration fees, electricity and water usage, the Group determined that it is acting as an agent because the promise of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Group, are primarily responsible for the provisioning of the utilities while the Group administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

*Theater and snack bar sales* (included as part of 'Rental and related services')

Revenue from theater sales is recognized over time using output method when theater services are rendered. Revenue from snack bar sales is recognized at a point in time when goods are actually sold to customers.

*Cost of real estate sales*

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

In addition, the Group recognizes as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

Contract Balances

*Contracts receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

*Contract assets*

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

*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

*Costs to obtain contract* (Commission expenses)

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Selling and marketing expense" account in the consolidated statement of income.



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

*Contract fulfillment assets*

Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group's contract fulfillment assets pertain to land acquisition costs.

*Amortization, de-recognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract*

The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization of contract fulfillment assets and cost to obtain a contract is included within "Cost of real estate sales" and "Selling and marketing expense", respectively.

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

At each reporting date, the Group determines whether there is an indication that the contract fulfillment asset or capitalized cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, the judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.



## Other Revenue and Income Recognition

### *Rental Income*

Rental income arising from investment properties are recognized in the consolidated statement of income either on a straight-line basis over the lease term or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Leases under contingent rents are recognized as income in the period in which they are earned.

### *Income from Forfeited Reservations and Collections*

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

### *Interest Income*

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

### *Other Income*

Other income, including service fees, processing fees, management fees, is recognized when services are rendered and when goods are delivered.

## Cost and Expense Recognition

Costs and expenses are recognized in the consolidated statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the consolidated statement of income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or,
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

### *Expenses*

“General and administrative expenses” and “Selling and marketing expenses” are expenses that are incurred in the course of the ordinary operations of the Group. These usually take the form of an outflow or depletion of assets such as cash and cash equivalents, property and equipment and investment properties. Selling and marketing expenses are costs incurred to sell real estate inventories, which include commissions, advertising and promotions, among others. General and administrative expenses constitute costs of administering the business.

Expenses are recognized in the consolidated statement of income as incurred based on the amounts paid or payable.





### Retirement Costs

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information.

When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

### Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.



A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs.

Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

#### Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

#### Borrowing Costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. They are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs in the consolidated statement of financial position.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended sale are completed. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

All other borrowing costs are expensed as incurred.

As discussed in “*Future Changes in Accounting Policy*”, the Philippine SEC MC 34-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (IAS 23, *Borrowing Cost*) until December 31, 2023. The Group opted to avail of the relief as provided by the SEC.

#### Foreign Currency-Denominated Transactions

The functional and presentation currency of the Parent Company and its subsidiaries and associate is the Philippine Peso. Transactions denominated in foreign currencies are recorded in Philippine Peso based on the exchange rates prevailing at the transaction dates. Foreign currency denominated monetary assets and liabilities are translated to Philippine Peso at exchange rates prevailing at the reporting date. Foreign exchange differentials between rate at transaction date and rate at settlement date or reporting date of foreign currency denominated monetary assets or liabilities are credited to or charged against current operations.

#### Equity

##### *Common and Preferred Stock*

The Group records common and preferred stock at par value and additional paid-in capital as the excess of the total contributions received over the aggregate par values of the equity shares.

The Group considers the underlying substance and economic reality of its own equity instrument and not merely its legal form in determining its proper classification. When any member of the Group purchases the Parent Company’s capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed of.



Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in consolidated equity.

#### *Treasury Stock*

Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid in capital when the shares were issued and to retained earnings for the remaining balance.

#### *Retained Earnings*

Retained earnings represent accumulated earnings of the Group, and any other adjustments to it as required by other standards, less dividends declared. The individual accumulated earnings of the subsidiaries and accumulated equity earnings from an associate included in the consolidated retained earnings are available for dividend declaration when these are declared as dividends by the subsidiaries and associate as approved by their respective BOD.

The partial disposal or acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interests is 1-28 -liabilities in equity under "Retained Earnings" of the parent in transactions where the noncontrolling interests are acquired or sold without loss of control.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of common shares held in treasury.

Dividends on common and preferred shares are deducted from retained earnings when declared and approved by the BOD of the Parent Company. Dividends payable are recorded as liability until paid. Dividends for the year that are declared and approved after reporting date, if any, are dealt with as an event after reporting date and disclosed accordingly.

#### Earnings Per Share (EPS)

Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and dilutive convertible preferred shares. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted would decrease the basic EPS, and then such convertible preferred shares would be deemed dilutive.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.



## Income Tax

### *Current Income Tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

### *Deferred Income Tax*

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except; (a) where deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefit of the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward of MCIT and unused NOLCO can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income tax relating to items recognized directly in other comprehensive income is recognized in consolidated statement of comprehensive income and not in the consolidated statement of income.

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

## Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### *Group as Lessor*

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income on operating leases is recognized on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.



### *Lease Modification*

Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease e.g., addition or termination of the right to use one or more underlying assets, or the extension or shortening of the contractual lease term. In case of a lease modification, the lessor shall account for any such modification by recognizing a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

In case of change in lease payments for an operating lease that does not meet the definition of a lease modification, the lessor shall account for any such change as a negative variable lease payment and recognize lower lease income. No rental income is recognized when the Group waives its right to collect rent and other charges. This is recognized as a rent concession and reported as a negative variable lease payment (see Notes 3 and 15).

### *Group as Lessee*

Except for short-term leases and lease of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group - 30 - recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### *i) Right-of-use-assets*

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group classifies its right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Useful life of right-of-use on land ranges from 20- to 50 years.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

#### *ii) Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.



In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics, and the segments are similar in each of the following respects: (a) the nature of the products and services; (b) the nature of the production processes; (c) the type or class of customer for their products and services; (d) the methods used to distribute their products or provide their services; and, if applicable, the nature of the regulatory environment. The Group's mall retail spaces and office leasing activities are treated as one segment. Financial information on business segments is presented in Note 5 to the consolidated financial statements.

Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects part or all of provision to be reimbursed or recovered, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the Reporting Date

Any post year-end event up to the date of the auditor's report that provides additional information about the Group's position at reporting date (adjusting event) is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed, when material, in notes to the consolidated financial statements.



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### 3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRSs as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic, requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable.

Estimates and judgments 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.

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the consolidated financial statements.

#### *Real Estate Revenue Recognition*

a. Existence of a contract

The Group's primary document for a contract with a customer is a signed contract to sell. It has determined however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as purchase application form and official receipts evidencing collections from buyer, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price.

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

b. Revenue recognition method and measure of progress

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



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

*Evaluation of Impairment on Nonfinancial Assets*

The Group reviews its investments in associates, property and equipment, investment properties, right-of-use assets, intangible assets and other assets (excluding short-term deposits) for impairment of value. This includes consideration of certain indicators of impairment such as significant change in asset usage, significant decline in asset's market value, obsolescence or physical damage of an asset, plans of discontinuing the real estate projects, and significant negative industry or economic trends.

If such indicators are present, and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to recoverable amount.

The recoverable amount is the asset's fair value less cost of disposal, except for investments in associates, which have recoverable value determined using value-in-use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's-length transaction while value-in-use is the present value of estimated future cash flows expected to arise from the investments in associates. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

*Assessment on whether rental concessions granted constitute a lease modification*

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges from the lessees of its commercial spaces.

The Group applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16. In making this judgment, the Group determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Group assessed that the rental concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

The rental concessions granted by the Group for the years ended December 31, 2022, 2021 and 2020 amounted to ₱314.84 million, ₱734.27 million and ₱625.37 million (see Notes 6 and 15).

*Adoption of a 'no tax' regime for FILRT*

As a REIT entity, FILRT can choose to operate within one of two tax regimes (i.e., a 'full tax' regime or a 'no tax' regime). The REIT entity can effectively operate under a 'no tax' regime provided that it meets certain conditions (e.g., listing status, minimum required dividend payments). A REIT entity is required to distribute at least 90% of its annual income as dividends to its investors and is allowed to treat the dividend as deduction for tax purposes making it effectively an income tax-free entity.

As of December 31, 2022 and 2021, FILRT met the provisions of the REIT law and complies with the 90% dividend distribution requirement. FILRT has determined, based on its current tax regime and expected dividend distribution in the succeeding periods, that it can effectively operate on a "no-tax" regime. Accordingly, the Group has derecognized deferred taxes of FILRT as of December 31, 2021 and did not recognize any deferred taxes in 2022.





### *Contingencies*

In the normal course of business, the Group is currently involved in various legal proceedings and assessments. The assessment of probability and estimate of the probable costs for the resolution of these claims have been developed in consultation with outside counsel handling the defense in these matters and based upon analysis of potential results. The Group currently does not believe these proceedings will have material or adverse effect on the Group's financial position and results of operations (see Note 32).

### Use of Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### *Revenue Recognition and Measure of Progress for Real Estate Sales*

The Group's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate sales recognized based on the percentage of completion are measured principally on the basis of physical completion of real estate project.

Following the pattern of real estate revenue recognition, the cost to obtain a contract (e.g., commission), is determined using the percentage of completion. In view of the continuing community quarantines and restricted mobility, the progress of the Group's performance obligation is adversely affected which resulted in lower percentage-of-completion in 2021 and 2020 as compared to previous years. The ease of pandemic restrictions in the first quarter of 2022 resulted in higher construction activities and a higher percentage-of-completion for the Group in 2022 as compared to 2021 and 2020.

For the years ended December 31, 2022, 2021 and 2020, real estate sales amounted to ₱12.84 billion, ₱11.27 billion, and ₱9.84 billion, respectively (see Note 6).

### *Evaluation of Impairment of Contract Receivables and Contract Assets*

The Group uses the vintage analysis to calculate ECLs for contracts receivables and contract assets. The loss rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, market segment and collateral type).

The vintage analysis (the model) is initially based on the Group's historical observed default rates. The Group will calibrate the model to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

The Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables from sale of real estate during the year and impact of COVID-19 pandemic did not materially affect the Group's allowance for ECL.



The information about the ECLs on the Group's contract receivables and contract assets is disclosed in Note 8.

The carrying values of contract receivables and contract assets are as follows:

	2022	2021
	(In Thousands)	
Contracts receivables (Note 8)	<b>₱2,128,881</b>	₱5,337,931
Contract assets (Note 6)	<b>10,482,956</b>	8,330,575

*Leases – Estimating the incremental borrowing rate to measure lease liabilities*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The incremental borrowing rate used by the Group to measure lease liabilities range from 8.18 % to 8.54% in 2022 and 2021.

The Group's lease liabilities amounted to ₱6.51 billion and ₱6.35 billion as of December 31, 2022 and 2021, respectively (see Note 15).

*Estimating NRV of Real Estate Inventories*

The Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories, management considers whether the selling prices of those inventories have significantly declined. Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. In line with the impact of COVID-19, the Group experienced limited selling activities that resulted in lower sales in 2022 and 2021. In evaluating NRV, recent market conditions and current market prices have been considered.

As of December 31, 2022 and 2021, the carrying amount of real estate inventories amounted to ₱71.33 billion and ₱68.73 billion, respectively (see Note 10). No impairment adjustments were recognized since the costs are lower than NRV for the years ended December 31, 2022, 2021 and 2020.

*Evaluation of Impairment on Goodwill*

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. The Group's impairment test for goodwill on acquisition of FILRT, FAC and Festival Supermall structure is based on value-in-use calculation that uses a discounted cash flow model. The cash flows are derived from budget period of 5 years and do not include restructuring activities that the Group is not yet committed to nor significant future investments that will enhance the asset base of the cash generating unit being tested.



The Group has adjusted the cash flows forecast and assumptions in 2022 to consider the impact associated with the COVID 19 pandemic. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as revenue growth rates, gross margins and terminal growth rates used. The pre-tax discount rates used in 2022 and 2021 were 9.3% to 10.0% and 8.9% to 10.0%, respectively. The growth rates used beyond the forecast period for different cash-generating units were 3% to 10%.

As of December 31, 2022 and 2021, the Group has determined that its goodwill is not impaired. The carrying value of goodwill amounted to ₱4.57 billion as of December 31, 2022 and 2021 (see Note 4).

#### *Recognition of Deferred Income Tax Assets*

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient future taxable profit to allow all or part of its deferred income tax assets to be utilized.

The Group's recognized deferred tax assets amounted to ₱1.81 billion and ₱1.91 billion as of December 31, 2022 and 2021, respectively (see Note 28). The tax effect of the Group's carryforward benefits of NOLCO for which no deferred income tax assets were recognized amounted to ₱191.7 million and ₱125.36 million in 2022 and 2021, respectively (see Note 28).

#### *Fair Values of Assets and Liabilities*

The Group carries and discloses certain assets and liabilities at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., interest rate), the amount of changes in fair value would differ due to usage of different valuation methodology. Any changes in fair value of these assets and liabilities would affect directly the Group's consolidated statement of income and other comprehensive income (see Notes 13 and 29).

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## **4. Goodwill**

Goodwill arising from business combinations in the Group's consolidated statements of financial position as of December 31, 2022 and 2021 consists of (amounts in thousands):

Festival Supermall structure	₱3,745,945
FAC	494,744
FILRT	326,553
	<u>₱4,567,242</u>

In September 2006, the Group entered into a series of transactions pursuant to which it acquired: (1) 60% ownership interest in FAC from FDC; (2) 60% ownership interest in FILRT from FAI; and, (3) Festival Supermall structure from FAI. In exchange for acquiring these assets, the Group issued a total of 5.64 billion common shares to FDC and FAI and assumed ₱2.50 billion outstanding debts of FDC and FAI. The business combinations resulted in the recognition of goodwill amounting to ₱4.24 billion, which comprises the fair value of expected synergies arising from the acquisitions.



Subsequently in February 2010, the Parent Company acquired the remaining 40% interests in FILRT from Africa-Israel Properties (Phils.), Inc. to obtain full control of the then joint venture. The acquisition resulted in FILRT becoming wholly-owned subsidiary of the Parent Company. The acquisition of the joint venture partner's interests was accounted for as business combination and resulted in recognition of goodwill amounting to ₱326.55 million.

As of December 31, 2022 and 2021, the recoverable value of the cash generating units to which the goodwill pertains is in excess of the carrying value of the cash generating units, thus, no impairment has been recognized.

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## 5. Segment Reporting

For management purposes, the Group is organized into the following business units:

### *Real Estate*

This involves the acquisition of land, planning and development of large-scale, fully integrated residential communities, as well as the development and sale of residential lots, housing units, medium-rise residential buildings, farm estates, industrial parks, residential resort projects, a private membership club and condominium buildings.

### *Leasing*

This involves the operations of Festival Supermall, Fora Tagaytay, Main Square and Il Corso, including its management and theater operations, and the leasing of commercial and office spaces in Makati City, Muntinlupa City, Pasay City, Bacoar City, Tagaytay City, Cebu City and Clark. This also includes the hotel operations of TSNC and NSI and the operations of PDDC of a district cooling system within existing and future buildings at Northgate Cyberzone Area, Filinvest City, Alabang, Muntinlupa City.

Management monitors the operating results of each of its business units for purposes of resource allocation and performance assessment. Performance of each segment is evaluated based on their profit and loss or net income.

The chief operating decision-maker of the Group is the Executive Committee. The committee reviews internal reports to assess performance and allocate resources. Based on the reports, it is also able to determine both the operating and non-operating segments. Reporting by geographical segments does not apply as the Group currently operates in the Philippines only. The Group's revenues are earned in the Philippines.

Transfer prices between segments are based on rates agreed upon by the parties and have terms equivalent to transactions entered into with third parties.

For the years ended December 31, 2022, 2021, and 2020, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

The financial information on the operations of these business segments as shown below are based on the measurement principles that are similar with those used in measuring the assets, liabilities, income and expenses in the consolidated financial statements which is in accordance with PFRSs as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic, except for the adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA).



The information about the financial position and results of operations of these business segments as of and for the years ended December 31 are summarized below (amounts in thousands).

2022					
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
<b>Revenue</b>					
External	P12,836,056	P6,350,408	P19,186,464	P-	P19,186,464
Inter-segment	340,942	-	340,942	(340,942)	-
	13,176,998	6,350,408	19,527,406	(340,942)	19,186,464
Equity in net earnings of associates	78,956	-	78,956	-	78,956
Other income	1,854,110	1,099,670	2,953,780	(2,274,854)	678,926
	P15,110,064	P7,450,078	P22,560,142	(2,615,796)	P19,944,346
<b>Net income</b>	<b>P3,522,460</b>	<b>P1,588,870</b>	<b>P5,111,330</b>	<b>(1,590,193)</b>	<b>P3,521,137</b>
<b>Adjusted EBITDA</b>	<b>P5,024,557</b>	<b>P4,466,521</b>	<b>P9,491,078</b>	<b>(1,397,537)</b>	<b>P8,093,541</b>
<b>Segment assets</b>	<b>P113,610,862</b>	<b>P98,669,097</b>	<b>P212,279,959</b>	<b>(12,164,780)</b>	<b>P200,115,179</b>
Less net deferred tax assets	-	91,383	91,383	-	91,383
<b>Net segment assets</b>	<b>P113,610,862</b>	<b>P98,577,714</b>	<b>P212,188,576</b>	<b>(12,164,780)</b>	<b>P200,023,796</b>
<b>Segment liabilities</b>	<b>69,622,905</b>	<b>44,627,867</b>	<b>114,250,772</b>	<b>(5,638,334)</b>	<b>108,612,438</b>
Less net deferred tax liabilities	5,547,080	19,612	5,566,692	58,518	5,625,210
<b>Net segment liabilities</b>	<b>P64,075,825</b>	<b>P44,608,255</b>	<b>P108,684,080</b>	<b>(5,696,852)</b>	<b>P102,987,228</b>
<b>Cash flows provided by (used in):</b>					
Operating activities	(P1,051,285)	P4,070,795	P3,019,510	P3,114,884	P6,134,394
Investing activities	(1,369,354)	(3,836,569)	(5,205,923)	(3,969,936)	(9,175,859)
Financing activities	(1,221,205)	962,387	258,818	261,158	2,340
2021					
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
<b>Revenue</b>					
External	P11,274,509	P5,591,801	P16,866,310	P-	P16,866,310
Inter-segment	233,218	-	233,218	(233,218)	-
	11,507,727	5,591,801	17,099,528	(233,218)	16,866,310
Equity in net earnings of associates	112,023	-	112,023	-	112,023
Other income	11,333,805	2,544,546	13,878,351	(13,117,765)	760,586
	P22,953,555	P8,136,347	P31,089,902	(13,350,983)	P17,738,919
<b>Net income</b>	<b>P13,289,790</b>	<b>P3,478,276</b>	<b>P16,768,066</b>	<b>(12,462,838)</b>	<b>P4,305,228</b>
<b>Adjusted EBITDA</b>	<b>P16,403,290</b>	<b>P5,590,819</b>	<b>P21,994,109</b>	<b>(14,547,117)</b>	<b>P7,446,992</b>
<b>Segment assets</b>	<b>P114,176,209</b>	<b>P83,223,266</b>	<b>P197,399,475</b>	<b>(4,175,944)</b>	<b>P193,223,531</b>
Less net deferred tax assets	-	95,553	95,553	-	95,553
<b>Net segment assets</b>	<b>P114,176,209</b>	<b>P83,127,713</b>	<b>P197,303,922</b>	<b>(4,175,944)</b>	<b>P193,127,978</b>
<b>Segment liabilities</b>	<b>P67,170,101</b>	<b>P29,599,056</b>	<b>P96,769,157</b>	<b>P6,664,150</b>	<b>P103,433,307</b>
Less net deferred tax liabilities	5,416,352	(136,114)	5,280,238	37,031	5,317,269
<b>Net segment liabilities</b>	<b>P61,753,749</b>	<b>P29,735,170</b>	<b>P91,488,919</b>	<b>P6,627,119</b>	<b>P98,116,038</b>
<b>Cash flows provided by (used in):</b>					
Operating activities	P442,988	P6,908,729	P7,351,717	P3,791,626	P3,560,091
Investing activities	(1,188,848)	(8,570,940)	(9,759,788)	(3,341,515)	(6,418,273)
Financing activities	(1,807,044)	13,133,583	11,326,539	(5,503,654)	5,822,885



	2020				
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Revenue					
External	₱9,837,122	₱7,527,956	₱17,365,078	₱—	₱17,365,078
Inter-segment	61,144	—	61,144	(61,144)	—
	9,898,266	7,527,956	17,426,222	(61,144)	17,365,078
Equity in net earnings of associates	516,450	—	516,450	—	516,450
Other income	9,291,622	484,270	9,775,892	(9,031,037)	744,855
	₱19,706,338	₱8,012,226	₱27,718,564	(₱9,092,181)	₱18,626,383
Net income	₱10,535,014	₱1,979,406	₱12,514,420	(₱8,556,670)	₱3,957,750
Adjusted EBITDA	₱11,650,307	₱5,371,478	₱17,021,785	(₱8,376,266)	₱8,645,519
Segment assets	₱127,394,893	₱63,510,274	₱190,905,167	(₱9,900,021)	181,005,146
Less net deferred tax assets	—	82,405	82,405	—	82,405
Net segment assets	₱127,394,893	₱63,427,869	₱190,822,762	(₱9,900,021)	180,922,741
Segment liabilities	₱53,922,142	₱55,825,136	₱109,747,278	(₱3,121,075)	₱106,626,203
Less net deferred tax liabilities	6,339,213	(20,489)	6,318,724	194,312	6,513,036
Net segment liabilities	₱47,582,929	₱55,845,625	₱103,428,554	(₱3,315,387)	₱100,113,167
Cash flows provided by (used in):					
Operating activities	(₱4,821,733)	₱13,760,967	₱8,939,234	(₱1,646,883)	₱7,292,351
Investing activities	(322,843)	(5,298,320)	(5,621,163)	—	(5,621,163)
Financing activities	912,263	(455,230)	457,033	(208,285)	248,748

The following table shows a reconciliation of the adjusted earnings before interest and other finance charges, income taxes, depreciation and amortization (EBITDA) to income before income tax in the consolidated statement of income. Adjusted EBITDA is the Group's EBITDA adjusted by the equity in net earnings from associates for the year:

	2022	2021	2020
		(In Thousands)	
Adjusted EBITDA	<b>₱8,093,541</b>	₱7,308,423	₱8,645,519
Depreciation and amortization (Notes 13, 14 and 16)	<b>(1,630,038)</b>	(1,446,779)	(1,594,368)
Operating profit	<b>6,463,503</b>	5,861,644	7,051,151
Interest and other finance charges (Note 23)	<b>(2,294,243)</b>	(2,426,791)	(3,189,462)
Equity in net earnings of an associate (Note 12)	<b>78,956</b>	112,023	516,450
Income before income tax	<b>₱4,248,216</b>	₱3,546,876	₱4,378,139

## 6. Revenue from Contracts with Customers

### Disaggregated Revenue Information

The Group's disaggregation of each sources of revenue is presented below:

	2022	2021	2020
		(In Thousands)	
<b>Real estate sales by market segment</b>			
Medium income	<b>₱8,915,046</b>	₱7,582,470	₱7,545,026
Low affordable and affordable	<b>2,661,307</b>	2,500,696	1,375,284
High-end and others	<b>1,026,177</b>	877,766	814,504
Socialized	<b>233,526</b>	313,577	102,308
	<b>12,836,056</b>	11,274,509	9,837,122

(Forward)



	2022	2021	2020
<b>Cinema operations by type of goods or services</b> (included as part of rental and related services)			
Theater and parking sales	<b>₱163,853</b>	₱63,021	₱18,821
Snack bar sales	<b>8,871</b>	10	1,920
	<b>172,724</b>	63,031	20,741
<b>Tenant dues</b>			
Office leasing	<b>1,158,229</b>	1,210,100	1,560,292
Mall operations	<b>344,514</b>	282,993	298,484
	<b>1,502,743</b>	1,493,093	1,858,776
<b>Total revenue from contracts with customers</b>	<b>14,511,523</b>	12,830,633	11,716,639
<b>Rental revenues</b>			
Office leasing	<b>3,513,615</b>	3,585,598	4,895,829
Mall operations	<b>1,161,326</b>	450,079	752,610
	<b>4,674,941</b>	4,035,677	5,648,439
<b>Total Revenue</b>	<b>₱19,186,464</b>	₱16,866,310	₱17,365,078

The Group's real estate sales and theater sales are revenue from contracts with customers which are recognized over time while revenue from snack bar sales is recognized at a point in time.

As of December 31, 2022, contract balances are as follows:

	Current	Noncurrent	Total
		(In Thousands)	
Contracts receivable	<b>₱2,128,881</b>	<b>₱—</b>	<b>₱2,128,881</b>
Contract assets	<b>5,399,792</b>	<b>5,083,164</b>	<b>10,482,956</b>
Contract liabilities	<b>1,012,294</b>	<b>283,068</b>	<b>1,295,362</b>

As of December 31, 2021, contract balances are as follows:

	Current	Noncurrent	Total
		(In Thousands)	
Contracts receivable	<b>₱5,337,931</b>	<b>₱—</b>	<b>₱5,337,931</b>
Contract assets	<b>4,177,819</b>	<b>4,152,756</b>	<b>8,330,575</b>
Contract liabilities	<b>1,171,384</b>	<b>774,212</b>	<b>1,945,596</b>

Real estate sales contracts are collectible in equal monthly principal installments in varying periods of two (2) to ten (10) years. Interest rates per annum range from 11.5% to 19.0%. Titles to the residential units sold transferred to customers upon full payment of the contract price.

Contract assets represent the right to consideration for assets already delivered by the Group in excess of the amount recognized as contracts receivable. Contract assets is reclassified to contracts receivable when monthly amortization of customer is due for collection.

In 2022, the Parent Company entered into an Agreement for Purchase of Contract Assets with a local bank. The bank agreed to buy the contract assets on a without recourse basis, and the Parent Company agreed to sell, assign, transfer and convey to the bank all its rights, titles, and interest in and to the contract assets. Total proceeds from these transactions equivalent to the carrying value of the contract assets sold amounted to ₱2.18 billion. There was no similar transaction in 2021.



Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the good and services transferred based on percentage of completion. The movement in contract liability arise mainly from revenue recognition of completed performance obligations. The amount of revenue recognized in 2022 and 2021 from amounts included in contract liabilities at the beginning of the year amounted to ₱1.31 billion and ₱537.44 million, respectively.

#### Performance Obligation

Information about the Group's performance obligations are summarized below:

##### *Real estate sales*

The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of a real estate unit may cover either (a) a lot; (b) house and lot and (c) condominium unit. There is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the purchase application form and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include downpayment of 20% to 30% of the contract price spread over a certain period (e.g., one to two years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results in either a contract asset or contract liability.

The performance obligation is satisfied upon delivery of the completed real estate unit. The Group provides one year warranty to repair minor defects on the delivered house and lot and condominium unit. This is assessed by the Group as a quality assurance warranty and not treated as a separate performance obligation.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2022 and 2021 amounted to ₱3.14 billion and ₱1.62 billion, respectively. Performance obligation for the transaction price amounting to ₱2.31 billion and ₱1.49 billion will be satisfied within one year as of December 31, 2022 and 2021, respectively.

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Group's real estate projects. The Group's mid-rise condominium units and high-rise condominium units are completed within three (3) and five (5) years, respectively, from start of construction while house and lots are expected to be completed within 12 months.

##### *Rental agreements*

The Group entered into lease agreements for its mall retail spaces and office spaces with the following identified performance obligations: (a) lease of space; (b) provisioning of water and electricity; (c) provision of air conditioning and CUSA services presented as tenant dues; and, (d) administration fee. Revenue from lease of space is recognized on a straight-line basis over the lease term while revenue for the remaining performance obligations are recognized when services are





rendered. The tenant is required to settle within 7 to 20 days upon receipt of the bill. In case of delay in payments, a penalty of 3% to 36% per annum is charged for the amount due for the duration of delay. The lease arrangement would typically require a tenant to pay advance rental equivalent to three (3) months and a security deposit equivalent to three (3) months rental to cover any breakages after the rental period, with the excess returned to the tenant.

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges as part of lease concessions it granted to lessees. Rent discounts and concessions given vary for merchants that are: (1) allowed to operate during community quarantine and operational; (2) allowed to operate during community quarantine but not operational; and, (3) not allowed to operate during community quarantine.

#### Cost to Obtain Contracts and Contract Fulfillment Assets

The rollforward of the cost to obtain contract included in the other current assets is as follows:

	2022	2021
	(In Thousands)	
Balance at beginning of year	<b>₱474,282</b>	₱776,795
Additions	<b>702,663</b>	192,521
Amortization (Note 22)	<b>(703,093)</b>	(495,034)
Balance at end of year (Note 11)	<b>₱473,852</b>	₱474,282

Amortization of cost to obtain contract is recognized in the consolidated statements of comprehensive income under selling and marketing expenses.

For the years ended December 31, 2022 and 2021, additions of contract fulfillment costs amounted to ₱786.78 million and ₱3.89 million, respectively (see Note 10). Amortization of contract fulfillment costs amounted to ₱1.06 billion and ₱948.23 million for the years ended December 31, 2022 and 2021, respectively. Contract fulfillment assets is included as part of real estate inventories.

The Group reviews its major contracts to identify indicators of impairment of contract fulfillment assets by comparing the carrying amount of the asset to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract.

In determining estimated amount of consideration, the Group uses the same principles in determining contract transaction price.

It is the Group's accounting policy, as set out in Note 2, that if a contract or specific performance obligation has exhibited marginal profitability or other indicators of impairment, judgement is applied to ascertain whether the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits.



## 7. Cash and Cash Equivalents

This account consists of:

	2022	2021
	(In Thousands)	
Cash	<b>₱5,278,698</b>	₱6,443,411
Cash equivalents	<b>1,340,437</b>	3,214,849
	<b>₱6,619,135</b>	₱9,658,260

Cash includes cash on hand and in banks. Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and are subject to an insignificant risk of change in value.

Interest income earned on the Group's cash and cash equivalents amounted to ₱71.20 million, ₱23.15 million and ₱34.53 million in 2022, 2021 and 2020, respectively (see Note 23).

There is no restriction on the Group's cash and cash equivalents as at December 31, 2022 and 2021.

## 8. Contracts Receivables

This account consists of:

	2022	2021
	(In Thousands)	
Contracts receivable	<b>₱1,906,849</b>	₱5,133,740
Receivables from government and financial institutions	<b>222,032</b>	204,191
	<b>₱2,128,881</b>	₱5,337,931

Real estate sales contracts are collectible over varying periods within two (2) to ten (10) years. The receivables arising from real estate sales are collateralized by the corresponding real estate properties sold. The Group records any excess of progress work over the right to an amount of consideration that is unconditional (i.e., contracts receivable) as contract assets (see Note 6).

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.



In 2022, the Group granted relief under the Bayanihan Act during the first half of the year and had gradually removed this relief as foot traffic improved and as retail tenants recover by the end of the year. In 2021 and 2020, the Group provided reliefs under Bayanihan 1 Act and Bayanihan 2 Act, which offered financial reliefs to its borrowers/counterparties as a response to the effect of the COVID-19 pandemic. These relief measures included the restructuring of existing receivables including extension of payment terms. Based on the Group's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets.

Receivables from government and financial institutions pertain to government and bank-financed real estate sales. Receivables from government and financial institutions are collectible within one year.

Interest income recognized on contracts receivable amounted to ₱276.49 million, ₱355.06 million and ₱347.22 million in 2022, 2021 and 2020, respectively (see Note 23). Interest rates per annum on contracts receivable range from 11.5% to 19.0% for these years.

The Group has a mortgage insurance contract with Philippine Guarantee Corporation (PhilGuarantee), a government insurance company for a retail guaranty line. As of December 31, 2022 and 2021, the contracts (comprise of both contract receivables and contract assets) covered by the guaranty line amounted to ₱534.05 million and ₱796.7 million respectively. As of December 31, 2022 and 2021, the remaining unutilized guaranty line amounted to ₱1.43 billion and ₱1.57 billion, respectively.

As of December 31, 2022 and 2021, no impairment losses were recognized from contracts receivables.

## 9. Other Receivables

This account consists of:

	2022	2021
	(In Thousands)	
Receivables from tenants	<b>₱1,876,759</b>	₱1,623,286
Due from related parties (Notes 12 and 20)	<b>464,618</b>	472,233
Advances to officers and employees	<b>322,326</b>	310,616
Receivables from homeowners' associations	<b>286,148</b>	261,127
Receivables from buyers	<b>917</b>	1,003
Others	<b>1,905</b>	89,884
	<b>2,952,673</b>	2,758,149
Less: Allowance for expected credit losses	<b>50,667</b>	47,686
	<b>₱2,902,006</b>	₱2,710,463

"Receivables from tenants" represent charges to tenants for rentals and utilities normally collectible within 15-20 days from billing date. Allowance for expected credit losses related to tenants' accounts specifically determined to be impaired amounted to ₱34.80 million and ₱31.82 million as of December 31, 2022 and 2021, respectively. The Group has recognized provision for expected credit losses amounting to ₱2.98 million in 2022 and ₱7.70 million in 2021 (nil in 2020).



“Advances to officers and employees” represent advances for project costs, marketing activities, travel and other expenses arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.

“Receivables from homeowners’ associations” represent claims from the homeowners’ association of the Group’s projects for the payment of the expenses on behalf of the association. Allowance for expected credit losses related to these receivables, determined using collective impairment assessment, amounted to ₱15.86 million as of December 31, 2022 and 2021. The Group has not recognized provision for expected credit losses in 2022, 2021 and 2020.

“Receivables from buyers” mainly pertain to advances for fit-out funds and other advances relating to insurance and other chargeable expenses to buyers which are normally collectible within a year.

“Others” represent advances for selling, marketing, and administrative expenses of international sales offices, arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.

## 10. Real Estate Inventories

This account consists of:

	2022	2021
	(In Thousands)	
Real estate inventories – at cost		
Lots, condominium and residential units for sale	<b>₱44,623,160</b>	₱42,808,627
Land and land development	<b>26,703,327</b>	25,918,294
	<b>₱71,326,487</b>	₱68,726,921

A summary of the movement in lots, condominium and residential units for sale is set out below:

	2022	2021
	(In Thousands)	
Balance at beginning of year	<b>₱42,808,627</b>	₱41,659,064
Land costs transferred from land and land development (Note 6)	<b>786,781</b>	3,894
Net transfer to investment properties (Note 13)	<b>(80,520)</b>	–
Construction/development costs incurred	<b>7,886,878</b>	7,093,537
Capitalized borrowing costs	<b>576,083</b>	495,820
Cost of real estate sales	<b>(7,354,689)</b>	(6,443,688)
	<b>₱44,623,160</b>	₱42,808,627

Capitalization rate for the capitalized borrowing costs is 4.7%, 4.6% and 1.0% in 2022, 2021 and 2020, respectively.



A summary of the movement in land and land development is set out below:

	2022	2021
	(In Thousands)	
Balance at beginning of year	<b>₱25,918,293</b>	₱23,885,503
Land acquisitions (Note 13)	<b>747,018</b>	653,310
Land costs transferred to real estate inventories	<b>(786,781)</b>	(3,894)
Site development and incidental costs	<b>824,797</b>	1,383,375
	<b>₱26,703,327</b>	₱25,918,294

As of December 31, 2022 and 2021, on account additions to land and land development during the year which remain outstanding amounted to ₱4,594.88 million and ₱4,752.19 million, respectively, and these are recognized as part of “Accounts payable and accrued expense” (see Note 17).

Borrowing costs capitalized as part of land and land development, where activities necessary to prepare it for its intended use is ongoing, amounted to ₱430.55 million, ₱428.85 million and ₱113.48 million for the years ended December 31, 2022, 2021 and 2020, respectively. Capitalization rate is 4.7%, 4.9% and 2.4% in 2022, 2021 and 2020, respectively.

Acquisition of land and land development included under cash flows used in operating activities amounted to ₱1.29 billion, ₱1.18 billion and ₱1.02 billion for the years ended December 31, 2022, 2021 and 2020, respectively.

## 11. Other Current Assets

This account consists of:

	2022	2021
	(In Thousands)	
Input taxes – net	<b>₱3,706,199</b>	₱2,772,002
Creditable withholding taxes	<b>1,291,214</b>	1,039,951
Cost to obtain contract (Note 6)	<b>473,852</b>	474,282
Advances to contractors and suppliers	<b>313,696</b>	218,702
Construction materials and supplies	<b>281,018</b>	166,497
Prepaid expenses	<b>239,294</b>	209,645
Short-term deposits (Note 30)	<b>75,492</b>	52,232
	<b>₱6,380,765</b>	₱4,933,311

“Input taxes” pertains to VAT passed on from purchases of goods or services which is applied against output VAT.

“Creditable withholding taxes” are the taxes withheld by the withholding agents from payments to the sellers which is creditable against the income tax payable.

“Cost to obtain contract” includes accrued commissions net of amount paid to brokers relating to the sale of real estate inventories which qualify for revenue recognition.

“Advances to contractors and suppliers” pertain to down payments made by the Group which are applied against future billings for development and construction contracts of real estate inventories.



“Construction materials and supplies” pertain to inventories to be used in the construction and maintenance of projects.

“Prepaid expenses” consist of prepayments for commissions on leases, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance.

## 12. Investments in Associates

This account consists of:

	2022	2021
	(In Thousands)	
At equity:		
Acquisition cost		
Balance at beginning of year	₱1,007,869	₱996,619
Pro-excel	10,972	—
SharePro, Inc.	—	11,250
Balance at end of year	1,018,841	1,007,869
Accumulated equity in net earnings:		
Balance at beginning of year	1,654,320	1,542,297
Equity in net earnings for the year	78,956	112,023
Balance at end of year	1,733,276	1,654,320
Share in revaluation increment on land at deemed cost		
Balance at beginning of year	2,010,452	1,876,422
Impact of adoption of CREATE Act*	—	134,030
Balance at end of year	2,010,452	2,010,452
Share in other components of equity	372,449	372,449
	₱5,135,018	₱5,045,090

\*Presented as part of retained earnings in the consolidated statement of changes in equity.

As of December 31, the carrying value of the Group’s investments in associates follows:

	2022	2021
	(In Thousands)	
FAI	₱4,854,844	₱4,782,140
DPI	95,500	98,893
FMI	80,353	74,580
CTI	50,218	53,166
Pro-excel	40,047	25,061
SharePro	14,056	11,250
	₱5,135,018	₱5,045,090

### FAI

The Parent Company has a 20% interest in FAI which is involved primarily in the development of commercial buildings, residential condominiums and land. FAI is also involved in leasing of commercial real estate and marketing.



Summarized financial information and reconciliation of investment in FAI is as follows:

	2022	2021
	(In Thousands)	
Current assets	<b>₱12,036,547</b>	₱12,376,252
Noncurrent assets	<b>23,925,505</b>	23,980,258
Total assets	<b>35,962,052</b>	36,356,510
Current liabilities	<b>2,020,483</b>	2,447,298
Noncurrent liabilities	<b>6,500,610</b>	6,899,302
Total liabilities	<b>8,521,093</b>	9,346,600
Equity	<b>₱27,440,959</b>	₱27,009,910
Proportion of the Group's ownership	<b>20%</b>	20%
Equity in net assets of associate	<b>₱5,488,192</b>	₱5,401,982
Less upstream sales	<b>633,348</b>	619,842
Carrying amount of the investment	<b>₱4,854,844</b>	₱4,782,140
Revenue and other income	<b>₱2,155,434</b>	₱2,077,786
Cost and other expenses	<b>(1,341,589)</b>	(1,182,219)
Depreciation	<b>(220,049)</b>	(243,102)
Interest expense	<b>(95,143)</b>	(120,451)
Interest income	<b>7,030</b>	2,503
Income before tax	<b>505,683</b>	534,517
Income tax expense	<b>142,163</b>	52,042
Net income for the year	<b>₱363,520</b>	₱482,475
Group's equity in net earnings of associate	<b>₱72,704</b>	₱96,495

#### DPI

On December 21, 2020, FDC subscribed to 110,000,000 common shares of DPI with par value of ₱1.00 per share amounting ₱110.00 million and equivalent to 55% of DPI's outstanding shares. This resulted in the dilution of FLI's interest in DPI to 45% and deconsolidation by the Group (see Note 1). As a result of the dilution, the investment in DPI is accounted as investment in associate under the equity method. Gain on deconsolidation amounted to ₱131.17 million (see Note 24). For the years ended December 31, 2022 and 2021, share in net earnings (loss) of DPI amounted to (₱3.39 million) and ₱11.19 million, respectively.

#### FMI

In 2016, FMI was incorporated to the lease of the Mimosa Leisure Estate. The Parent Company subscribed for 47.5% of FMI's capital stock amounting to ₱37.83 million. For the years ended December 31, 2022 and 2021, share in net earnings of FMI amounted to ₱5.77 million and ₱0.56 million, respectively.

#### CTI

In 2019, the 30% interest in CTI of the Parent Company was classified as an investment in associate. CTI is primarily involved in information technology service management. Share in net earnings (loss) of CTI amounted (₱2.94 million) and ₱1.02 million for the years ended December 31, 2022 and 2021, respectively.



### Pro-Excel

On December 26, 2019, FILRT and FCI, wholly owned subsidiaries of the Parent, entered into a Deed of Assignment to sell ownership in Pro-Excel to FAI. The sale resulted in a loss of control in Pro-Excel and deconsolidation by the Group.

On December 28, 2022, FAI entered into a Deed of Absolute Sale of Shares to sell portion of its interest in Pro-excel to FLI for a total consideration of ₱10.97 million. The resulting ownership interest of FLI in Pro-excel after the transfer is 47.5%. Share in net earnings of Pro-Excel amounted to ₱4.01 million and ₱2.76 million for the years ended December 31, 2022 and 2021, respectively.

### SharePro, Inc. (SPI)

SPI was incorporated and operating in the Philippines and handles the technical and project management services for the Group. In December 2021, the Parent Company subscribed for 45.0% of SPI's capital stock amounting to ₱11.25 million. Share in net earnings of SPI amounted to ₱2.81 million for the year ended December 31, 2022. There was no share in net earnings in 2021.

Aggregate financial information on the associates with immaterial interest (FMI, CTI, Pro-excel, DPI and SPI) follows:

	2022	2021
	(In Thousands)	
Carrying amount	<b>₱280,174</b>	<b>₱262,950</b>
Share in net income	<b>6,252</b>	15,528
Share in total comprehensive income	<b>6,252</b>	15,528

The Group does not restrict profit distribution of its associates. The associates have no contingent liabilities outside of the ordinary course of business or capital commitments as at December 31, 2022 and 2021.

## 13. Investment Properties

The rollforward analysis of this account as of December 31 follows:

	2022				Right-of-use assets	
	Land	Buildings and Improvements	Machinery and Equipment	Construction in Progress	(Note 15)	Total
	(In Thousands)					
<b>Cost</b>						
Balances at beginning of year	<b>₱14,461,401</b>	<b>₱28,945,082</b>	<b>₱367,238</b>	<b>₱30,981,015</b>	<b>₱5,376,136</b>	<b>₱80,130,872</b>
Additions	<b>1,977,268</b>	<b>647,232</b>	<b>14,777</b>	<b>3,335,283</b>	—	<b>5,974,560</b>
Transfers (Note 10)	<b>94,607</b>	<b>(54,043)</b>	—	<b>10,971</b>	—	<b>51,535</b>
Balances at end of year	<b>16,533,276</b>	<b>29,538,271</b>	<b>382,015</b>	<b>34,327,269</b>	<b>5,376,136</b>	<b>86,156,967</b>
<b>Accumulated Depreciation</b>						
Balances at beginning of year	—	<b>7,234,718</b>	<b>364,273</b>	—	<b>453,892</b>	<b>8,052,883</b>
Depreciation (Note 21)	—	<b>944,725</b>	<b>13,204</b>	—	<b>153,744</b>	<b>1,111,673</b>
Transfers (Note 10)	—	<b>(28,985)</b>	—	—	—	<b>(28,985)</b>
Balances at end of year	—	<b>8,150,458</b>	<b>377,477</b>	—	<b>607,636</b>	<b>9,135,571</b>
<b>Net Book Value</b>	<b>₱16,533,276</b>	<b>₱21,387,813</b>	<b>₱4,538</b>	<b>₱34,327,269</b>	<b>₱4,768,500</b>	<b>₱77,021,396</b>





	2021					
	Land	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Right-of-use assets (Note 15)	Total
(In Thousands)						
<b>Cost</b>						
Balances at beginning of year	₱14,798,900	₱29,160,153	₱216,420	₱26,840,127	₱5,376,136	₱76,391,736
Additions	15,286	706,238	150,818	4,140,888	—	5,013,230
Transfers (Note 14)	(352,785)	(921,309)	—	—	—	(1,274,094)
Balances at end of year	14,461,401	28,945,083	367,238	30,981,015	5,376,136	80,130,872
<b>Accumulated Depreciation</b>						
Balances at beginning of year	—	6,623,937	214,720	—	288,122	7,126,779
Depreciation (Note 21)	—	825,783	149,552	—	165,770	1,141,105
Transfers (Note 14)	—	(215,002)	—	—	—	(215,002)
Balances at end of year	—	7,234,718	364,273	—	453,892	8,052,883
<b>Net Book Value</b>	₱14,461,401	₱21,710,365	₱2,965	₱30,981,015	₱4,922,244	₱72,077,989

Construction in progress pertain to buildings under construction to be leased as retail and office spaces upon completion.

On December 12, 2022, FILRT entered into a Deed of Sale for the purchase of three (3) parcels of land with a total area of 29,086 sq.m. owned by FDC, located in Boracay, Aklan (see Note 20). The acquisition of the land will directly contribute to Group's income starting January 2023.

On June 1, 2022, FLI entered into a Deed of Absolute Sale with a third party for the purchase of five (5) parcels of land with a total area of 82,692 sq.m. located at San Jose Del Monte, Bulacan, for a total selling price of ₱1.31 billion. These were acquired for the development of residential mid-rise buildings and mixed-use commercial spaces such as offices, retail establishments, and data centers. As such, ₱657.44 million is presented as part of land and land development under the 'Real estate inventories' in the consolidated statement of financial position (see Note 10). The acquisition is fully paid in 2022.

On October 7, 2020, FILRT sold a portion of its South Road Properties with a carrying value of ₱672.8 million for a consideration of ₱737.8 million. The gain on sale amounting to ₱65.3 million is presented as gain on sale of investment property under "Other income" in the consolidated statement of comprehensive income (see Note 24).

Borrowing costs capitalized as part of investment properties amounted to ₱858.26 million, ₱856.96 million and ₱645.27 million in 2022, 2021 and 2020, respectively. Capitalization rates used are 3.6% to 6.12%, 1.17% to 3.85%, and 1.00% to 6.14% in 2022, 2021 and 2020, respectively.

The aggregate fair value of the Group's investment properties amounted to ₱214.05 billion and ₱203.28 billion as of December 31, 2022 and 2021, respectively based on third party appraisals performed by an SEC accredited independent appraiser and management appraisal updated using current and year-end values and assumptions. The fair value of investment properties was determined using the Income Approach based on discounted cash flow analysis for buildings and Market approach for land.

Under the Income Approach, all expected cash flow from the use of the assets were projected and discounted using the appropriate discount rate reflective of the market expectations. The valuation of investment property is categorized as Level 3 in the fair value hierarchy since valuation is based on unobservable inputs. The significant unobservable inputs used in the valuation pertains to lease



income growth rate and discount rate. Significant increases (decreases) in discount rate would result in a significantly lower (higher) fair value measurement while a change in the assumption used for the lease income growth rate is accompanied by a directionally similar change in the fair value of the Group's investment properties.

Market data approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. This approach was used for the land as it is commonly used in the property market since inputs and data for this approach are available. For market data approach, the higher the price per sqm., the higher the fair value. The significant unobservable inputs to valuation of the land is the price per square meter ranging from ₱35,000 to ₱275,000.

The Group has no restrictions on the realizability of its investment properties.

Revenue from rental and related services from investment properties amounted to ₱6.05 billion, ₱5.38 billion and ₱7.31 billion in 2022, 2021 and 2020, respectively (see Note 6). Cost of rental and related services arising from investment properties is as follows:

	2022	2021	2020
	(In Thousands)		
Mall operations	<b>₱1,410,754</b>	₱1,331,730	₱1,289,200
Depreciation	<b>993,133</b>	1,013,013	779,223
Others	<b>6,477</b>	33,619	3,719
	<b>₱2,410,364</b>	₱2,378,362	₱2,072,142

“Others” pertain to cost of ticket sales and snack bar sales. The Group classifies the depreciation of fit out cost and machinery and equipment related to the common area and air-conditioning as part of the maintenance and air-conditioning dues that are collected from the tenants. In 2022, 2021 and 2020, depreciation expense recognized as part of “Rental and related services” revenue amounted to ₱13.42 million, ₱67.96 million and ₱161.35 million, respectively.

## 14. Property and Equipment

The rollforward analysis of this account as of December 31 follows:

	2022						
	Land and Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
	(In Thousands)						
<b>Cost</b>							
Balances at beginning of year	₱3,566,434	₱2,243,870	₱176,363	₱135,909	₱194,099	₱217,249	₱6,533,923
Additions	46,803	922,895	8,712	30,830	18,925	3,649	1,031,814
Balances at end of year	3,613,237	3,166,765	185,075	166,739	213,024	220,898	7,565,737
<b>Accumulated Depreciation and Amortization</b>							
Balances at beginning of year	603,913	762,784	145,131	104,786	123,287	–	1,739,902
Depreciation and amortization (Note 21)	95,325	203,305	10,168	18,421	13,337	–	340,556
Balances at end of year	699,238	966,089	155,299	123,207	136,624	–	2,080,458
<b>Net Book Value</b>	<b>₱2,913,998</b>	<b>₱2,200,676</b>	<b>₱29,776</b>	<b>₱43,532</b>	<b>₱76,399</b>	<b>₱220,898</b>	<b>₱5,485,279</b>



	2021						
	Land and Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
	(In Thousands)						
<b>Cost</b>							
Balances at beginning of year	₱2,160,594	₱1,804,016	₱167,788	₱112,523	₱191,736	₱183,444	₱4,620,101
Additions	131,746	439,854	8,575	23,386	2,363	33,805	639,729
Transfers (Note 13)	1,274,094	—	—	—	—	—	1,274,094
Balances at end of year	3,566,434	2,243,870	176,363	135,909	194,099	217,249	6,533,924
<b>Accumulated Depreciation and Amortization</b>							
Balances at beginning of year	327,981	19,901	128,440	76,289	119,345	—	1,271,956
Depreciation and amortization (Note 21)	60,930	142,883	16,692	28,498	3,942	—	252,945
Transfers (Note 13)	215,002	—	—	—	—	—	215,002
Balances at end of year	603,913	762,784	145,132	104,787	123,287	—	1,739,903
<b>Net Book Value</b>	<b>₱2,962,521</b>	<b>₱1,481,086</b>	<b>₱31,232</b>	<b>₱31,122</b>	<b>₱70,811</b>	<b>₱217,249</b>	<b>₱4,794,021</b>

In 2021, NSI started operating TSNC as a hotel. As the use of these assets were changed, investment properties amounting to ₱1,274.09 million, gross of accumulated depreciation of ₱215.00 million, were transferred to property, plant and equipment (see Note 14).

## 15. Leases

### *Group as lessee*

The Group has lease contracts for land as of January 1, 2021. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group has entered into land lease arrangements with lease terms of between 25 and 50 years. There are several leases that include extension option to lease the assets for additional 25 years based on mutual agreement of the parties.

The rollforward analysis of right-of-use assets on land as of and for the year ended December 31 follows:

	2022		
	Investment Properties (Note 13)	Other Noncurrent Assets (Note 16)	Total
	(In Thousands)		
<b>Cost</b>			
At January 1 and December 31	₱5,376,136	₱112,424	₱5,488,560
<b>Accumulated Depreciation</b>			
At January 1	453,892	9,462	463,354
Depreciation (Note 21)	153,744	4,680	158,424
As at December 31	607,636	14,142	621,778
<b>Net Book Value</b>	<b>₱4,768,500</b>	<b>₱98,282</b>	<b>₱4,866,782</b>



	2021		
	Investment Properties (Note 13)	Other Noncurrent Assets (Note 16)	Total
	(In Thousands)		
Cost			
At January 1 and December 31	₱5,376,136	₱112,424	₱5,488,560
Accumulated Depreciation			
At January 1	288,122	8,994	297,116
Depreciation (Note 21)	165,770	468	166,238
As at December 31	453,892	9,462	463,354
Net Book Value	₱4,922,244	₱102,962	₱5,025,206

The rollforward analysis of lease liabilities as of December 31 follows:

	2022	2021
	(In Thousands)	
At January 1	<b>₱6,348,018</b>	₱6,152,960
Interest expense (gross of related capitalized borrowing costs) (Note 23)	<b>520,575</b>	546,379
Payments	<b>(360,103)</b>	(351,321)
As at December 31	<b>6,508,490</b>	6,348,018
Lease liabilities – current portion	<b>246,051</b>	248,590
Lease liabilities – net of current portion	<b>₱6,262,439</b>	₱6,099,428

The Group also has certain lease of land with variable rental payments and lease of office space considered as ‘low-value assets’. The Group applies the lease of ‘low-value assets’ recognition exemptions for these leases.

The following are the amounts recognized in the consolidated statement of income for the years ended December 31:

	2022	2021	2020
	(In Thousands)		
Interest and other finance charges on lease liabilities (Note 23)	<b>₱425,148</b>	₱430,286	₱396,351
General and administrative expenses (Note 21)			
Depreciation expense of right-of-use assets	<b>158,424</b>	166,238	152,528
Variable lease payments	<b>18,309</b>	15,161	11,256
Expenses relating to leases of low-value assets	<b>1,528</b>	1,872	1,872
Total	<b>₱603,409</b>	₱613,557	₱562,007

Interest expense capitalized as part of investment properties amounted to ₱95.43 million and ₱116.09 million in 2022 and 2021, respectively.



Shown below is the maturity analysis of the undiscounted lease payments:

	2022	2021
	(In Thousands)	
1 year	<b>₱376,195</b>	₱363,029
more than 1 years to 2 years	<b>395,440</b>	376,195
more than 2 years to 3 years	<b>414,196</b>	395,440
more than 3 years to 4 years	<b>429,725</b>	414,196
more than 5 years	<b>27,404,729</b>	27,834,454

*Group as lessor*

As lessor, future minimum rental receivables under renewable operating leases as of December 31, 2022 and 2021 are as follows:

	2022	2021
	(In Thousands)	
Within one year	<b>₱4,135,296</b>	₱3,832,883
After one year but not more than five years	<b>7,811,361</b>	8,350,500
After five years	<b>1,257,527</b>	2,681,971
	<b>₱13,204,184</b>	₱14,865,354

The Group entered into lease agreements with third parties covering real estate properties. These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Most lease terms on commercial malls are renewable within one year, except for anchor tenants with lease ranging from 5 to 15 years.

Rental income recognized based on a percentage of the gross revenue of mall tenants included in "Rental and related services" account in the consolidated statement of income amounted to ₱391.64 million, ₱264.92 million and ₱292.56 million in 2022, 2021 and 2020, respectively.

The Group granted rental concessions to its tenants which were affected by the community quarantine imposed by the government amounting to ₱314.84 million, ₱734.37 million and ₱625.37 million in 2022, 2021 and 2020, respectively. These rent concessions did not qualify as a lease modification, thus, were accounted for as negative variable lease payments and reported as reduction of lease income in 2022, 2021 and 2020 (see Note 3).

## 16. Other Noncurrent Assets

This account consists of:

	2022	2021
	(In Thousands)	
BTO rights (Note 32)	<b>₱5,997,831</b>	₱4,638,348
Advances to contractors and suppliers (Note 11)	<b>1,181,476</b>	1,594,945
Advances to joint venture partners	<b>386,073</b>	412,910
Input taxes - net of current portion	<b>230,170</b>	230,170
Creditable withholding taxes - net of current portion	<b>178,626</b>	178,626
Investment in bonds	<b>150,000</b>	—

(Forward)



	2022	2021
	(In Thousands)	
Deposits	₱123,422	₱12,276
Right-of-use assets (Note 15)	112,424	112,424
Financial assets at FVOCI (Note 30)	15,535	15,622
Other assets	109,479	83,450
	8,485,036	7,278,771
Less accumulated amortization	510,405	332,596
	₱7,974,631	₱6,946,175

“BTO rights” related to the development cost, construction and operation of BPO Complex at the land properties owned by Cebu Province. As of December 31, 2022, cost of completed portion pertaining to Cebu Towers 1 and 2 of the BTO project amounted to ₱2.25 billion. Construction of Cebu Towers 3 and 4 are still on-going and are expected to be completed in 2024.

“Right-of-use assets” pertain to the related lease payments required under land lease contracts and the BTO agreement for the land where the buildings were constructed.

The rollforward analysis of BTO rights and right-of-use assets as of December 31 follows:

	2022		
	Right-of-Use Assets		
	BTO Rights	(Note 15)	Total
	(In Thousands)		
<b>Cost</b>			
Balance at beginning of year	₱4,638,348	₱112,424	4,750,772
Additions	1,359,483	—	1,359,483
Balance at end of year	5,997,831	112,424	6,110,255
<b>Accumulated Amortization</b>			
Balance at beginning of year	323,134	9,462	332,596
Amortization	173,129	4,680	177,809
Balance at end of year	496,263	14,142	510,405
<b>Net Book Value</b>	<b>₱5,501,568</b>	<b>₱98,282</b>	<b>₱5,599,850</b>

	2021		
	Right-of-Use Assets		
	BTO Rights	(Note 15)	Total
	(In Thousands)		
<b>Cost</b>			
Balance at beginning of year	₱3,576,269	₱112,424	₱3,688,693
Additions	1,062,079	—	1,062,079
Balance at end of year	4,638,348	112,424	4,750,772
<b>Accumulated Amortization</b>			
Balance at beginning of year	270,873	8,994	279,867
Amortization	52,261	468	52,729
Balance at end of year	323,134	9,462	332,596
<b>Net Book Value</b>	<b>₱4,315,214</b>	<b>₱102,962</b>	<b>₱4,418,176</b>



In 2022, 2021 and 2020, related amortization recognized as part of “Cost of rental and related services” amounted to ₱173.13 million, ₱52.26 million and ₱77.93 million, respectively. Rental income amounting to ₱290.56 million and ₱207.90 million and ₱215.5 million in 2022, 2021 and 2020, respectively, was recognized as part of “Revenue from rental and related services”.

“Deposits” includes security deposits.

“Advances to joint venture partners” are advances (e.g., property taxes and permits) which are normally applied against the share of the joint venture partners from sale of the joint venture properties reported under “Other receivables” in consolidated statements of financial position.

“Financial assets at FVOCI” consist of quoted and unquoted shares of stock (see Note 30). Unquoted investments in shares of stock include unlisted preferred shares in a public utility company which the Group will continue to carry as part of the infrastructure that it provides for its real estate development projects. The Group did not receive dividends from unquoted shares in 2022 and 2021.

“Investment in bonds” consist of a 5-year, non-interest bearing, Class A Senior Notes with a face amount of ₱150.0 million issued by a third party special purpose trust fund duly registered with the Bangko Sentral ng Pilipinas invested by the Parent Company on December 19, 2022.

“Other assets” includes utility deposits.

## 17. Accounts Payable and Accrued Expenses

This account consists of:

	2022			2021		
	Current	Noncurrent	Total	Current	Noncurrent	Total
	(In Thousands)					
Accounts payable (Note 20)	₱5,485,089	₱4,427,187	₱9,912,276	₱6,119,431	₱5,534,413	₱11,653,844
Deposits from tenants	1,343,518	1,486,496	2,830,014	1,295,788	1,429,650	2,725,438
Retention fees payable	2,149,741	517,790	2,667,531	2,001,782	550,160	2,551,942
Accrued expenses	1,486,147	—	1,486,147	1,221,753	—	1,221,753
Deposits for registration	200,645	1,449,396	1,650,041	177,540	1,282,493	1,460,033
Accrued interest on bonds and loans (Notes 18 and 19)	830,908	—	830,908	704,994	—	704,994
Other payables	452,805	166,259	619,064	217,203	143,083	360,286
	₱11,948,853	₱8,047,128	₱19,995,981	₱11,738,491	₱8,939,799	₱20,678,290

“Accounts payable” includes the outstanding balance of the costs of land acquired by the Group and is payable on scheduled due dates or upon completion of certain requirements (see Notes 10, 13 and 14). This account also includes amount payable to contractors and suppliers for the construction and development costs and operating expenses incurred by the Group.

“Deposits from tenants” are advance payments received for rentals, utilities and other fees. These are applied against rental obligations of tenants once due.



“Retention fees payable” pertains to the amount withheld from the progress billings of the contractors and is released generally one year from the completion of the construction agreement.

“Deposits for registration” pertain to amounts collected from buyers for payment of registration of real estate properties. This account is charged for costs incurred related to transfer of title to buyers.

“Accrued expenses” pertain to various operating expenses incurred by the Group in the course of business such as salaries and wages, professional fees, unbilled construction cost related to ongoing projects, and utilities expense, among others. These are non-interest-bearing and are normally settled within one year.

Accrued expenses account consists of:

	2022	2021
	(In Thousands)	
Suppliers and contractors	<b>₱1,420,100</b>	₱1,170,281
Professional fees	<b>41,512</b>	38,845
Utilities	<b>16,664</b>	7,878
Interest	<b>6,594</b>	3,531
Other accruals	<b>1,277</b>	1,218
	<b>₱1,486,147</b>	₱1,221,753

“Other payables” pertain mainly to withholding taxes, output VAT payables and deferred income which are generally settled/earned within 12 months. This also includes the amount due to SPI for the retirement benefits of transferred employees (see Notes 20 and 25).

## 18. Loans Payable

This account consists of:

	2022	2021
	(In Thousands)	
Short term loans	<b>₱3,525,000</b>	₱905,000
Long-term loans	<b>29,428,660</b>	31,394,195
Developmental loans from local banks	<b>32,953,660</b>	32,299,195
Less unamortized transaction costs	<b>104,176</b>	116,452
	<b>32,849,484</b>	32,182,743
Less current portion of loans payable	<b>8,446,975</b>	4,912,198
Long-term portion of loans payable	<b>₱24,402,509</b>	₱27,270,545

Developmental loans from local banks will mature on various dates up to 2027. These Peso-denominated loans bear floating interest rates, which are repriced quarterly, semi-annually or annually based on either 3-month, 6-month or 1-year Bloomberg Valuation (BVAL), plus margin, per annum, or fixed rates of 4.43% to 6.53% per annum. These Peso-denominated loans bear floating interest rates, which are repriced quarterly, semi-annually or annually based on either 3-month, 6-month or 1-year Bloomberg Valuation (BVAL), plus margin, per annum, or fixed rates of 4.21% to 6.12% per annum.





Additional loans availed by the Group in 2022, 2021 and 2020 amounted to ₱12.81 billion, ₱16.60 billion and ₱10.68 billion, respectively. These include availment of short-term loans payable amounting to ₱10.33 billion and ₱9.9 billion in 2022 and 2021, respectively. Principal payments made in 2022, 2021 and 2020 amounted to ₱12.16 billion, ₱22.59 billion and ₱8.22 billion, respectively.

As of December 31, 2022 and 2021, short term loans payable, presented under current portion of loans payable amounted to ₱3.53 billion and ₱0.91 billion, respectively.

Interest incurred on these loans (gross of related capitalized borrowing costs) amounted to ₱1.59 billion, ₱1.89 billion and ₱2.59 billion for the years ended December 31, 2022, 2021, and 2020, respectively.

Transactions costs capitalized amounted to ₱42.64 million and ₱63.14 million in 2022 and 2021, respectively. Amortization of transaction costs amounted to ₱54.92 million, ₱75.55 million and ₱91.63 million in 2022, 2021 and 2020, respectively, and included under “Interest and other finance charges” (see Note 23).

The Group’s loans payable is unsecured and no assets are held as collateral for these debts. The agreements covering the abovementioned loans require maintaining certain financial ratios including debt-to-equity ratio ranging from 2.0x to 3.0x and minimum interest coverage ratio of 1.0x.

The agreements also provide for restrictions and requirements with respect to, among others, making distribution on its share capital; purchase, redemption or acquisition of any share of stock if it would materially and adversely affect the Group’s ability to perform its obligations; sale or transfer and disposal of all or a substantial part of its capital assets other than in the ordinary course of business; restrictions on use of funds other than the purpose it was approved for; and entering into any partnership, merger, consolidation or reorganization except in the ordinary course of business and except when the Group maintains controlling interest. As of December 31, 2022 and 2021, the Group has not been cited in default on any of its outstanding obligations.

## 19. Bonds Payable

This account consists of:

	2022	2021
	(In Thousands)	
Bonds payable	<b>₱41,400,000</b>	₱36,500,000
Less unamortized transaction costs	<b>267,214</b>	211,078
	<b>41,132,786</b>	36,288,922
Less current portion of bonds payable	<b>15,017,440</b>	6,991,749
Long-term portion of bonds payable	<b>₱26,115,346</b>	₱29,297,173

- On November 8, 2013, the Parent Company issued fixed rate bonds with aggregate principal amount of ₱7.00 billion comprised of ₱4.30 billion, 7-year bonds with interest of 4.86% per annum due in 2020 and ₱2.70 billion, 10-year bonds with interest of 5.43% per annum due in 2023. Interest for both bonds is payable quarterly in arrears starting on February 8, 2014. As of December 31, 2022, ₱2.70 billion of the related bonds payable remain outstanding.



Unamortized debt issuance cost on bonds payable amounted to ₱2.16 million and ₱4.70 million of December 31, 2022 and 2021, respectively. Accretion in 2022, 2021 and 2020 included as part of 'Interest and other finance charges' amounted to ₱2.53 million, ₱2.73 million and ₱8.25 million, respectively (see Note 23).

- b. On December 4, 2014, the Parent Company issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱7.00 billion comprising of ₱5.30 billion, 7-year fixed rate bonds due in 2021 and ₱1.70 billion, 10-year fixed rate bonds due in 2024. The 7-year bonds carry a fixed rate of 5.40% per annum, while the 10-year bonds have a fixed interest rate of 5.64% per annum. As of December 31, 2022, ₱1.70 billion of the related bonds payable remain outstanding.

Unamortized debt issuance cost on bonds payable amounted to ₱2.95 million and ₱4.48 million as of December 31, 2022 and 2021, respectively. Accretion in 2022, 2021 and 2020 included as part of "Interest and other finance charges" amounted to ₱1.53 million, ₱8.29 million and ₱9.33 million, respectively (see Note 23).

- c. On August 20, 2015, the Parent Company issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱8.00 billion comprising of ₱7.00 billion, 7-year fixed rate bonds due in 2022 and ₱1.00 billion, 10-year fixed rate bonds due in 2025. The 7-year bonds carry a fixed rate of 5.36% per annum, while the 10-year bonds have a fixed rate of 5.71% per annum. The Parent Company paid the ₱7.0 billion bonds on August 20, 2022. As of December 31, 2022, ₱1.0 billion of the related bonds payable remain outstanding.

Unamortized debt issuance cost on bonds payable amounted to ₱3.41 million and ₱12.95 million as of December 31, 2022 and 2021, respectively. Accretion in 2022, 2021 and 2020 included as part of "Interest and other finance charges" amounted to ₱9.54 million, ₱13.42 million and ₱13.83 million, respectively (see Note 23).

- d. On July 7, 2017, FILRT issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱6.00 billion and term of five and a half (5.5) years due in 2023. The bonds carry a fixed rate of 5.05% per annum, payable quarterly in arrears starting on October 7, 2017. As of December 31, 2022, ₱6.0 billion of the related bonds payable remain outstanding.

Unamortized debt issuance cost on bonds payable amounted to ₱0.24 million and ₱12.96 million as of December 31, 2022 and 2021, respectively. Accretion in 2022, 2021 and 2020 included as part of "Interest and other finance charges" amounted to ₱12.71 million, ₱12.88 million, and ₱12.70 million respectively (see Note 23).

- e. On November 18, 2020, the Parent Company issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱8.1 billion comprising of ₱6.3 billion, 3-year fixed rate bonds due in 2023 and ₱1.8 billion, 5.5-year fixed rate bonds due in 2026. The 3-year bonds carry a fixed rate of 3.34% per annum, while the 5.5-year bonds have a fixed rate of 4.18% per annum. As of December 31, 2022, ₱8.1 billion of the related bonds payable remain outstanding.

Unamortized debt issuance cost on bonds payable amounted to ₱24.64 million and ₱44.96 million as of December 31, 2022 and 2021, respectively. Accretion in 2022 and 2021 included as part of "Interest and other finance charges" amounted to ₱20.32 million and ₱19.40 million, respectively (see Note 23).



- f. On December 21, 2021, the Parent Company issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱10.0 billion comprising of ₱5.0 billion, 4-year fixed rate bonds due in 2025 and ₱5.0 billion, 6-year fixed rate bonds due in 2027. The 4-year bonds carry a fixed rate of 4.5300% per annum, while the 6-year bonds have a fixed rate of 5.2579% per annum. As of December 31, 2022, ₱10.0 billion of the related bonds payable remain outstanding.

Unamortized debt issuance cost on bonds payable amounted to ₱103.59 million and ₱131.03 million as of December 31, 2022 and 2021, respectively. Accretion in 2022 and 2021 included as part of “Interest and other finance charges” amounted to ₱27.44 million and ₱0.75 million, respectively (see Note 23).

- g. On June 23, 2022, the Parent Company issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱11.90 billion comprising of ₱8.925 billion, 3-year fixed rate bonds due in 2025 and ₱2.975 billion, 5-year fixed rate bonds due in 2027. The 3-year bonds carry a fixed rate of 5.3455% per annum, while the 5-year bonds have a fixed rate of 6.4146% per annum. As of December 31, 2022, ₱11.90 billion of the related bonds payable remain outstanding.

Unamortized debt issuance cost on bonds payable amounted to ₱130.21 million as of December 31, 2022. Accretion in 2022 included as part of “Interest and other finance charges” amounted to ₱24.22 million. (see Note 23).

Interest incurred on these bonds (gross of related capitalized borrowing costs) amounted to ₱1.97 billion, ₱1.54 billion and ₱1.43 billion for the years ended December 31, 2022, 2021 and 2020, respectively. Payments made on these bonds amounted to ₱7.0 billion, ₱5.3 billion and ₱4.3 billion in 2022, 2021 and 2020, respectively.

The Group’s bonds payable are unsecured and no assets are held as collateral for these debts. These bonds require the Group to maintain certain financial ratios which include maximum debt-to-equity ratio ranging from 2.0x to 2.5x; minimum current ratio of 1.0x; and minimum debt service coverage ratio (DSCR) of 1.0x (except for FILRT bonds which requires maximum debt-to-equity ratio of 2.33x and DSCR of 1.1x). As of December 31, 2022 and 2021, the Group has not been cited in default on any of its outstanding obligations.

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## 20. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control of the Group’s ultimate parent company (referred herein as “Affiliates”). Related parties may be individuals or corporate entities.

All material Related Party Transactions (“RPT”) with a transaction value that reaches ten percent (10%) of the Group’s total consolidated assets shall be subject to the review by the RPT Committee.

Transactions that were entered into with an unrelated party that subsequently becomes a related party shall be excluded from the limits and approval of the Policy on Related Party Transactions (“Policy”). However, any renewal, change in the terms and conditions or increase in exposure level, related to these transactions after a non-related party becomes a related party, shall subject it to the provisions of the Policy.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the Policy.



Outstanding balances at year-end are unsecured, interest free and require settlement in cash, unless otherwise stated. The transactions are made at terms and prices agreed upon by the parties. As of December 31, 2022, the Group has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Significant related party transactions are as follows. Outstanding liabilities are unsecured and no impairment loss was recognized on any of the assets.

	2022		Terms	Conditions	Note
	Amount/ Volume	Due from / (Due to)			
	(In Thousands)				
Bank under common control of the ultimate parent					
Cash and cash equivalents	₱4,003,639	₱4,003,639	0.50% to 4.50%	No impairment	(a)
Interest income	23,066	–			
		₱4,003,639			
Accounts payable and accrued expenses (Note 17)					
Current portion	(₱–)	(₱–)	Noninterest-bearing, payable on installment	Unsecured	(a)
Noncurrent portion		–	Noninterest-bearing, payable on installment	Unsecured	(a)
		–			
Ultimate Parent	186	467	Noninterest-bearing, collectible on demand	Unsecured, no impairment	(b)
Parent		3,172	Noninterest-bearing, Payable on demand	Unsecured	
Associate –CTI Service Fee	1,184	2,187	Due within 30 days	Unsecured	(d)
Associate - Pro-excel Management and service fees	319	13,180	Due within 30 days	Unsecured	(d)
Associate – DPI Other Income	(59,464)	279,321	Due within 30 days	Unsecured	(d)
Associate – FMI Other Income	8	6,798	Due within 30 days	Unsecured	(d)
Associate – FAI Rent Income	2,892	99	Noninterest-bearing, collectible on demand	Unsecured	(h)
Share in other expenses	15,168	25,056	Noninterest-bearing, collectible on demand	Unsecured	(d)
Acquisition of investment	(10,972)	(0)			
		330,280			
Affiliates					
Rental income	7,191	–	Noninterest-bearing	Unsecured	(g)
Share in common expenses	23,779	134,338	Noninterest-bearing, collectible on demand	Unsecured, no impairment	(e)
Due from related parties (Note 9)		₱464,618			
Parent					
Share in Group expenses	₱6,208	(₱6,377)	Noninterest-bearing, payable on demand	Unsecured	(c)
Asset acquisition	(1,047,096)	(683,264)	Noninterest-bearing, collectible quarterly up to December 2024	Unsecured	(c)

(Forward)

Associate – DPI



2022					
	Amount/ Volume	Due from / (Due to)	Terms	Conditions	Note
Service fee	₱–	(₱827)	Due within 30 days	Unsecured	(d)
Associate - SharePro					
Share in other expenses	(26,507)	(8,776)	Noninterest-bearing, payable on demand	Unsecured	(d)
Affiliates	(2,558)	(55,020)	Noninterest-bearing, payable on demand	Unsecured	(e)
Due to related parties		(₱754,264)			

2021					
	Amount/ Volume	Due from / (Due to)	Terms	Conditions	Note
(In Thousands)					
Bank under common control of the ultimate parent					
Cash and cash equivalents	₱6,132,494	₱6,132,494	0.50% to 4.50%	No impairment	(a)
Interest income	4,708	–			
		₱6,132,494			
Accounts payable and accrued expenses (Note 17)					
Current portion	(₱378,968)	(₱378,968)	Noninterest-bearing, payable on installment	Unsecured	(a)
Noncurrent portion		(1,765,189)	Noninterest-bearing, payable on installment	Unsecured	(a)
		(₱2,144,157)			
Ultimate Parent	₱40	₱141	Noninterest-bearing, collectible on demand	Unsecured, no impairment	(b)
Associate - SPI					
Service Fee	86,641	86,803	Due within 30 days	Unsecured	(d)
Associate -CTI					
Service Fee		3,540	Due within 30 days	Unsecured	(d)
Associate - Pro-excel					
Management and service fees	302	74,381	Due within 30 days	Unsecured	(d)
Associate - DPI					
Other Income	(10,786)	149,594	Due within 30 days	Unsecured	(d)
Associate - FMI					
Other Income	73	64,525	Due within 30 days	Unsecured	(d)
Associate - FAI					
Rent Income	3,465	(131)	Noninterest-bearing, collectible on demand	Unsecured	(h)
Share in Other Expenses	(7,697)	10,213	Noninterest-bearing, collectible on demand	Unsecured	(d)
		389,066			
Affiliates					
Rental income	₱7,104		Noninterest-bearing	Unsecured	(g)
Share in common expenses	746	83,167	Noninterest-bearing, collectible on demand	Unsecured, no impairment	(e)
Due from related parties (Note 9)		₱472,233			
Parent					
Share in Group expenses	₱69,332	(₱10,575)	Noninterest-bearing, payable on demand	Unsecured	(e)

(Forward)

Associate - FAI					
Share in other expenses	₱–	(₱62)	Noninterest-bearing, payable on demand	Unsecured	(d)
Associate – CTI					
Service Fee	806	(20,855)	Due within 30 days	Unsecured	(d)
Associate - SharePro					



	2021				
	Amount/ Volume	Due from / (Due to)	Terms	Conditions	Note
Share in Other Expenses	(100,843)	(100,843)	Noninterest-bearing, payable on demand	Unsecured	(d)
Affiliates	17,474	(121,760) (71,982)	Noninterest-bearing, payable on demand	Unsecured	(e)
Due to related parties		(P204,317)			

*a. Transactions with bank under common control of the ultimate parent (EW)*

On January 3, 2012, the Group entered into a Receivable Purchase Agreement with East West Banking Corporation (EW), an entity under common control of the ultimate parent. The Group agreed to sell, assign, transfer and convey to EW all of its rights, titles and interest on certain contracts receivables. The contracts receivables sold to EW will be serviced by the Group under an Accounts Servicing Agreement.

Under this agreement, the Group shall be responsible for the monitoring and collection of contracts receivables sold to EW, including safekeeping of the collections in trust until these are remitted to EW, 10 days after the beginning of each month.

For the performance of the said services, the Group charges EW a service fee equivalent to a certain percentage of the amounts actually received and collected. Although the Group retains the contractual rights to receive cash flows from the contracts receivables sold to EW, the same will be subsequently distributed to EW under a “pass-through arrangement”.

In this transaction, the risk of default and non-payment of buyers of contracts receivable is assumed by EW and the Group has no liability to EW for such events. Due to this, the Group derecognized the contracts receivables sold and did not recognize any liability in its consolidated financial statements.

The Group’s plan assets in the form of cash equivalents amounting to P21.34 million and P45.24 million as of December 31, 2022 and 2021, respectively, are maintained with EW (see Note 25). The Group also maintains cash and cash equivalents with EW.

As of December 31, 2021, the amounts payable to EW related to a purchase of land amounted to P2.14 billion and are presented as part of Accounts Payable under accounts payable and accrued expenses in the consolidated statement of financial position (see Note 17). The purchase was fully paid in 2022.

*b. Transactions with Ultimate Parent (ALG)*

Transactions with the Group’s ultimate parent company relates to sharing of common expenses.

*c. Transactions with Parent Company (FDC)*

The Parent Company charged FDC certain common expenses paid by the Parent Company on its behalf.



On December 12, 2022, FILRT entered into a Deed of Sale for the purchase of three (3) parcels of land with a total area of 29,086 sq.m. owned by FDC, located in Boracay, Aklan. The parties agreed to a total purchase price of ₱1,047.1 million, ₱314.1 million, representing 30% of purchase price, payable upon signing of the agreement and the remaining 70% amounting to ₱732.9 million payable in equal quarterly installment up to December 2024. The land and related liability were carried at present value of future cash flow amounting to ₱1,021.8 million and ₱683.3 million, respectively.

In 2021, FDC made short-term interest-bearing advances to the Group amounting to ₱2.65 billion. These loans bear interest ranging from 2.76% to 4.00% and have maturities of 7 days to 5 months. There are no outstanding advances as of December 31, 2021.

In 2009, Promax was appointed by FDC as the marketing agent to act for and on behalf of FDC in promoting the marketing and sale of the Beaufort project. Accordingly, FDC pays Promax a marketing fee equivalent to a certain percentage of the net selling price (see Note 23).

*d. Transactions with Associates*

*Filinvest Alabang, Inc (FAI)*

‘Due from Associate’ include noninterest-bearing cash advances and various charges for management fees, marketing fees, share of expenses and commission charges.

On December 28, 2022, FAI entered into a Deed of Absolute Sale of Shares to sell portion of its interest in Pro-excel to FLI for a total consideration of ₱10.97 million. The resulting ownership interest of FLI in Pro-excel after the transfer is 47.5%.

*Pro-excel*

Transactions from Pro-Excel relates to sharing of common expenses and management fee for managing the buildings of FLI.

*DPI*

Transactions from DreamBuilders Pro, Inc. relates to sharing of common expenses and noninterest-bearing cash advances

*FMI*

Transactions with Filinvest Mimosa Inc. relates to sharing of common expenses.

*CTI*

Transactions with Corporate Technologies, Inc. relates to sharing of common expenses and service fee for information and technology services.

*SPI*

Transactions with SPI, Inc. relates to sharing of common expenses and service fees for technical, project management and procurement.

In 2022 and 2021, certain employees of FLI were transferred to SPI, an associate. The related retirement benefits of these employees were also transferred with a corresponding payable to SPI under “Other payables” (see Notes 17 and 25). As of December 31, 2022 and 2021, the outstanding balance of the transferred retirement benefits amounted to ₱144.11 million and ₱143.08 million, respectively.



*e. Transactions with Affiliates*

Transactions with affiliates relates to sharing of common expenses paid by the Parent Company on their behalf.

FILRT entered into a service agreement with FDC Retail Electricity Sales whereby FILRT shall engage and pay the services rendered by the latter to provide the electricity requirements of its facilities.

FILRT also entered into a service agreement with Professional Operations Maintenance Experts Incorporated whereby FILRT shall pay the services rendered by the latter to operate and maintain its equipment and premises.

FILRT also entered into a service agreement with its affiliate, Parking Pro, Inc., to operate and maintain the FILRT's parking facilities.

- f.* The compensation of key management personnel consists of short-term employee salaries and benefits amounting to ₱28.40 million, ₱26.40 million and ₱28.08 million in 2022, 2021 and 2020, respectively. Post-employment benefits of key management personnel amounted to ₱9.88 million, ₱22.28 million and ₱18.77 million in 2022, 2021 and 2020, respectively.

*g. Leases with related parties - Group as lessor*

Chroma Hospitality, Inc. leases the office space from FILRT. The lease term is 10 years, renewable by another 5 years upon mutual agreement by the parties.

*h. Leases with related parties - Group as lessee*

The Group has several land lease transactions with related parties:

1. Mall lease with FAI

The Parent Company, as lessee, entered into a lease agreement with FAI on a portion of the land area occupied by the Festival Supermall and its Expansion. The lease term will expire on September 30, 2056.

2. Land lease with FAI

The Parent Company, as lessee, entered into a lease agreement with FAI for a portion of land area occupied by a third party lessee. The lease term will expire on December 31, 2034.

3. FCMI lease with FMI

FCMI, a wholly owned subsidiary of the Parent Company, subleases the Mimosa Leisure Estate from FMI, an associate of the Parent Company. The original lessor is Clark Development Corporation. The lease term is 50 years, renewable by another 25 years upon mutual agreement by parties.

4. PDDC lease with FAI

PDDC, a 60% owned subsidiary of the Parent Company, leases Block 50 Lot 3-B-2, Northgate District from FAI. The lease term is twenty (20) years from the date on which the Chilled Water production plants starts supplying chilled water.

As of December 31, 2022 and 2021, the amount included in lease liabilities payable to related parties is ₱5,669.9 million and ₱5,530.6 million, respectively (see Note 15).





## 21. General and Administrative Expenses

The account consists of:

	2022	2021	2020
	(In Thousands)		
Salaries, wages and employee benefits	<b>₱638,921</b>	<b>₱470,638</b>	<b>₱660,858</b>
Depreciation and amortization (Notes 13, 14, 15 and 16)	<b>388,694</b>	381,505	440,796
Repairs and maintenance	<b>357,447</b>	307,204	145,832
Taxes and licenses	<b>334,907</b>	262,060	347,223
Outside services	<b>191,061</b>	189,165	158,808
Transportation and travel	<b>73,354</b>	65,771	75,503
Electronic data processing charges	<b>72,122</b>	53,483	87,230
Entertainment, amusement and recreation	<b>69,518</b>	80,661	81,024
Insurance	<b>45,933</b>	37,208	33,487
Communications, light and water	<b>43,084</b>	35,611	42,914
Retirement costs (Note 25)	<b>40,532</b>	28,789	44,551
Rent (Notes 15 and 20)	<b>19,837</b>	17,033	14,229
Office supplies	<b>14,447</b>	12,797	11,749
Others	<b>23,205</b>	37,199	99,400
	<b>₱2,313,062</b>	<b>₱1,979,124</b>	<b>₱2,243,604</b>

“Others” mainly consists of postage and dues and subscription, parking operations, freight charges, and other miscellaneous expenses.

## 22. Selling and Marketing Expenses

The account consists of:

	2022	2021	2020
	(In Thousands)		
Brokers' commissions	<b>₱704,281</b>	<b>₱497,109</b>	<b>₱618,337</b>
Service fees	<b>192,163</b>	198,875	279,249
Selling, advertising and promotions	<b>121,010</b>	159,604	87,506
Sales office direct costs	<b>117,599</b>	50,669	85,222
Salaries and wages	<b>15,074</b>	4,603	5,360
Others	<b>516</b>	957	2,600
	<b>₱1,150,643</b>	<b>₱911,817</b>	<b>₱1,078,274</b>



## 23. Interest and Other Finance Charges

The following table shows the component of interest income, interest expense and other financing charges recognized in the consolidated statements of income:

	2022	2021	2020
	(In Thousands)		
Interest income on:			
Contracts receivable (Note 8)	<b>₱276,494</b>	₱355,059	₱347,224
Cash and cash equivalents (Note 7)	<b>71,203</b>	23,149	34,533
Others (Note 25)	<b>19,355</b>	31,400	22,385
	<b>₱367,052</b>	₱409,608	₱404,142
Interest and other finance charges:			
Loans and bonds payable, net of interest capitalized (Notes 18 and 19)	<b>₱1,694,005</b>	₱1,649,610	₱2,603,346
Lease liabilities, net of interest capitalized (Note 15)	<b>425,148</b>	430,286	396,531
Amortization of transaction costs of loans and bonds (Notes 18 and 19)	<b>153,215</b>	133,020	137,914
Other finance charges (Note 25)	<b>21,875</b>	213,875	51,671
	<b>₱2,294,243</b>	₱2,426,791	₱3,189,462

Other finance charges include bank charges, debt issue costs for short-term loans, and other miscellaneous bank fees.

## 24. Other Income

The account consists of:

	2022	2021	2020
	(In Thousands)		
Processing fees	<b>₱107,013</b>	₱183,613	₱25,054
Forfeited reservations and collections	<b>114,937</b>	98,925	66,822
Service fees (Note 20)	<b>68,484</b>	24,704	27,629
Foreign currency exchange gain	<b>10,644</b>	1,278	1,010
Management, leasing and other fees	<b>6,809</b>	10,400	9,423
Gain on deconsolidation (Notes 1 and 12)	—	—	131,171
Gain on sale of investment property (Note 13)	—	—	65,308
Others (Note 20)	<b>3,987</b>	32,058	14,296
	<b>₱311,874</b>	₱350,978	₱340,713



Other income includes income from hotel operations and other miscellaneous income.

## 25. Retirement Costs

The Group has a funded, noncontributory defined benefit retirement plan (the “Plan”) covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The retirement plan provides retirement benefits equivalent to 70% to 125% of the final monthly salary for every year of service. The funds are administered by the Group’s Treasurer under the supervision of the Board of Trustees of the Plan and are responsible for investment strategy of the Plan.

The following tables summarize the components of retirement expense recognized in the consolidated statements of income and pension liability recognized in the consolidated statements of financial position for the existing retirement plan.

	2022		
	Present value of defined benefit obligation	Fair value of plan asset	Net defined benefit liabilities
	(In Thousands)		
Balance as at January 1, 2022	₱504,868	₱45,238	₱459,630
Net benefit costs in profit or loss			
Current service cost (Note 21)	40,532		40,532
Net interest (Note 23)	19,921	834	19,087
	60,453	834	59,619
Benefits paid	(28,273)	(28,273)	–
Transfer out	(23,288)		(23,288)
Remeasurements in other comprehensive income			
Return on plan assets, excluding amounts included in interest income	–	3,540	(3,540)
Experience adjustments	(61,113)	–	(61,113)
	(61,113)	3,540	(64,653)
	₱452,647	₱21,339	₱431,308

	2021		
	Present value of defined benefit obligation	Fair value of plan asset	Net defined benefit liabilities
	(In Thousands)		
Balance as at January 1, 2021	₱618,415	₱38,296	₱580,119
Net benefit costs in profit or loss			
Current service cost (Note 21)	28,789	–	28,789
Net interest (Note 23)	18,123	348	17,775
	46,912	348	46,564
Benefits paid	(17,647)	(17,647)	–
Transfer out	(143,083)	–	(143,083)



	2021		
	Present value of defined benefit obligation	Fair value of plan asset	Net defined benefit liabilities
	(In Thousands)		
Contribution	–	25,000	(25,000)
Remeasurements in other comprehensive income			
Return on plan assets, excluding amounts included in Interest Income	–	(759)	759
Settlement (gain) loss	(1,114)	–	(1,114)
Experience adjustments	1,385	–	1,385
	271	(759)	1,030
	<b>₱504,868</b>	<b>₱45,238</b>	<b>₱459,630</b>

The Group's plan assets comprise of cash equivalents with original maturities of three months or less from dates of placements and are subject to insignificant risk of changes in value. As of December 31, 2022 and 2021, these placements are with EW (see Note 20). As of December 31, 2022 and 2021, the carrying amount of the plan assets approximates its fair value.

In 2022 and 2021, certain employees of FLI were transferred to the SPI. The related retirement benefits of these employees were also transferred with a corresponding payable to SPI. As of December 31, 2022 and 2021, the outstanding balance of the transferred retirement benefits amounted to ₱144.11 million and ₱143.08 million, respectively (see Note 20).

The costs of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The assumptions used in determining pension obligation for the defined benefit plan are as follows:

	2022	2021	2020
Discount rate	<b>5.10% - 7.30%</b>	3.70% - 5.10%	3.70% - 4.10%
Future salary increases	<b>6%</b>	3.00% - 8.00%	3.00% - 8.00%

The sensitivity analysis that follows has been determined based on reasonably possible changes of the assumption occurring as of the end of the reporting period, assuming if all other assumptions were held constant. Management believes that as of the reporting date, it is only the decline in discount rate that could significantly affect the pension obligation.

Management believes that pension obligation will not be sensitive to the salary rate increases because it is expected to be at the same level throughout the remaining life of the obligation. The sensitivity analyses below have been determined based on reasonably possible changes of the significant assumption on the DBO as of the end of the financial reporting period, assuming all other assumptions were held constant.

Assumption	Increase (Decrease)	Increase (decrease) on DBO	
		2022	2021
Salary rate	+1%	<b>₱40,269</b>	₱54,512
	-1%	<b>(35,101)</b>	(46,298)
Discount rate	+1%	<b>(34,423)</b>	(46,741)
	-1%	<b>40,136</b>	55,560



Shown below is the maturity analysis of the undiscounted benefit payments of the Group:

	2022	2021
	(In Thousands)	
Less than one year	<b>₱38,947</b>	₱32,559
More than one year and up to five years	<b>132,235</b>	137,590
More than five years and up to 10 years	<b>220,907</b>	158,554

The Group is expecting to contribute to its plan assets in the next 12 month.

The management performs an Asset-Liability Matching (ALM) Study. The principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans, as well as the liquidity of the plan assets. The Group's current investment strategy consists of 100% short-term deposit placements.

## 26. Equity

The details of the Parent Company's common and preferred shares as of December 31, 2022 and 2021 follow:

	Common Shares	Preferred Shares
	(In Thousands, except par value figures)	
Authorized shares	₱33,000,000	₱8,000,000
Par value per share	1	0.01
Issued and outstanding shares	24,470,708	8,000,000
Treasury shares	220,949	—

In 2022 and 2021, there was no issuance of additional common shares.

### Preferred Shares

As stated in the Company's Amended Articles of Incorporation, the preferred shares may be issued from time to time in one or more series as the Board of Directors (BOD) may determine, and authority is expressly granted to the BOD to establish and designate each particular series of preferred shares, to fix the number of shares to be included in each of such series, and to determine the dividend rate and the issue price and other terms and conditions for each such shares. Dividends shall be cumulative from and after the date of issue of the preferred shares. Preferred shares of each and any sub-series shall not be entitled to any participation or share in the retained earnings remaining after dividend payments shall have been made on the preferred shares. To the extent not set forth in the Articles of Incorporation, the specific terms and restrictions of each series of preferred shares shall be specified in such resolutions as may be adopted by the BOD prior to the issuance of each of such series (the "Enabling Resolutions"), which resolutions shall thereupon be deemed a part of the Amended Articles of Incorporation.

In an Enabling Resolution approved and adopted by the BOD on October 6, 2006, it was clarified that the preferred shares are not convertible to common shares. In another Enabling Resolution approved and adopted by the BOD on January 5, 2007, the Board approved that preferred shares are entitled to cash dividend equal to one percent (1%) of the cash dividend declared and payable to common shares.



Thus, in a disclosure made by the Company to the relevant government agency and regulatory body on January 18, 2007, it was clarified that the features of the issued and subscribed preferred shares, in addition to the features indicated in the Company's Amended Articles of Incorporation so long as these features are not inconsistent with the Enabling Resolutions, are as follows: (i) voting, cumulative, and non-redeemable, (ii) par value is one centavo (PhP0.01), (iii) entitled to cash dividend equal to one percent (1%) of the cash dividend declared and payable to common shares, and (iv) not convertible to common shares.

#### Treasury Shares

On December 20, 2007, the Parent Company's BOD approved the buy-back of some of the issued shares of stock of the Parent Company over a period of twelve (12) months up to an aggregate amount of ₱1.50 billion, in view of the strong financial performance of the Parent Company and the very large discrepancy that existed between the current share price and the net asset value of the Parent Company.

The Parent Company had acquired 220.95 million shares at total cost of ₱221.04 million in 2008. There were no additional acquisitions in 2022, 2021 and 2020. The retained earnings is restricted from dividend distribution to the extent of the cost of treasury shares.

#### Dividend Declarations

On April 22, 2022, the BOD of FLI approved the declaration and payment of cash dividends of ₱0.04700 per share or a total of ₱1.14 billion for all common stockholders of record as of May 11, 2022 payable on June 02, 2022. The Group has remaining unpaid cash dividend amounting to ₱21.09 million as of December 31, 2022.

On April 22, 2022, the BOD of FLI approved the declaration and payment of cash dividends of ₱0.0004 per share or a total of ₱3.2 million for all preferred stockholders of record as of May 11, 2022 payable on June 02, 2022. The Group has remaining unpaid cash dividend amounting to ₱0.32 million as of December 31, 2022.

On April 23, 2021, the BOD approved the declaration and payment of cash dividend of ₱0.0155 per share for all common shareholders of record as of May 21, 2021 and ₱0.0155 per share for all common shareholders of record as of November 15, 2021 or a total of ₱751.74 million. The Group has remaining unpaid cash dividend amounting to ₱18.7 million as of December 31, 2021.

On April 23, 2021 the BOD approved the declaration and payment of cash dividend of ₱0.000155 per share for all preferred shareholders of record as of May 21, 2021 and ₱0.000155 per share for all preferred shareholders of record as of November 15, 2021 or a total of ₱2.48 million. The Group has remaining unpaid cash dividend amounting to ₱0.32 million as of December 31, 2021.

On June 11, 2020 the BOD approved the declaration and payment of cash dividend of ₱0.0324 per share for all common shareholders of record as of July 10, 2020 and ₱0.0324 per share for all common shareholders of record as of November 16, 2020 or total of ₱1.57 billion. The Group has remaining unpaid cash dividend amounting to ₱49.0 million as of December 31, 2020.

On June 11, 2020 the BOD approved the declaration and payment of cash dividend of ₱0.0006 per share for all preferred shareholders of record as of July 10, 2020 and ₱0.0006 per share for all preferred shareholders of record as of November 16, 2020 or a total of ₱5.10 million. The Group also paid dividends amounting ₱42.4 million for dividends in arrears for preferred shareholders.



### Retained Earnings

Retained earnings include undistributed earnings amounting to ₱6.39 billion and ₱4.45 billion as of December 31, 2022 and 2021, respectively, representing accumulated equity in net earnings of subsidiaries, which are not available for dividend declaration until declared as dividends by the subsidiaries.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury and deferred tax asset recognized in profit or loss as of December 31, 2022 and 2021.

The retained earnings is being utilized to cover part of the annual expenditure requirements of the Parent Company for its expansion projects in the real estate and leasing segments.

On October 21, 2020, FLI's BOD approved the appropriation amounting to ₱5.00 billion out of its unrestricted retained earnings as of December 31, 2019. The appropriation will cover the capital expenditure of the following projects:

Project	Location	Description	Amount (In Thousands)	Estimated Completion Date
Activa	Quezon City	Mixed-use	₱3,500,000	Q4 2024
100 West Annex	Makati City	Mixed-use	1,500,000	Q4 2024
			<b>₱5,000,000</b>	

### Capital Management

The Group monitors its capital and cash positions and manages its expenditures and disbursements. Furthermore, the Group may also, from time to time seek other sources of funding, which may include debt or equity issues depending on its financing needs and market conditions.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. No changes were made in capital management objectives, policies or processes for the years ended December 31, 2022, 2021 and 2020.

The Group monitors capital using interest-bearing debt-to-equity ratio, which is the long-term debt (loans payable, bonds payable) divided by total equity. The Group's policy is to keep the debt-to-equity ratio not to exceed 2:1. The following table shows how the Group computes for its interest-bearing debt-to-equity ratio:

	2022	2021
	(In Thousands)	
Loans payable (Note 18)	<b>₱32,849,484</b>	₱32,182,743
Bonds payable (Note 19)	<b>41,132,786</b>	36,288,922
Long-term debt	<b>73,982,270</b>	68,471,666
Total equity	<b>91,502,741</b>	89,790,224
Interest-bearing debt-to-equity ratio	<b>0.81 : 1.00</b>	0.76 : 1.00

The Group is subject to externally imposed capital requirements due to loan covenants (see Notes 18 and 19).

On August 12, 1993, SEC approved the registration of ₱2.0 billion common shares with issue price of ₱5.25 per share.



On December 15, 2006, SEC approved the registration of ₱3.7 billion common shares with issue price of ₱1.60 per share.

Below is the summary of the outstanding number of common shares and holders of security as of December 31, 2022:

Year	Number of Shares Registered (In Thousands)	Number of Holders of Securities as of Year End
January 1, 2021	24,249,759	5,645
Add/(deduct) movement	—	1
December 31, 2021	24,249,759	5,646
Add/(deduct) movement	—	(21)
<b>December 31, 2022</b>	<b>24,249,759</b>	<b>5,625</b>

*\*Exclusive of 220,949 treasury shares as of December 31, 2022 and 2021.*

## 27. Earnings Per Share

	2022	2021	2020
	(In Thousands, Except EPS Figures)		
a. Net income attributable to the equity holder of the parent*	<b>₱2,886,525</b>	₱3,800,897	₱3,728,343
b. Weighted average number of outstanding common shares (after considering treasury shares)	<b>24,249,759</b>	24,249,759	24,249,759
Basic/Diluted EPS (a/b)	<b>₱0.12</b>	₱0.16	₱0.15

*\*After deducting the dividends for preferred shareholders (Note 26)- 2022: ₱3.2million, 2021: ₱2.5 million, 2020: ₱5.1 million.*

There were no potential dilutive shares in 2022, 2021 and 2020.

## 28. Income Tax

Provision for income tax consists of:

	2022	2021	2020
	(In Thousands)		
Current	<b>₱420,352</b>	₱350,992	₱596,530
Deferred	<b>306,727</b>	(1,109,344)	(176,141)
	<b>₱727,079</b>	(₱758,352)	₱420,389





The components of the Group's deferred income tax assets follow:

	2022	2021
	(In Thousands)	
Advance rentals	<b>₱72,951</b>	₱60,396
Accrued retirement benefits	<b>17,343</b>	23,293
NOLCO	<b>1,089</b>	11,864
	<b>₱91,383</b>	<b>₱95,553</b>

The components of the Group's net deferred income tax liabilities follow:

	2022	2021
	(In Thousands)	
Deferred income tax liabilities on:		
Capitalized borrowing costs	<b>₱4,388,137</b>	₱4,099,718
Right-of-use-assets	<b>1,088,891</b>	1,092,018
Excess of real estate revenue based on financial accounting policy over real estate revenue based on tax rules	<b>1,866,698</b>	1,936,114
	<b>7,343,726</b>	<b>7,127,850</b>
Deferred income tax assets on:		
Lease liabilities	<b>(1,248,796)</b>	(1,309,748)
NOLCO	<b>(210,721)</b>	(237,907)
MCIT	<b>(109,234)</b>	(109,324)
Advance rentals	<b>(4,620)</b>	(4,620)
Accrued retirement benefits charged to profit or loss	<b>(112,171)</b>	(120,160)
Remeasurement losses on retirement plan	<b>(18,399)</b>	(12,915)
Allowance for expected credit losses	<b>(8,123)</b>	(8,123)
Others	<b>(6,452)</b>	(7,784)
	<b>(1,718,516)</b>	<b>(1,810,581)</b>
	<b>₱5,625,210</b>	<b>₱5,317,269</b>

Provision for deferred income tax charged directly to other comprehensive income in 2022, 2021 and 2020 relating to remeasurement gain on defined benefit obligation amounted to ₱5.48 million, ₱2.27 million and ₱3.90 million, respectively.

The Group did not recognize deferred income tax assets on NOLCO of certain subsidiaries amounting to ₱766.8 million and ₱501.44 million as of December 31, 2022 and 2021, respectively, since management believes that their carryforward benefits may not be realized before they expire.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of the Bayanihan 2 Act which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss. NOLCO incurred before taxable year 2020 can be claimed as deduction from the regular taxable income for the next three (3) years immediately following the year of such loss.



The carryforward benefits of the NOLCO, which can be claimed by the Group as credits against the RCIT, are as follows (amounts in thousands):

Year Incurred	Amount	Expiry Date
2022	₱209,018	December 31, 2025
2021	301,509	December 31, 2026
2020	1,103,515	December 31, 2025
	<b>₱1,614,042</b>	

The following are the movements in NOLCO:

	2022	2021
	(In Thousands)	
At January 1	<b>₱1,500,519</b>	₱1,352,800
Addition	<b>242,062</b>	301,509
Applied/expired	<b>(128,539)</b>	(153,790)
At December 31	<b>₱1,614,042</b>	₱1,500,519

The reconciliation of the provision for income tax at statutory tax rate to the actual provision for income tax follows:

	2022	2021	2020
	(In Thousands)		
Income tax at statutory tax rate	<b>₱1,062,054</b>	₱886,719	₱1,313,442
Adjustments for:			
Income tax holiday incentive on sales of BOI-registered projects (Note 33)	<b>(51,663)</b>	(42,913)	(147,751)
Income covered by PEZA (Note 32)	<b>(203,170)</b>	(519,422)	(436,779)
Equity in net earnings of associates	<b>(19,739)</b>	(28,006)	(154,935)
Deductible expense - Optional Standard Deduction	<b>(38,537)</b>	(162,757)	(166,919)
Tax-exempt net income on socialized housing units	<b>(10,761)</b>	(17,877)	(8,549)
Income subjected to final tax	<b>(16,082)</b>	(12,546)	(13,143)
Interest on HGC-enrolled contracts receivables	<b>(673)</b>	(1,960)	(1,936)
Impact of CREATE Act	—	(1,121,282)	—
Change in unrecognized deferred tax	—	269,940	5,017
Nondeductible interest expense	<b>5,777</b>	62,515	23,446
Others – net	<b>(127)</b>	(70,763)	8,496
	<b>₱727,079</b>	(₱758,352)	₱420,389



## 29. Fair Value Measurement

The following table sets forth the fair value hierarchy of the Group's assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

2022					
Fair Value					
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
(In Thousands)					
Assets measured at fair value					
Financial assets at FVOCI					
(Note 16)					
Quoted	₱6,458	₱6,458	₱6,458	₱–	₱–
Unquoted	9,077	9,077	–	–	9,077
	₱15,535	₱15,535	₱6,458	₱–	₱9,077
Liabilities for which fair values are disclosed					
Financial liabilities at amortized cost					
Accounts payable and accrued expenses (Note 17)					
Accounts payable	₱9,912,276	₱9,721,073	₱–	₱–	₱9,721,073
Retention fee payable	2,667,531	2,645,392	–	–	2,645,392
Deposits for registration	1,650,041	1,579,491	–	–	1,579,491
	14,229,848	13,945,956	–	–	13,945,956
Lease liabilities (Note 15)	6,508,490	9,228,025	–	–	9,228,025
Loans payable (Note 18)	32,849,484	31,548,281	–	–	31,548,281
Bonds payable (Note 19)	41,132,786	39,199,556	–	–	39,199,556
	₱94,720,608	₱93,921,818	₱–	₱–	₱93,921,818

2021					
Fair Value					
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
(In Thousands)					
Assets measured at fair value					
Financial assets at FVOCI					
(Note 16)					
Quoted	₱9,425	₱9,425	₱9,425	₱–	₱–
Unquoted	6,197	6,197	–	–	6,197
	₱15,622	₱15,622	₱9,425	₱–	₱6,197
Liabilities for which fair values are disclosed					
Financial liabilities at amortized cost					
Accounts payable and accrued expenses (Note 17)					
Accounts payable	₱11,653,844	₱11,417,211	₱–	₱–	₱11,417,211
Retention fee payable	2,551,942	2,528,419	–	–	2,528,419
Deposits for registration	1,460,033	1,397,606	–	–	1,397,606
	15,665,819	15,343,236	–	–	15,343,236
Lease liabilities (Note 15)	6,348,018	9,000,500	–	–	9,000,500
Loans payable (Note 18)	32,182,743	30,763,627	–	–	30,763,627
Bonds payable (Note 19)	36,288,922	33,873,948	–	–	33,873,948
	₱90,485,502	₱88,981,311	₱–	₱–	₱88,981,311

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash and cash equivalents, due from and to related parties, other receivables and other assets:*  
Due to the short-term nature of these accounts, their fair values approximate their carrying amounts.



- *Contract receivables*: Estimated fair value of contract receivables is based on the discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date. Interest rates used was 11.5% - 19% in 2022 and 2021.

Due to the short-term nature of receivables from government and financial institutions, carrying amounts approximate fair values.

- *Financial assets at FVOCI*: Fair values were determined using quoted market prices at reporting date. Fair value of unquoted equity securities are based on the latest selling price available.
- *Accounts payable and accrued expenses*: On accounts due within one year, the fair value of accounts payable and accrued expenses approximates the carrying amounts. On accounts due for more than a year, estimated fair value is based on the discounted value of future cash flows using the prevailing interest rates on loans and similar types of payables as of the reporting date. Interest rate used was 4.28% in 2022 and 2021.
- *Long-term debt (lease liabilities, loans payable and bonds payable)*: Estimated fair value on debts with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date.

Long term debt subjected to quarterly repricing is not discounted since it approximates fair value. The discount rates used range from 4.21% to 6.12% and 4.21% to 5.74% as of December 31, 2022 and 2021, respectively.

During the years ended December 31, 2022, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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### 30. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are composed of cash and cash equivalents, contracts and other receivables, due from related parties, financial assets at FVOCI, accounts payable and accrued expenses, due to related parties and long-term debt (loans payable and bonds payable). The main purpose of these financial instruments is to raise financing for the Group's operations.

The main objectives of the Group's financial risk management are as follows:

- To identify and monitor such risks on an ongoing basis;
- To minimize and mitigate such risks; and,
- To provide a degree of certainty about costs.

The Group's finance and treasury functions operate as a centralized service for managing financial risks and activities, as well as providing optimum investment yield and cost-efficient funding for the Group. The Group's BOD reviews and approves the policies for managing each of these risks. The policies are not intended to eliminate risk but to manage it in such a way that opportunities to create value for the stakeholders are achieved. The Group's risk management takes place in the context of the normal business processes such as strategic planning, business planning, operational and support processes.



The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk.

### *Liquidity Risk*

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. In order to cover its financing requirements, the Group uses both internally generated funds and available long-term and short-term credit facilities.

As of December 31, 2022 and 2021, the Group has undrawn short-term credit lines amounting ₱12.81 billion and ₱13.60 billion, respectively, and undrawn long-term credit facilities amounting ₱24.00 billion and ₱18.28 billion, respectively.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2022 and 2021 based on contractual undiscounted payments.

2022							
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
(In Thousands)							
<b>Financial Liabilities at Amortized Cost</b>							
Accounts Payable and Accrued Expenses							
Accounts payable	₱3,740,320	₱1,405,572	₱769,188	₱1,988,256	₱2,007,939	₱—	₱9,911,275
Retention fees payable	751,343	750,913	161,517	13,822	630,935	359,001	2,667,531
Deposits for registration	—	487	200,654	734,700	289,383	424,907	1,650,131
Accrued expenses	1,486,147	—	—	—	—	—	1,486,147
Accrued interest on bonds and loans	830,908	—	—	—	—	—	830,908
	6,809,718	2,156,972	1,131,359	2,736,778	2,928,257	783,908	16,545,992
Other Payables	—	—	—	166,259	—	—	166,259
Due to Related Parties	754,264	—	—	—	—	—	754,264
Loans Payable	—	2,536,543	7,609,630	17,412,972	9,207,967	—	36,767,113
Bonds Payable	—	4,190,199	12,570,598	19,050,675	10,579,412	—	46,390,884
Lease liabilities	—	94,049	282,146	809,636	429,725	27,404,728	29,020,285
	₱7,562,982	₱8,977,763	₱21,593,733	₱40,176,320	₱23,145,361	₱28,188,636	₱129,645,698
2021							
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
(In Thousands)							
<b>Financial Liabilities at Amortized Cost</b>							
Accounts Payable and Accrued Expenses							
Accounts payable	₱3,729,937	₱1,544,357	₱845,137	₱3,328,211	₱2,206,202	₱—	₱11,653,844
Retention fees payable	1,128,889	718,374	154,519	13,223	193,493	343,444	2,551,942
Deposits for registration	—	431	177,548	650,097	256,060	375,897	1,460,033
Accrued expenses	1,221,753	—	—	—	—	—	1,221,753
Accrued interest on bonds and loans	704,994	—	—	—	—	—	704,994
	6,785,573	2,263,162	1,177,204	3,991,531	2,655,755	719,341	17,592,566
Other Payables	—	—	—	143,083	—	—	143,083
Due to Related Parties	204,317	—	—	—	—	—	204,317
Loans Payable	—	1,628,897	4,886,692	19,544,996	11,010,076	—	37,070,661
Bonds Payable	—	2,159,494	6,478,483	18,504,571	8,661,023	5,259,244	41,062,815
Lease liabilities	—	90,757	272,272	771,635	414,196	27,834,454	29,383,314
	₱6,989,890	₱6,142,310	₱12,814,651	₱42,955,816	₱22,741,050	₱33,813,039	₱125,456,756



The tables below summarize the maturity profile of the Group's financial assets and contract assets held to manage liquidity as of December 31:

	2022						
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
(In Thousands)							
Financial Assets at Amortized Cost							
Cash and cash equivalents							
Cash on hand and in banks	₱5,278,698	₱–	₱–	₱–	₱–	₱–	₱5,278,698
Cash equivalents	–	1,340,437	–	–	–	–	1,340,437
Contracts receivable							
Contracts receivable	1,906,849	–	–	–	–	–	1,906,849
Receivables from government and financial institutions	222,032	–	–	–	–	–	222,032
Other receivables		–	–	–	–	–	–
Receivable from tenants – net	1,876,759	–	–	–	–	–	1,876,759
Due from related parties	464,618	–	–	–	–	–	464,618
Investment in bonds	–	–	–	–	150,000	–	150,000
Receivable from homeowners’ associations – net	286,148	–	–	–	–	–	286,148
Receivable from buyers	917	–	–	–	–	–	917
Others	1,905	–	–	–	–	–	1,905
Short-term deposits	–	–	75,492	–	–	–	75,492
	10,037,926	1,340,437	75,492	–	150,000	–	11,603,855
Financial Assets at FVOCI							
Investments in shares of stocks:							
Quoted	–	6,458	–	–	–	–	6,458
Unquoted	–	9,077	–	–	–	–	9,077
	–	15,535	–	–	–	–	15,535
<b>Total financial assets</b>	<b>10,037,926</b>	<b>1,355,972</b>	<b>75,492</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>11,619,390</b>
<b>Contract Assets</b>	<b>–</b>	<b>1,691,678</b>	<b>5,075,033</b>	<b>1,613,176</b>	<b>739,746</b>	<b>1,363,323</b>	<b>10,482,956</b>
	<b>₱10,037,926</b>	<b>₱3,047,650</b>	<b>₱5,150,525</b>	<b>₱1,613,176</b>	<b>₱889,746</b>	<b>₱1,363,323</b>	<b>₱22,102,346</b>
	2021						
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
(In Thousands)							
Financial Assets at Amortized Cost							
Cash and cash equivalents							
Cash on hand and in banks	₱6,443,411	₱–	₱–	₱–	₱–	₱–	₱6,443,411
Cash equivalents	–	3,214,849	–	–	–	–	3,214,849
Contracts receivable							
Contracts receivable	5,133,740	–	–	–	–	–	5,133,740
Receivables from government and financial institutions	204,191	–	–	–	–	–	204,191
Other receivables		–	–	–	–	–	–
Receivable from tenants – net	1,658,598	–	–	–	–	–	1,658,598
Due from related parties	721,285	–	–	–	–	–	721,285
Receivable from homeowners’ associations - net	261,127	–	–	–	–	–	261,127
Receivable from buyers	1,003	–	–	–	–	–	1,003
Others	108,049	–	–	–	–	–	108,049
Short-term deposits	–	–	52,232	–	–	–	52,232
	14,531,404	3,214,849	52,232	–	–	–	17,798,485

(Forward)



	2021						Total
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	
	(In Thousands)						
Financial Assets at FVOCI							
Investments in shares of stocks:							
Quoted	P—	P9,425	P—	P—	P—	P—	P9,425
Unquoted	—	6,197	—	—	—	—	6,197
	—	15,622	—	—	—	—	P15,622
Total financial assets	14,531,404	3,230,471	52,232	—	—	—	17,814,107
Contract Assets	—	1,044,455	3,133,364	1,701,470	907,803	1,543,483	8,330,575
	P14,531,404	P4,274,926	P3,185,596	P1,701,470	P907,803	P1,543,483	P26,144,682

### Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily for its contract receivables and other receivables.

It is the Group's policy that buyers who wish to avail the in-house financing scheme be subjected to credit verification procedures. Receivable balances are being monitored on a regular basis and subjected to appropriate actions to manage credit risk. Moreover, as discussed in Note 8, the Group has a mortgage insurance contract with Home Guaranty Corporation for a retail guaranty line.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based groupings of various customer segments with similar loss patterns (i.e., by market segment and collateral type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract receivables and contract assets using a provision matrix:

	2022					
	Total	Socialized	Low Affordable	Affordable	Middle Income	High-end
	(In Thousands)					
Expected credit loss rate	0%	0%	0%	0%	0%	0%
Estimated total gross carrying amount at default	P12,611,837	P496,215	P1,798,591	P4,251,894	P4,986,835	P1,078,302



	2021					
	Total	Socialized	Low Affordable	Affordable	Middle Income	High-end
				(In Thousands)		
Expected credit loss rate	0%	0%	0%	0%	0%	0%
Estimated total gross carrying amount at default	₱13,668,506	₱550,177	₱1,941,136	₱3,674,836	₱6,378,651	₱1,123,707

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and financial assets at FVOCI, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Based on the Group's experience, the said assets are highly collectible or collectible on demand. The Group holds as collaterals the corresponding properties which the third parties had bought on credit. In few cases of buyer defaults, the Group can repossess the collateralized properties and resell them at the prevailing market price.

The following tables show the credit quality by class of asset as of December 31, 2022 and 2021. The Group's high-grade receivables pertain to receivables from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to bad debt is not significant.

Receivables assessed to be of standard grade are those which had passed a certain set of credit criteria, and of which the Group has not noted any extraordinary exposure which calls for a substandard grade classification.

As at December 31, 2022 and 2021, the analysis of contracts receivable that were past due is as follows:

	Past due					Total
	Less than 30 days	30 to 60 days	61 days to 90 days	91 days to 120 days	Over 120 days	
						(In Thousands)
<b>2022</b>	<b>₱414,693</b>	<b>₱256,212</b>	<b>₱185,816</b>	<b>₱178,485</b>	<b>₱871,643</b>	<b>₱1,906,849</b>
2021	₱521,891	₱401,973	₱393,920	₱380,231	₱3,435,725	₱5,133,740

*No individually impaired and expected credit loss have been recognized for contracts receivables.*

There is no concentration risk on the Group's financial assets as of December 31, 2022 and 2021.

#### *Interest Rate Risk*

The Group's exposure to interest rate risk for changes in interest rates relates primarily to the Group's loans from various financial institutions. To manage interest rate risk, the Group renegotiates the interest rates for certain long term debts to convert them from fixed-rate debt to floating-rate debt as the Group believes that the current interest rate environment makes it more favorable to carry floating-rate debt.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate





borrowings). There is no other impact on the Group's other comprehensive income other than those already affecting the profit and loss.

	Increase (decrease) in basis points	Effect on income before income tax (In Thousands)
<b>2022</b>	<b>+200</b>	<b>₱100,815</b>
	<b>-200</b>	<b>(100,815)</b>
2021	+200	₱21,156
	-200	(21,156)

The assumed change in rate is based on the currently observable market environment. Effect on the Group's income before tax is computed on the carrying amount of the Group's floating rate loans payable as of December 31, 2022 and 2021.

The following tables set out the carrying amount, by maturity, of the Group's loans payable that are exposed to interest rate risk (amounts in thousands):

	91-day Treasury bill plus 1% to 2% margin					
Variable interest rate	Below 1 Year	1-2 Years	>2 years but <3 years	3 years to 4 years	Over 4 years	Total
<b>As of December 31, 2022</b>	<b>₱3,608,333</b>	<b>₱291,667</b>	<b>₱—</b>	<b>₱—</b>	<b>₱1,160,000</b>	<b>₱5,060,000</b>
As of December 31, 2021	₱683,333	₱83,333	₱291,667	₱—	₱—	₱1,058,333

### 31. Subsidiary with Material Noncontrolling Interest

On August 12, 2021, FILRT was listed and traded in the Philippine Stock Exchange under the PSE ticker symbol FILRT. As a result of the listing, FLI's interest in Filinvest REIT Corp. decreased to 63.3%. The transaction was accounted for as an equity transaction since there was no change in control over FILRT. Net proceeds from the public offering amounted to ₱12.13 billion and resulted in additions to retained earnings and noncontrolling interest amounting to ₱10.47 billion and ₱1.66 billion, respectively as of December 31, 2021.

As of December 31, 2022 and 2021, the noncontrolling interest in FILRT represents 36.7%.

Other noncontrolling interest as of December 31, 2022 and 2021 pertains to the 45% equity interest in FBCI, 40% equity interest in FAC, 40% equity interest in FSM Cinemas, 40% equity interest in PDDC, 2% equity interest in TSNC and 25% equity interest in NSI.

Total dividends declared and paid to noncontrolling interest follows:

	Total Dividends Declared	Share of Noncontrolling Interest
Filinvest REIT Corp.		
<b>2022</b>	<b>₱1,976.68 million</b>	<b>₱726.03 million</b>
2021	1,095.98 million	402.62 million
Filinvest Asia Corp.		
<b>2022</b>	<b>₱60.00 million</b>	<b>₱24.00 million</b>
2020	360.00 million	144.00 million



The summarized financial information of FILRT as of and for the year December 31, 2022 and 2021 is provided below. This information is based on amounts before intercompany eliminations.

*Summarized Statement of Financial Position:*

	2022	2021
	(In Thousands)	
Current assets	<b>₱2,818,826</b>	₱3,406,246
Noncurrent assets	<b>11,348,082</b>	10,565,910
Total assets	<b>14,166,907</b>	13,972,156
Current liabilities	<b>7,800,791</b>	1,321,493
Noncurrent liabilities	<b>1,053,920</b>	6,667,038
Total liabilities	<b>8,854,711</b>	7,988,531
Equity	<b>₱5,312,196</b>	₱5,983,625

*Statement of Comprehensive Income*

	2022	2021
	(In Thousands)	
Revenues	<b>₱3,239,589</b>	₱3,442,017
Cost and other expenses	<b>1,640,855</b>	1,588,410
Other charges	<b>(293,481)</b>	(150,469)
Income before income tax	<b>1,305,253</b>	1,703,138
Benefit from income tax	<b>—</b>	(151,996)
Net income for the year	<b>1,305,253</b>	1,855,134
Net income attributable to noncontrolling interest	<b>₱479,028</b>	₱680,834

*Statement of Cash Flows*

	2022	2021
	(In Thousands)	
Cash flows from (used in)		
Operating activities	<b>₱1,832,015</b>	₱2,140,086
Investing activities	<b>(431,515)</b>	1,002,046
Financing activities	<b>(2,285,760)</b>	(1,425,454)
Net increase in cash and cash equivalents	<b>(₱885,260)</b>	₱1,716,678

The entire proceeds from FILRT's listing shall be used in accordance with its reinvestment plan.

As a REIT entity, FILRT is subject to externally imposed capital requirements from its debt covenants and based on the requirements of the Aggregate Leverage Limit under the REIT Implementing Rules and Regulations. Thus, FILRT has made adjustments to its policies and processes for managing capital for the year ended December 31, 2021. Per Section 8 of the REIT Implementing Rules and Regulations issued by the SEC, the total borrowings and deferred payments of a REIT should not exceed thirty-five percent (35%) of its Deposited Property; provided, however, that the total borrowings and deferred payments of a REIT that has a publicly disclosed investment grade credit rating by a duly accredited or internationally recognized rating agency may exceed thirty-five percent (35%) but not more than seventy percent (70%) of its Deposited Property. Provided, further, that in no case shall a Fund Manager, borrow for the REIT from any of the funds under its management.



As of December 31, 2022 and 2021, the fair value of the deposited properties amounted to ₱50,643.6 million and ₱52,379.5 million, respectively, resulting to a debt ratio of 11.4% in 2022 and 2021. FILRT is compliant to this Aggregate Leverage Limit.

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## 32. Contingencies and Commitments

### *Contingencies*

The Group is involved in various legal actions, claims, assessments and other contingencies incidental to its ordinary course of business. Management believes that any amount the Group may have to pay in connection with any of these matters would not have a material adverse effect on the consolidated financial position or operating results. The other information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as they may prejudice the outcome of the ongoing proceedings.

### *Build, Transfer and Operate (BTO) Agreement with Cebu Province*

In connection with the BTO Agreement with the Cebu Province, the Group is committed to develop and construct a BPO Complex on the properties owned by Cebu Province located at Salinas, Lahug, Cebu City and transfer the ownership of the BPO Complex to the Cebu Province upon completion in exchange for the right to operate and manage the BPO Complex for the entire term of the agreement and its renewal (see Note 16).

### *Capital Commitments and Obligations*

The Group has contractual commitments and obligations for the construction and development costs to be incurred for investment properties and property and equipment items aggregating ₱4,383.42 million and ₱4,105.52 million as of December 31, 2022 and 2021, respectively. These will be recognized as liabilities in the Group's consolidated financial statements when the related services are received.

### *Assignment of Development Rights under a Build, Transfer and Operate Agreement*

On June 26, 2015, the Parent Company and a third party entered into an agreement whereby the latter agreed to assign its project development rights and benefits under its BTO Agreement with Cebu Province to the Parent Company. In consideration of this assignment, the Parent Company paid upfront fee amounting ₱50.0 million and ₱150.0 million in 2016 and 2015, respectively. As of December 31, 2021, project construction has not started pending approval from the Province of Cebu on cleared site and this upfront fee is recorded as part of 'Other noncurrent assets' in the consolidated statement of financial position (see Note 16).

### *Development Agreement with Bases Conversion Development Authority (BCDA)*

In 2015, the Parent Company won the contract to develop a 288-hectare area in Clark Green City in Tarlac and paid 10% of the bid premium as bid security amounted to ₱16.0 million. On January 8, 2016, the Joint Venture Agreement with BCDA was signed and pursuant to the terms of the development of the project, the Parent Company paid the ₱160.0 million bid premium representing the right to own 55% of the equity on the joint venture company to be formed with BCDA.

On February 11, 2016, the Parent Company incorporated FCGC Corporation, the entity that will handle the development of the Clark Green City Project (see Note 1). The bid premium is presented as part of investment properties in the consolidated financial statements (see Note 13).



On March 16, 2016, FCGC and BCDA incorporated Filinvest BCDA Clark Inc. (FBCI) with an initial authorized capital stock of One Million Pesos (₱1,000,000) divided into One million (1,000,000) common shares with par value of One Peso per share.

On March 29, 2017 and May 17, 2017, FBCI's Board of Directors (BOD) and stockholders, respectively, approved the Company's application for the increase in the authorized capital stock. On September 28, 2018, the SEC approved the increase in the authorized capital stock of FBCI from ₱1,000,000 divided into 1,000,000 shares at ₱1.00 par value per share to ₱1,000,000,000 divided into 1,000,000,000 shares at ₱1.00 par value per share. FCGC subscribed 282,880,000 shares at par value amounting to ₱282,880,000, out of which ₱267,330,000 shares at is still unpaid. On the other hand, BCDA subscribed 231,000,000 shares amounting ₱231,000,000 and paid its subscription thru the assignment of a 50-year Development and Usufructuary Rights (DUR) over the parcel of land where the CGC project will be developed. The value of the DUR approved by the SEC amounted to ₱231,000,000, which is equal to BCDA's subscription on the increase in authorized capital stock. FCGC and BCDA subscribed pro rata on the increase in authorized capital stock based on their existing ownership interest. The DUR was recorded in FBCI's books as of December 31, 2022 under investment properties.

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### 33. Registration with PEZA

On February 13, 2002, the Parent Company, FAC and FILRT were registered with Philippine Economic Zone Authority (PEZA) pursuant to the provisions of RA No. 7916 as the Ecozone Developer/Operator to lease, sell, assign, mortgage, transfer or otherwise encumber the area designated as a Special Economic Zone (Ecozone). The same shall be known as Filinvest Technology Park-Calamba.

Under the registration, the Parent Company shall enjoy 5% preferential tax privilege on income generated from the Ecozone in lieu of the regular income tax rate.

On June 11, 2001, FAC was registered with PEZA as the developer/operator of PBCom Tower not entitled to any incentives. However, IT enterprises which shall locate in PBCom Tower shall be entitled to tax incentives pursuant to RA No. 7916.

On June 6, 2000, FILRT was registered with PEZA as an ECOZONE Facilities Enterprise. As a registered enterprise, it is also entitled to certain tax and non-tax benefits such as exemption from payment of national and local taxes and instead a special tax rate of five percent (5%) of gross income.

On December 15, 2015, PDDC was registered with PEZA as an ECOZONE Facilities Enterprise. As a registered enterprise, PDDC is entitled to certain tax and non-tax benefits such as exemption from payment of national and local taxes and instead a special tax rate of five percent (5%) of gross income.

On July 3, 2019, FBCI was registered with PEZA as an ECOZONE developer/operator enterprise of New Clark City Phase I. As a registered enterprise, FBCI is entitled to certain tax and non-tax benefits such as exemption from payment of national and local taxes and instead a special tax rate of five percent (5%) of gross income.

The Group is also entitled to zero percent (0%) value-added tax for sales made to ECOZONE enterprises.



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#### 34. Registration with the Board of Investments (BOI)

The Group has registered the following New Developer of Low-Cost Mass Housing Projects with the BOI under the Omnibus Investments Code of 1987 (Executive Order No. 226) and are un-expired as of December 31, 2022:

Name	Reg. No.	Date Registered
New Fields	2018-016	01/22/2018
Futura Homes Palm Estates Ph 1	2018-156	07/20/2018
Sandia Homes 2	2019-136	07/25/2019
Futura Homes Zamboanga Ph1A	2018-200	09/24/2018
8 Spatial Davao Bldg 5	2019-182	09/26/2019
Marina Spatial Bldg 2	2019-259	12/02/2019
New Leaf	2019-054	03/20/2019

As a registered enterprise, the Group is entitled to certain tax and nontax incentives, subject to certain conditions.

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#### 35. Notes to Statements of Cash Flows

The Group's noncash activities are as follows:

- Land and land developments previously presented under inventories were reclassified to investment property in 2022 amounting to ₱94.61 million (see Notes 10 and 13).
- Investment property previously presented under investment properties were reclassified to real estate inventories in 2022 amounting to ₱14.09 million.
- Purchases of investment properties, property and equipment and BTO rights which remain unpaid amounted to ₱2,112.5 million, ₱20.3 million and nil as of December 31, 2022; and ₱513.18 million, ₱3,504.9 million and ₱97.8 million, ₱36.9 million, respectively, as of December 31, 2021 (see Notes 10, 13 and 14).
- Increase in Other payables and decrease in retirement liabilities amounting to ₱23.2 million and ₱143.08 million in 2022 and 2021 due to transfer of certain employees to related parties (see Notes 17 and 25).
- The Group has remaining unpaid cash dividend amounting to ₱21.4 million and ₱19.0 million out of the dividends declared in 2022 and 2021, respectively (see Note 26).
- Total accretion of interest for loans and bonds payable amounted to ₱54.92 million and ₱98.30 million, respectively, in 2022; and ₱75.55 million and ₱57.47 million, respectively, in 2021 (see Notes 18 and 19).



Changes in liabilities arising from financing activities for the years ended December 31 follows:

2022				
	January 1, 2022	Cash flows	Noncash movement	December 31, 2022
	(In Thousands)			
Loans payable	₱32,182,744	₱654,465	₱12,275	₱32,849,484
Bonds payable	36,288,922	4,900,000	(56,136)	41,132,786
Accrued interest	704,994	(3,851,408)	3,977,322	830,908
Dividends payable	19,000	(1,140,525)	1,142,938	21,413
Lease liabilities	6,348,017	(360,103)	520,576	6,508,490
Due to related parties	204,318	549,946	–	754,264
	₱75,747,995	₱975,014	₱5,374,336	₱82,097,345

2021				
	January 1, 2021	Cash flows	Noncash movement	December 31, 2021
	(In Thousands)			
Loans payable	₱38,105,023	(₱5,997,829)	₱75,550	₱32,182,744
Bonds payable	31,663,528	4,700,000	74,606	36,288,922
Accrued interest	674,060	(3,400,306)	3,431,240	704,994
Dividends payable	49,001	(784,224)	754,223	19,000
Lease liabilities	6,152,960	(351,321)	546,378	6,348,017
Due to related parties	112,021	92,297	–	204,318
	₱76,756,593	(₱5,741,383)	₱4,881,997	₱75,747,995

2020				
	January 1, 2020	Cash flows	Noncash movement	December 31, 2020
	(In Thousands)			
Loans payable	₱35,528,233	₱2,460,035	₱116,755	₱38,105,023
Bonds payable	27,884,687	3,757,682	21,159	31,663,528
Accrued interest	358,754	(3,917,635)	4,232,941	674,060
Dividends payable	18,655	(1,588,558)	1,618,904	49,001
Lease liabilities	5,870,064	(317,948)	600,844	6,152,960
Due to related parties	100,779	(828)	12,070	112,021
	₱69,761,172	₱392,748	₱6,602,673	₱76,756,593

‘Noncash movement’ column includes amortization of debt issuance costs and interest expense for loans payable and bonds payable, dividend declaration and share in the net income of noncontrolling interest.

### 36. Subsequent Events

#### Settlement of Bonds Payable

FILRT completed the payment on January 9, 2023 of its five and a half (5.5) years fixed rate retail bonds in the aggregate amount of ₱6.0 billion. The Bonds, which were issued by the FILRT on July 7, 2017 matured on January 7, 2023, a Saturday. The Bonds were paid in full the following business day, January 9, 2023, through the FILRT’s paying agent, the Philippine Depository & Trust Corporation.



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Filinvest Land, Inc.  
79 EDSA, Brgy. Highway Hills  
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Filinvest Land, Inc. (the Parent Company) and its subsidiaries (collectively referred to as "the Group") as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 24, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole are prepared in all material respects, in accordance with Philippine Financial Reporting Standards, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission, as described in Note 2 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.



Wanessa G. Salvador

Partner

CPA Certificate No. 0118546

Tax Identification No. 248-679-852

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 118546-SEC (Group A)

Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-137-2023, January 31, 2023, valid until January 30, 2026

PTR No. 9564692, January 3, 2023, Makati City

March 24, 2023



## **FILINVEST LAND, INC. AND SUBSIDIARIES**

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### **INDEX TO SUPPLEMENTARY SCHEDULES**

- Annex A: Reconciliation of Retained Earnings Available for Dividend Declaration
- Annex B: Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered
- Annex C: Supplementary Schedules Required by Annex 68-J
- Schedule A. Financial Assets
  - Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
  - Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
  - Schedule D. Long-term Debt
  - Schedule E. Indebtedness to Related Parties
  - Schedule F. Guarantees of Securities of Other Issuers
  - Schedule G. Capital Stock



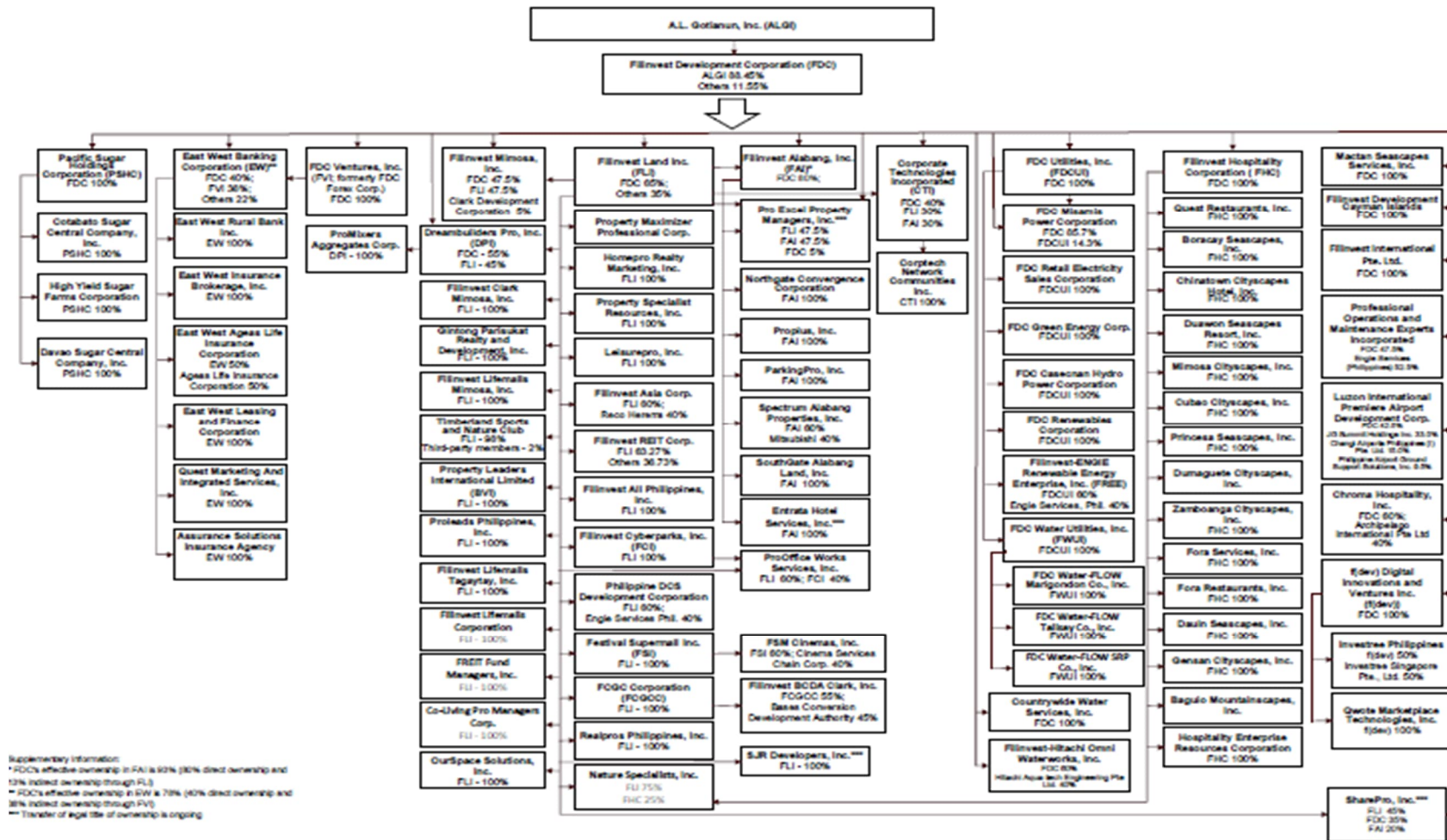
**FILINVEST LAND, INC.****SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS****AVAILABLE FOR DIVIDEND DECLARATION****DECEMBER 31, 2022**

(Amounts in Thousands of Pesos)

<b>Unappropriated Retained Earnings of Parent Company, as adjusted, January 1, 2022</b>		<b>₱45,077,402</b>
<b>Net income based on the face of audited financial statements of Parent Company</b>		<b>3,436,799</b>
Less:	Non-actual/unrealized income net of tax	—
	Equity in net income of subsidiaries and an associate	—
	Unrealized foreign exchange gain – net	—
	Unrealized actuarial gain	—
	Fair value adjustment (marked-to-market gains)	—
	Fair value adjustment of Investment Property resulting to gain	—
	Adjustment due to deviation from PFRS/GAAP gain	—
	Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	—
Add:	Movement in deferred tax assets of the Parent Company	115,387
	Non-actual/unrealized losses net of tax	—
	Depreciation on revaluation increment	—
	Adjustment due to deviation from PFRS/GAAP loss	—
	Loss on fair value adjustment of Investment Property	—
<b>Net income actual/realized</b>		<b>3,552,186</b>
Less:	Dividend declarations during the year	(1,142,939)
<b>Unappropriated Retained Earnings, as adjusted, December 31, 2022</b>		<b>₱47,486,649</b>

# FILINVEST LAND, INC. AND SUBSIDIARIES

## MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES DECEMBER 31, 2022



## SCHEDULE A

### FILINVEST LAND, INC. AND SUBSIDIARIES

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### SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

### DECEMBER 31, 2022

Below is the detailed schedule of the Group's financial assets in equity securities as of December 31, 2022:

Name of Issuing entity and association of each issue	Number of Shares	Amount Shown in the Statement of Financial Position	Value Based on Market Quotation at end of year	Income Received and Accrued
(In Thousands Except Number of Shares)				
<b>Financial assets at FVOCI</b>				
Quoted:				
Philippine Long Distance Telephone Company	26,100	₱261	₱261	₱—
Manila Electric Company (MERALCO)	1,153,694	6,197	6,197	—
		6,458	6,458	—
Unquoted:				
The Palms Country Club, Inc.	1,000	₱3,060	₱3,060	₱—
Cebu Country Club	1	6,017	6,017	—
		9,077	9,077	—
		₱15,535	₱15,535	₱—

The Group's investment in MERALCO is an unlisted preferred shares acquired in connection with the infrastructure that it provides for the Group's real estate development projects. These are carried at cost less impairment, if any.

## **SCHEDULE B**

### **FILINVEST LAND, INC. AND SUBSIDIARIES**

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#### **SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES) DECEMBER 31, 2022**

As of December 31, 2022, there were no advances to employees of the Group with balances above ₱1.0 million.

All amounts receivable from related parties pertained to items arising in the ordinary course of business.

**SCHEDULE C****FILINVEST LAND, INC. AND SUBSIDIARIES**


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**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM  
RELATED PARTIES WHICH ARE ELIMINATED DURING THE  
CONSOLIDATION OF FINANCIAL STATEMENTS  
DECEMBER 31, 2022**


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Below is the schedule of receivables with related parties which are eliminated in the consolidated financial statements as of December 31, 2022 (amounts in thousands):

		<b>Volume of Transactions</b>	<b>Receivable</b>
Filinvest Cyberzone Mimosa, Inc. (FCMI)	Share in expenses	490,168	P4,347,631
Filinvest Cyberparks, Inc. (FCI)	Share in expenses	800,137	1,157,724
Homepro Realty Marketing, Inc. (Homepro)	Share in expenses	4,471	812,383
Filinvest Lifemalls Tagaytay, Inc. (FLTI)	Share in expenses	45,211	578,365
Filinvest Clark Green City (FCGC)	Share in expenses	20	289,238
Filinvest BCDA Clark, Inc. (FBCI)	Share in expenses	107,549	119,605
Property Maximizer Professional Corp. (Promax)	Share in Expenses	(22,391)	77,602
Nature Specialists, Inc.	Share in expenses	28,670	72,109
Proleads Philippines, Inc. (PPI)	Share in expenses	874	27,548
Gintong Parisukat Realty and Development Inc. (GPRDI)	Share in expenses	4,739	23,251
Timberland Sports and Nature Club, Inc. (TSNC)	Share in expenses	32	19,508
Realpros Philippines, Inc. (RPI)	Share in expenses	145	15,231
Co-Living Pro Managers Corp.	Share in Expenses	5,854	8,316
Property Specialist Resources, Inc. (Prosper)	Share in expenses	(452)	7,420
Leisurepro, Inc. (Leisurepro)	Share in expenses	71	6,572
Filinvest All Philippines, Inc. (FAPI)	Share in expenses	4,761	4,761
OurSpace Solutions, Inc.	Share in expenses	454	454
FREIT Fund Managers, Inc. (FFMI)	Share in expenses	204	223
Filinvest Lifemalls Mimosa, Inc. (FLMI)	Share in expenses	540	211
Philippine DCS Development Corporation (PDDC)	Share in expenses	44	141
Property Leaders International Limited (PLIL)	Share in expenses	-	111
ProOffice Works Services, Inc. (ProOffice)	Share in expenses	71	93
Filinvest Lifemalls Corporation (FLC)	Share in expenses	89	89
FSM Cinemas, Inc.	Share in expenses	3	3
			<b>P7,568,589</b>

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The table below shows the movement of the receivables from related parties:

	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Collections</b>	<b>Balance at End of Year</b>
Filinvest Cyberzone Mimosa, Inc. (FCMI)	P3,857,464	490,168	-	4,347,631
Filinvest Cyberparks, Inc. (FCI)	357,587	800,137	-	1,157,724
Homepro Realty Marketing, Inc. (Homepro)	807,912	4,471	-	812,383
Filinvest Lifemalls Tagaytay, Inc. (FLTI)	533,155	45,211	-	578,365
Filinvest Clark Green City (FCGC)	289,219	20	-	289,238
Filinvest BCDA Clark, Inc. (FBCI)	12,056	107,549	-	119,605
Property Maximizer Professional Corp. (Promax)	99,993	185,154	(207,545)	77,602
Nature Specialists, Inc.	43,438	28,670	-	72,109
Proleads Philippines, Inc. (PPI)	26,674	888	(13)	27,548
Gintong Parisukat Realty and Development Inc. (GPRDI)	18,511	4,739	-	23,251
Timberland Sports and Nature Club, Inc. (TSNC)	19,476	32	-	19,508
Realpros Philippines, Inc. (RPI)	15,085	145	(0)	15,231
Co-Living Pro Managers Corp.	2,462	5,854	-	8,316
Property Specialist Resources, Inc. (Prosper)	7,872	2	(454)	7,420
Leisurepro, Inc. (Leisurepro)	6,501	71	-	6,572
Filinvest All Philippines, Inc. (FAPI)	-	4,761	-	4,761
OurSpace Solutions, Inc.	-	454	-	454
FREIT Fund Managers, Inc. (FFMI)	18	204	-	223
Filinvest Lifemalls Mimosa, Inc. (FLMI)	210	1	-	211
Philippine DCS Development Corporation (PDDC)	97	44	-	141
Property Leaders International Limited (PLIL)	111	-	-	111
ProOffice Works Services, Inc. (ProOffice)	23	72	(1)	93
Filinvest Lifemalls Corporation (FLC)	-	89	-	89
FSM Cinemas, Inc.	-	3	-	3
	<b>P6,097,864</b>	<b>P1,678,737</b>	<b>(P208,013)</b>	<b>P7,568,589</b>

The intercompany transactions between FLI and the subsidiaries pertain to share in common expenses, rental charges, marketing fee and management fee. There were no amounts written off during the year and all amounts are expected to be settled within the year.

## SCHEDULE D

### FILINVEST LAND, INC. AND SUBSIDIARIES

#### SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT

DECEMBER 31, 2022

Below is the schedule of long-term debt of the Group:

Type of Obligation	Amount	Current	Noncurrent
	(In Thousands)		
<b>Developmental loans</b>			
Unsecured loan obtained in March 2016 with interest rate equal to 5.74% per annum (fixed rate for 7 years). The 50% of principal balance is payable in 20 equal quarterly amortizations to commence in June 2018 and 50% is payable at maturity in March 2023.	P104,974	P104,974	P-
Unsecured loan obtained in October 2016 with interest rate equal to 4.47% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in January 2019 and 50% is payable at maturity in October 2023.	419,943	419,943	-
Unsecured loan obtained in October 2016 with interest rate equal to 4.21% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in January 2019 and 50% is payable at maturity in October 2023.	779,870	779,870	-
Unsecured loan obtained in November 2016 with interest rate equal to 4.75% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 16 equal quarterly amortizations to commence in February 2020 and 50% is payable at maturity in November 2023.	250,000	250,000	-
Unsecured loan obtained in November 2016 with interest rate equal to 5.20% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 16 equal quarterly amortizations to commence in February 2020 and 50% is payable at maturity in November 2023.	312,457	312,457	-
Unsecured loan obtained in December 2016 with interest rate equal to 5.23% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% principal is payable in 16 equal amortizations to commence in March 2020 and 50% is payable at maturity in December 2023.	124,882	124,882	-
Unsecured loan obtained in June 2018 with interest rate equal to 4.99% per annum (fixed rate for 5 years). 6% of the principal balance is payable at 12 equal quarterly amortization to commence on September 2020 and 94% is payable maturity on June 2023.	474,673	474,673	-
Unsecured loan obtained in June 2019 with interpolated rate of 5.21% per annum (fixed rate for 5 years), payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations to commence in September 2021 and 50% is payable at maturity in June 2024.	1,496,135	332,474	1,163,661
Unsecured loan obtained in June 2019 with interpolated rate of 4.99% per annum (fixed rate for 5 years), payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations to commence in September 2021 and 50% is payable at maturity in June 2024.	1,496,161	332,480	1,163,681

Type of Obligation	Amount	Current	Noncurrent
		(In Thousands)	
Unsecured loan obtained in June 2019 with interpolated rate of 4.84% per annum (fixed rate for 5 years), payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations to commence in September 2021 and 50% is payable at maturity in June 2024.	₱2,244,240	₱498,720	₱1,745,520
Unsecured loan obtained in June 2019 with interpolated rate of 5.0513%, payable quarterly in arrears. The principal is payable at maturity on June 2024.	1,995,311	-	1,995,311
Unsecured loan obtained in June 2019 with interest rate equal to 91-day Bloomberg Valuation Service Rate (BVAL Rate) plus margins, payable quarterly in arrears. The 50% principal is payable in 12 equal quarterly amortizations to commence on September 2021 and 50% payable at maturity on June 2024.	375,000	83,333	291,667
Unsecured loan obtained in September 2019 with interest rate equal to 5.30% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable upon maturity in September 2024.	997,260	-	997,260
Unsecured loan obtained in September 2019 with interest rate equal to 5.21% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% principal is payable in 12 equal installments starting December 2021 and the remaining 50% balance is payable in September 2024.	237,500	50,000	187,500
Unsecured loan obtained in September 2019 with interest rate equal to 5.11% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable upon maturity in September 2024.	997,269	-	997,269
Unsecured loan obtained in October 2019 with interest rate equal to 4.98% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in October 2024.	498,560	-	498,560
Unsecured loan obtained in October 2019 with interest rate equal to 5.18% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% principal is payable in 12 equal installments starting January 2022 and the remaining 50% balance is payable in October 2024.	416,667	83,333	333,334
Unsecured loan obtained in November 2019 with interest rate equal to 5.01% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in November 2024.	1,000,000	-	1,000,000
Unsecured loan obtained in December 2019 with interest rate equal to 5.06% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% principal is payable in 12 equal installments starting March 2022 and the remaining 50% balance is payable in December 2024.	250,000	50,000	200,000
Unsecured loan obtained in January 2020 with interest rate equal to 5.32% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% principal is payable in 12 equal installments starting April 2022 and the remaining 50% balance is payable in January 2025.	437,500	83,333	354,167



Type of Obligation	Amount	Current	Noncurrent
		(In Thousands)	
Unsecured loan obtained in January 2020 with interest rate equal to 5.2540% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortizations to commence in April 2022 and 50% is payable at maturity in January 2025.	₱327,019	₱62,290	₱264,729
Unsecured loan obtained in January 2020 with interest rate equal to 5.2540% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortizations to commence in April 2022 and 50% is payable at maturity in January 2025.	371,875	70,833	301,042
Unsecured loan obtained in January 2020 with interpolated rate of 5.08% per annum (fixed rate for 5 years), payable quarterly in arrears. 50% of principal is payable in 11 equal quarterly amortizations to commence in April 2022 and 50% is payable at maturity in October 23 2024.	847,020	199,300	647,720
Unsecured loan obtained in February 2020 with interest rate equal to 5.02% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in February 2025.	300,000	-	300,000
Unsecured loan obtained in April 2020 with interest rate equal to 4.23% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortizations to commence in July 2022 and 50% is payable at maturity in April 2025.	272,727	54,545	218,182
Unsecured loan obtained in April 2020 with interest rate equal to 4.91% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in April 2025.	500,000	-	500,000
Unsecured loan obtained in May 2020 with interest rate equal to 4.75% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in May 2025.	278,963	-	278,963
Unsecured loan obtained in April 2020 with interest rate equal to 4.23% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in April 2025.	199,301	-	199,301
Unsecured loan obtained in July 2020 with interest rate equal 5.4898% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal installments starting October 2022 and the remaining 50% balance is payable in July 2025.	954,577	166,015	788,562
Unsecured loan obtained in July 2020 with interest rate equal 5.4101% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal installments starting October 2022 and the remaining 50% balance is payable in July 2025.	954,596	166,017	788,579
Unsecured loan obtained in October 2020 with interest rate equal to 4.75% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortization to commence in January 2023 and 50% is payable at maturity in October 2025.	697,104	232,368	464,736

Type of Obligation	Amount	Current	Noncurrent
		(In Thousands)	
Unsecured loan obtained in August 2021 with interest rate equal to 4.25% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in August 2026.	₱855,371	₱-	₱855,371
Unsecured loan obtained in September 2021 with interest rate equal to 4.25% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in September 2026.	994,389	-	994,389
Unsecured loan obtained in September 2021 with interest rate equal to 4.25% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in September 2026.	994,389	-	994,389
Unsecured loan obtained in September 2021 with interest rate equal to 4.25% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in September 2026.	646,353	-	646,353
Unsecured loan obtained in September 2021 with interest rate equal to 4.25% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in September 2026.	696,073	-	696,073
Unsecured loan obtained in November 2021 with interest rate equal to 4.75% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in November 2026.	1,242,797	-	1,242,797
Unsecured loan obtained in November 2021 with interest rate equal to 4.97% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in November 2026.	248,552	-	248,552
Unsecured loan obtained in November 2021 with interest rate equal to 4.98% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in November 2026.	497,102	-	497,102
Unsecured loan obtained in December 2021 with interest rate equal to 5.01% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in December 2026.	497,020	-	497,020
Unsecured loan obtained in December 2021 with interest rate equal to 5.01% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in December 2026.	100	-	100
Unsecured loan obtained in December 2021 with interest rate equal to 5.01% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in December 2026.	100	-	100
Unsecured short term loan obtained in August 2022 with interest rate equal to 4.28% per annum, payable monthly in arrears. The principal is payable at maturity in February 2023.	499,610	499,610	-

Type of Obligation	Amount	Current	Noncurrent
		(In Thousands)	
Unsecured short term loan obtained in August 2022 with interest rate equal to 3.80% per annum, payable monthly in arrears. The principal is payable at maturity in February 2023.	P499,599	P499,599	P-
Unsecured short term loan obtained in August 2022 with interest rate equal to 3.80% per annum, payable monthly in arrears. The principal is payable at maturity in February 2023.	499,599	499,599	-
Unsecured short term loan obtained in August 2022 with interest rate equal to 4.28% per annum, payable monthly in arrears. The principal is payable at maturity in February 2023.	499,599	499,599	-
Unsecured short term loan obtained in December 2029 with interest rate equal to 6.20% per annum, payable quarterly in arrears. The principal is payable at maturity in December 2023.	992,541	992,541	-
Unsecured loan obtained in February 2022 with interest rate equal to 5.51% per annum (fixed for 5 years), payable quarterly in arrears. The principal is payable at maturity in February 2027.	800,014	-	800,014
Unsecured loan obtained in December 2022 with interest rate equal to 3 months Bloomberg Valuation Service Rate (BVAL Rate) plus margins or 6% floor rate, payable quarterly in arrears. The principal is payable at maturity in December 2027.	992,578	-	992,578
Unsecured short term loan obtained in October 2022 with interest rate equal to 4.75% per annum, payable quarterly in arrears. The principal is payable at maturity in May 2023.	99,938	99,938	-
Unsecured loan obtained in March 2022 with interest rate equal to 6.12% per annum (fixed for 5 years), payable quarterly in arrears. The principal is payable at maturity in March 2027.	99,900	-	99,900
Unsecured short term loan obtained in December 2022 with interest rate equal to 5.99% per annum, payable quarterly in arrears. The principal is payable at maturity in March 2023.	424,249	424,249	-
Unsecured loan obtained in December 2022 with interest rate equal to 3 months Bloomberg Valuation Service Rate (BVAL Rate) plus margins or 6% floor rate, payable quarterly in arrears. The principal is payable at maturity in December 2027.	158,027	-	158,027
	32,849,484	8,446,975	24,402,509
<b>Bonds</b>			
Fixed rate bonds with aggregate principal amount of P7.0 billion issued by the Group on November 8, 2013. This comprised of P4.30 billion 7-year fixed rate bonds due in November 2020 with a fixed interest rate of 4.86% per annum, and P2.70 billion 10-year fixed rate bonds due in November 2023 with a fixed interest rate of 5.43% per annum.	P2,697,836	P2,697,836	P-

Type of Obligation	Amount	Current	Noncurrent
		(In Thousands)	
Fixed rate bonds with aggregate principal amount of P7.0 billion issued by the Group on December 4, 2014. This comprised of P5.30 billion, 7-year fixed rate bonds due in December 2021 with a fixed interest rate of 5.40% per annum, and P1.70 billion, 10-year fixed rate bonds due in December 2024 with a fixed interest rate of 5.64% per annum.	P1,697,050	P-	P1,697,050
Fixed rate bonds with aggregate principal amount of P8.00 billion issued by the Group on August 20, 2015. This comprised of P7.00 billion, 7-year fixed rate bonds due in August 2022 with a fixed interest rate of 5.36% per annum, and P1.00 billion, 10-year fixed rate bonds due in August 2025 with a fixed interest rate of 5.71% per annum.	996,589	-	996,589
Fixed rate bonds with principal amount of P6.00 billion and term of 5.5 years from the issue date was issued by the Company on July 7, 2017 to mature in January 2023 with fixed interest rate is 5.05% per annum.	5,999,756	5,999,756	-
Fixed rate bonds with aggregate principal amount of P8.1 billion issued by the Group on November 18, 2020. This comprised of P6.3 billion 3-year fixed rate bonds due in November 2023 with a fixed interest rate of 3.34% per annum, and P1.8 billion 5.5-year fixed rate bonds due in May 2026 with a fixed interest rate of 4.18% per annum.	8,075,358	6,319,848	1,755,510
Fixed rate bonds with aggregate principal amount of P10.0 billion issued by the Group on December 21, 2021. This comprised of P5.0 billion 4-year fixed rate bonds due in December 2025 with a fixed interest rate of 4.53% per annum, and P5.0 billion 6-year fixed rate bonds due in December 2027 with a fixed interest rate of 5.26% per annum.	9,896,406	-	9,896,406
Fixed rate bonds with aggregate principal amount of P11.90 billion issued by the Group on June 23, 2022. This comprised of P8.925 billion 3-year fixed rate bonds due in June 2025 with a fixed interest rate of 5.35% per annum, and P2.975 billion 5-year fixed rate bonds due in June 2027 with a fixed interest rate of 6.41% per annum.	11,769,791	-	11,769,791
	41,132,786	15,017,440	26,115,346
	<b>P73,982,270</b>	<b>P23,464,415</b>	<b>P50,517,855</b>

Each loan balance is presented net of unamortized deferred costs. The agreements covering the abovementioned loans require maintaining certain financial ratios including debt-to-equity ratio ranging from 2.0x to 3.0x and minimum interest coverage ratio of 1.0x.

Each bond balance is presented net of unamortized deferred costs. The agreements covering the abovementioned bonds require maintaining certain financial ratios including maximum debt-to-equity ratio of 2.0x; minimum current ratio of 1.0x; and minimum debt service coverage ratio (DSCR) of 1.0x (except for FILRT bonds which requires maximum debt-to-equity ratio of 2.33x and DSCR of 1.1x).

The agreements also provide for restrictions and requirements with respect to, among others, making distribution on its share capital; purchase, redemption or acquisition of any share of stock; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; and entering into any partnership, merger, consolidation or reorganization.

The Group has complied with these contractual agreements. There was neither default nor breach noted for the year ended December 31, 2022.

## **SCHEDULE E**

### **FILINVEST LAND, INC. AND SUBSIDIARIES**

### **SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES**

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#### **DECEMBER 31, 2022**

This schedule is not applicable as there are no non-current indebtedness which exceed 5% of total assets as of December 31, 2022.

## **SCHEDULE F**

### **FILINVEST LAND, INC. AND SUBSIDIARIES**

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### **SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS**

**DECEMBER 31, 2022**

The Group does not have guarantees of securities of other issuers as of December 31, 2022.

**SCHEDULE G****FILINVEST LAND, INC. AND SUBSIDIARIES****SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK****DECEMBER 31, 2022**

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
(In Thousands)						
Common Shares	33,000,000	24,470,708	—	16,147,682	51,719	8,050,358
Preferred Shares	8,000,000	8,000,000	—	8,000,000	—	None

## SCHEDULE H

### FILINVEST LAND, INC. AND SUBSIDIARIES

### SUPPLEMENTARY SCHEDULE OF BOND ISSUANCES - SECURITIES OFFERED TO THE PUBLIC DECEMBER 31, 2022

	2013	2014	2015	2017	2020	2021	2022
	7.0 Billion Bond	7.0 Billion Bond	8.0 Billion Bond	6.0 Billion Bond	8.1 Billion Bond	10.0 Billion Bond	11.90 Billion Bond
Expected gross and net proceeds as disclosed in the prospectus							
Gross Proceeds	₱7,000,000,000	₱7,000,000,000	₱8,000,000,000	₱6,000,000,000	₱9,000,000,000	₱10,000,000,000	₱11,900,000,000
Less: Expenses	67,594,379	82,327,087	85,330,750	68,308,996	118,003	131,785,030	154,432,780
Net Proceeds	₱6,932,405,621	₱6,917,672,913	₱7,914,669,250	₱5,931,691,004	₱8,999,881,997	₱9,868,214,970	₱11,745,567,220
Actual gross and net proceeds							
Gross Proceeds	₱7,000,000,000	₱7,000,000,000	₱8,000,000,000	₱6,000,000,000	₱8,100,000,000	₱10,000,000,000	₱11,900,000,000
Less: Expenses	82,906,997	77,906,937	86,811,468	96,582,653	165,450,548	137,330,244	156,399,197
Net Proceeds	₱6,917,093,003	₱6,922,093,063	₱7,913,188,532	₱5,903,417,347	₱7,934,549,452	₱9,862,669,756	₱11,743,600,803
Expenditure items where the proceeds were used							
Land Acquisition	₱2,965,648,318	₱-	₱88,961,000	₱-	₱595,776,352	₱2,000,000,000	₱2,273,000,000
Project Development	1,185,554,209	2,422,093,063	2,888,760,022	-	693,494,229	532,498,565	597,600,803
Investment Property	2,765,890,476	-	4,935,467,510	5,903,417,347	2,104,200,033	1,753,544,108	273,000,000
Debt refinancing	-	4,500,000,000	-	-	4,356,621,959	5,308,627,083	8,600,000,000
General Corporate	-	-	-	-	184,456,880	268,000,000	-
Net Proceeds	₱6,917,093,003	₱6,922,093,063	₱7,913,188,532	₱5,903,417,347	₱7,934,549,452	₱9,862,669,756	₱11,743,600,803
Balance of the proceeds as of December 31, 2022							
Net Proceeds	₱6,917,093,003	₱6,922,093,063	₱7,913,188,532	₱5,903,417,347	₱7,934,549,452	₱9,862,669,756	₱11,743,600,803
Capital Expenses	6,917,093,003	2,422,093,063	7,913,188,532	5,903,417,347	3,577,927,493	4,554,042,673	3,143,600,803
Debt refinancing	-	4,500,000,000	-	-	4,356,621,959	5,308,627,083	8,600,000,000
Net Proceeds	₱-	₱-	₱-	₱-	₱-	₱-	₱-



## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
Filinvest Land, Inc.  
79 EDSA, Brgy. Highway Hills  
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Filinvest Land, Inc. (the Parent Company) and its subsidiaries (collectively referred to as “the Group”) at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 24, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group’s management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (“SEC”), and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the SEC and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements. The components of these financial soundness indicators have been traced to the Group’s consolidated financial statements as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Wanessa G. Salvador

Partner

CPA Certificate No. 0118546

Tax Identification No. 248-679-852

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 118546-SEC (Group A)

Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-137-2023, January 31, 2023, valid until January 30, 2026

PTR No. 9564692, January 3, 2023, Makati City

March 24, 2023



**FILINVEST LAND, INC. AND SUBSIDIARIES**
**COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**
**DECEMBER 31, 2022**

(Amounts in Thousands of Pesos)

<b>Ratio</b>	<b>Formula</b>	<b>2022</b>	<b>2021</b>
Current Ratio <sup>(1)</sup>	Total Current Assets divided by Total Current Liabilities  <div> <div>Total Current AssetsP94,757,066</div> <div>Divide by: Total Current Liabilities37,445,430</div> <div>Current Ratio2.53</div> </div>	<b>2.53</b>	3.78
Interest-bearing Debt-to-Equity ratio	Interest-bearing Debt ( <i>Sum of Consolidated Loans Payable and Consolidated Bonds Payable</i> ) divided by Total Equity  <div> <div>Interest-bearing DebtP73,982,270</div> <div>Divide by: Equity91,502,741</div> <div>Long-term Debt-to-Equity Ratio0.81</div> </div>	<b>0.81</b>	0.76
Debt Ratio	Total Liabilities divided by Total Assets  <div> <div>Total LiabilitiesP108,612,438</div> <div>Divide by: Total Assets200,115,179</div> <div>Debt Ratio0.54</div> </div>	<b>0.54</b>	0.54
EBITDA to Total Interest Paid	Earnings before Interests and Other Charges, Income Tax, Depreciation and Amortization - EBITDA ( <i>net income plus interest and other finance charges (including interest expense on financial liability on lease contract), provision for income tax, depreciation and amortization</i> ) divided by Total Interest Paid  <div> <div>EBITDA P8,093,541</div> <div>Divide by: Total Interest Paid3,558,902</div> <div>EBITDA to Total Interest Paid2.27</div> </div>	<b>2.27</b>	2.08
Price Earnings Ratio	Closing price divided by Earnings per share  <div> <div>Closing price <sup>(2)</sup> ₱0.90</div> <div>Divide by: Earnings per share0.12</div> <div>Price Earnings Ratio7.50</div> </div>	<b>7.50</b>	6.88
Quick Asset Ratio	Quick Assets ( <i>total current assets less real estate inventories</i> ) divided by Current Liabilities  <div> <div>Total Current AssetsP94,757,066</div> <div>Less: Inventories71,326,487</div> <div>Quick AssetsP23,430,579</div> <div>Divide by: Total Current Liabilities37,445,430</div> <div>Quick Asset Ratio0.62</div> </div>	<b>0.62</b>	1.06
(Forward)			

Ratio	Formula	2022	2021
Solvency Ratio	Net Income before Depreciation and Amortization ( <i>net income plus depreciation and amortization</i> ) divided by Total Liabilities	0.05	0.06
	Net Income ₱3,521,137		
	Add: Depreciation and Amortization 1,630,038		
	Net Income before Depreciation and Amortization ₱5,151,175		
	Divide by: Total Liabilities 108,612,438		
Solvency Ratio 0.05			
Interest Coverage Ratio	Earnings before Interest and Other Finance Charges and Income Tax (EBIT) divided by Interest and Other Finance Charges	2.85	2.46
	EBIT ₱6,542,459		
	Divide by: Interest and Other Finance Charges 2,294,243		
	Interest Coverage Ratio 2.85		
Net Profit Margin	Net Income divided by Revenue	0.18	0.24
	Net Income ₱3,521,137		
	Divide by: Revenue 19,944,346		
	Net Profit Margin 0.18		
Return on Equity	Net Income divided by Total Equity	0.04	0.05
	Net Income ₱3,521,137		
	Divide by: Total Equity 91,502,741		
	Return on Equity 0.04		
Asset-to-Equity Ratio	Total Assets divided by Total Equity	2.19	2.15
	Total Assets ₱200,115,179		
	Divide by: Total Equity 91,502,741		
	Return on Equity 2.19		

<sup>(1)</sup> In computing for the Group's current ratio, current assets include cash and cash equivalents, contracts receivables, contract assets, other receivables, real estate inventories and other current assets and current liabilities include accounts payable and accrued expenses, due to related parties, income tax payable and current portion of loans payable. Determination of current accounts is based on their maturity profile of relevant assets and liabilities.

<sup>(2)</sup> Closing price at December 31, 2022 and December 31, 2021 is ₱0.90 and ₱1.10, respectively.