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SEC Registration Number

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(Company's Full Name)

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FERDINAND A. CONSTANTINO

(Contact Person)

(+632) 8403-6910

(Company Telephone Number)

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Month Day
(Fiscal Year)

AMENDED 2020

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(Form Type)

0	6	Last	Fri
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Month Day
(Annual Meeting)

	N.A.
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(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

1,939

Total No. of Stockholders

Total Amount of Borrowings

Total Amount

Domestic

of Borrowings

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

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Document ID

Cashier

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Remarks: Please use BLACK ink for scanning purposes.

21 April 2021

Via *ictdsubmission@sec.gov.ph*

SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex

Roxas Boulevard, Pasay City

Subject: Amended 2020 Annual Report

Ladies and Gentlemen:

We are re-submitting the 2020 Annual Report of **ARTHALAND CORPORATION (the “Corporation”)**, as amended. The changes refer to page 42, Item 10a on the compensation of the directors, executives and officers for the years 2020 and 2021 (estimated), which should be, as follows:

2020

	<u>Salary¹</u>	<u>Bonus</u>	<u>Others</u>
Directors and Executives ²	₱72.67M	₱2.76M	None
Officers (As a group unnamed) ³	₱44.25M	₱4.13M	None

Estimated Compensation for 2021 (Collective)

	<u>Salary⁴</u>	<u>Bonus</u>	<u>Others</u>
Directors and Executives	₱77.30M	None ⁵	None
Officers (As a group unnamed)	₱54.21M		

The error is due to the wrong formula used in the computation thereof. Hence, the amended report.

Very truly yours,

Riva Khristine V. Maala

Corporate Secretary and General Counsel

¹ Rounded-off

² Includes all Directors and employees with the rank of Vice President and higher. In addition to the President, the four (4) highest paid executive officers of ALCO in 2020 are the following:

- i. Executive Vice President and Treasurer Leonardo Arthur T. Po
- ii. Executive Vice President Christopher G. Narciso
- iii. Senior Vice President Gabriel I. Paulino (Head, Technical Services), and
- iv. Senior Vice President Sheryll P. Verano, (Head, Strategic Funding and Investments).

³ Includes all employees with the rank of Manager up to Senior Assistant Vice President.

⁴ Rounded-off.

⁵ Whether bonuses will be given in 2021 is uncertain at this time.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **31 December 2020**
2. SEC Identification Number **ASO-94-007160** 3. BIR Tax Identification No. **126-004-450-721**
4. Exact name of issuer as specified in its charter **ARTHALAND CORPORATION**
5. **Metro Manila, Philippines** (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. **7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street,**
Bonifacio Global City, Taguig City **1634**
Address of principal office Postal Code
8. **(+632) 8403-6910**
Issuer's telephone number, including area code
9. **Not Applicable**
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA:

<u>Title of Each Class</u>	<u>Number of Shares Outstanding</u>	<u>Amount of Debt Outstanding</u>
Common Shares	5,318,095,199 (₱0.18 par value)	None
Preferred Shares – Series A	12,500,000 (₱1.00 par value)	None
Preferred Shares – Series B	20,000,000 (₱1.00 par value)	None
Preferred Shares – Series C	10,000,000 (₱1.00 par value)	None

11. Are any or all of these securities listed on a Stock Exchange? Yes ☒ No ☐
If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange – ALL Outstanding Common Shares and Preferred Shares Series B and C ONLY.

12. Check whether the issuer:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports): Yes ☒ No ☐

(b) has been subject to such filing requirements for the past ninety (90) days: Yes ☒ No ☐

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

<u>Name of Shareholders</u>	<u>No. of Shares</u>	<u>Market Price (₱)</u> (as of 31 March 2021)	<u>Total Amount</u> (₱)
1. Tina Keng	25,000,000	0.630	15,750,000.00
2. EQL Properties, Inc.	14,671,125	0.630	9,242,808.75
3. Urban Bank Trust Department – A/C No. 625	4,838,488	0.630	3,048,247.44
4. RBL Fishing Corporation	4,350,000	0.630	2,740,500.00
5. Veronica D. Reyes	3,799,272	0.630	2,393,541.36
6. Veronica D. Reyes and/or Cecilia D. Reyes	2,654,061	0.630	1,672,058.43
7. Theodore G. Huang and/or Corazon B. Huang	2,501,250	0.630	1,575,787.50
8. Anito Tan and/or Lita Tan	2,027,049	0.630	1,277,040.87
9. Lourdes D. Dizon	1,740,000	0.630	1,096,200.00
10. Kwan Yan Dee and/or Christina Dee	1,631,250	0.630	1,027,687.50

Documents Incorporated by Reference:

Audited Financial Statements for the period ended as of 31 December 2020 (Consolidated)
Sustainability Report

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PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. Business

a. Corporate Overview

ARTHALAND CORPORATION (or “ALCO”, for brevity) is a world-class boutique real estate developer of enduring and sustainable properties. It has built its mark in the Philippine real estate market by giving its commitment to sustainability and innovation, and by developing and managing properties that adhere to the global and national standards in green buildings.

ALCO was incorporated on 10 August 1994¹ for the purpose of engaging in property development of residential, commercial, leisure and industrial projects. Its principal office is at the 7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City, Taguig City 1634².

ALCO instituted several corporate actions since 2007 which led to the entry of investors AO Capital Holdings 1, Inc. (AOCH1), Elite Holdings, Inc., and CPG Holdings, Inc. (CPG).

On 22 September 2016, ALCO’s authorized capital stock was increased³ to ₱2,996,257,135.82 divided into ₱2,946,257,135.82 of Common shares (consisting of 16,368,095,199 Common shares with a par value of ₱0.18 per share), and ₱50,000,000.00 of redeemable, non-voting and non-participating Preferred shares (consisting of 50,000,000 Preferred shares with a par value of ₱1.00 per share).

Of the ₱50,000,000.00 increase in capital stock, ALCO issued cumulative, non-voting, non-participating, non-convertible Peso-denominated 12,500,000 Preferred shares (the “Series A Preferred Shares”) to Manchesterland Properties, Inc., and 20,000,000 Preferred shares (the “Series B Preferred Shares”), which are likewise cumulative, non-voting, non-participating, non-convertible and Peso-denominated, among other conditions, to the public. In June 2019, ALCO again issued to the public 10,000,000 Series C Preferred shares (the “Series C Preferred Shares”) which are also cumulative, non-voting, non-participating, nonconvertible, and Peso-denominated, among other conditions.

All of ALCO’s issued and outstanding common shares, Series B and Series C Preferred shares are listed with and traded in the Philippine Stock Exchange (PSE) with the trading symbols “ALCO”, “ALCPB”, and “ALCPC”, respectively.

As of the date of this Report, CPG and AOCH1 continue to be the largest stockholders of ALCO with 40.29% and 26.02%, respectively, of the total issued and outstanding shares.

¹ ALCO was originally registered as Urbancorp Realty Developers, Inc. but was renamed in 2003 as EIB Realty Developers, Inc. On 26 January 2009, the Securities and Exchange Commission (SEC) approved anew the change of the corporate name to Arthaland Corporation.

² Approved by the SEC on 04 September 2018.

³ The authorized capital stock was originally ₱2,946,257,135.82 divided into 16,368,095,199 Common shares only at a par value of ₱0.18 per share.

b. Business/Projects

ALCO's main business activity is the development of premium, enduring and sustainable properties by bringing together a brain trust of experts in property development and management. It is focused on pursuing its defined niche developments independently and with its joint venture partners, as embodied by its key projects and developments in the pipeline.

ALCO has developed high-rise residential and office properties of 110,000 square meters of gross floor area. Its portfolio is targeted to expand five-fold to almost 500,000 square meters of a mix of horizontal and vertical residential and student accommodations, and commercial, office and retail developments.

For ALCO, the principles and practice of sustainability are deeply ingrained and anchored on its commitment to having all developments pursue locally and globally recognized green building certifications. These certifications include Leadership in Energy and Environmental Design (LEED), Building for Ecologically Responsive Design Excellence (BERDE), the Excellence in Design for Greater Efficiencies (EDGE) and the WELL Building Standard (WELL).

ALCO's adherence to these ratings demonstrates its strong commitment to environmentally responsible building practices. Sustainability is at the heart of every ALCO project.

ALCO is well known in the industry for its superior design, high quality standards with focus on sustainability, innovation and excellent property management services, as seen in the following projects:

Arya Residences in Bonifacio Global City is the first and only residential building in the country to date to have received dual certification – LEED Gold and BERDE 4-star certifications. It has garnered several national and international recognitions for design, quality and sustainability, and in 2020, it was awarded ANZ/PH 3-Star under the Philippine Green Building Council's (PHILGBC) Advancing Net Zero (ANZ) pilot program.

Arthaland Century Pacific Tower (ACPT) in Bonifacio Global City is the first multi-certified office in the country. It has received LEED Platinum certification, BERDE 5-star certification, EDGE Zero Carbon certification, and WELL Health-Safety Rating, all of which are the highest and most prestigious categories in these green building rating standards. It was granted the world's first net-zero award under the EDGE program of the International Finance Corporation (IFC), a member of the World Bank Group. In 2020, ACPT received Net Zero Energy or ANZ/PH 5-Star under PHILGBC's Advancing Net Zero pilot program.

Cebu Exchange, ALCO's initial project in the Visayas region, is located at the gateway of the Cebu IT Park. With approximately 11 hectares of gross floor area, Cebu Exchange is the largest multi-certified sustainable office tower in the Philippines. It has achieved LEED Gold pre-certification,

BERDE Design 5-star certification and WELL pre-certification, in addition to being registered with EDGE green building certification. Pre-selling is ongoing. Cebu Exchange's Phase 1 and retail area has started turnover in October 2020 while Phase 2 is targeted for completion in the fourth quarter of 2021.

Savya Financial Center is a two-tower, grade-A midrise office development with a fully integrated retail component, envisioned to be the new capital address for business and commerce in Arca South, Taguig City. It will stand as a one-of-a-kind global address created to the highest standards. Both the North and South towers of Savya Financial Center are designed and built with innovative technology, sustainability and wellness features. It has achieved LEED Gold and WELL pre-certifications in addition to being registered with BERDE and EDGE green building certifications. Pre-selling is on-going. The North tower which had topped off as of the date of this Report is targeted for completion by the end of 2021.

Sevina Park in Biñan, Laguna is the first and only master planned mixed-use community in Southeast Asia to achieve Platinum certification for both LEED for Neighborhood Development (LEED ND) and LEED for Homes (LEED Home) for its four-bedroom villa unit. All villa units are registered with EDGE green building certification as well. This 8-hectare development is comprised of distinctive homes, student residences, mid-rise residential condominiums and curated office and retail spaces. Pre-selling of 108 limited-edition designer villas is on-going and the first tranche is targeted for turnover to homeowners in the latter part of 2021.

Courtyard Hall is the student dormitory within Sevina Park in Biñan City, Laguna adjacent to the De La Salle University Science and Technology campus.

What makes ALCO different from other developers is that after a project is completed and/or turned over to the respective buyers or tenants thereof, ALCO continues to provide property management services to the condominium corporation or homeowners association. Post-completion involvement allows ALCO to maintain a high standard of quality in the maintenance of all its developments for years to come.

c. **Subsidiaries**

Below are the domestic companies in which ALCO has shareholdings. ALCO has 100% ownership interest in these companies with the exception of Cebu Lavana Land Corp., Kashtha Holdings, Inc., and Savya Land Development Corporation.

- i. **Bhavana Properties, Inc.** was incorporated on 15 July 2019 with the primary purpose of engaging in the realty development business. It is the investment vehicle ALCO used to purchase a parcel of land with a total area of 2,245 square meters, more or less, located in Corner Samar Loop Road and Ayala, Hipodromo, Cebu City, which will be the site of its next project in the Visayas.

- ii. **Bhavya Properties, Inc.** was incorporated on 19 July 2019 with the primary purpose of engaging in the realty development business. It is the investment vehicle ALCO used in acquiring First Capital Condominium located at 119 Rada Street, Legaspi Village, in Makati City, with the objective of developing therein a high-end residential condominium.
- iii. **Cazneau Inc.** was incorporated on 31 July 2008, principally to engage in the realty development business, including, but not limited to, the acquisition, construction, utilization and disposition, sale, lease, exchange or any mode of transfer, of residential, industrial or commercial property. In September 2016, Cazneau acquired the 8.1-hectare property in Biñan, Laguna where Sevina Park is currently being developed.
- iv. **Cebu Lavana Land Corp. (CLLC)** was incorporated on 11 September 2015 to principally engage in the realty development business. It is the vehicle ALCO used to acquire two parcels of adjacent land in Cebu City, Philippines, to develop the same into an office building to be known as Cebu Exchange. In January 2016, Rock & Salt B.V., a foreign private limited liability company existing and duly constituted under the laws of The Netherlands and managed by Arch Capital Management Company Limited, subscribed to 40% of CLLC's shares of stock.
- v. **Emera Property Management, Inc.** was incorporated on 31 July 2008⁴. It was originally established to engage in the realty development business but now serves as the property management arm of ALCO for Arya, ACPT, Sevina Park and all its succeeding development projects to ensure the maintenance of high-quality standards therein.
- vi. **Manchesterland Properties, Inc. (MPI)** was incorporated on 27 March 2008 and is presently the registered owner of the commercial units in Arya Plaza at Arya Residences and some non-appurtenant parking slots therein.
- vii. **Pradhana Land, Inc.** was incorporated on 09 September 2019 with the primary purpose of engaging in the realty development business. This is the investment vehicle that will be used for ALCO's succeeding projects, the details of which will be disclosed at the appropriate time.
- viii. **Savya Land Development Corporation (SLDC)** was incorporated on 10 February 2017 principally to engage in the realty development business. It is the vehicle ALCO used to acquire Lots 9 and 10 in Arca South located in Barangay West Bicutan, Taguig City. In August 2019, the Securities and Exchange Commission (SEC) approved SLDC's application to merge with Arcosouth Development, Inc. ("Arcosouth"), with SLDC as the surviving entity. Arcosouth is the registered owner of the lot adjacent to SLDC's property, *i.e.* Lot 11. The objective of the merger is to jointly develop the three (3) lots into an office building to be known as Savya Financial Center.
- ix. **Kashtha Holdings, Inc. (KHI)** was incorporated on 01 October 2019, with the

⁴ Emera was originally registered as Technopod, Inc. but was renamed on 30 October 2013.

objective of making it a 60-40 joint venture company (“JV Company”) between ALCO and Mitsubishi Estate Company Limited (“MEC”), which will (i) acquire and thereafter, own and hold the 50% equity interest of ALCO in SLDC, thereby making KHI the direct 50% stockholder therein, and (ii) acquire by assignment the shareholder’s advances made by ALCO to SLDC. ALCO and MEC executed the relevant documents for the purpose in June 2020 and are awaiting the appropriate Certificates Authorizing Registration to enable them to reflect these transactions accordingly in their respective records.

- x. **Urban Property Holdings, Inc. (UPHI)** was incorporated on 23 January 1995 and was established for the development of a housing project on its 33-hectare property located in Calamba, Laguna. This plan may, however, change subject to market conditions.
- xi. **Zileya Land Development Corporation** was incorporated on 28 December 2015 with the primary purpose of engaging in the realty development business. It is the investment vehicle used by ALCO in the acquisition of certain condominium units in Mid-land Mansions Condominium located at 839 A. Arnaiz Avenue, Legazpi Village, 1200 Makati City.

Subject to matters disclosed in Item 3 (Legal Proceedings) of this Report, none of these subsidiaries are engaged in any bankruptcy, receivership or similar proceedings. Also, for the period covered by this Report, these subsidiaries are neither parties to any transaction which involves material reclassification, merger, consolidation or purchase or sale of a significant amount of assets, except as otherwise discussed herein.

d. Competition

Significant barriers to entry into the market are the considerable capital needed for the acquisition and development of land, the development expertise and reputation required from an experienced management team, and the technological know-how from a technical team, to name a few.

ALCO faces competition from other domestic property developers and the level of competition depends on product types, target market segments, location of developments and pricing, among others. Competition is also present in the procurement of raw materials particularly in a tight supply market.

ALCO views the major property players which are into the middle and high market categories for high-rise residential developments in the vicinity of ALCO’s investment properties as direct competition. Further, ALCO competes with these property developers for high-caliber sales/leasing agents and brokers.

ALCO believes that given the desirability of the project locations, its strict adherence to quality, innovation and sustainability, its competitive pricing schemes and commitment to its projects even after sales, it will be able to compete effectively.

ALCO considers two (2) direct competitors in the high-end residential market segment in terms of relative quality of development and pricing of products – Ayala Land, Inc. and Rockwell Land Corporation. These companies have been in the business many

years earlier than ALCO and therefore, have stronger brand equity, longer track record, and financial mileage. In the office development front, ALCO competes with both large and medium-scale developers such as Ayala Land, Inc., The Net Group, Daiichi Properties, and other local developers, particularly in Cebu City. These companies are considered to have the greater share of the market at the moment.

ALCO intends to primarily capitalize on its niche market by developing projects in distinct locations, which are unique and special in terms of design, and sustainable and wellness features. ALCO is the pioneer in sustainable developments being the first and only company to have all of its projects multi-certified with LEED, BERDE, EDGE and WELL. It intends to continue to provide distinctive products with better quality at more competitive pricing. ALCO believes it can achieve this given its substantially lower overhead costs, being a relatively leaner organization.

e. Industry Risk

The property development sector is cyclical and is subjected to the Philippine economic, political and business performance. The industry is dependent primarily on consumer spending for housing. In the past years, a significant portion of housing demand is being driven by purchases from the Overseas Filipino Workers (OFWs) market. This exposes the industry to the economic performance of foreign countries of the overseas workers such as the United States, the Middle East and countries in Europe.

Data from *Bangko Sentral ng Pilipinas* (BSP) shows that cash remittances sent by OFWs slipped by 0.8% to US\$29.9 billion (₱1.4 trillion) in 2020. This is lower than their previous projection of a 2.0% contraction. The figure, however, ended 19 consecutive years of growth. In 2021, BSP is expecting a recovery of about 4% in remittances as they expect a greater deployment of OFWs in the next 12 months compared to 2020.

The office market has been largely driven by the BPO sector which caters largely to US and European customers. It is important to note that while the US and Europe remain to be the largest client-base contributors to the country's information technology and business process management (IT-BPM) sector, the industry is currently moving to high value and high potential markets in Australia, New Zealand and other neighboring countries in the region. Other than voice-based offshore services, the IT-BPM industry is also gearing towards high-value knowledge-based services, including financial, legal, medical, architectural and animation sectors.

The BPO industry, organized under the IT-Business Process Association of the Philippines (IBPAP), comprises primarily of contact centers, back office operations and medical transcription, among others. The fastpaced growth of this industry in the past five (5) years as well as its prospects for the next five (5) to ten (10) years in Metro Manila and other emerging cities across the Philippines have become the major drivers of growth in the office sector of the property industry. The absorption rate of newly built office buildings in major central business districts and key cities remain high because of the requirements of these BPO companies. Firms providing essential goods and services such as ecommerce and their corresponding outsourcing services are likely to lead office space take-up in 2021.

Overall, the industry, and necessarily ALCO and its subsidiaries, contend with risks relating to volatility in overseas remittances, interest rates, credit availability, foreign exchange, political developments, costs and supply of construction materials, wages, and changes in national and local laws and regulations governing Philippine real estate and investments. ALCO and its subsidiaries are sensitive to: (i) the political and security situations of the country since its sales comes from both foreign and local investors, and (ii) the performance of overseas remittances and the BPO sectors as these inflows find their way into investments in housing and commercial products.

ALCO has a very rigid credit approval system to ensure that its buyers are financially capable of meeting their payment schedules. It has a committee which evaluates credit worthiness of prospective buyers and regularly monitors the economic performance of the country and global players through internal research and consultations with its property consultants to be able to timely adjust policies on pricing, payment schemes and timing of new project launches.

f. Sources and availability of raw materials

The construction contracts of ALCO's projects are awarded to qualified reputable construction firms subject to a bidding process and Management's evaluation of contractors' qualifications and satisfactory working relationships. Construction materials, primarily cement and rebars, are normally provided by the contractors as part of their engagement. However, ALCO has the right and may opt to procure owner-supplied construction materials, should Management find the same to be more cost-effective for its projects.

g. Advances to Related Parties

In the regular conduct of business, ALCO, its subsidiaries and partners, and other related companies enter into intercompany transactions, primarily in the form of advances necessary to carry out their respective functions subject to liquidation and reimbursements for expenses. ALCO ensures that while these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks, they are fair and treated at arm's length.

Intercompany transactions between and among ALCO, its subsidiaries and related companies are discussed in the Audited Financial Statements hereto attached.

h. Patents and Trademarks

ALCO's operations are not dependent on patents, trademarks, copyrights and the like, although ALCO, on its own behalf and those of its subsidiaries, sought from the Intellectual Property Office of the Philippines and was granted the exclusive use of the tradenames, logos and taglines "Arthaland Future Proof by Design", "Arthaland Century Pacific Tower", "ARTHALAND Building Sustainable Legacies", "Cebu Exchange", "Savya Financial Center", and "Sevina Park". The tradename "Arya Residences" now belongs to Arya Residences Condominium Corporation.

i. Government approval for principal products or services

ALCO secures various government approvals such as Environmental Compliance Certificates (ECCs), development permits and licenses to sell as part of its normal course of business.

ALCO does not foresee any material or adverse effect of existing and probable government regulations on its business.

j. Cost and Effects of Compliance with Environmental Laws

ALCO complied with all environmental regulatory requirements for both the pre-construction and operational phases of all its projects and paid for the imposed dues.

ALCO goes beyond the mandatory environmental framework, being a member and supporter of USGBC and PHILGBC. ALCO is also a supporter of the IFC and the World Green Building Council.

ALCO will obtain the requisite government approvals for its subsequent projects based on the projects' timetable for development and pre-selling.

k. Employees

As of 31 December 2020, ALCO had a total of 113 personnel, 53 of whom are in management and 60 are non-managers⁵. As of the same period, ALCO also engaged 143 sales agents.

The above personnel are not covered by any collective bargaining agreement.

Additional employees will be hired for the succeeding year but the same will be closely aligned with ALCO's actual and programmed growth.

l. Working Capital

Generally, ALCO finances its projects through internally generated funds, loans from banks and sometimes, support from its major shareholders, such as the non-interest bearing loans obtained from Centrobless Corporation⁶, a majority owned subsidiary of Century Pacific Group, Inc., which is the same majority shareholder of CPG, ALCO's largest stockholder at present, and from Signature Office Property, Inc.⁷, which is majority-owned and chaired by ALCO Director Jaime Enrique Y. Gonzalez.

The amount spent on development activities and its percentage vis-à-vis the revenues during the last two (2) fiscal years are reflected and discussed in ALCO's Audited Financial Statements for the period covered by this Report, a copy of which is hereto attached.

⁵ These employees do clerical, administrative and operational day to day tasks, are given directives, and do not have any authority to make decisions for the company.

⁶ The loan amounting to ₱1,650,643,779.00 has been fully settled as of 31 December 2018.

⁷ This loan amounting to ₱207,051,912.00 has been fully settled as of 31 December 2018.

ITEM 2. Properties

ALCO, by itself or through special purpose companies, has interests in various properties in the country as discussed in Item 1, paragraph c above.

ALCO also has in its portfolio 8.5 hectares in Laurel, Batangas and 1.8 hectares in Tagaytay, but the plans for these properties have yet to be determined at this time.

Operating Lease Commitments as Lessee

ALCO was a lessee under non-cancellable operating lease over a property where its previous principal office was situated, but this was terminated when ALCO transferred its principal office to ACPT on 15 November 2018.

There has been no future minimum rental payables under non-cancellable operating leases since 2018.

For short-term and low value leases, rent expense recognized amounted to ₱3.0 million in 2020 ₱1.7 million in 2019, and ₱14.5 million in 2018.

Operating Lease Commitments as Lessor

ALCO entered into various lease agreements for ACPT office units for periods ranging from five (5) years to 10 years. All lease agreements include an annual escalation clause of 5% of the existing lease rental but do not provide for any contingent rent.

In addition, MPI has various lease agreements for the retail units in Arya Residences. The term of the lease ranges from two (2) to five (5) years. The agreements also provide for various escalation rates for the duration of the lease.

Moreover, Cazneau entered into lease agreements for its dormitory units in Courtyard Hall, the term of which is renewable every four (4) months.

Leasing revenue recognized from these operating leases amounted to ₱371.6 million in 2020, ₱321.9 million in 2019, and ₱132.4 million in 2018. As at 31 December 2020 and 2019, respectively, lease receivables amounted to ₱88.9 million and ₱45.0 million; accrued rent receivable amounted to ₱89.6 million and ₱99.0 million; advance rent from tenants amounted to ₱36.2 million and ₱73.8 million; and security deposits, which may be applied to unsettled balances or refunded at the end of the lease term, amounted to ₱81.1 million and ₱66.0 million.

ITEM 3. Legal Proceedings

As of the date of this Report, with the exception of the following cases, neither ALCO nor any of its subsidiaries is a party to any legal action arising from the ordinary course of its respective businesses:

1. Termination of Trust Account

In February 2015, ALCO filed a claim before the Regional Trial Court of Makati City, Branch 149 in relation to the petition for liquidation of Export and Industry Bank

represented by the Philippine Deposit Insurance Corporation (PDIC). ALCO maintained a Trust Account with the bank prior to its closure in April 2012 and had demanded from PDIC the termination of said account and the release of the owner's duplicate copies of three (3) transfer certificates of title which had been placed in the custody of the bank's Trust Department. ALCO does not have any interest in the remaining assets of the bank to be liquidated, but it was constrained to make this claim before the liquidation court given that PDIC refused to act on the matter.

In an Order dated 08 May 2017, ALCO was directed to file the necessary complaint and for PDIC to submit its Answer in order that there is a separate docket and hearing of the same and thereby enable the court to have a full and complete resolution of the issues presented by ALCO.

Management will be filing the appropriate case in due course.

2. Quieting of Title

UPHI filed a complaint for quieting of title, among other reliefs, before the Regional Trial Court of Calamba, Laguna, Branch 36 because of the erroneous issuance of tax declarations to several individual defendants by the City of Tagaytay covering UPHI's 33-hectare property registered in Calamba City. It also wanted to seek clarification with respect to which city UPHI is under legal obligation to pay real property taxes, *i.e.*, Calamba City or Tagaytay City.

In a Decision dated 16 December 2019, the court dismissed the complaint for being premature considering both cities claim territorial jurisdiction over the property but there is no pending territorial dispute between them, and that said dispute may only be resolved through a joint session between their respective *Sangguniang Panlalawigan* (should be *Panlungsod*) pursuant to the Local Government Code. There is no cloud over the title and the court ruled that UPHI should continue paying real property tax to Calamba City because of the admission of Tagaytay City that UPHI's property is titled under the Torrens System which categorically states that it is located in Calamba City. Also, both cities had stipulated that the title to the property is in the custodial jurisdiction and safe keeping of the Register of Deeds of Calamba City, and Tagaytay City did not make any claim or request for the transfer of said title to its own custodial jurisdiction and safe keeping.

UPHI filed a Motion for Partial Reconsideration of the foregoing Decision. The court granted the same in an Order dated 05 June 2020 and declared, among others, that UPHI is the true and lawful owner of the 33-hectare property registered in its name and enjoined it to continue paying for the real property taxes in Calamba City. Further, in the event the local government of the City of Tagaytay insists that the subject property is within its territorial jurisdiction, the court directed the cities of Calamba and Tagaytay to make the initiative through their respective *Sangguniang Panlungsod* and through a joint session, resolve any territorial dispute between them in accordance with the Local Government Code of 1991.

The City of Tagaytay and one of the individual defendants⁸ filed an appeal before the Court of Appeals. The parties have filed their respective pleadings and are awaiting resolution of the matter.

3. Expropriation

Petitioner National Power Corporation (NAPOCOR) filed in November 1995 before the Regional Trial Court of Calamba, Laguna, Branch 34, a Petition for Expropriation of Properties to be affected by the Tayabas-Dasmariñas 500 kV transmission line right, which included a portion of UPHI’s property with an area of about one (1) hectare. The court issued a Writ of Possession in favor of NAPOCOR in 1996.

In July 1999, NAPOCOR and UPHI agreed to refer to commissioners the determination of just compensation for UPHI. UPHI did not question the propriety of expropriation any further but continued to participate in the proceedings having found NAPOCOR’s valuation unreasonable and to enable it to submit evidence as and when the commissioners required the same. The matter was eventually elevated before the Court of Appeals in 2015 and is still pending resolution to date.

UPHI intends to amicably settle with the National Transmission Corporation (successor-in-interest of NAPOCOR), since it had already been deprived of effective use and enjoyment of a portion of the property. An amicable settlement with the National Transmission Corporation could allow UPHI to recoup the cost of the loss.

4. Claim for Refund

- a. A buyer⁹ offered to purchase a unit in Arya Residences, paid the reservation fee and signed the Reservation Agreement, which reads, in part, that should the buyer “fail to pay any of the amounts due xxx, the Seller shall have the sole option to (i) cancel the sale and forfeit in its favor all payments made xxx.” A total of ₱950,000.00 was paid in a span of less than one (1) year and the buyer defaulted in the rest of the obligations. The sale was, therefore, cancelled accordingly. The buyer demanded a refund of all payments made, as well attorney’s and appearance fees, by filing a complaint before the Housing and Land Use Regulatory Board (HLURB)¹⁰ on May 2017.

In a Decision dated 19 January 2018, the HLURB dismissed the complaint for lack of merit, primarily because of Republic Act No. 6552, otherwise known as the “Realty Installment Buyer Protection Act”. For a buyer to be entitled to refund, he or she must have paid at least two (2) years of installments, and even then, only the cash surrender value of the payments shall be refunded, which is equivalent to 50% of the total payments made.

- b. Another buyer¹¹ offered to purchase a unit in Arya Residences in November 2012, paid the reservation fee but failed to pay the final amortization and other charges which became due in January 2014, on the ground that a viewing of the

⁸ The lone defendant who appealed is Ms. Rosalinda Reyes.

⁹ The complainant is Ms. Bernadette Villaseñor.

¹⁰ Now Department of Human Settlements and Urban Development.

¹¹ The complainant is Ms. Anita Medina-Yu.

unit was not allowed beforehand, notwithstanding that pursuant to the Contract to Sell signed, full payment of the account is required prior to turnover of the unit. A viewing of the unit is not scheduled until the account is fully paid since inspection is the initial step of the turnover process. All buyers of Arya Residences were treated in the same manner.

In November 2017, the buyer filed a complaint before the HLURB and demanded the return of all payments made in a span of one (1) year amounting to ₱942,718.53.

In a Decision dated 05 April 2019, ALCO was directed to refund to the buyer ₱942,718.53 and pay attorney's fees and actual damages in the total amount of ₱70,000.00.

On 15 May 2019, ALCO appealed the foregoing Decision arguing, among others, that Republic Act No. 6552 should have been applied as it is the special law governing transactions that involve, subject to certain exceptions, the sale on installment basis of real property. However, the adverse Decision was affirmed. ALCO will elevate the matter to the Court of Appeals accordingly after its Motion for Reconsideration is resolved.

5. Labor

- a. In an Order dated on 03 July 2017, the Department of Labor and Employment (DOLE) found ALCO non-compliant with certain labor standards per Rules 1020, 1030, 1040, 1050 and 1065. Records, however, show that ALCO is in fact compliant. A Memorandum of Appeal was filed in October 2017 because serious errors in the finding of facts were committed by DOLE which, if not corrected, would cause grave or irreparable damage or injury to ALCO. Among the reliefs sought are the recall of the Order for Compliance and a finding that ALCO is fully compliant with labor laws and occupational health and safety standards. As of the date of this Report, there is no resolution to the Appeal.
- b. In an Order dated 29 November 2017, the DOLE found that ALCO did not comply and failed to effect corrective actions on noted deficiencies per Rules 1050, 1060 and 1065 within the period prescribed by the Labor Laws Compliance Officer. A Memorandum of Appeal was filed in February 2018 seeking, among others, the recall of the Order for Compliance and a finding that ALCO is fully compliant. ALCO did institute corrective measures and in fact completed the noted deficiencies prior to the issuance of the Order for Compliance. As of the date of this Report, there is no resolution to the Appeal.

The potential effect of the foregoing cases on the financial statements of ALCO and its subsidiaries cannot be determined at the moment. However, it is believed that the effect thereof, if there is any, is not significant.

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

In addition to the election of the members of the Board of Directors for the year 2020-2021 to hold office as such and until their respective successors are duly nominated, elected and qualified,

other matters submitted to a vote of and approval by the stockholders during the Annual Stockholders' Meeting held on 26 June 2020 were the proposed amendments to ALCO's By-laws and the 2020 Stock Option Plan.

Stockholders representing at least sixty-seven percent (67%) of ALCO's outstanding common and preferred shares which are entitled and qualified to vote approved the proposal to amend the By-laws.

On the other hand, stockholders representing at least sixty-seven percent (67%) of the outstanding common shares which are entitled and qualified to vote approved the proposed 2020 Stock Option Plan.

The SEC approved the amendments to the By-laws on 10 December 2020 but has not acted upon the stock option plan as of the date of this Report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. Market for Issuer's Common Equity and Related Stockholder Matters

a. Market Information

Only the Common shares and the Preferred shares Series B and Series C of ALCO are traded in the Philippine Stock Exchange.

Below are the highlights of quarterly trading:

Common

	2020			2019			2018		
Quarter	High	Low	Close	High	Low	Close	High	Low	Close
1	0.62	0.57	0.61	0.83	0.82	0.82	0.86	0.84	0.86
2	0.57	0.52	0.56	0.88	0.84	0.85	0.77	0.76	0.76
3	0.54	0.52	0.53	0.92	0.87	0.90	0.68	0.68	0.65
4	0.65	0.62	0.65	0.81	0.78	0.81	0.98	0.84	0.96

Preferred Series B

	2020			2019			2018		
Quarter	High	Low	Close	High	Low	Close	High	Low	Close
1	-	-	-	-	-	-	-	-	-
2	-	-	-	-	-	-	101.5	101.1	101.1
3	-	-	-	-	-	-	-	-	-
4	-	-	-	101.3	98.25	101.3	-	-	-

Preferred Series C

	2020			2019			2018		
Quarter	High	Low	Close	High	Low	Close	High	Low	Close
1	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A
2	104.9	104.9	104.9	101.1	101.1	101.1	N/A	N/A	N/A
3	-	-	-	101.1	101.1	101.1	N/A	N/A	N/A
4	110	110	110	-	-	-	N/A	N/A	N/A

b. Security Holders

The total shares issued and outstanding are as follows:

Common	-	5,318,095,199
Preferred Series A	-	12,500,000
Preferred Series B	-	20,000,000
Preferred Series C	-	10,000,000.

As of 31 December 2020, the number of shareholders of record is as follows:

Common	-	1,939
Preferred Series A	-	1
Preferred Series B	-	12
Preferred Series C	-	2

ALCO's public ownership percentage as of said period is 29.9059%.

Article Seventh of ALCO's Articles of Incorporation provides that its shares of stock are not subject to pre-emptive rights of the stockholders and may therefore be issued in such quantities at such times and with such features as the Board of Directors may determine and prescribe provided, that the Preferred shares shall be redeemable, non-voting and non-participating. Article Tenth further provides that no issuance or transfer of shares of stock shall be allowed if it will reduce the ownership of Filipino citizens to less than the percentage required by law.

ALCO's top 20 stockholders of Common shares as of 31 December 2020 are as follows:

Name of Shareholders	No. of Shares	%
1. CPG Holdings, Inc.	2,017,619,910	37.938
2. AO Capital Holdings I, Inc.	1,383,730,000	26.019
3. PCD Nominee Corporation – Filipino	1,358,373,965	25.542
4. PCD Nominee Corporation – Non-Filipino	307,006,135	5.773
5. Elite Holdings, Inc.	119,809,996	2.253
6. Tina Keng	25,000,000	0.470
7. EQL Properties, Inc.	14,671,125	0.276
8. Urban Bank Trust Department – A/C No. 625	4,838,488	0.091
9. RBL Fishing Corporation	4,350,000	0.082
10. Veronica D. Reyes	3,799,272	0.071
11. Veronica D. Reyes and/or Cecilia D. Reyes	2,654,061	0.050
12. Theodore G. Huang and/or Corazon B. Huang	2,501,250	0.047
13. Anito Tan and/or Lita Tan	2,027,049	0.038
14. Lourdes D. Dizon	1,740,000	0.033
15. Kwan Yan Dee and/or Christina Dee	1,631,250	0.031
16. Dante Garcia Santos	1,631,250	0.031
17. Luciano H. Tan	1,505,950	0.028
18. Samuel Uy	1,087,500	0.020
19. Datacom Systems Corp.	1,004,394	0.019
20. Mitsu Machine Phils Inc.	998,313	0.019
TOTAL	5,255,979,908	98.831

The sole shareholder of the Preferred shares Series A is MPI, a wholly owned subsidiary of ALCO.

ALCO's top stockholders of Preferred shares Series B as of 31 December 2020 are as follows:

Name of Shareholders	No. of Shares	%
1. PCD Nominee Corporation – Filipino	19,696,530	98.483
2. PCD Nominee Corporation – Non-Filipino	174,870	0.874
3. Antonio T. Chua	35,100	0.176
4. Chiong Ping G. Ching and/or Maria Gracia J. Tan	29,000	0.145
5. Chiong Ping Go Ching and/or Chiong Bio Go Ching	29,000	0.145
6. Ching Bun Teng Tiu and/or Ching Chiong Ping Go and/or Ongking Giovanna Joy Tan	29,000	0.145
7. Mariano Vicente Lim Tan or Elena Lim Tan or Katherine Lim Tan	3,500	0.018
8. Christopher Chua W. Kawpeng	600	0.003
9. Daniel Chua W. Kawpeng	600	0.003
10. David Chua W. Kawpeng	600	0.003
11. Edwin Chua W. Kawpeng	600	0.003
12. Tomas Chua W. Kawpeng	600	0.003
TOTAL	20,000,000	100.000

ALCO's top stockholders of Preferred shares Series C as of 31 December 2019 are as follows:

Name of Shareholders	No. of Shares	%
1. PCD Nominee Corporation – Filipino	9,975,500	99.755
2. PCD Nominee Corporation – Non-Filipino	24,500	0.245
TOTAL	10,000,000	100.000

c. Dividends

ALCO declared cash dividends to Common stockholders, as follows:

<u>Declaration Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Amount/Share</u>
28 June 2013	26 July 2013	22 August 2013	₱0.012
10 March 2014	28 March 2014	22 April 2014	₱0.036
09 March 2015	23 March 2015	08 April 2015	₱0.012
28 February 2017	14 March 2017	07 April 2017	₱0.012
21 March 2018	06 April 2018	02 May 2018	₱0.012
21 June 2019	08 July 2019	31 July 2019	₱0.012
26 June 2020	10 July 2020	31 July 2020	₱0.012

ALCO declared cash dividends to holders of Preferred shares Series B, as follows:

<u>Declaration Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Amount/Share</u>
08 February 2017	24 February 2017	06 March 2017	₱1.76145
10 May 2017	25 May 2017	06 June 2017	₱1.76145
09 August 2017	23 August 2017	06 September 2017	₱1.76145

26 October 2017	24 November 2017	06 December 2017	₱1.76145
10 January 2018	09 February 2018	06 March 2018	₱1.76145
09 May 2018	23 May 2018	06 June 2018	₱1.76145
01 August 2018	16 August 2018	06 September 2018	₱1.76145
24 October 2018	12 November 2018	06 December 2018	₱1.76145
21 February 2019	01 March 2019	06 March 2019	₱1.76145
08 May 2019	22 May 2019	06 June 2019	₱1.76145
07 August 2019	22 August 2019	06 September 2019	₱1.76145
23 October 2019	15 November 2019	06 December 2019	₱1.76145
29 January 2020	14 February 2020	06 March 2020	₱1.76145
06 May 2020	21 May 2020	06 June 2020	₱1.76145
05 August 2020	19 August 2020	06 September 2020	₱1.76145
21 October 2020	13 November 2020	06 December 2020	₱1.76145

ALCO declared cash dividends to holders of Preferred Shares Series C, as follows:

Declaration Date	Record Date	Payment Date	Amount/Share
08 August 2019	06 September 2019	27 September 2019	₱1.7319
23 October 2019	29 November 2019	27 December 2019	₱1.7319
29 January 2020	06 March 2020	27 March 2020	₱1.7319
06 May 2020	04 June 2020	27 June 2020	₱1.7319
05 August 2020	04 September 2020	27 September 2020	₱1.7319
21 October 2020	04 December 2020	27 December 2020	₱1.7319

No dividends were declared in 2016.

Whether ALCO still plans to declare dividends within the next twelve (12) months is uncertain but the same shall always be subject to Section 2, Article VII of ALCO's By-laws which provides, as follows:

“Dividends shall be declared from the unrestricted retained earnings of the Corporation, including stock dividends from paid-in surplus, at such time and in such amounts as the Board of Directors may determine. Dividend declarations shall not in any manner reduce the paid-in capital of the Corporation. Unless otherwise resolved by the Board of Directors, a fraction of one-half or more of a share owing to a stockholder resulting from a declaration of stock dividends shall be issued as one full share, while a fraction of less than one-half share shall be disregarded.

“Declaration of stock dividends shall be submitted to a stockholders' meeting for approval within forty (40) business days from such approval by the Board of Directors. The record date for stock dividends shall not be earlier than the date of approval by the stockholders.

“Declaration of cash dividends shall have a record date which shall not be less than ten (10) business days but not more than thirty (30) business days from the date of declaration by the Board of Directors.”

d. Recent Sales of Unregistered or Exempt Securities

There are no recent sales of unregistered or exempt shares of ALCO.

ITEM 6. Management's Discussion and Analysis or Plan of Operation

FINANCIAL POSITION

31 December 2020 vs. 31 December 2019

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>	<u>Change</u>
Cash and cash equivalents	P 941,079,474	P 407,214,384	131%
Financial assets at fair value through profit or loss (FVPL)	3,257,288,870	772,186,717	322%
Receivables	539,079,767	389,687,736	38%
Contract Assets	5,341,881,039	3,250,482,689	64%
Real estate for sale	6,894,906,539	5,410,062,969	27%
Investment properties	8,315,168,841	7,280,000,267	14%
Property and equipment	280,192,479	282,549,715	-1%
Other Assets	1,977,606,060	1,683,647,515	17%
Total Assets	27,547,203,069	19,475,831,992	41%
Loans payable	9,305,693,323	6,925,381,746	34%
Bonds payable	2,958,526,698	-	100%
Accounts payable and other liabilities	2,792,943,961	2,488,916,877	12%
Contract liabilities	27,423,392	32,179,674	-15%
Advances from non-controlling interests	1,367,586,297	1,144,586,297	19%
Net retirement liability	101,496,418	99,880,460	2%
Net deferred tax liabilities	1,763,428,524	1,309,495,052	35%
Total Liabilities	18,317,098,613	12,000,440,106	53%
Capital stock	999,757,136	999,757,136	0%
Additional paid-in capital	3,008,959,878	3,008,959,878	0%
Retained earnings	3,779,054,629	3,161,789,766	20%
Other equity items	230,363,146	(207,724)	110999%
Parent Company's shares held by a subsidiary	(12,500,000)	(12,500,000)	0%
Total equity attributable to the Parent Company	8,005,634,789	7,157,799,056	12%
Non-controlling interests	1,224,469,667	317,592,830	286%
Total Equity	9,230,104,456	7,475,391,886	23%
Total Liabilities and Equity	P 27,547,203,069	P 19,475,831,992	41%

ALCO's total resources as of 31 December 2020 amounting to P27.55 billion is 41% higher than the 31 December 2019 level of P19.48 billion due to the following:

131% Increase in Cash and Cash Equivalents

The increase is accounted for by inflows from the issuance of the ASEAN Green Bonds, loan proceeds and sales collections, net of outflows attributed to money market placements, repayments of loans and operational and construction related disbursements.

322% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)

The increase is accounted for by portions of the ASEAN Green Bonds as well as loan proceeds that were invested in money market placements.

38% Increase in Receivables

The increase is largely due to the revenues recognized from the sale of office units in Cebu Exchange and Savya Financial Center that are already billed to buyers, and receivables from ACPT tenants.

64% Increase in Contract Assets

The increase pertains to the above revenue recognition from the office units in Cebu Exchange and Savya Financial Center where there was an excess of total revenues from real estate sales over the amounts already due and payable by the buyers.

27% Increase in Real Estate for Sale

The increase is mainly due to the additional construction costs incurred for ongoing projects net of amounts charged to Cost of Sales, and acquisition of properties in Makati and Cebu for development, net of cost of real estate sold recognized.

14% Increase in Investment Properties

The increase is mainly attributable to the appraisal gain from ACPT and other investment properties.

17% Increase in Other Assets

The increase is largely attributable to VAT Input payments and advances for purchase of a property.

34% Increase in Loans Payable

The increase is largely attributed to drawdowns from various loan facilities to fund project related disbursements and some working capital requirements.

100% Increase in Bonds Payable

This pertains to the issuance of the ASEAN Green Bonds, net of debt issuance costs, to be used in the acquisition and development of eligible green projects.

12% Increase in Accounts Payable and Other Liabilities

The increase is mainly attributable to payables to contractors for ongoing projects.

15% Decrease in Contract Liabilities

The decrease pertains to down payment received which were subsequently recognized as revenues from real estate sales of office units in Savya Financial Center.

19% Increase in Advances from Non-controlling Interests

The increase pertains to advances made by shareholders of CLLC and KHI.

35% Increase in Net Deferred Tax Liabilities

The increase is mainly due to the deferred tax on the gain on change in fair value of investment properties and excess of financial gross profit over taxable gross profit.

20% Increase in Retained Earnings

The increase is due to the net income for the year, net of dividends declared.

110999% Increase in Other Equity Reserves

The increase is mainly attributable to the excess over cost of proceeds that was received by ALCO for the sale of 40% of its shares in KHI in favor of MEC.

286% Increase in Non-Controlling Interests

The increase was due to the recognition of NCI's share in the net income of CLLC and SLDC.

FINANCIAL POSITION**31 December 2019 vs. 31 December 2018**

	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>	<u>Change</u>
Cash and cash equivalents	407,214,384	285,413,332	43%
Financial assets at fair value through profit or loss (FVPL)	772,186,717	196,094,319	294%
Trade and other receivables	389,687,736	236,463,779	65%
Contract Assets	3,250,482,689	785,197,944	314%
Real estate for sale	5,410,062,969	3,412,713,425	59%
Creditable withholding tax	338,105,363	259,819,891	30%
Investment properties	7,280,000,267	5,901,514,575	23%
Property and equipment	282,549,715	237,452,955	19%
Deferred tax assets - net	-	16,197,731	-100%
Other Assets	1,345,542,152	1,005,597,812	34%
Total Assets	₱19,475,831,992	₱12,336,465,763	58%
Loans payable	6,925,381,746	4,169,976,102	66%
Accounts payable and other liabilities	2,488,916,877	1,655,848,013	50%
Contract liabilities	32,179,674	20,385,280	58%
Due to a related party	1,144,586,297	386,666,691	196%
Retirement liability	99,880,460	66,088,998	51%
Net deferred tax liabilities	1,309,495,052	779,222,593	68%
Total Liabilities	₱12,000,440,106	₱7,078,187,677	70%
Capital stock	999,757,136	989,757,136	1%
Additional paid-in capital	3,008,959,878	2,031,441,541	48%
Retained earnings	3,161,789,766	2,214,144,875	43%
Cumulative re-measurement gains on retirement liability – net of tax	(207,724)	18,169,495	-101%
Parent Company's shares held by a subsidiary	(12,500,000)	(12,500,000)	0%
Total equity attributable to the Parent Company	7,157,799,056	5,241,013,047	37%
Non-controlling interest	317,592,830	17,265,039	1740%
Total Equity	7,475,391,886	5,258,278,086	42%
Total Liabilities and Equity	₱19,475,831,992	₱12,336,465,763	58%

ALCO's total resources as of 31 December 2019 amounting to ₱19.48 billion is 58% higher than the 31 December 2018 level of ₱12.34 billion due to the following:

43% Increase in Cash and Cash Equivalents

The increase is accounted for by the proceeds from various loans, advances from shareholders, and sales collections.

294% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)

The increase was due to investments in money market placements of the additional cash from loan proceeds and sales collections.

65% Increase in Trade and Other Receivables

The increase was largely due to the sale of office units in Cebu Exchange, first-time revenue recognition from the sale of office units in Savya Financial Center, and receivables from ACPT tenants.

314% Increase in Contract Assets

This pertains to the increase in receivables from the additional sale of office units in Cebu Exchange and Savya Financial Center representing the excess of cumulative revenues from real estate sales over the amounts already due and payable by the buyers.

59% Increase in Real Estate for Sale

The increase is mainly due to the acquisition of various properties for development and the additional construction costs incurred during the year for ongoing projects.

30% Increase in Creditable Withholding Tax

This represents the increase in taxes withheld on the additional collections from buyers of office units in Cebu Exchange and Savya Financial Center.

23% Increase in Investment Properties

The increase is mainly attributable to the appraisal gain of ACPT and other investment properties.

19% Increase in Property and Equipment

The increase is due to the completion of fit-out costs of ALCO's new corporate office in ACPT and to additional transportation and office equipment.

100% Decrease in Deferred Tax Assets

The decrease is due to the realization of net income in CLLC, resulting to the full utilization of its NOLCO.

34% Increase in Other Assets

The increase is largely attributable to the down payment made to contractors of ongoing projects as well as to VAT Input payments.

66% Increase in Loans Payable

The increase is largely due to additional drawdowns from bank loan facilities availed of in order to partly fund ALCO's working capital and project financing requirements.

50% Increase in Accounts Payable and Other Liabilities

The increase is mainly attributable to payables to contractors/suppliers for ongoing projects.

58% Increase in Contract Liabilities

The increase pertains to collections received from buyers of office units in Cebu Exchange and Savva Financial Center the related revenue of which is not yet recognized.

196% Increase in Due to a Related Party

This pertains to advances made by shareholders of CLLC and SLDC.

51% Increase in Retirement Liability

The increase is due to the additional retirement expense recognized for the year and remeasurement loss from the change in financial assumptions used in the valuation of retirement plan.

68% Increase in Net Deferred Tax Liabilities

The increase is due mainly to the gain resulting from the change in fair value of investment properties.

48% Increase in Additional Paid-in Capital

This is due to the excess of the proceeds over par value of the Preferred Shares Series C that was issued during the year, net of stock issuance costs.

43% Increase in Retained Earnings

The increase is due to the net income for the year, net of dividends declared.

101% Decrease in Cumulative re-measurement gains (losses) on retirement liability

The decrease is due to the current year's cumulative remeasurement losses as against last year's gains in valuation of ALCO's retirement liability.

1740% Increase in Non-Controlling Interests

The increase is mainly due to the higher net income of CLLC for the current year as compared to the prior year.

FINANCIAL POSITION

31 December 2018 vs. 31 December 2017

	<u>31 Dec 2018</u>	<u>31 Dec 2017</u> <i>As Restated</i>	<u>Change</u>
Cash and cash equivalents	₱326,679,590	₱721,795,236	-55%
Financial assets at fair value through profit or loss (FVPL)	154,828,061	387,879,631	-60%
Trade and other receivables	742,932,730	186,274,230	299%
Contract Assets	785,197,944	-	100%
Real estate for sale	3,412,713,425	2,646,731,618	29%
Creditable withholding tax	259,819,891	253,188,078	3%
Investment properties	5,901,514,575	6,457,315,253	-9%
Property and equipment	237,452,955	39,743,166	497%

Deferred tax assets - net	16,197,731	61,212,233	-74%
Other Assets	499,128,861	492,672,321	1%
Total Assets	₱12,336,465,763	₱11,246,811,766	10%
Loans payable	4,169,976,102	4,268,892,416	-2%
Accounts payable and other liabilities	1,655,848,013	702,744,459	136%
Contract liabilities	20,385,280	121,712,461	-83%
Due to a related party	386,666,691	286,666,691	35%
Retirement liability	66,088,998	50,668,546	30%
Net deferred tax liabilities	779,222,593	752,508,368	4%
Total Liabilities	₱7,078,187,677	₱6,183,192,941	14%
Capital stock	989,757,136	989,757,136	0%
Additional paid-in capital	2,031,441,541	2,031,441,541	0%
Retained earnings	2,214,144,875	2,085,398,501	6%
Cumulative re-measurement gains on retirement liability – net of tax	18,169,495	7,448,391	144%
Parent Company's shares held by a subsidiary	(12,500,000)	(12,500,000)	0%
Total equity attributable to the Parent Company	5,241,013,047	5,101,545,569	3%
Non-controlling interest	17,265,039	(37,926,744)	146%
Total Equity	₱5,258,278,086	5,063,618,825	4%
Total Liabilities and Equity	₱12,336,465,763	₱11,246,811,766	10%

ALCO's total resources as of 31 December 2018 amounting to ₱12.34 billion is 10% higher than the 31 December 2017 level of ₱11.25 billion due to the following:

55% Decrease in Cash and Cash Equivalents

The decrease in cash is attributable to disbursements for operations, debt servicing, acquisition of properties and project related costs, net of inflows from loan availments and revenue collections.

60% Decrease in Financial Assets at Fair Value through Profit or Loss (FVPL)

The reduction is due to the termination of money market placements which were subsequently used to fund the operating requirements of ALCO, including its ongoing projects.

299% Increase in Trade and Other Receivables

The increase is accounted for by the receivables from the ACPT leasing operations and down payment made to contractors for the construction of the Group's real estate projects.

100% Increase in Contract Assets

This pertains to receivables from the sale of office units in Cebu Exchange representing the excess of cumulative revenues from real estate sales over total collections received from buyers which were previously recognized as liability.

29% Increase in Real Estate for Sale

The increase is due to the acquisition of a property in Makati City, the consolidated cost of the property of Arcosouth in Taguig City, and the additional construction costs for the

projects in Laguna and Cebu, net of the remaining residential units in Arya Residences sold and those office units in Cebu Exchange.

9% Decrease in Investment Properties

The decrease is mainly due to the settlement of loans through *dacion en pago* of certain floors in ACPT and the reclassification of the ALCO corporate office to Property and Equipment account.

497% Increase in Property and Equipment

The increase is due to the reclassification of the ALCO corporate office from investment properties to Property and Equipment, as abovementioned.

74% Decrease in Deferred Tax Assets

The decrease is due to the realization of net income in CLLC.

136% Increase in Accounts Payable and Other Liabilities

The increase is largely due to the effect of consolidated payables to stockholders of Arcosouth and the deferred VAT payables from the sales of office units in Cebu Exchange.

83% Decrease in Contract Liabilities

The decrease pertains to down payment received subsequently recognized as revenues from real estate sales, as mentioned under Contract Assets.

35% Increase in Due to a Related Party

This pertains to additional advances made by stockholders CLLC.

30% Increase in Retirement Liability

The increase is due to the new retirement plan which changed the benefits payable and resulted in the recognition of past service cost.

6% Increase in Retained Earnings

The increase is due to the net income for the year, net of dividends declared.

144% Increase in Cumulative re-measurement gains (losses) on retirement liability

The difference is due to the change in financial assumptions and experience adjustments based on the new retirement plan as mentioned above.

146% Increase in Non-Controlling Interests

The increase is due to CLLC's net income recognized for the year.

RESULTS OF OPERATIONS

31 December 2020 vs. 31 December 2019

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>	<u>Change</u>
Revenues	3,301,553,056	3,847,857,424	-14%
Cost of sales and services	(1,682,981,281)	(2,145,739,457)	-22%
Gross income	P 1,618,571,775	P 1,702,117,967	-5%
Administrative expenses	417,716,339	409,806,713	2%
Selling and marketing expenses	262,506,092	256,010,229	3%

Operating expenses	680,222,431	665,816,942	2%
Income from operations	₱ 938,349,344	₱ 1,036,301,025	-9%
Finance costs	(281,183,960)	(124,839,604)	125%
Gain on change in fair value of investment properties	959,989,140	1,180,724,811	-19%
Other income – Net	42,240,203	31,106,679	36%
Income before income tax	₱ 1,659,394,727	₱ 2,123,292,911	-22%
Income tax expense	490,270,422	636,145,034	-23%
Net income	₱ 1,169,124,305	₱ 1,487,147,877	-21%
OTHER COMPREHENSIVE INCOME (LOSS)			
Remeasurement gains (losses) on net retirement liability	(7,735,261)	(26,253,170)	-71%
Income tax benefit (expense) relating to item that will not be reclassified	2,320,578	7,875,951	-71%
Total comprehensive income	₱ 1,163,709,622	₱ 1,468,770,658	-21%

Results of Operations for the year ended 31 December 2020 compared to the year ended 31 December 2019.

14% Decrease in Revenues

The decrease in revenue is attributed to a decline in revenues from Real Estate Sales which was largely brought about by changes in market conditions and restrictions on construction activities following the Community Quarantine implemented in NCR and Cebu starting March 2020. While other companies implemented selling strategies involving sizeable discounts and ultra-stretched payment terms, ALCO substantially retained its selling prices across its projects given the strength of its sales pipeline and robust cash flows. ALCO fully expected that during the pandemic, there is a longer period to close sales transactions given that buyers take more time to conclude their decisions and given the limited access of buyers to ALCO's sales galleries for its projects.

On the other hand, revenues from other segments, particularly leasing and other operations, grew by 15% to ₱382.4 million in 2020 compared to ₱332.1 million in 2019.

22% Decrease in Cost of Sales and Services

The decrease in cost of sales is directly related to the decrease in revenues.

125% Increase in Finance Costs

The increase is accounted for by the non-capitalizable interests from the ASEAN Green Bonds and other working capital loans and interest from the loan obtained for the construction of ACPT, which was no longer capitalized upon the completion of building in 2019.

19% Decrease in Gain on Change in Fair Value of Investment Properties

The decrease is due to less appraisal gain recognized for investment properties.

36% Increase in Other Income – Net

The increase is attributable to earnings on the additional placements made from the proceeds of the ASEAN Green Bonds and various loans.

23% Decrease in Income Tax Expense

The decrease is due to lower net income recognized for the year.

71% Decrease in Remeasurement Gains (Losses) on Net Retirement Liability

The decrease is due to the change in financial assumptions and experience adjustments used in the valuation of the retirement plan.

RESULTS OF OPERATIONS

31 December 2019 vs. 31 December 2018

	<u>31 Dec 2019</u>	<u>31 Dec 2018</u>	<u>Change</u>
Revenues	3,847,857,424	1,132,470,086	240%
Cost of sales and services	(2,145,739,457)	(618,799,239)	247%
Gross income	₱1,702,117,967	₱513,670,847	231%
Administrative expenses	409,806,713	325,187,083	26%
Selling and marketing expenses	256,010,229	72,423,411	253%
Operating expenses	665,816,942	397,610,494	67%
Income from operations	₱1,036,301,025	₱116,060,353	793%
Finance costs	(124,839,604)	(73,647,288)	70%
Gain on change in fair value of investment properties	1,180,724,811	172,819,094	583%
Other income – Net	31,106,679	339,120,693	-91%
Income before income tax	₱2,123,292,911	₱554,352,852	283%
Income tax expense	636,145,034	165,735,606	284%
Net income	₱1,487,147,877	₱388,617,246	283%
Other comprehensive income (loss)			
Change in actuarial gain (loss)	(₱26,253,170)	₱15,315,863	-271%
Income tax benefit (expense) relating to item that will not be reclassified	7,875,951	(4,594,759)	-271%
Total comprehensive income	₱1,468,770,658	₱399,338,350	268%

Results of Operations for the year ended 31 December 2019 compared to the year ended 31 December 2018.

240% Increase in Revenues

The increase is mainly attributable to revenue recognized from the sale of office units in Cebu Exchange and the first-time revenue recognition for sale of office units in Savya Financial Center.

247% Increase in Cost of Sales and Services

The increase in cost of sales is directly related to the increase in revenues.

26% Increase in Administrative Expenses

The increase is due to professional fees, personnel related expenses, and taxes.

253% Increase in Selling and Marketing Expenses

The increase is mainly due to amortized commissions from the sale of office units in Cebu

Exchange and Savya Financial Center, as well as the increased marketing activities for ongoing and new projects.

70% Increase in Finance Costs

The increase is mainly due to non-capitalization of interest expense from loans due to the completion of ACPT in 2019, and interests from additional working capital loans.

583% Increase in Gain on Change in Fair Value of Investment Properties

The increase is attributable to the appraisal gain of ACPT and other investment properties.

91% Decrease in Other Income – Net

The decrease is largely due to realized gain on the settlement of loans through *dacion en pago* realized in 2018.

284% Increase in Income Tax Expense

The increase is due to higher net income recognized for the year.

271% Decrease in Change in Actuarial Gain (Loss)

The decrease is due to the remeasurement loss from change in financial assumptions used in the valuation of retirement plan as mentioned under Retirement Liability.

RESULTS OF OPERATIONS

31 December 2018 vs. 31 December 2017

	<u>31 Dec 2018</u>	<u>31 Dec 2017</u>	<u>Change</u>
Revenues	1,132,470,086	463,538,594	144%
Cost of sales and services	(618,799,239)	(332,825,401)	86%
Gross income	P513,670,847	P130,713,193	293%
Administrative expenses	325,187,083	273,749,586	19%
Selling and marketing expenses	72,423,411	48,493,636	49%
Operating expenses	397,610,494	322,243,222	23%
Income (loss) from operations	P116,060,353	(P191,530,029)	-161%
Finance costs	(73,647,288)	(80,663,240)	-9%
Gain on change in fair value of investment properties	172,819,094	428,390,699	-60%
Other income – Net	339,120,693	67,443,318	403%
Income before income tax	P554,352,852	P223,640,748	148%
Income tax expense	165,735,606	85,240,763	94%
Net income	P388,617,246	P138,399,985	181%
Other comprehensive income			
Change in actuarial gain - Net of tax	15,315,863	6,323,380	142%
Income tax benefit (expense) relating to item that will not be reclassified	(4,594,759)	(1,897,014)	142%
Total comprehensive income	P399,338,350	P142,826,351	180%

Results of Operations for the year ended 31 December 2018 compared to the year ended 31 December 2017.

144% Increase in Revenues

The increase is mainly attributable to revenue recognized from the sale of office units in Cebu Exchange offices.

86% Increase in Cost of Sales and Services

The increase in cost of sales is directly related to the increase in revenues from the sales of office units in Cebu Exchange.

19% Increase in Administrative Expenses

The increase is mainly due to the recognition of past service costs as mentioned under Retirement Liability, as well as salaries paid to additional personnel employed.

49% Increase in Selling and Marketing Expenses

The increase is due to sales commissions, travel and advertising expenses for Cebu Exchange.

9% Decrease in Finance Costs

The decrease is largely accounted for by the settlement in November 2017 of an interest-bearing loan under the Parent company.

60% Decrease in Gain on Change in Fair Value of Investment Properties

The decrease pertains to the reversal of unrealized gain on investment properties due to the effect of the *dacion en pago* executed during the year.

403% Increase in Other Income – Net

The increase is largely due to realized gain on the settlement of loans through *dacion en pago*, offsetting the decrease in unrealized gain in investment properties as mentioned above.

94% Increase in Income Tax Expense

The increase is due to higher net income recognized for the year.

142% Increase in Change in Actuarial Gain – Net of tax and Income tax expense relating to item that will not be reclassified

The increase is due to the remeasurement gains based on the new retirement plan as mentioned under Retirement Liability.

FINANCIAL RATIO

	December 2020	December 2019	December 2018
Current/Liquidity Ratio (Current Assets over Current Liabilities)	2.24:1	1.94:1	2.45:1
Solvency Ratio (Net income [Loss] before depreciation over total liabilities)	0.07:1	0.13:1	0.06:1
Debt-to-equity Ratio (Total debt to total equity)	1.98:1	1.61:1	1.35:1

Debt-to-equity (Interest-bearing) Ratio (Interest-bearing debt to total equity)	1.33:1	0.93:1	0.79:1
Asset-to-equity Ratio (Total assets over total equity)	2.98:1	2.61:1	2.35:1
Interest Rate Coverage Ratio (Pre-tax income before Interest over interest expense)	6.95:1	18.08:1	8.61:1
Profitability Ratio (Net income over total equity)	0.13:1	0.20:1	0.07:1

There is no event that will trigger any direct or contingent financial obligation that is material to ALCO, including any default or acceleration of an obligation.

There is no material off-balance sheet transaction, arrangement, obligation and other relationship of ALCO with unconsolidated entities or other persons created during the reporting period.

Except as otherwise disclosed separately and excluding those projects already in ALCO's pipeline as outlined in this Report, there are no other material commitments for capital expenditures as of the period herein.

The varying levels of community quarantine that have been enforced in the different parts of the country since its initial imposition on 16 March 2020 have created significant impact to business in general. Industries considered as non-essential have been ordered closed, travel restrictions were implemented, and large areas or communities were locked down.

In spite of the difficulties posed by these challenges, ALCO has been agile and resilient enough to adopt to the "new normal" the situation has created. It has developed and executed a business continuity protocol which allowed it to continue functioning and operating except in areas where no alternative means, given existing circumstances, are readily available.

To date, Management continues to monitor all the ongoing COVID-19 related developments in order to assess, anticipate and develop appropriate business strategies moving forward.

ITEM 7. Financial Statements

ALCO's consolidated financial statements for the period ended as of 31 December 2020 were audited by Reyes Tacandong & Co., the details of which are stated below:

Accountant	:	Reyes Tacandong & Co.
Mailing Address	:	26/F Citibank Tower 8741 Paseo de Roxas, Makati City 1226
Certifying Partner	:	Ms. Michelle R. Mendoza-Cruz
C.P.A. Reg. No.	:	97380
TIN No.	:	201-892-183-000
PTR No.	:	8534279 issued on 05 January 2021 at Makati City
SEC Accreditation No.	:	Partner – No. 1499-AR-1 Group A (Valid until 17 July 2021)
BIR Accreditation No.	:	08-005144-012-2020 (Valid until 01 January 2023)

ALCO's consolidated financial statements for the period ended as of 31 December 2020 is hereto attached and incorporated herein by reference.

ITEM 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Article V of ALCO's By-laws provides, among others, that the External Auditor shall be appointed by its Board of Directors and shall receive such compensation or fee as may be determined by the Chairman or such other officer(s) as the Board of Directors may authorize.

Reyes Tacandong & Co. (RT&Co) was first appointed as ALCO's external auditor in 2012 and remains such to date. Ms. Carolina P. Angeles was the Certifying Partner for the years 2012-2016.

ALCO has not had any disagreement with its external auditor.

Fees and Other Arrangements

The external auditor's fees are based on the estimated time that would be spent on an engagement and ALCO is charged on the experience level of the professional staff members who will be assigned to work for the purpose and generally, on the complexity of the issues involved and the work to be performed, as well as the special skills required to complete the work.

The audit fees of RT&Co insofar as ALCO is concerned are as follows:

2016	-	₱950,000.00
2017	-	₱1,500,000.00
2018	-	₱1,650,000.00
2019	-	₱1,750,000.00
2020	-	₱1,750,000.00

RT&Co rendered services to ALCO's subsidiaries with the exception of CLLC¹², and its audit fees are as follows:

	2020	2019	2018
Bhavana Properties, Inc.	₱100,000.00	₱100,000.00	N.A.
Bhavya Properties, Inc.	₱100,000.00	₱100,000.00	N.A.
Cazneau Inc.	₱300,000.00	₱300,000.00	₱180,000.00
Emera Property Management, Inc.	₱160,000.00	₱160,000.00	₱150,000.00
Kashtha Holdings, Inc.	₱100,000.00	₱100,000.00	N.A.
Manchesterland Properties, Inc.	₱350,000.00	₱350,000.00	₱330,000.00
Pradhana Land, Inc.	₱100,000.00	₱100,000.00	N.A.
Savya Land Development Corporation	₱250,000.00	₱250,000.00	₱180,000.00
Urban Property Holdings, Inc.	₱130,000.00	₱130,000.00	₱120,000.00
Zileya Land Development Corporation	₱160,000.00	₱160,000.00	₱120,000.00

¹² The external auditor of CLLC is Isla Lipana & Co., a PwC member firm. Its fees for 2020, 2019, 2018 and 2017 amount to ₱538,000.00, ₱520,000.00, ₱500,000.00, and ₱430,000.00, respectively, all of which are net of VAT.

RT&Co did not charge ALCO for non-audit work for the years 2013, 2014, 2015, 2017 and 2018. In 2016, however, RT&Co charged ALCO for non-audit work in the amount of ₱1.50MM in relation to the public offering of ALCO's Preferred Series B shares. In 2019, RT&Co also charged ALCO for non-audit work in the amount of ₱1.00MM in relation to the public offering of ALCO's Preferred Series C shares.

In October 2019, ALCO filed with the SEC a Registration Statement for the shelf registration of ₱6.0 billion fixed rate ASEAN Green Bonds which was approved in January 2020. The initial tranche of these bonds equivalent to ₱3.0 billion was listed with the Philippine Dealing and Exchange Corp. on 06 February 2020. RT&Co charged ALCO for non-audit work on these bonds in the amount of ₱0.60MM.

The foregoing fees are all exclusive of VAT.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. Directors, including Independent Directors, and Executive Officers

a. Incumbent Directors and Positions Held/Business Experience for the Past Five (5) Years

<u>Name of Director</u>	<u>Directorship</u>	<u>Date of First Appointment</u>	<u>Age¹³</u>
Ernest K. Cuyegkeng	Non-Executive	21 May 2007	75
Jaime C. Gonzalez	Executive	21 May 2007	75
Jaime Enrique Y. Gonzalez	Non-Executive	24 June 2011	44
Christopher Paulus Nicolas T. Po	Non-Executive	24 June 2011	50
Leonardo Arthur T. Po	Executive	01 August 2016	43
Ricardo Gabriel T. Po	Non-Executive	28 March 2012	53
Fernan Victor P. Lukban	Independent	25 April 2011 ¹⁴	60
Hans B. Sicat	Independent	30 June 2017	60
Andres B. Sta. Maria	Independent	24 June 2016	72

Ernest K. Cuyegkeng, Filipino, is presently the Executive Vice President/Chief Financial Officer and Director of A. Soriano Corporation. His other concurrent positions include being the President and Director of Phelps Dodge Philippines International, and a Director of Seven Seas Resorts & Leisure, Prople, KSA Realty, TO Insurance, Sumifru Singapore and Sumifru Philippines. He is also a Trustee of Andres Soriano Foundation and is a member of the Makati Business Club, Management Association of the Philippines and Financial Executive Institute of the Philippines. He holds a Bachelor of Arts degree in Economics and a Bachelor of Science degree in Business Administration, both from the De La Salle University. He also obtained a Masters degree in Business Administration from the Columbia Graduate School of Business in New York.

Jaime C. González, Filipino, presently ALCO's Vice Chairman and President, is a graduate of Harvard Business School (MBA) and of De La Salle University in Manila,

¹³ As of the date of this Report.

¹⁴ Mr. Lukban ceased to be a director of ALCO in 2016 but was re-elected anew on 28 June 2019.

with degrees in B.A. Economics (*cum laude*) and B.S. Commerce (*cum laude*). Mr. González led the transition of ALCO in 2008 and started the vision of what the company is now. He is also the founder and the Chairman and Chief Executive Officer of AO Capital Partners, a financial and investment advisory firm with headquarters in Hong Kong. He is presently a member of the Board of Directors of a number of companies and is the Chairman of IP E-Game Ventures, Inc. which is involved in information technology and new media, retail/food and beverage, natural resources, and real estate and resort development. Apart from these, Mr. González is active in socio-cultural organizations such as the Philippine Map Collectors Society where he is the President, the World Presidents' Organization Philippine Chapter, Harvard Club New York Chapter, Philippine Institute of Certified Public Accountants, and the International Wine and Food Society. He was previously an independent director of Euromoney Institutional Investment PLC (a UK publicly listed media company) and the Southeast Asia Cement Holdings, Inc. (a subsidiary of Lafarge S.A.). He was the Vice Chairman and President of the Philippine International Trading Corporation and at one time, a special trade negotiator of the country's Ministry of Trade. Mr. González was once a partner of SGV & Co. with principal focus on assisting clients in establishing and/or in arranging funding for projects throughout the Asian region.

Jaime Enrique Y. González, Filipino, is the founder and currently the CEO of IP Ventures, Inc., a leading venture group that owns businesses that represent large retail brands such as Highlands Coffee, NBA Retail and Western Union. He is also the founder of IPVG Corp., E-games, and IP-Converge, Inc., which all listed on the Philippine Stock Exchange. He is a partner in the Kaikaku Fund (a Softbak-led fund), a venture capital focused on SE Asia, and a shareholder and director of Retail Specialist Inc., the exclusive retailer of Naturalizer and Florsheim brands in the Philippines. Enrique was IT Executive of the Year in 2008 and a finalist for the Ernst & Young Entrepreneur of the Year in 2011. He is also part of the Young Presidents Organization and sits on the Board of Trustees of Asia Society Philippines. He continues to hold the record of being the youngest person to have listed a company on the Philippine Stock Exchange at 27 years old. He has structured profitable exits such as PCCW Teleservices (sold to PCCW of Hong Kong), Prolexic Technologies (sold to Kennet Partners and eventually Akamai for over US\$ 300.0MM), and Level-up Games (sold to Asiasoft). Enrique is a columnist for Philippine Star covering entrepreneurship and business under Business Life section. He is an active evangelist for attracting foreign capital and partners into the Philippines, and has joined state visits under President Gloria Arroyo and most recently, President Rodrigo Duterte's state visit to China. He was instrumental in bringing in China Railway Engineering Corp (CREC), a Fortune 100 company, and Tianjin SULI cable (a Fortune 500 company) into the Philippines. Enrique went to Middlebury College, Asian Institute of Management and Harvard Business School. He is a Kauffman Fellow and part of the Class 21 Batch.

Christopher Paulus Nicolas T. Po, Filipino, is the Executive Chairman of Century Pacific Food, Inc., a food company listed in the Philippine Stock Exchange and trading under the symbol CNPF. He concurrently serves as Chairman of Shakey's Pizza Asia Ventures, Inc., likewise a listed chain restaurant business trading under the symbol PIZZA. Prior to those roles, he was Managing Director for Guggenheim Partners, a U.S. financial services firm where he was in charge of the firm's Hong Kong office. Previously, he was a Management Consultant at McKinsey and Company working with companies in the Asian region. He also worked as the Head of Corporate Planning for

JG Summit Holdings, a Philippine-based conglomerate with interests in food, real estate, telecom, airlines and retail. He graduated *summa cum laude* from the Wharton School and College of Engineering of the University of Pennsylvania with dual degrees in Economics (finance concentration) and applied science (system engineering) in 1991. He holds a Masters degree in Business Administration from the Harvard University Graduate School of Business Administration. He is a member of the Board of Trustees of the Ateneo de Manila University as well as a member of the Board of Asia Society Philippines, and is the President of the CPG-RSPo Foundation.

Leonardo Arthur T. Po, Filipino, is presently ALCO's Executive Vice President and Treasurer. He is likewise a Director and the Treasurer of Century Pacific Food, Inc., and Shakey's Pizza Asia Ventures, Inc. He graduated *magna cum laude* from Boston University with a degree in Business Administration and has extensive and solid business development experience in consumer marketing, finance and operations of fast-moving consumer goods (FMCG), food service, quick-serve restaurants, and real estate development.

Ricardo Gabriel T. Po, Filipino, is the Vice Chairman of Century Pacific Food, Inc., and concurrently serves as Vice Chairman of Shakey's Pizza Asia Ventures, Inc. He was the Executive Vice President and Chief Operations Officer of CNPF from 1990 to 2006 and became the Vice Chairman of its Board of Directors in 2006. He graduated *magna cum laude* from Boston University with a Bachelor of Science degree in Business Management in 1990. He also completed the Executive Education Program (Owner-President Management Program) at Harvard Business School in 2000.

Hans B. Sicat, Filipino, has been involved with the global capital market for about three decades, being a trained mathematician and economist. He is currently the Country Manager for ING Bank, N. V., Manila Branch where he joined as a Managing Director in 2017. At present, he is a Director of the Investment House Association of the Philippines. He is also affiliated with the Philippines Executive Committee of YPO Gold (a global organization) and is the incoming Philippines Chairman for 2020-2021. Prior to this, he was the President and CEO of the Philippine Stock Exchange (PSE) which he assumed in 2011. He also served as its Chairman and Independent Director for about eighteen months beforehand. He was President and CEO of the Securities Clearing Corporation of the Philippines, a role he held concurrent with the PSE post, and was a Member of the Board of Director of PSE and the Bankers Association of the Philippines from 2018-2019. Mr. Sicat finished his coursework for Ph.D. Economics Program at the University of Pennsylvania, Philadelphia, and earned his Master of Arts in Economics and Bachelor of Science in Mathematics at the University of the Philippines. He was conferred an Honorary Doctorate Degree in Business Administration by the Western University in Thailand. Mr. Sicat has diverse interests on the private side too, spanning financial services, Knowledge Process Outsourcing and real estate. He was Acting Chairman of LegisPro Corporation, Independent Director of Serica Balanced Fund & Master Fund, and Skycable Corporation. He was also a Director in List Sotheby's Philippines and was on the Advisory Board of Fintonia Fund, which has an Asian FinTech focus. For over two decades, he was an investment banker with Citigroup and its predecessor firms (Salomon Brothers & Citicorp Securities) in various roles in New York, Hong Kong & the Philippines.

Andres B. Sta. Maria, Filipino, was senior partner and a member of the executive

committee of the law firm SyCip Salazar Hernandez & Gatmaitan. For over 25 years until he retired, he headed the firm's Special Projects Group, which focused on acquisitions, privatization, power and energy, and industrial and infrastructure projects. He studied at the University of the Philippines, Cornell University and New York University and holds Bachelor of Science in Business Administration, Bachelor of Laws, and Master of Laws degrees. Before SyCip, he worked with the New York law firms Cleary Gottlieb Steen & Hamilton and Coudert Brothers. Mr. Sta. Maria maintains a private practice in commercial and corporate law.

Fernan Victor P. Lukban, Filipino, is a leading consultant in Family Business, Strategy, Entrepreneurship and Governance. He advises family boards of over a dozen of the most progressive and better governed family businesses in the country. Over the recent years, he has put special focus in developing Base of the Pyramid Initiatives in various provinces in the Philippines. He spent much of his early professional years in the academe helping establish and grow the University of Asia & the Pacific where he still participates as a consultant, mentor and guest lecturer. Mr. Lukban obtained a degree in Mechanical and Industrial Engineering from the De La Salle University. He received his MBA from *Instituto de Estudios Superiores de la Empresa* and MSc in Industrial Economics from the University of Asia & the Pacific.

Term of Office

The Board of Directors is composed of nine (9) members who are generally elected at an annual stockholders' meeting, and their term of office shall be one (1) year and until their successors shall have been elected at the next annual stockholders meeting and have qualified in accordance with the By-laws of ALCO.

b. Corporate and Executive Officers and Positions Held/Business Experience for the Past Five (5) Years

The following are the incumbent principal corporate officers of ALCO:

Chairman of the Board	Ernest K. Cuyegkeng
Vice Chairman and President	Jaime C. Gonzalez
Vice Chairman	Ricardo Gabriel T. Po
Executive Vice President and Treasurer	Leonardo Arthur T. Po
Corporate Secretary and General Counsel	Atty. Riva Khristine V. Maala

Riva Khristine V. Maala, Filipino, holds a Bachelor of Arts degree in Philosophy (*cum laude*) and a Bachelor of Laws degree, both from the University of the Philippines. She was an Associate Attorney of Fortun Narvasa and Salazar Law Offices before working in the banking industry for eleven years as documentation lawyer, among others. Atty. Maala became ALCO's Head of Legal Affairs and Investor Relations on 01 October 2012, and likewise acted as its Assistant Corporate Secretary and Corporate Information Officer until 08 February 2017 when she was appointed as Corporate Secretary and General Counsel. In addition, she performs the responsibilities of ALCO's Compliance Officer, having assisted ALCO's previous compliance officers on their tasks as such.

Term of Office:

The corporate officers of ALCO are appointed/elected by the Board of Directors at the organizational meeting following the stockholders' meeting for a term of one (1) year, and until their successors are appointed/elected and have qualified in accordance with the By-laws of ALCO. Further, any two (2) or more positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or Secretary at the same time.

c. Significant Employees

Other than the above-named directors and corporate officers, the following are significant or key personnel of ALCO who make a significant contribution to its business:

Christopher G. Narciso, Filipino, is an Executive Vice President who heads and supervises the Business and Project Development Department, the Sales & Leasing Administration Department, and the Marketing Department. Prior to joining ALCO, Mr. Narciso was an Executive Director of the Philippine Transmarine Carriers Group and the Concurrent Chief Operating Officer of ACM Landholdings, Inc. He was also at one time the Chief Operating Officer of Taft Property Ventures Development Corporation, a member of Metro Gaisano, Vicsal Development Corporation. He worked at Robinsons Land Corporation from 2007 until 2013, and Narel Realty and Development Corporation from October 1995 to March 2007. Mr. Narciso graduated from the De La Salle University with a Bachelor of Science degree in Industrial Management Engineering, minor in Chemical Engineering, and also earned units in Masters in Business Administration from the University of Western Australia. He is a past National President of the Subdivision and Housing Developers Association.

Oliver L. Chan, Filipino, is the Head of Sales Operations. He is a licensed mechanical engineer who obtained his degree from the University of Santo Tomas. Prior to joining ALCO, he was the Property Manager of Ayala Property Management Corporation who handled the operations of Ayala Land Inc.'s premiere retail and recreation centers, namely, the Greenbelt complex, Ayala Museum, San Antonio Plaza in Forbes Park and the retail spaces at The Residences at Greenbelt. Because of his strong customer service background, he is concurrently General Manager of Emera Property Management, Inc., the property management arm of ALCO.

Gabriel I. Paulino, Filipino, is the Head of Technical Services. He has over 35 years of professional experience in architectural and project management practice. He was formerly the Assistant Vice President for Design and Planning at Rockwell Land Corporation and worked on Edades Towers, The Grove, One Rockwell, Joya and the Powerplant Mall. Prior to Rockwell, he was a Senior Associate of Recio + Casas Architects. He was also involved in the Pacific Plaza Towers (Makati and Fort Bonifacio), Manansala at Rockwell, LKG Tower Ayala and Salcedo Park Towers Makati.

Sheryll P. Verano, Filipino, is the Head of Strategic Funding and Investments and is ALCO's Investor Relations Officer. She is a finance professional with 20 years-experience in financial advisory, debt and equity capital raising, debt restructuring and

mergers and acquisitions. Prior to joining ALCO, she was Associate Director in American Orient Capital Partners (Philippines) and was with the Global Corporate Finance group of SGV and Co. She received her CFA Charter in 2006 and was one of the topnotchers in the 1999 CPA Board Exams. She graduated *cum laude* from the University of the Philippines with a Bachelor of Science degree in Business Administration and Accountancy.

Ferdinand A. Constantino, Filipino, is the Chief Finance Officer. He is a Certified Public Accountant and a licensed Real Estate Broker. He obtained his degree in Accountancy from the Polytechnic University of the Philippines in 1982. His work experience includes being the Corporate Comptroller/Tax Manager of Century Canning Corporation (1995-2006), GM/Business Unit Head of CPGC Logistics Philippines, Inc. (2006-2013), and Finance Director of Century Pacific Food, Inc.

Leilani G. Kanapi, Filipino, joined the Corporation in March 2008 initially as part of the Technical Services team. She was eventually tasked to head the Procurement Department in August 2009. She worked previously with Rockwell Land Corporation where she took on roles in Estate Management, Handover and Project Development. Prior to that, she was with CB Richard Ellis as Business Development and Operations Manager for the Property and Facilities Management Group. Ms. Kanapi graduated from the University of Santo Tomas with a Bachelor of Science degree in Civil Engineering and obtained a Masters Degree in Business Administration from Pepperdine University, USA where she also had the opportunity to join the Student Exchange Program in Marseille, France.

Clarence P. Borrromeo, Filipino, has been the Head of the Information Technology (IT) Department since 2009, and was appointed as ALCO's Data Privacy Officer concurrently on 09 May 2018. Before joining ALCO, he was the IT Head of the ICCP Group of Companies (Investment and Capital Corporation of the Philippines), and before that, the IT Head at RAMCAR Food Group (Kentucky Fried Chicken and Mr. Donut). He started his career in Information Technology as IT Helpdesk Supervisor at Zuellig Interpharma Holdings. Mr. Borrromeo finished college at the Ateneo de Manila University with a degree in AB Interdisciplinary Studies.

Ma. Angelina B. Magsanoc, Filipino, the Head of the Marketing Department, has more than 25 years experience working at various positions linked to financial and real estate industries. A greater part of her career in Standard Chartered Bank, Jardine Fleming Exchange Capital Securities, Belle Corporation, Highlands Prime, and Terra Nostra, was dedicated to marketing, business development and finance. Prior to joining ALCO, she held the position of Vice President for Business Development and Marketing of ACM Landholdings, Inc. Ms. Magsanoc took up A.B. Management Economics from the Ateneo de Manila University and earned masteral units from the Ateneo Graduate School of Business.

Edgar V. Sabidong, Filipino, a registered Civil Engineer from the Mapua Institute of Technology, with over thirty years of experience in construction, facilities and project management, 12 years of which were spent in the Caribbean and in the Middle East, is a Vice President of the Technical Services Department. He was Project Director of the biggest project in Trinidad and Tobago and while with Saudi Aramco, he handled various facilities like office building, hospital, laboratory and community housing

renovation and upgrade works. Locally, he worked with D.M. Consunji, and in its joint venture with the British John Laing International, he worked on the five Rockwell west tower condominium buildings – Hidalgo, Rizal, Luna, and Amorsolo East and West. Engr Sabidong was elected as the Chairman of the Philippine Green Building Council from 2019 to 2020. As a member of the Board of Trustees, he also sits in the BERDE PR and Internal Policy Committees. Given its commitment to greening the industry, ALCO gave Engr. Sabidong the task to head and lead all project undertakings and sustainability efforts with his concurrent appointment as its Chief Sustainability Officer¹⁵.

Joseph R. Feliciano, Filipino, was appointed Internal Audit Head effective on 17 August 2020. He obtained from Far Eastern University his Bachelor of Science degree in Commerce major in Accounting with honors (*cum laude*). He also earned several units of Masters of Business Administration from the De La Salle University-Graduate School of Business. Mr. Feliciano is a seasoned internal audit professional with more than 25 years work experience. He is a Certified Internal Auditor (CIA) and Certified Public Accountant (CPA). Prior to joining ALCO, he was the Head of Internal Audit of TrueMoney Phils. He was also previously the Regional Audit Manager for the Asian region of VisionFund International and the Country Audit Head of Sun Life of Canada. He held key audit positions in companies such as Sumisho (subsidiary of Sumitomo Corporation of Japan), Citigroup, ABS-CBN and Manulife. He has experience in controllership and finance as well.

d. Family Relationship

With the exception of brothers Ricardo Gabriel T. Po, Christopher Paulus Nicolas T. Po and Leonardo Arthur T. Po, and father and son Jaime C. Gonzalez and Jaime Enrique Y. Gonzalez, the abovementioned incumbent directors and executive officers of ALCO are not related to each other, either by consanguinity or affinity.

e. Involvement in Certain Legal Proceedings

The above-named directors and corporate/executive officers of ALCO have not been involved during the past five (5) years up to the date of this Report in any bankruptcy proceeding or any proceeding involving a violation of securities or commodities laws or regulations, nor have they been convicted in a criminal proceeding. Neither has there been any order or judgment enjoining, barring, suspending or limiting their involvement in any type of business, securities, commodities or banking activities.

The above notwithstanding, a director and an officer of ALCO are currently parties to legal proceedings which neither involves ALCO directly nor their acts as such director and officer. There is no final resolution on these proceedings at this time and ALCO believes that their involvement in said proceedings is not material to an evaluation of the ability or integrity of such person to become a director or officer of ALCO.

1. In 2013, the PDIC had filed one and the same complaint against Mr. Jaime C. Gonzalez, among other former officers of then Export and Industry Bank, before (a) the Department of Justice (DOJ), and (b) the *Bangko Sentral ng Pilipinas* (BSP)

¹⁵ Engr. Sabidong was appointed by the Board as such on 20 March 2019.

for violation of Section 21 (f)(10) of Republic Act (R.A.) No. 3591, Section 21 (f)(4) of R.A. No. 3591, and Sections 55, 56 and 66 of R.A. No. 8791 in relation to Section 36 of R.A. No. 7653. PDIC alleged that the respondents committed acts which constituted doing business in an unsafe and unsound manner, essentially having concealed from PDIC the engagement as the bank's financial advisor of a company which Mr. Gonzalez was an officer of, simultaneously with being an officer of the bank. All respondents denied PDIC's accusation and submitted documentary evidence that there was in fact full disclosure to all concerned parties.

In 2014, the DOJ found no probable cause to hold Mr. Gonzalez and his co-respondents liable for the charges of PDIC against them and dismissed the complaint. PDIC's Motion for Reconsideration was likewise denied. PDIC filed a Petition for Review before the Secretary of Justice but there is no decision on the matter to date.

In March 2016, PDIC filed a civil complaint for sum of money against Mr. Gonzalez, among others, arising from the same set of allegations and circumstances stated in the above complaint PDIC filed with the DOJ. Trial is still ongoing.

Insofar as the administrative case before the BSP, in a Resolution dated 13 June 2019, the Monetary Board approved the Report prepared by the Office of the General Counsel and Legal Services finding Mr. Gonzalez, among others, administratively liable for violation of banking laws and imposing upon him a fine of ₱20,000.00. Mr. Gonzalez filed a Motion for Reconsideration on 09 July 2019 and paid the fine under protest, *i.e.*, without abandoning his Motion for Reconsideration or waiving his legal right to question the Monetary Board Resolution before the proper courts and eventually claim reimbursement for the payment of the fine should said Resolution be set aside. BSP denied the Motion on 07 February 2020, hence, Mr. Gonzalez filed a Petition for Review before the Court of Appeals which is pending resolution to date.

2. In 2015, PDIC filed one and the same complaint against Mr. Gonzalez, Ms. Angela de Villa Lacson, ALCO's former President and CEO, Mr. Froilan Q. Tejada, ALCO's former Chief Finance Officer, and Ms. Riva Khristine V. Maala, Assistant Corporate Secretary of ALCO then, among other former officers of then Export and Industry Bank, (a) before the DOJ for violation of Article 315 of the Revised Penal Code in relation to Presidential Decree No. 1689 and of Section 21(f)(10) of R.A. No. 3591, as amended, and (b) before the BSP for violation of Section 37 of R.A. No. 7653. PDIC alleged that the respondents conspired and fraudulently caused the bank to make advances in favor of ALCO for the alleged purchase by ALCO of one of the bank's non-performing assets in the sum of ₱13 million. All respondents denied PDIC's charges against them in their respective counter-affidavits.

In March 2017, the DOJ charged Mr. Gonzalez and Ms. Maala, among other respondents in this case, for violation of Sec. 21(f)(10) of R.A. No. 3591, as amended, while the charges for the violation of Article 315 of the Revised Penal Code in relation to Presidential Decree No. 1689 were dismissed. Mr. Gonzalez and Ms. Maala filed their respective Motions for Partial Reconsideration in December 2018, and in February 2019, the DOJ dismissed altogether the criminal complaint against the respondents for violation of Sec. 21(f)(10) of R.A. No. 3591, as

amended. PDIC filed a Petition for Review of the said dismissal before the Office of the DOJ Secretary on 14 May 2019 and there is no decision on the matter to date.

On the other hand, in May 2017, the BSP issued a Decision formally charging Mr. Gonzalez, Ms. Maala and the other respondents for committing irregularities under Section 37 of R.A. No. 7653, and committing unsafe or unsound banking practices under Section 56 of R.A. No. 8791 in relation to Section 37 of R.A. No. 7653. Presently, the case is with the Office of the General Counsel and Legal Services of the BSP and is pending resolution.

ITEM 10. Compensation of Directors and Executive Officers

a. Compensation of Directors and Executive Officers

Section 10, Article III of ALCO's By-laws provides that the "Board of Directors is empowered and authorized to fix and determine the compensation of its members, including profit sharing and other incentives, subject to the limitations imposed by law."

Beginning June 2016, the per diem given to each director for each meeting of the Board (special or regular) attended was increased to ₱75,000.00 for independent directors and ₱10,000.00 for regular directors, except for the Chairman of the Board who receives ₱100,000.00.

Each director is also paid a per diem of ₱2,500.00 for each committee meeting he attends, of which he is a member. These committees are the Executive Committee, the Audit Committee, the Stock Option and Compensation Committee, the Nomination Committee and the Risk Management Committee.

The current members of ALCO's various committees are:

Audit Committee	Fernan Victor P. Lukban, Chairman Hans B. Sicat Andres B. Sta. Maria
Stock Option and Compensation Committee	Jaime C. Gonzalez, Chairman Ricardo Gabriel T. Po Hans B. Sicat
Nomination Committee	Ricardo Gabriel T. Po, Chairman Hans B. Sicat Andres B. Sta. Maria
Executive Committee	Jaime C. Gonzalez, Chairman Ricardo Gabriel T. Po, Vice Chairman Jaime Enrique Y. Gonzalez Christopher Paulus Nicolas T. Po Leonardo Arthur T. Po Ferdinand A. Constantino

Section 7, Article IV, in turn, provides that the "Chairman, or such other officer(s) as

the Board of Directors may authorize, shall determine the compensation of all the officers and employees of the Corporation. xxx”

2019

	<u>Salary</u> ¹⁶	<u>Bonus</u>	<u>Others</u>
Directors and Executives	₱83.46M	₱8.75M	None
Officers (As a group unnamed)	₱51.60M	₱9.35M	None

2020

	<u>Salary</u> ¹⁷	<u>Bonus</u>	<u>Others</u>
Directors and Executives ¹⁸	₱72.67M	₱2.76M	None
Officers (As a group unnamed) ¹⁹	₱44.25M	₱4.13M	None

Estimated Compensation for 2021 (Collective)

	<u>Salary</u> ²⁰	<u>Bonus</u>	<u>Others</u>
Directors and Executives	₱77.30	None ²¹	None
Officers (As a group unnamed)	₱54.21		

b. Standard Arrangement/Material Terms of Any Other Arrangement/Terms and Conditions of Employment Contract with Above Named Corporate/Executive Officers

In ALCO’s annual meeting held on 16 October 2009, the stockholders representing more than sixty-seven percent (67%) of all its issued and outstanding common shares which are entitled and qualified to vote approved the 2009 ALCO Stock Option Plan. The total amount of shares which are available and may be issued for this purpose will amount to 10% of ALCO’s total outstanding capital stock at any given time. At present, this is equivalent to 531,809,519 shares. The Stock Option and Compensation Committee consisting of at least three (3) directors, one (1) of whom is an independent director, will administer the implementation of this plan.

Qualified employees eligible to participate under the plan are (i) members of the Board, with the exception of the independent directors; (ii) President and CEO and other corporate officers, which include the Corporate Secretary and the Assistant Corporate Secretary; (iii) Employees and Consultants who are exercising managerial level functions or are members of the Management Committee; and (iv) Executive officers assigned to ALCO’s subsidiaries or affiliates²².

The Stock Option and Compensation Committee is empowered to determine to whom

¹⁶ Rounded-off.

¹⁷ *Ibid.*

¹⁸ Includes all Directors and employees with the rank of Vice President and higher. In addition to the President, the four (4) highest paid executive officers of ALCO in 2020 are the following:

- Executive Vice President and Treasurer Leonardo Arthur T. Po
- Executive Vice President Christopher G. Narciso
- Senior Vice President Gabriel I. Paulino (Head, Technical Services), and
- Senior Vice President Sheryll P. Verano, (Head, Strategic Funding and Investments).

¹⁹ Includes all employees with the rank of Manager up to Senior Assistant Vice President.

²⁰ Rounded-off.

²¹ Whether bonuses will be given in 2021 is uncertain at this time.

²² ALCO must have at least 50% equity holdings of said subsidiary or affiliate.

the Options are to be granted, determine the price the Option is to be exercised (which in no case shall be below the par value of ALCO's common stock), decide when such Option shall be granted and its effectivity dates, and determine the number and class of shares to be allocated to each qualified employee. The Committee will also consider at all times the performance evaluation of the qualified employee and/or the result of the achievement of the objectives of ALCO each year.

The Option Period during which the qualified employee may exercise the option to purchase such number of shares granted will be three (3) years starting with the full year vesting in accordance with the following schedule:

- (i) Within the first twelve (12) months from Grant Date - up to 33.33%
- (ii) Within the 13th to the 24th month from Grant Date - up to 33.33%
- (iii) Within the 25th to 36th month from Grant Date - up to 33.33%.

On the Exercise Date, the qualified employee should pay the full Purchase Price or in such terms as may be decided upon by the Committee.

In 2010, options equivalent to 164,800,000 were granted but none of the qualified employees exercised their respective rights until the period within which they can do so expired in October 2012.

On 14 December 2018, ALCO's Board of Directors approved granting options equivalent to not more than 90.0 million common shares to its qualified employees as above defined. The Stock Option and Compensation Committee was tasked to administer the implementation of this grant, which will include to whom and when the Options are to be granted and the effectivity dates thereof, and the number and class of shares to be allocated to each qualified employee, after considering the performance evaluation of said qualified employees vis-a-vis the result of the achievement of the company's objectives for 2018.

The Stock Option and Compensation Committee pegged the price the option is to be exercised at the five-day volume weighted average price per share beginning 17 December 2018, or until 21 December 2018. Said price was at ₱0.85 per share.

On 25 March 2020, the price of the options granted as abovementioned was changed to ₱0.50 per share.

As of the date of this Report, none of the qualified employees exercised their respective rights.

The term of the 2009 ALCO Stock Option Plan expired in October 2019. The 2020 ALCO Stock Option Plan which has substantially the same terms as the 2009 plan was presented during the Annual Stockholders' Meeting on 26 June 2020 and stockholders representing at least sixty-seven percent (67%) of the outstanding common shares which are entitled and qualified to vote approved the same. SEC approval of the 2020 ALCO Stock Option is presently being secured.

ITEM 11. Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Voting Shares (as of 31 December 2020)

<i>Title of Class</i>	<i>Name and Address of Record Owners</i>	<i>Citizenship</i>	<i>Amount & Nature of Ownership</i>	<i>% of Class</i>
Common	CPG Holdings, Inc.	Filipino	2,017,619,910 Direct 125,000,000 Indirect	40.289
Common	AO Capital Holdings I, Inc.	Filipino	1,383,730,000 Direct	26.019

PCD Nominee Corporation (Filipino) is the holder of 1,652,323,140 Common shares, or 31.070 % of the total issued and outstanding Common shares of ALCO.

ALCO is not aware of any voting trust agreements involving its shares.

(2) Security Ownership of Management (as of 31 December 2020)

<i>Title of Class</i>	<i>Name and Position of Record Owners</i>	<i>Citizenship</i>	<i>Amount & Nature of Ownership</i>	<i>% of Class</i>
Common	Ernest K. Cuyegkeng <i>Chairman of the Board</i>	Filipino	1 <u>Direct and Beneficial Owner</u>	0.00 %
Common	Jaime C. Gonzalez <i>Vice Chairman and President</i>	Filipino	76,715,151 <u>Direct and Beneficial Owner</u>	1.44 %
Common	Jaime Enrique Y. Gonzalez <i>Director</i>	Filipino	1 <u>Direct and Beneficial Owner</u>	0.00 %
Common	Christopher Paulus Nicolas T. Po <i>Director</i>	Filipino	1 <u>Direct and Beneficial Owner</u>	0.00 %

Common	Leonardo Arthur T. Po <i>Executive Vice President and Treasurer</i>	Filipino	1 <u>Direct and Beneficial Owner</u>	N.A.
Common	Ricardo Gabriel T. Po <i>Director/Vice Chairman</i>	Filipino	1 <u>Direct and Beneficial Owner</u>	0.00 %
Common	Hans B. Sicat <i>Independent Director</i>	Filipino	1 <u>Direct and Beneficial Owner</u>	0.00 %
Common	Andres B. Sta. Maria <i>Independent Director</i>	Filipino	1 <u>Direct and Beneficial Owner</u>	0.00 %
Common	Fernan Victor P. Lukban <i>Independent Director</i>	Filipino	1 <u>Direct and Beneficial Owner</u>	0.00 %
None	Riva Khristine V. Maala <i>Corporate Secretary and General Counsel</i>	Filipino	0	N.A.

		TOTAL	76,715,159 shares	

ITEM 12. Certain Relationships and Related Transactions

In the regular conduct of its business, ALCO and its subsidiaries enter into intercompany transactions, primarily advances by ALCO to a subsidiary which are necessary to carry out the latter's functions subject to liquidation and reimbursements for expenses. ALCO ensures that while these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks, they are fair and treated at arm's length. Intercompany transactions between ALCO and its subsidiaries for the period covered by this Report are discussed in the Audited Financial Statements hereto attached.

Except for the above and related disclosures in this Report, specifically Item 1, paragraphs g and l, there are no other transactions (or series of similar transactions) with or involving any of ALCO's subsidiaries, affiliates or related companies in which a director or an executive officer or a stockholder who owns ten percent (10%) or more of ALCO's total outstanding shares, or member/s of their immediate family, had or is to have a direct or indirect material interest.

PART IV – CORPORATE GOVERNANCE

ALCO's compliance with its Manual of Corporate Governance, as revised as of 31 May 2017, is monitored by its Compliance Officer who is tasked, among others, to determine and measure such compliance with the said Manual. As of 31 December 2020, ALCO adopted substantially all the provisions of its Manual on Corporate Governance.

PART V – EXHIBITS AND SCHEDULES

ITEM 13. Exhibits and Reports on SEC Form 17-C

- a. Supplementary Schedules with separate independent auditors' opinion are appended to the Audited Financial Statements hereto attached.
- b. The Aggregate Market Value of Voting Stock held by Top 10 Non-Affiliates is in page 3 of this Report.
- c. There were no disclosures not covered by SEC Form 17-C (Current Report) filed in the last quarter of 2020.

ITEM 14. Sustainability Report

ALCO's Sustainability Report for 2020 (Reporting Template for Sustainability Report) is hereto attached and incorporated herein by reference.

- Nothing follows. -

SIGNATURE PAGE

Pursuant to the requirements of Section 17 of the Securities Regulations Code and Section 141 of the Corporation Code, this Report is signed on behalf of ALCO in **Taguig City** on the date stated below.

ARTHALAND CORPORATION

By:

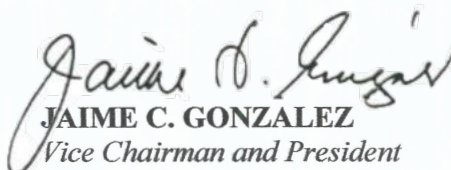


ERNEST K. CUYEGKENG

Chairman of the Board

Passport No. P7236847A

Issued on 19 May 2018 in NCR South



JAIME C. GONZALEZ

Vice Chairman and President

Passport No. P5521740A

Issued on 05 January 2018 in NCR East



FERDINAND A. CONSTANTINO

Chief Finance Officer

TIN 118-626-881

SUBSCRIBED AND SWORN to before me this on 20 APR 2021 at **Taguig City, Philippines**, affiants exhibiting to me competent evidence of their respective identities as above indicated.

Doc. No. 401
Page No. 82
Book No. 13
Series of **2021**.

GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2022
PTR NO. A-5063681/1-4-2021/ TAGUIG CITY
IBP NO. 131041/10-22-2020 RSM(FOR YR. 2021
ROLL NO. 41969
MCLE COMP. VI No. 0021812
MARCH 29, 2019
APP No. 38(2021-2022)

UNDERTAKING

ARTHALAND CORPORATION (ALCO) undertakes to provide, without charge, a hard copy of its Annual Report, SEC Form 17-A, to any person soliciting a copy thereof upon written request addressed to the Corporate Secretary with principal office address at the 7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City, Taguig City 1634.

COVER SHEET

for
AUDITED CONSOLIDATED
FINANCIAL STATEMENTS

SEC Registration Number

A S 9 4 0 0 7 1 6 0

COMPANY NAME

A R T H A L A N D C O R P O R A T I O N A N D S U B S I D I A R I E S

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

7 / F A r t h a l a n d C e n t u r y P a c i f i c T o w e r , 5 t
h A v e n u e c o r n e r 3 0 t h S t r e e t , B o n i f a c i o
G l o b a l C i t y , T a g u i g C i t y

Form Type

A A C F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Group's Email Address

-

Group's Telephone Number/s

(+632) 8403-6910

Mobile Number

-

No. of Stockholders

1,939

Annual Meeting (Month / Day)

Last Friday of June

Calendar Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ferdinand A. Constantino

Email Address

faconstantino@arthaland.com

Telephone Number/s

(+632) 8403-6910

Mobile Number

-

CONTACT PERSON'S ADDRESS

Lot 20 B5 P5 Almaciga Street, Greenwoods Executive Village, Pasig City

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

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

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

Management of **ARTHALAND CORPORATION** (the “Parent Company”) and its **Subsidiaries** (collectively, the “Group”) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **31 December 2020, 2019 and 2018**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

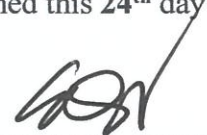
In preparing the financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to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

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

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

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

Signed this 24th day of **March 2021, Taguig City, Philippines**.


ERNEST K. CUYEGKENG
Chairman of the Board
JAIME C. GONZALEZ
Vice Chairman and President
FERDINAND A. CONSTANTINO
Chief Finance Officer

OATH

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY) SS.

I certify that on this **24 MAR 2021** before me, a notary public duly authorized in the city named above to take acknowledgments, personally appeared the following whom I identified through competent evidence of identity to be the same persons described in the foregoing instrument, who acknowledged before me that they voluntarily affixed their signatures on the instrument for the purpose stated therein, and who declared to me that they executed the instrument as their free and voluntary act and deed and that they have the authority to sign on behalf of their principal:

Name	Type of ID	Date/Place of Issue
Ernest K. Cuyegkeng	Passport No. P7236847A	19 May 2018/NCR South
Jaime C. Gonzalez	Passport No. P5521740A	05 January 2018/Manila
Ferdinand A. Constantino	TIN 118-626-881	N/A

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

Doc No. 221
Page No. 46
Book No. 14
Series of **2021**.

GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2022
PTR NO. A-5063681/1-4-2021/ TAGUIG CITY
IBP NO. 231041/10-22-2020 RSM(FOR YR. 2021
ROLL NO. 41969
MCLE COMP. VI No. 0021812
MARCH 29, 2019
APP No. 38(2021-2022)

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
7/F Arthaland Century Pacific Tower
5th Avenue corner 30th Street
Bonifacio Global City, Taguig City

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Arthaland Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2020, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2020, 2019 and 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the 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.

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.



Fair Value Measurement of Investment Properties

The Group's investment properties which are accounted for using the fair value model amounted to ₱8,315.2 million as at December 31, 2020. The fair value measurement is significant to our audit as the investment properties account for 30.2% of the Group's total assets as at December 31, 2020 (see Notes 3 and 10 to the consolidated financial statements).

We focused our audit on the management's determination of the fair value of investment properties because the process involves significant management judgment when selecting the appropriate valuation techniques and inputs used to determine fair value.

We have assessed the independence and competency of the appraiser engaged by the Group. We have also reviewed the reasonableness of the assumptions used to estimate the fair value of the Group's investment properties by: (1) testing the underlying lease agreements on a sample basis, (2) testing raw land's value by comparison with similar properties, and (3) verifying valuation inputs such as yields, occupancy rates and discount rates to external industry data to ascertain if these are reasonably appropriate.

Revenue from Real Estate Sales

For the year ended December 31, 2020, the Group recognized revenue of ₱2,919.1 million from real estate sales using the percentage of completion (POC) method. This is significant to our audit as the amount of revenue from real estate sales for the year ended December 31, 2020 is material to the consolidated financial statements (see Notes 3 and 17 to the consolidated financial statements).

We focused our audit on the revenue recognition as significant judgment is required when estimating POC, total project costs and the estimated costs to complete the real estate project that are used to determine POC at the end of the reporting period.

We obtained an understanding of the relevant processes and controls over the accounting for customer contracts and project reviews performed by management in determining the estimates. We also reconciled revenues reported at the Group level to supporting documentations on a sample basis, validated estimates of costs to complete, and tested the accuracy of calculations and the reasonableness of project accounting.

Valuation of Real Estate for Sale

The Group's real estate properties amounted to ₱6,894.9 million as at December 31, 2020, which accounts for 25.0% of the total assets (see Note 9 to the consolidated financial statements). Valuation of real estate for sale is significant to our audit because it involves determination and estimation of project costs at the end of reporting period.

We have obtained understanding of the Group's processes and controls relating to the inventory cost accumulation and allocation. We also assessed the assumptions used by management in estimating the incurred project costs and costs to complete of the projects. We corroborated the management's estimate through ocular inspection of the projects and examination of contractors' billings and progress reports.



Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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



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

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

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

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



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

The engagement partner on the audit resulting in this independent auditors' report is Michelle R. Mendoza-Cruz.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1499-AR-1 Group A

Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8534279

Issued January 5, 2021, Makati City

March 24, 2021

Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2020	2019
ASSETS			
Cash and cash equivalents	6	₱941,079,474	₱407,214,384
Financial assets at fair value through profit or loss (FVPL)	7	3,257,288,870	772,186,717
Receivables	8	539,079,767	389,687,736
Contract assets	5	5,341,881,039	3,250,482,689
Real estate for sale	9	6,894,906,539	5,410,062,969
Investment properties	10	8,315,168,841	7,280,000,267
Property and equipment	11	280,192,479	282,549,715
Other assets	12	1,977,606,060	1,683,647,515
		₱27,547,203,069	₱19,475,831,992
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	13	₱9,305,693,323	₱6,925,381,746
Bonds payable	14	2,958,526,698	–
Accounts payable and other liabilities	15	2,792,943,961	2,488,916,877
Contract liabilities	5	27,423,392	32,179,674
Advances from non-controlling interests	4	1,367,586,297	1,144,586,297
Net retirement liability	21	101,496,418	99,880,460
Net deferred tax liabilities	23	1,763,428,524	1,309,495,052
Total Liabilities		18,317,098,613	12,000,440,106
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	16	999,757,136	999,757,136
Additional paid-in capital	16	3,008,959,878	3,008,959,878
Retained earnings	16	3,779,054,629	3,161,789,766
Other equity reserves	16	230,363,146	(207,724)
Parent Company's preferred shares held by a subsidiary - at cost	16	(12,500,000)	(12,500,000)
		8,005,634,789	7,157,799,056
Non-controlling Interests	4	1,224,469,667	317,592,830
Total Equity		9,230,104,456	7,475,391,886
		₱27,547,203,069	₱19,475,831,992

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2020	2019	2018
REVENUES				
Real estate sales	17	₱2,919,123,898	₱3,515,804,028	₱992,593,844
Leasing operations	17	371,576,866	321,918,256	132,436,268
Property management fees	17	10,852,292	10,135,140	7,439,974
		3,301,553,056	3,847,857,424	1,132,470,086
COST AND EXPENSES				
Cost of real estate sales	9	1,549,173,465	2,037,976,792	599,734,444
Cost of leasing operations	10	124,447,609	100,539,773	15,260,471
Cost of services		9,360,207	7,222,892	3,804,324
		1,682,981,281	2,145,739,457	618,799,239
GROSS INCOME		1,618,571,775	1,702,117,967	513,670,847
OPERATING EXPENSES	18	680,222,431	665,816,942	397,610,494
INCOME FROM OPERATIONS		938,349,344	1,036,301,025	116,060,353
NET GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	10	959,989,140	1,180,724,811	172,819,094
FINANCE COSTS	19	(281,183,960)	(124,839,604)	(73,647,288)
OTHER INCOME - Net	20	42,240,203	31,106,679	339,120,693
INCOME BEFORE INCOME TAX		1,659,394,727	2,123,292,911	554,352,852
PROVISION FOR INCOME TAX	23	490,270,422	636,145,034	165,735,606
NET INCOME		1,169,124,305	1,487,147,877	388,617,246
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Not to be reclassified to profit or loss -</i>				
Remeasurement gains (losses) on net retirement liability	21	(7,735,261)	(26,253,170)	15,315,863
Income tax benefit (expense) on remeasurement gains or losses	23	2,320,578	7,875,951	(4,594,759)
		(5,414,683)	(18,377,219)	10,721,104
TOTAL COMPREHENSIVE INCOME		₱1,163,709,622	₱1,468,770,658	₱399,338,350

(Forward)

		Years Ended December 31		
	Note	2020	2019	2018
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱887,295,539	₱1,187,016,033	₱333,479,516
Non-controlling interests	4	281,828,766	300,131,844	55,137,730
		₱1,169,124,305	₱1,487,147,877	₱388,617,246
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱881,880,856	₱1,168,638,814	₱344,200,620
Non-controlling interests	4	281,828,766	300,131,844	55,137,730
		₱1,163,709,622	₱1,468,770,658	₱399,338,350
EARNINGS PER SHARE				
	26			
Basic		₱0.1273	₱0.1902	₱0.0362
Diluted		₱0.1260	₱0.1902	₱0.0362

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	2020	2019	2018
CAPITAL STOCK	16			
Common - at ₱0.18 par value - issued and outstanding		₱957,257,136	₱957,257,136	₱957,257,136
Preferred - at ₱1.00 par value - issued and outstanding				
Balance at beginning of year		42,500,000	32,500,000	32,500,000
Issuance of preferred shares		—	10,000,000	—
Balance at end of year		42,500,000	42,500,000	32,500,000
		999,757,136	999,757,136	989,757,136
ADDITIONAL PAID-IN CAPITAL	16			
Balance at beginning of year		3,008,959,878	2,031,441,541	2,031,441,541
Issuance of preferred shares		—	990,000,000	—
Stock issuance costs		—	(12,481,663)	—
Balance at end of year		3,008,959,878	3,008,959,878	2,031,441,541
RETAINED EARNINGS	16			
Balance at beginning of year		3,161,789,766	2,214,144,875	2,085,398,501
Net income for the year		887,295,539	1,187,016,033	333,479,516
Dividends declared during the year		(274,009,142)	(239,371,142)	(204,733,142)
Change in non-controlling interest		3,978,466	—	—
Balance at end of year		3,779,054,629	3,161,789,766	2,214,144,875
OTHER EQUITY RESERVES	16			
Balance at beginning of year		(207,724)	18,169,495	7,448,391
Additions (disposals)		230,570,870	(18,377,219)	10,721,104
Balance at end of year		230,363,146	(207,724)	18,169,495
PARENT COMPANY'S PREFERRED SHARES HELD BY A SUBSIDIARY - at cost	16	(12,500,000)	(12,500,000)	(12,500,000)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		8,005,634,789	7,157,799,056	5,241,013,047

(Forward)

		Years Ended December 31		
	Note	2020	2019	2018
NON-CONTROLLING INTERESTS	4			
Balance at beginning of year		₱317,592,830	₱17,265,039	(₱37,926,744)
Share in net income during the year		281,828,766	300,131,844	55,137,730
Deposit for future stock subscription		624,026,537	—	—
Subscription to a subsidiary		5,000,000	250,000	—
Change in non-controlling interest		(3,978,466)	—	—
Effect of consolidation of Arcosouth Development Inc.		—	(54,053)	54,053
Balance at end of year		1,224,469,667	317,592,830	17,265,039
		₱9,230,104,456	₱7,475,391,886	₱5,258,278,086

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱1,659,394,727	₱2,123,292,911	₱554,352,852
Adjustments for:				
Net gain on change in fair value of investment properties	10	(959,989,140)	(1,180,724,811)	(172,819,094)
Interest expense	13	278,898,562	124,339,961	72,872,660
Depreciation and amortization	11	45,172,717	26,722,029	15,449,610
Retirement expense	21	23,880,697	22,541,961	35,736,315
Realized gain on disposals of financial assets at FVPL	7	(19,071,132)	(16,784,004)	(14,190,431)
Unrealized holding losses (gains) on financial assets at FVPL	7	(12,217,775)	617,582	6,385,529
Interest income	6	(9,379,745)	(13,489,356)	(6,088,906)
Amortization of initial direct leasing costs	10	6,838,645	5,410,930	1,126,823
Loss on disposal of investment properties		461,752	–	8,334,033
Loss (gain) on sale of property and equipment	11	73,601	(322,744)	–
Foreign exchange losses (gains)	20	8,393	605,121	(906,754)
Gain on settlement of loans payable	20	–	–	(319,553,431)
Operating income before working capital changes		1,014,071,302	1,092,209,580	180,699,206
Increase in:				
Receivables		(149,392,031)	(151,911,398)	(556,576,406)
Contract assets		(2,091,398,350)	(2,465,284,745)	(785,197,944)
Real estate for sale		(1,064,077,407)	(1,859,170,852)	(423,556,692)
Other assets		(248,918,859)	(339,944,340)	(6,456,540)
Increase (decrease) in:				
Accounts payable and other liabilities		283,259,791	788,245,948	240,318,176
Contract liabilities		(4,756,282)	11,794,394	(101,327,181)
Net cash used in operations		(2,261,211,836)	(2,924,061,413)	(1,452,097,381)
Interest paid		(640,147,052)	(285,688,190)	(174,354,580)
Income taxes paid		(100,194,522)	(137,401,701)	(103,536,471)
Contribution to retirement plan assets	21	(30,000,000)	(15,003,669)	(5,000,000)
Interest received		9,379,745	12,176,797	6,006,812
Net cash used in operating activities		(₱3,022,173,665)	(₱3,349,978,176)	(₱1,728,981,620)

(Forward)

Years Ended December 31				
	Note	2020	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Financial assets at FVPL	7	(P5,114,756,389)	(P4,542,390,465)	(P1,176,084,250)
Investment properties	10	(83,779,831)	(154,046,731)	(486,818,962)
Property and equipment	11	(43,849,201)	(71,949,144)	(36,917,708)
Proceeds from disposal of:				
Financial assets at FVPL		2,660,943,143	3,982,464,489	1,507,648,191
Investment properties		1,300,000	–	20,462,000
Property and equipment		960,119	453,099	623,878
Net cash used in investing activities		(2,579,182,159)	(785,468,752)	(171,086,851)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Loans payable	13	5,342,426,370	3,486,252,129	1,846,036,912
Bonds payable	14	3,000,000,000	–	–
Deposit for future stock subscription from non-controlling interest	3	624,026,537	–	–
Sale of interest in a subsidiary and transfer of receivables	4	429,500,000	–	–
Advances from non-controlling interests		28,000,000	757,919,606	100,000,000
Issuance of preferred shares		–	987,518,337	–
Payments of:				
Loans payable	13	(2,958,344,266)	(728,331,864)	(152,000,000)
Dividends	16	(274,393,696)	(238,484,518)	(204,273,545)
Debt issue cost		(55,985,638)	(6,168,013)	–
Net cash provided by financing activities		6,135,229,307	4,258,705,677	1,589,763,367
EFFECT OF CONSOLIDATION	4	–	(852,576)	4,990,173
NET EFFECT OF EXCHANGE RATE CHANGES TO CASH AND CASH EQUIVALENTS		(8,393)	(605,121)	906,754
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		533,865,090	121,801,052	(304,408,177)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		407,214,384	285,413,332	589,821,509
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	P941,079,474	P407,214,384	P285,413,332

(Forward)

Years Ended December 31				
	Note	2020	2019	2018
COMPONENTS OF CASH AND CASH EQUIVALENTS				
	6			
Cash on hand		₱155,000	₱80,000	₱80,000
Cash in banks		581,633,212	344,377,842	46,526,688
Cash equivalents		359,291,262	62,756,542	238,806,644
		₱941,079,474	₱407,214,384	₱285,413,332
NONCASH FINANCIAL INFORMATION:				
Capitalized borrowing costs	13	₱420,766,163	₱186,255,249	₱172,826,857
Transfer of raw land and asset under construction from “Real estate for sale” account to “Investment properties” account	9	—	22,456,601	216,890,959
Settlement of loans payable through dacion en pago	13	—	—	1,847,539,634
Recognition of property of Arcosouth	3	—	—	490,983,477
Transfer of construction in progress from “Investment properties” account to “Property and equipment” account	10	—	—	176,865,569

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information

Arthaland Corporation (the Parent Company or ALCO) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 10, 1994. ALCO's common shares and Series B and C preferred shares are listed for trading in the Philippine Stock Exchange (PSE). The Parent Company is primarily engaged in real estate development and leasing.

The Parent Company is currently 40.3% owned by CPG Holdings, Inc. (CPG) and 26.0% owned by AO Capital Holdings 1, Inc. (AOCH1), both holding companies incorporated in the Philippines.

In June 2019, the Parent Company made a follow-on offering of 10.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated Series C preferred shares at ₱1.00 par value a share at the issuance price of ₱100 a share (see Note 16).

In January 2020, the SEC approved the registration of ALCO's ASEAN Green Bonds and the initial tranche of ₱2.0 billion bonds with an offer subscription of ₱1.0 billion (see Note 14).

The registered office and principal place of business of the Parent Company is located at 7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City (BGC), Taguig City.

Composition of the Group

The consolidated financial statements include the Parent Company and the following subsidiaries (collectively referred herein as "the Group"):

Subsidiary	Place of Incorporation	Effective % of Ownership		
		2020	2019	2018
Cazneau, Inc. (Cazneau)	Philippines	100%	100%	100%
Emera Property Management, Inc. (EPMI)	Philippines	100%	100%	100%
Manchesterland Properties, Inc. (MPI)	Philippines	100%	100%	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	100%	100%	100%
Zileya Land Development Corporation (ZLDC)	Philippines	100%	100%	100%
Bhavana Properties, Inc. (Bhavana)	Philippines	100%	100%	—
Bhavya Properties, Inc. (Bhavya)	Philippines	100%	100%	—
Pradhana Land, Inc. (PLI)	Philippines	100%	100%	—
Kashtha Holdings, Inc. (KHI)	Philippines	60%	100%	—
Cebu Lavana Land Corp. (CLLC)	Philippines	60%	60%	60%
Savya Land Development Corporation (SLDC)	Philippines	59%*	98%	100%

*indirectly owned through KHI

All of the subsidiaries were established to engage primarily either in real estate development or property leasing, except for EPMI which is a property management company and KHI which is an investment holding company.

In March 2018, the Parent Company and Help Holdings Inc. (HHI) (collectively referred to as the Parties) entered into an agreement (the Agreement) to jointly develop the adjacent lots (the Property) of SLDC and Arcosouth Development Inc. (ADI), the subsidiary of HHI, aggregating 5,991 square meters (sqm) located in Arca South, Taguig City. The Parties agreed, among others to merge SLDC and Arcosouth into a single corporation, with SLDC as the surviving entity. The merger of SLDC and Arcosouth was approved by the SEC on August 22, 2019.

Also, in August 2019, ALCO and Mitsubishi Estate Company, Limited (MEC), a corporation duly organized and existing under the laws of Japan, have agreed to invest in, establish and maintain a joint venture company to be owned 60% by ALCO and 40% by MEC which will (i) acquire and, thereafter, own and hold the 50% ownership in SLDC, and (ii) acquire by assignment the shareholder's advances made by ALCO to SLDC. On October 1, 2019, ALCO incorporated KHI as the designated joint venture company.

In 2020, ALCO transferred all of its shares in SLDC, representing 98.5% ownership over SLDC, to KHI. Then in June 2020, ALCO sold 5 million common shares in KHI with total par value of ₱5.0 million, representing 40% ownership over KHI, to MEC for ₱275.0 million (see Note 16). The transfer of KHI's shares decreased the effective ownership of ALCO over SLDC from 98% to 59%.

In 2019, the Parent Company subscribed to 100% shares of Bhavana, Bhavya and PLI.

Major Projects

ALCO's first major development project is the Arya Residences Towers 1 and 2 (Arya Residences) located in BGC, Taguig City. Arya Residences is the first top-market residential condominium development in the Philippines to be awarded the US Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) program Gold certification and a 4-star rating from the Philippine Green Building Council's (PHILGBC) Building for Ecologically Responsive Design Excellence (BERDE) program. The Arya Residences was completed on December 31, 2016.

In 2014, the Parent Company started the construction of Arthaland Century Pacific Tower (ACPT) in BGC, ALCO's flagship office project. ACPT is a 30-storey AAA-grade office building designed by SOM New York, the same group that penned the One World Trade Center and Burj Khalifa in Dubai. ACPT secured the LEED Platinum and BERDE 5-star certification in 2018. ACPT became the first office building in the Philippines to secure the dual certification of the highest rating from USGBC LEED as Platinum and PHILGBC's BERDE as 5-star rated. It is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise (see Note 23) and was completed in the 1st quarter of 2019.

In 2016, CLLC commenced the development of Cebu Exchange Project (Cebu Exchange), a 38-storey office building in Barangay Lahug, Cebu City. The Cebu Exchange was awarded the LEED Program Gold certification. Similarly, the project was also awarded a 5-star certification from the BERDE rating system of the PHILGBC. Besides being designed to be a world-class workplace, Cebu Exchange is envisioned to be a complete ecosystem, with four retail floors for the convenience of its occupants. With a gross floor area of 108,564 sqm, Cebu Exchange boasts of being the largest green building in the country. The construction of Cebu Exchange commenced in the second quarter of 2018 and is expected to be completed in 2021.

In 2018, Cazneau started the construction of the first phase of Sevina Park, an integrated community project in an eight-hectare property in Laguna. The initial development called Courtyard Hall, covering the first 4,000 sqm of the property, is a campus-type or dormitory-type residential community (see Note 10). This was completed in June 2019. Also, in June 2019, Cazneau launched the Garden Villas at Sevina Park which cater to students and faculty population, and starter families within the area. The entire project, which will include retail spaces, is expected to be completed in phases within 2021 to 2024.

In December 2018, ZLDC acquired about 47.4% of a 2,018-sqm property located along Antonio Arnaiz Avenue within the Makati Central Business District. On this site, ZLDC, together with the party that has acquired the remaining 52.6% of the property, plans to develop a high-rise luxury residential property subject to the finalization of the terms of the joint venture.

In February 2019, SLDC launched the development of Savya Financial Center. This project is composed of two office towers with a gross floor area of 59,763 sqm and located in Arca South, Taguig City. The North Tower (of the Savya Financial Tower) is expected to be completed in 2021 while the South Tower is expected to be completed in 2022.

In August 2019, Bhavya started acquiring a prime property located inside the Makati Central Business District. Bhavya intends to develop the property into a high-end residential condominium. The property is approximately 1,000 sqm and is expected to be developed into approximately 15,000 sqm of GFA and approximately 11,000 sqm of NSA.

Also in August 2019, Bhavana purchased a prime property with a total area of 2,245 sqm, located in Cebu Business Park at the Corner Samar Loop Road and Ayala, Hipodromo, Cebu City. The property will be developed into the first premier, dual certified, sustainable residential condominium in Cebu City. The project is expected to be launched in the 1st half of 2021.

Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 were approved and authorized for issue by the BOD on March 24, 2021.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

Measurement Bases

The consolidated financial statements are presented in Philippine Peso (Peso), the Group's functional and presentation currency. Functional currency is the currency of the primary economic environment in which the Group operates. All values are stated in absolute amounts, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for investments in money market fund and investment properties, which are carried at fair value, and net retirement liability, which is carried at the present value of the defined benefit obligation. Historical cost is generally based on the fair value of the consideration given in exchange for an asset or fair value of consideration received in exchange for incurring liability.

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 by 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.

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

When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group (working closely with external qualified valuers) using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

Further information about assumptions made in measuring fair values is included in the following:

- Note 3 - Significant Judgments, Accounting Estimates and Assumptions
- Note 7 - Financial Assets at FVPL
- Note 10 - Investment Properties
- Note 28 - Fair Value Measurement

Fair values are categorized into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized by the Group at the end of the reporting period during which the change occurred.

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.
- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a “business” which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, ‘an integrated set of activities and assets’ must now include ‘an input and a substantive process that together significantly contribute to the ability to create an output’. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.
- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Under prevailing circumstances, the adoption of the foregoing amended PFRS did not have any material effect on the consolidated financial statements. Additional disclosures were included in the notes to consolidated financial statements, as applicable.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS which are not yet effective as at December 31, 2020 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments 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 an entity first applies the amendment
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle –
 - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is 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 the lender on the other's behalf. The amendments apply 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 amendments. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2023 -

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier 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 a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.
- SEC Memorandum Circular No. 34, Series of 2020 - *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods PAS 23 - Borrowing Cost for Real Estate Industry* – The circular provides relief to the real estate industry by deferring the application of the provisions of the PIC Q&A No. 2018-12 with respect to the accounting for significant financing component and the exclusion of land in the calculation of percentage of completion (POC) and IFRIC agenda decision on over time transfer of constructed goods under PAS 23 - borrowing cost with respect to the accounting of capitalized borrowing cost, for another period of three (3) years or until 2023. Effective January 1, 2024, real estate companies will adopt PIC Q&A No. 2018-12, IFRIC agenda decision on over time transfer of constructed goods and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Group opted to defer the application guidelines of the provisions of the PIC Q&A No. 2018-12. Accordingly, revenue from real estate sales is not adjusted for the effect of the time value of money, and the total cost incurred and total estimated cost to complete including the cost of land.

Had the Group opted to adopt in full the guidance provided in PIC Q&A 2018-12, there would have been a decrease in revenue from real estate sales because of a lower POC rate. Moreover, the Group may have to recognize interest expense (income) if the buyers' payments are higher (lower) than the POC rate.

Moreover, the Group opted to defer the application guidelines of the provisions of the IFRIC agenda decision on over time transfer of constructed goods. Accordingly, borrowing costs on real estate for sale under construction are capitalized.

Had the Group opted to adopt in full the guidance provided in the IFRIC agenda decision on over time transfer of constructed goods, borrowing costs will be recognized as an expense when incurred.

- SEC Memorandum Circular No. 3, Series of 2018, *PIC Q&A No. 2018-14: PFRS 15 - Accounting for Cancellation of Real Estate Sales* – Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The adoption of the foregoing amended PFRS, except for SEC Memorandum Circular (MC) No. 34, Series of 2020, is not expected to have any material effect on the consolidated financial statements. The Group is still assessing the potential impact of SEC MC No. 34. Additional disclosures will be included in the notes to consolidated financial statements, as applicable.

Basis of Consolidation

Subsidiaries. Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company 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 Parent Company controls an investee if and only if the Parent Company has:

- power over investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee affect its returns.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases.

The financial statements of the subsidiaries are prepared using the same reporting period of the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss. If the Group retains interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as financial assets at fair value through other comprehensive income (FVOCI) depending on the level of influence retained.

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

Financial Assets and Liabilities

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

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

“Day 1” Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss.

In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference.

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

As at December 31, 2020 and 2019, the Group does not have financial assets at FVOCI and financial liabilities at FVPL.

Financial Assets at FVPL. Financial assets at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Group had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not “solely for payment of principal and interest” assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Group may, at initial recognition, designate a financial asset meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these asset.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at December 31, 2020 and 2019, the Group classified its investments in money market fund under this category (see Note 7).

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

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

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

As at December 31, 2020 and 2019, the Group's contract assets, cash in banks, cash equivalents, receivables (excluding accrued rent under straight-line basis of accounting), amounts held in escrow, and deposits are classified under this category (see Notes 5, 6, 8, and 12).

Cash in banks are demand deposits with banks and earn interest at prevailing bank deposit rates. Meanwhile, cash equivalents are short-term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value and which have a maturity of three (3) months or less at acquisition.

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

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

As at December 31, 2020 and 2019, the Group's loans and bonds payable, accounts payable and other liabilities (excluding statutory payables, payable to buyers and advance rent), contract liabilities and due related parties are classified under this category (see Notes 13, 14, 15 and 24).

Reclassification

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

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

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

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

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

Impairment of Financial Assets at Amortized Cost

The Group records an allowance for ECL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

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

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

Offsetting of Financial Assets and Liabilities

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

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Classification of Assets and Liabilities between Current and Noncurrent

The Group presents current and noncurrent assets, and current and noncurrent liabilities, as separate classifications in the notes to consolidated financial statements (see Note 29).

Current Assets. The Group classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within 12 months after the reporting period; or
- The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Otherwise, the Group will classify all other assets as noncurrent.

Current Liabilities. The Group classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within 12 months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise, the Group will classify all other liabilities as noncurrent.

Cost to Obtain a Contract with a Customer

The Group recognizes an asset for the incremental cost of obtaining a contract with a customer if the Group expects to recover those costs. Otherwise, those costs are recognized as expense when incurred. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract such as, but not limited to, sales commissions paid to sales agents and nonrefundable direct taxes incurred in obtaining a contract.

Contract Balances

Contract Assets. A contract asset represents the Group's right to a consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than a passage of time. If the Group transferred goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for that earned consideration that is conditional. Contract assets are reclassified to receivables from sale of real estate upon completion of the performance obligation. Contract assets pertain to unbilled receivables from sale of office units which is computed based on POC.

Receivables from Sale of Real Estate. A receivable from sale of real estate represents the Group's right to a consideration that is unconditional. A right to a consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Contract Liabilities. A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received a consideration from the customer. If a customer pays a consideration before the Group transfers goods to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. Contract liabilities are recognized as revenue when the Group performs under the contract.

Debt Issue Costs

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss. Unamortized debt issue costs is presented against the carrying amount of related debt.

Real Estate for Sale

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

Cost includes acquisition cost plus any other directly attributable costs of developing the asset to its saleable condition and costs of improving the properties up to the reporting date. Directly attributable costs include amounts paid to contractors, borrowing costs, planning and designing costs, costs of site preparation and construction overheads.

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

Borrowing Costs

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

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. When borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

The Group uses fair value model for the accounting of its investment properties. Under this method, investment properties are initially measured at cost but are subsequently remeasured at fair value at each reporting date, which reflects market conditions at the reporting date. Cost comprises the purchase price and any directly attributable costs in developing and improving the properties. Cost also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. The fair value of investment properties is determined using market data approach, income approach and cost approach by an independent real estate appraiser. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. For the purposes of these consolidated financial statements, in order to avoid double counting, the fair value reported in the consolidated financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and minimum lease payments.

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

Investment properties are derecognized when either those have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statements of comprehensive income in the year of retirement or disposal.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment losses.

The initial cost of property and equipment consists of the purchase price, including import duties, borrowing costs (during the construction period) and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts of such property and equipment when the recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year 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 additional costs of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

	Number of Years
Building and building improvements	50
Transportation and other equipment	3 to 5
Office equipment	3 to 5
Furniture and fixtures	3
Leasehold improvements	3 to 5 or lease term, whichever is shorter

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

Fully-depreciated assets are retained in the account until they are no longer in use and no further change for depreciation is made in respect to those assets.

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 that the relevant assets are completed and available for operational use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Other Assets

Other assets include advances for project development, input value-added tax (VAT), prepayments, amounts held in escrow, deposits, deferred input VAT, creditable withholding taxes (CWT), advances for asset purchase and materials and supplies.

Advances for Project Development. Advances for project development are recognized whenever the Group pays in advance for its purchase of goods or services. These are measured at transaction price less impairment in value, if any.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- where receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of “Other assets” or “Accounts payable and other liabilities” accounts, respectively, in the consolidated statements of financial position.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

Deferred Input VAT. In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter. Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input VAT that are expected to be claimed against output VAT for no more than 12 months after the financial reporting period are classified as current assets. Otherwise these are classified as noncurrent assets.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Materials and Supplies. The Group recorded as assets several excess construction materials and supplies from the completed construction of its projects. Materials and supplies are stated at lower of cost and NRV.

Amounts held in escrow and deposits qualify as financial assets.

Creditable Withholding Taxes (CWT). CWT represents the amount withheld by the Group’s customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Impairment of Nonfinancial Assets

The carrying amounts of the Group's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's net recoverable amount is estimated.

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its net recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Group. Impairment losses are recognized in profit or loss in the period incurred.

The net recoverable amount of an asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

Payable to Customers

Payable to customers consist of amounts received by the Group from its tenants as reservation fees for lease or downpayments received from prospective buyers. These are recorded at face amount in the consolidated statements of financial position. These will be applied as security deposits upon execution of the lease contracts or against the total contract price of the real estate sale upon execution of contract to sell.

Advance Rent

Advance rent are initially recognized at the value of cash received, and will generally be applied as lease payments to the immediately succeeding months or in the last three (3) months of the lease term.

Capital Stock

Common Stock. Common stock is measured at par value for all shares issued.

Preferred Stock. The Group's preferred stocks are cumulative, nonvoting, nonparticipating and nonconvertible. Preferred stock is classified as equity if this is nonredeemable, or redeemable only at the Group's option, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

Preferred stock is classified as a liability if this is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

Additional Paid-in Capital

Additional paid-in capital is the proceeds and/or fair value of considerations received in excess of par value of the subscribed capital stock. Incremental costs incurred directly attributable to the issuance of new shares are recognized as deduction from equity, net of any tax. Otherwise, these are recognized as expense in profit or loss.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration and prior period adjustments.

Other Comprehensive Income

Other components of equity comprise of items of income and expense that are not recognized in profit or loss for the year. Other comprehensive income pertains to cumulative remeasurement gains (losses) on net retirement liability.

Parent Company's Shares Held by a Subsidiary

Shares of the Parent Company held by a subsidiary are carried at cost and are deducted from equity. No gain or loss is recognized 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 the 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.

Non-controlling Interests

Non-controlling interests represent the portion of net results and net assets not held by the Parent Company. These are within equity presented in the consolidated statements of financial position, separately from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statements of income and consolidated statements of comprehensive income. Non-controlling interests consist of the amount of those interests at the date of original business combination and the non-controlling interests' share on changes in equity since the date of the business combination.

Basic and Diluted Earnings per Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to common equity holders of the Parent Company by the weighted average number of issued and outstanding and subscribed common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of any potentially dilutive convertible securities.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

Revenue from contracts with customers is recognized when control of the goods and services is transferred to the customer in an amount that reflects the consideration to which the Group expected to be entitled in exchange for those goods and services.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

Revenue from Real Estate Sales. Revenue from the sale of completed real estate project is accounted for using the full accrual method in which revenue is recognized at a point in time when control is transferred to a customer. The Group transfers control of real estate for sale under pre-completion contracts over time and, therefore, satisfies the performance obligations under the contract and recognizes revenue over time.

The Group considers a contract to sell as a valid revenue contract. The Group also assess the probability that it will collect the consideration under the contract prior to recognizing revenue. This assessment is based on the customer's ability and intention to pay the amount of consideration when it is due. If any of the above criteria is not met, the deposit method is applied until all the conditions for recognizing revenue are met.

The Group recognizes revenue from real estate sales under pre-completion contracts based on POC using the input method in which revenue is recognized on the basis of costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

The Group opted to defer the application guidelines of the provisions of the PIC Q&A No. 2019-12 with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the computation of POC for a period of three (3) years.

Accordingly, the consideration is not adjusted for the effects of the time value of money, and the total cost incurred and total estimated cost to complete including the cost of land.

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

Leasing Revenue. Leasing revenue consists of rent income and common use service area (CUSA) fees. Rent income arising from operating leases on investment properties is recognized on a straight-line basis over the lease terms, except for contingent rental income, which is recognized in the period that it arises. Tenant lease incentives are recognized as a reduction of rental income on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, management is reasonably certain that the tenant will exercise that option. CUSA fees are recognized as income once earned. These are charged monthly and are based on the lessee's proportionate share on the common areas.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in profit or loss when the right to receive those amounts arises.

Property Management Fees. Revenue is recognized in profit or loss when the related services are rendered.

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

Other Income. Income from other sources is recognized when earned during the period.

Cost and Expenses Recognition

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Cost of Real Estate Sales. Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works.

Cost of Leasing Operations. Cost of leasing operations, which constitute direct cost incurred in relation to the leasing of properties of the Group which includes ACPT, Cazneau's dormitory units and MPI's commercial units, is recognized as expense when incurred.

Cost of Services. Cost of services, which constitute direct cost incurred in relation to EPMI's provision of property management services is recognized as expense when services are rendered.

Operating Expenses. Operating expenses constitute cost of administering the business and cost incurred to sell and market its products and services. These are recognized as incurred.

Finance Costs. Finance costs are recognized in profit or loss using the effective interest method.

Leases

The Group assesses whether the contracts is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

- i. the right to obtain substantially all of the economic benefits from use of the identified asset; and,
- ii. the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

The Group as a Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Employee Benefits

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

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Group has a funded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

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

Remeasurements pertaining to actuarial gains and losses and return on plan assets are recognized immediately in OCI 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 in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of the plan assets is based on the 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). If the fair value of the plan assets is higher than the present value of the retirement liability, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The net retirement asset (liability) is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets against which the obligations are to be settled directly, adjusted for any effect of asset ceiling. The present value of the retirement obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. The asset ceiling is the present value of future economic benefits available in the form of refunds from the plan or reductions in future contribution to the plan.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Foreign Currency - Denominated Transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at reporting date. Resulting exchange differences arising on the settlement of or on translating such monetary assets and liabilities are recognized in profit or loss.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable 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.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted, that is, when the investment property is depreciable and is held within the business model whose objective is consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

Deferred tax relating to items recognized outside profit or loss is recognized under OCI and outside profit or loss.

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

Related Party Transactions

Related party transactions are transfer of resources, services or obligations between the Group and its related parties, regardless whether a price is charged. Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related parties in an economically comparable market.

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

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

The key management personnel of the Group are also considered to be related parties.

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 reporting a strategic business unit that offers different products and serves different markets. Financial information on the Group's business segments is presented in Note 30 to the consolidated financial statements.

Provisions and Contingencies

Provisions are recognized when the Group has a present legal or constructive obligation 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. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including risks and uncertainties associated with the present 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 assessments 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 an interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements 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 in the notes to consolidated statements of financial position when an inflow of economic benefits is probable.

Events After the Reporting Period

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

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of asset, liabilities, income and expenses. The accounting estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments

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

Determining Functional Currency. Based on management's assessment, the functional currency of the Group has been determined to be Philippine Peso, the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the operations of the Group.

Classifying Financial Instruments. The Group exercises judgment in classifying financial instruments in accordance with PFRS 9. The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the Group's business model and its contractual cash flow characteristics and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

Determining Control or Joint Control over an Investee Company. Control is presumed to exist when an investor has power over an investee, 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. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group has determined that by virtue of the Parent Company's majority ownership of voting rights in its subsidiaries as at December 31, 2020, 2019 and 2018, it has the ability to exercise control over these investees.

Determining Revenue and Cost Recognition. Selecting an appropriate revenue recognition method for a particular real estate transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development.

The Group recognizes revenue over time if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group performance as the entity performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group concluded that revenue from real estate sale of office units of Cebu Exchange and Savva Financial Center and sale of residential units in Sevina Park is recognized over time. The Group also determined that input method is the appropriate method in measuring the POC of Cebu Exchange, Savva Financial Center and Sevina Park. Under POC, the Group satisfies its performance obligation to deliver a portion of the property to the customer over time. The input method is based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred. Changes in estimates may affect the reported amounts of revenue, cost of real estate sales, contract assets and contract liabilities. On the other hand, revenue from sale of condominium units of Arya Residences is recognized at a point in time, when control is transferred.

Revenue from real estate sales of Cebu Exchange, Savva Financial Center and Sevina Park recognized based on POC amounted to ₱2,919.1 million in 2020, ₱3,515.8 million in 2019 and ₱845.0 million in 2018. Revenue from sale of real estate inventories of Arya Residences amounted to nil in 2020 and 2019 and ₱147.6 million in 2018 (see Note 17). Related cost of real estate sales amounted to ₱1,549.2 million in 2020, ₱2,038.0 million in 2019 and ₱599.7 million in 2018 (see Note 9).

Classifying Real Estate for Sale, Investment Properties and Property and Equipment. The Group determines whether a property qualifies as a real estate for sale, an investment property or an item of property and equipment. In making its judgment, the Group considers whether the property is held for sale in the ordinary course of business, held primarily to earn rentals or capital appreciation or both, or used for operations and administrative purposes by the Group.

Real estate for sale amounted to ₱6,894.9 million and ₱5,410.1 million as at December 31, 2020 and 2019, respectively (see Note 9). Investment properties amounted to ₱8,315.2 million and ₱7,280.0 million as at December 31, 2020 and 2019, respectively (see Note 10). Property and equipment amounted to ₱280.2 million and ₱282.5 million as at December 31, 2020 and 2019, respectively (see Note 11).

Determining the Highest and Best Use of Investment Properties. The Group determines the highest and best use of its investment properties when measuring fair value. In making its judgment, the Group takes into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The Group has determined that the highest and best use of the investment properties is their current use.

Investment properties amounted to ₱8,315.2 million and ₱7,280.0 million as at December 31, 2020 and 2019, respectively (see Note 10).

Determining Lease Commitments - Group as Lessor. The Group entered into various lease contracts for its office units in ACPT, commercial units in Arya Residences and dormitory units in Sevina Park's Courtyard Hall. The Group has determined that the risks and benefits of ownership related to the leased properties are retained by the Group. Accordingly, the leases are accounted for as operating leases.

Revenue from leasing operations recognized from these operating leases amounted to ₱371.6 million in 2020, ₱321.9 million in 2019 and ₱132.4 million in 2018 (see Note 22).

Classifying Lease Commitments - Group as a Lessee. The Group has entered into lease agreements as a lessee. For these leases, the Group availed of the exemption for short-term leases with term of 12 months or less. Accordingly, lease payments on short-term leases were recognized as expense on a straight-line basis over the lease term.

Rent expense amounted to ₱3.0 million in 2020, ₱1.7 million in 2019 and ₱14.5 million in 2018 (see Note 22).

Assessing Provisions and Contingencies. The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its consolidated financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings.

Accounting Estimates and Assumptions

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

Recognizing Revenue and Cost of Real Estate Sales. The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and cost. Revenue and cost of sale of real estate of Cebu Exchange, Savva Financial Center and Sevina Park recognized based on POC are measured principally based on the costs incurred up until the end of the reporting period at a proportion of total costs expected to be incurred.

Revenue from real estate sales recognized based on POC amounted to ₱2,919.1 million in 2020, ₱3,515.8 million in 2019 and ₱845.0 million in 2018. Related cost of real estate sales amounted to ₱1,549.2 million in 2020, ₱2,038.0 million in 2019 and ₱553.2 million in 2018.

Estimating the Fair Value of Investment Properties. Investment properties are measured at fair values. The Group works closely with external qualified appraisers who performed the valuation using appropriate valuation techniques. The Group estimates expected future cash flows, yields, occupancy rates and discount rates. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 10 to the consolidated financial statements.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the investment properties and the level of the fair value hierarchy.

Investment properties amounted to ₱8,315.2 million and ₱7,280.0 million as at December 31, 2020 and 2019, respectively (see Note 10).

Determining the NRV of Real Estate for Sale. Real estate for sale is stated at lower of cost or NRV. NRV for completed real estate for sale is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate assets under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

No provision for inventory obsolescence was recognized in 2020, 2019 and 2018. The carrying amount of real estate for sale amounted to ₱6,894.9 million and ₱5,410.1 million as at December 31, 2020 and 2019, respectively (see Note 9).

Assessing ECL on Trade Receivables and Contract Assets. The Group initially uses a provision matrix based on the historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a receivable is past due. The Group then calibrates the provision matrix to adjust historical credit loss experience with forward-looking information on the basis of current observable data to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates if forecasted economic conditions such as gross domestic product are expected to deteriorate which can lead to increased number of defaults in the real estate industry. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the correlation between historical default rates and forecasted economic conditions is a significant estimate. Accordingly, the provision for ECL of receivable from real estate sales is sensitive to changes in assumptions about forecasted economic conditions.

The Group's exposure to risk of default is mitigated by the requirement that title to real estate for sale is transferred to the buyer only upon full payment of the contract price.

No provision for ECL was recognized in 2020, 2019 and 2018. The Group's trade receivables and contract assets aggregated ₱5,684.6 million and ₱3,463.5 million as at December 31, 2020 and 2019, respectively (see Notes 5 and 8).

Assessing the ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade
- existing or forecasted adverse changes in business, financial or economic conditions
- actual or expected significant adverse changes in the operating results of the borrower
- significant changes in credit spread, rates or terms such as more stringent covenants and increased amount of collateral or guarantees

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

No provision for ECL was recognized in 2020, 2019 and 2018.

The carrying amounts of financial assets are as follows:

Asset Type	Note	2020	2019
Cash and cash equivalents*	6	₱940,924,474	₱407,134,384
Due from related parties	8	58,112,709	53,841,382
Receivable from non-affiliated entity	8	11,534,432	12,172,935
Advances to employees	8	10,532,725	7,971,657
Interest receivables	8	22,733,591	3,430,504
Other receivables	8	4,230,664	632,682
Amounts held in escrow	12	85,052,814	85,402,876
Deposits	12	56,072,105	62,270,945

*excluding Cash on Hand

Determining Fair Value of Investment in Money Market Fund. The Group classifies its investment in money market fund as financial asset at FVPL in the consolidated statements of financial position. The Group determined the fair value of investment in money market fund using available market prices in active markets for identical assets (Level 1). Any changes in the fair value of this financial asset would affect profit or loss.

The fair value and carrying amount of investment in money market fund amounted to ₱3,257.3 million and ₱772.2 million as at December 31, 2020 and 2019, respectively (see Note 7).

Estimating the Useful Lives of Property and Equipment. The Group reviews annually the estimated useful lives of property and equipment based on expected asset's utilization, market demands and future technological development. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property and equipment.

There were no changes in the estimated useful lives of property and equipment during 2020, 2019 and 2018. The carrying amount of property and equipment amounted to ₱280.2 million and ₱282.5 million as at December 31, 2020 and 2019, respectively (see Note 11).

Assessing the Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing whether there is any indication that an asset may be impaired, the Group considers the external and internal sources of information. External sources of information include but are not limited to unexpected significant decline in market value and any other significant changes with an adverse effect on the Group, whether it had taken place during period or will take place in the near future in the market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated. Internal sources of information include evidence of obsolescence or physical damage on an asset, significant changes with an adverse effect on the Group whether it had taken place during the period, or are expected to take place in the near future, to the extent to which, or in a manner in which, an asset is used or is expected to be used, and any other evidence that indicates that the economic performance of an asset is, or will be, worse than expected.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Value in use is determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

No provision for impairment loss on nonfinancial assets was recognized in 2020, 2019 and 2018.

The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	2020	2019
Accrued rent receivable*	8	₱89,557,339	₱99,004,111
Property and equipment	11	280,192,479	282,549,715
Other assets**	12	1,836,481,141	1,535,973,694

*presented under "Receivables" account.

**excluding deposits and amounts held for escrow aggregating ₱141.1 million and ₱147.7 million as at December 31, 2020 and 2019, respectively.

Estimating Retirement Expense. The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21 to the consolidated financial statements and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect net retirement liability.

Net retirement liability amounted to ₱101.5 million and ₱99.9 million as at December 31, 2020 and 2019 (see Note 21).

Assessing the Realizability of Deferred Tax Assets. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of unused MCIT and NOLCO is based on the projected taxable income in the following periods. Based on the projection, not all future deductible temporary differences will be realized, therefore, only a portion of deferred tax assets was recognized.

The carrying amount of recognized deferred tax assets amounted to ₱241.5 million and ₱110.2 million as at December 31, 2020 and 2019, respectively. Unrecognized deferred tax assets amounted to ₱8.1 million and ₱5.7 million as at December 31, 2020 and 2019, respectively, as management assessed that these may not be realized in the future (see Note 23).

4. Material Non-controlling Interests

The Group's non-controlling interests amounting to ₱1,224.5 million, ₱317.6 million, ₱17.3 million as at December 31, 2020, 2019 and 2018, respectively, pertains to interests in CLLC, KHI and SLDC.

CLLC

The non-controlling interest in CLLC is 40%. The net income of CLLC allocated to non-controlling interests amounting to ₱228.4 million in 2020, ₱296.1 million in 2019 and ₱55.1 million in 2018 is calculated based on the profit sharing agreement of 50:50.

The summarized financial information of CLLC, before intercompany eliminations, as at and for the year ended December 31, 2020, 2019 and 2018 follows:

	2020	2019	2018
Current assets	₱8,214,470,597	₱5,937,595,017	₱2,865,334,534
Noncurrent assets	10,873,955	19,325,977	40,704,383
Current liabilities	(5,602,523,973)	(3,562,434,070)	(1,568,748,542)
Noncurrent liabilities	(1,524,515,987)	(1,753,020,892)	(1,287,620,000)
Net asset	₱1,098,304,592	₱641,466,032	₱49,670,375

	2020	2019	2018
Revenue	₱2,126,330,822	₱2,870,054,489	₱844,954,725
Expenses	(1,474,349,597)	(2,028,066,337)	(693,371,617)
Income before income tax	651,981,225	841,988,152	151,583,108
Other income - net	1,312,137	3,851,740	5,007,751
Provision for income tax	(196,454,802)	(254,044,235)	(46,315,400)
Net income	456,838,560	591,795,657	110,275,459
Other comprehensive income	—	—	—
Total comprehensive income	₱456,838,560	₱591,795,657	₱110,275,459

	2020	2019	2018
Cash flows from (used in):			
Operating activities	(₱1,238,655,164)	(₱1,028,862,911)	(₱946,673,203)
Investing activities	(2,342,993)	(332,083,162)	(15,266,432)
Financing activities	1,428,498,442	1,367,901,683	862,479,332
Net increase (decrease) in cash	187,500,285	6,955,610	(99,460,303)
Cash at beginning of year	58,925,834	51,970,224	151,430,527
Cash at end of year	₱246,426,119	₱58,925,834	₱51,970,224

SLDC

As at December 31, 2020 and 2019, non-controlling interests is 41% and 2%, respectively over SLDC.

In 2020, the SLDC received deposit for future stock subscription of ₱624.0 million from the non-controlling interest.

Net income of SLDC allocated to non-controlling interests amounted to ₱53.4 million in 2020, nil in 2019 and nil in 2018 which is determined based on the joint venture agreement between ALCO and MEC.

The summarized financial information of SLDC, before intercompany eliminations, as at and for the years ended December 31, 2020 2019 and 2018 is as follows:

	2020	2019	2018
Current assets	₱4,069,922,386	₱2,709,664,451	₱1,656,459,873
Noncurrent assets	31,730,462	31,282,631	31,437,443
Current liabilities	(1,732,357,568)	(1,323,561,747)	(994,118,135)
Noncurrent liabilities	(1,333,945,153)	(1,112,145,671)	(684,874,091)
Net asset	₱1,035,350,127	₱305,239,664	₱8,905,090

	2020	2019	2018
Revenue	₱713,085,853	₱645,749,539	₱—
Expenses	(371,034,794)	(423,250,761)	(2,782,927)
Income (loss) before income tax	342,051,059	222,498,778	(2,782,927)
Other income - net	4,265,753	4,222,207	473,610
Benefit on (provision for) income tax	(103,232,886)	(67,582,358)	1,206,221
Total comprehensive income (loss)	₱243,083,926	₱159,138,627	(₱1,103,096)

	2020	2019	2018
Cash flows from (used in):			
Operating activities	(₱645,449,472)	(₱325,638,441)	(₱104,503,427)
Investing activities	(61,053,563)	(50,999,648)	—
Financing activities	670,735,028	528,558,251	138,430,255
Net increase (decrease) in cash	(35,768,007)	151,920,162	33,926,828
Cash at beginning of year	186,562,253	34,642,091	715,263
Cash at end of year	₱150,794,246	₱186,562,253	₱34,642,091

KHI

The Group has 40% non-controlling interests in KHI. The net loss of KHI allocated to non-controlling interests amounting to ₱0.1 million in 2020 is distributed based on the capital contribution. The total assets of KHI amounted to ₱554.2 million. Net loss is ₱0.2 million and net cash outflows amounted to ₱11.8 million in 2020.

Advances from Non-controlling Interests

The Group has the following transactions with the non-controlling interests:

	Amount of Transactions		Outstanding Balance	
	2020	2019	2020	2019
Advances for Project Development				
Rock & Salt B.V.	₱165,000,000	₱125,000,009	₱676,666,700	₱511,666,700
HHI	427,947,235	632,919,597	495,919,597	632,919,597
MEC	195,000,000	—	195,000,000	—
			₱1,367,586,297	₱1,144,586,297
Interest Expense				
Rock & Salt B.V	₱18,646,823	₱19,562,783	₱66,959,585	₱48,312,763
MEC	3,990,574	—	3,591,516	—
			₱70,551,101	₱48,312,763

CLLC obtained from Rock & Salt B.V. 3.5% interest-bearing loans for its real estate projects with outstanding balance of ₱676.7 million and ₱511.7 million and recognized interest expense of ₱12.9 million in 2020, ₱17.1 million in 2019 and ₱11.8 million in 2018, respectively. These are unsecured, unguaranteed, and payable on demand and in cash.

Moreover, SLDC received advances from related parties and expenses paid by related parties on behalf of the SLDC. All outstanding balances are unsecured, noninterest-bearing, and payable on demand and in cash.

On June 1, 2020, the Parent Company assigned 40% of its advances to KHI amounting to ₱195.0 million, in favor of MEC, and bear interest of 3.5% per annum. Interest expense incurred amounted to ₱4.0 million in 2020. These are unsecured, unguaranteed, and payable on demand and in cash.

5. Contract Assets and Contract Liabilities

The Group's contract assets and contract liabilities are as follows:

	2020	2019
Contract assets	₱5,341,881,039	₱3,250,482,689
Contract liabilities	27,423,392	32,179,674
Net contract assets	₱5,314,457,647	₱3,218,303,015

Contract assets pertain to receivables from the sale of condominium and office units and residential townhouses of the Group representing the excess of cumulative revenues from real estate sales over billed amounts. These amounts will be billed and collected in accordance with the agreed payment terms with the buyers, which is normally up to maximum of five years. Increase in contract assets pertains to the additional booked units during the year.

Contract liabilities pertain to downpayments received from the real estate buyers at the inception of the contracts in which the related revenue is not yet recognized as of yearend.

6. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	₱155,000	₱80,000
Cash in banks	581,633,212	344,377,842
Cash equivalents	359,291,262	62,756,542
	₱941,079,474	₱407,214,384

Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations. Cash equivalents are short-term placements made for varying periods up to three (3) months or less and earn interest at the prevailing short-term investment rates.

Interest income is earned from the following (see Note 20):

	2020	2019	2018
Cash equivalents	₱5,946,867	₱8,340,308	₱4,898,195
Cash in banks	3,432,878	4,678,550	1,070,232
Investment in time deposits	—	470,498	120,479
	₱9,379,745	₱13,489,356	₱6,088,906

7. Financial Assets at FVPL

This account pertains to investments in money market fund. Movements in this account are as follows:

	Note	2020	2019
Balance at beginning of year		₱772,186,717	₱196,094,319
Additions		5,114,756,389	4,542,390,465
Disposals		(2,641,872,011)	(3,965,680,485)
Unrealized holding gains (losses)	20	12,217,775	(617,582)
Balance at end of year		₱3,257,288,870	₱772,186,717

Realized gain on disposals of financial assets at FVPL amounted to ₱19.1 million in 2020, ₱16.8 million in 2019 and ₱14.2 million in 2018 (see Note 20).

The fair value of financial assets at FVPL is classified under Level 1 of the fair value hierarchy using quoted market prices (see Note 28).

8. Receivables

This account consists of:

	Note	2020	2019
Trade receivables from:			
Sale of real estate		₱253,834,678	₱167,966,505
Leasing	22	88,911,921	45,036,252
Accrued rent receivable	22	89,557,339	99,004,111
Due from related parties	24	58,112,709	53,841,382
Interest receivable		22,733,591	3,430,504
Receivable from non-affiliated entity		11,534,432	12,172,935
Advances to employees		10,532,725	7,971,657
Other receivables		4,230,664	632,682
		539,448,059	390,056,028
Allowance for ECL		(368,292)	(368,292)
		₱539,079,767	₱389,687,736

Trade receivables from sale of real estate pertain to receivables from sale of condominium units and residential townhouses that were already billed. These receivables are noninterest-bearing and generally collectible in monthly installments over a maximum period of three (3) years. Titles to the units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Trade receivables from leasing operations are noninterest-bearing, unsecured and collectible within seven (7) days.

Accrued rent receivable pertains to the difference between rental income recognized using straight-line method of accounting and contractual rental payments.

Interest receivable includes accrual of interest from the Group's short-term placements.

Receivable from non-affiliated entity pertains to cash advances to non-affiliated entity, which is unsecured, noninterest-bearing and collectible on demand.

Advances to employees represent salary and other loans granted to employees which are noninterest-bearing in nature and collectible through salary deductions.

Other receivables mainly include other charges and advances which are noninterest-bearing and collectible on demand.

9. Real Estate for Sale

This account consists of:

	2020	2019
Raw land	₱947,034,368	₱914,882,768
Assets under construction	4,820,316,598	3,510,260,784
Condominium units for development	1,127,555,573	984,919,417
	₱6,894,906,539	₱5,410,062,969

Movements of this account follow:

	Note	2020	2019	2018
Balance at beginning of year		₱5,410,062,969	₱3,412,713,425	₱2,646,731,618
Construction costs incurred		2,442,340,208	2,533,671,949	764,212,815
Cost of real estate sold		(1,549,173,465)	(2,037,976,792)	(599,734,444)
Capitalized borrowing costs	13	420,766,163	159,586,770	68,332,597
Acquisition of:				
Condominium units for development		138,759,064	648,371,094	259,078,321
Raw land		32,151,600	715,104,601	—
Transfers to investment properties	10	—	(22,456,601)	(216,890,959)
Effect of consolidation of Arcosouth		—	1,048,523	490,983,477
Balance at end of year		₱6,894,906,539	₱5,410,062,969	₱3,412,713,425

Raw Land

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

In 2019, the Group purchased a parcel of land with a total area of 2,245 sqm., located in Hipodromo, Cebu City, for ₱673.5 million, excluding transaction costs. The property will be developed into a residential building with condominium units for sale.

In 2019, the Group transferred portion of a parcel of land from “Real estate for sale” account to “Investment properties” account aggregating ₱22.5 million because of the change in the intended use of the property as approved by the BOD (see Note 10).

Assets under Construction

Assets under construction consist of land and development costs of ongoing real estate projects of the Group. As at December 31, 2020 and 2019, this account includes the land and development costs of Cebu Exchange, Savya Financial Center and Sevina Park (see Note 1).

The land and development costs of Cebu Exchange with carrying amount of ₱2,371.6 million and ₱1,951.0 million December 31, 2020 and 2019, respectively, are used as security for the bank loan of CLLC with outstanding balance of ₱2,014.0 million and ₱2,166.7 million as at December 31, 2020 and 2019, respectively (see Note 13).

As at December 31, 2020 and 2019, the carrying amount of land of SLDC amounting to ₱1,434.8 million is used as security for SLDC’s bank loans with outstanding balance of ₱1,268.8 million and ₱1,082.7 million as at December 31, 2020 and 2019, respectively (see Note 13).

Condominium Units for Development

Condominium units for development pertain to various condominium units in Makati City acquired by the Group and are intended for future development and for sale.

Borrowing Costs

General and specific borrowings were used to partially finance the Group’s ongoing real estate projects. The related borrowing costs amounting to ₱420.8 million in 2020 and ₱159.6 million in 2019 were capitalized as part of real estate for sale. The capitalization rates used to determine general borrowing costs eligible for capitalization ranges from 3.0% to 8.0% in 2020 and 3.0% to 8.58% in 2019 (see Note 13).

NRV of Real Estate for Sale

As at December 31, 2020 and 2019, real estate for sale is stated at cost which is lower than its NRV. There is no allowance for inventory obsolescence as at December 31, 2020 and 2019.

10. Investment Properties

This account is consist of the following completed projects, except for raw land:

	2020	2019
ACPT	₱5,586,840,650	₱4,676,027,598
Arya Residences:		
Commercial units	1,194,379,000	1,194,379,000
Parking slots	183,222,248	184,984,000
Raw land:		
UPHI's Laguna and Tagaytay properties	646,948,931	603,819,003
Cazneau's retail spaces	361,039,841	291,822,498
ALCO's Batangas and Tagaytay properties	155,885,388	147,761,482
Courtyard Hall	186,852,783	181,206,686
	₱8,315,168,841	₱7,280,000,267

Movements of this account follow:

	Note	2020	2019	2018
Balance at beginning of year, at cost		₱3,497,815,338	₱3,300,506,608	₱3,984,127,753
Development costs incurred		80,800,413	148,183,650	474,788,616
Disposals		(990,000)	—	(17,822,000)
Capitalized borrowing costs	13	—	26,668,479	104,494,260
Transfers from real estate for sale	9	—	22,456,601	216,890,959
Investment property used as settlement of loans payable	20	—	—	(1,330,035,528)
Transfer to property and equipment		—	—	(131,937,452)
Balance at end of year, at cost		3,577,625,751	3,497,815,338	3,300,506,608
Cumulative gain on change in fair value		4,717,017,509	3,757,800,121	2,577,075,310
		8,294,643,260	7,255,615,459	5,877,581,918
Unamortized initial direct leasing costs		20,525,581	24,384,808	23,932,657
Balance at end of year, at fair value		₱8,315,168,841	₱7,280,000,267	₱5,901,514,575

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

	2020	2019	2018
Balance at beginning of year	₱3,757,800,121	₱2,577,075,310	₱2,460,158,366
Net gain on change in fair value	959,989,140	1,180,724,811	172,819,094
Disposals	(771,752)	—	(10,974,033)
Transfers to property and equipment	—	—	(44,928,117)
Balance at end of year	₱4,717,017,509	₱3,757,800,121	₱2,577,075,310

Movements of the unamortized initial direct leasing costs are as follow:

	2020	2019
Balance at beginning of year	₱24,384,808	₱23,932,657
Additions	2,979,418	5,863,081
Amortization	(6,838,645)	(5,410,930)
Balance at end of year	₱20,525,581	₱24,384,808

ACPT

Carrying amount of ACPT includes offices units and parking slots for lease. ACPT is used as collateral for loans payable amounting to ₱1,858.7 million and ₱1,955.6 million as at December 31, 2020 and 2019, respectively (see Note 13).

Arya Residences

Retail units and parking slots in Arya Residences are used for leasing operations.

In 2020, the Group sold parking slots with carrying amount of ₱1.8 million and cost of ₱1.0 million for a total consideration of ₱1.3 million which resulted to a loss on disposal of ₱0.5 million (see Note 20). The Parent Company and MPI sold parking slots with carrying amount of ₱ 28.8 million (₱17.8 million cost) for a total consideration of ₱20.5 million in 2018. This resulted to a loss on disposal amounting to ₱8.3 million in 2018 (see Note 19).

Raw Land

UPHI's raw land, with fair value amounting to ₱646.9 million and ₱603.8 million as at December 31, 2020 and 2019, respectively, has a total area of 33 hectares and are located at Barangay Gonzalo Bontog, Calamba City and Barangay Calabuso, Tagaytay City. Portion of the UPHI's raw land was the subject of an expropriation proceedings filed by the National Power Corporation (NAPOCOR) with the Regional Trial Court of Calamba City, Laguna. The other parties to the case filed their respective appeals with the Court of Appeals (CA) assailing the amount of just compensation determined by the trial court. The appeal remains pending with the CA. Moreover, a complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property located in Calamba City, Laguna. In June 2020, the case was decided by the trial court in favor of UPHI. The losing defendants in the case filed their respective appeals with the CA and UPHI filed its appellee's brief defending the decision of the trial court. The case remains pending with the CA. As at December 31, 2020 and 2019, the case with NAPOCOR is still ongoing and yet to be resolved by the CA. UPHI intends to amicably settle with the National Transmission Commission (NTC, successor-in-interest of NAPOCOR), since UPHI had already been deprived of effective use and enjoyment of the property. Management assessed that although the potential effect of this case on the Group's consolidated financial statements would not be significant, an amicable settlement with the NTC could allow the UPHI to recoup the cost of the property.

Raw land of the Parent Company has a total area of 10.3 hectares located in Batangas and Tagaytay with fair value aggregating ₱155.9 million and ₱147.8 million as at December 31, 2020 and 2019, respectively.

Courtyard Hall

In 2019, Cazneau transferred portion of its land of ₱22.5 million from "Real estate for sale" account to "Investment properties" account due to change of intention in the use of the property as approved by the BOD (see Note 9).

Courtyard Hall of Cazneau used for leasing operations was recognized at fair value amounting to ₱186.9 million and ₱181.2 million as at December 31, 2020 and 2019, respectively.

Leasing Operations

The Group recognized revenue from leasing operations amounting to ₱371.6 million in 2020, ₱321.9 million in 2019 and ₱132.4 million in 2018 (see Note 22) and incurred direct cost of leasing amounting to ₱124.5 million in 2020, ₱100.5 million in 2019 and ₱15.3 million in 2018.

Fair Value Measurement

Details of the valuation techniques used in measuring fair values of investment properties classified under Levels 2 and 3 of the fair value hierarchy are as follows:

Class of Property	Valuation Technique	Significant Inputs	Range	
			2020	2019
ACPT	Discounted cash flow (DCF) approach	Discount rate	8.76%	8.25%
		Rental rate for an office unit per sqm	₱1,500	₱1,500
		Rental rate per slot	₱6,000	₱6,500
		Calculated no. of net leasable area (total sqm)	18,059	18,059
		Vacancy rate	0% - 10%	5% - 10%
Arya Residences:				
Commercial units	DCF approach	Rental rate per sqm	₱3,000	₱3,000
		Rent escalation rate per annum (p.a.)	7%	7%
		Discount rate	8.74%	8.74%
		Vacancy rate	2%	2%
Parking slots	DCF approach	Rental rate per slot	₱6,500	₱6,500
		Rent escalation rate p.a.	7%	7%
		Discount rate	8.74%	8.74%
		Vacancy rate	2%	2%
Raw land:				
UPHI's Laguna and Tagaytay properties	Market data approach	Price per sqm	₱1,950	₱1,820
		Value adjustments	10% - 15%	5% - 10%
Cazneau's Laguna properties	Market data approach	Price per sqm	₱11,300	₱11,300
		Value adjustments	0% - 10%	0% - 10%
ALCO's Batangas and Tagaytay properties	Market data approach	Price per sqm	₱1,420	₱1,350
		Value adjustments	5% - 10%	5% - 15%
Courtyard Hall	Depreciated replacement cost method	Estimated replacement cost	₱143,117,000	₱143,117,000
		Remaining economic life	38 years	38 years

The description of the valuation techniques and inputs used in the fair value measurement are as follows:

Discounted Cash Flow Approach

Under the DCF approach, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's estimated useful life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF approach involves the projection of a series of cash flows on a real property interest. An appropriate, market-derived discount rate is applied to projected cash flow series to establish the present value of the income stream associated with the investment property.

Periodic cash flows of investment properties are typically estimated as gross income less vacancy and operating expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The frequency of inflows and outflows are contract and market-derived. The DCF approach assumes that cash outflows occur in the same period that expenses are recorded.

Sensitivity Analysis. Generally, significant increases (decreases) in rental rate per sqm or per slot and rent escalation rate p.a. in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in discount rate and vacancy rate in isolation would result in a significantly lower (higher) fair value measurement.

Market Data Approach

Market data approach involves the comparison of the UPHI's Laguna and Tagaytay properties, Cazneau's Laguna properties and ALCO's Batangas and Tagaytay properties to those that are more or less located within the vicinity of the appraised properties and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

The inputs to fair valuation are as follows:

- *Price per sqm* - estimated value prevailing in the real estate market depending on the location, area, shape and time element.
- *Value adjustments* - adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size and architectural features among others.

Depreciated Replacement Cost Method

Depreciated replacement cost method is used to estimate valuation of dormitory by computing for the replacement cost of the assets and applying appropriate adjustments for physical deterioration and functional and economic obsolescence.

The reconciliation of the balances of investments properties classified according to level in the fair value hierarchy is as follows:

	2020		Total
	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Note			
Balance at beginning of year	₱1,224,609,670	₱6,055,390,597	₱7,280,000,267
Net gain on change in fair value	51,253,834	908,735,306	959,989,140
Construction costs incurred	—	80,800,413	80,800,413
Initial direct leasing costs	—	(3,859,227)	(3,859,227)
Disposals	—	(1,761,752)	(1,761,752)
Balance at end of year	₱1,275,863,504	₱7,039,305,337	₱8,315,168,841

	Note	2019		Total
		Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Balance at beginning of year		₱1,083,731,309	₱4,817,783,266	₱5,901,514,575
Net gain on change in fair value		140,878,361	1,039,846,450	1,180,724,811
Construction costs incurred		—	148,183,650	148,183,650
Capitalized borrowing costs	13	—	26,668,479	26,668,479
Transfers		—	22,456,601	22,456,601
Initial direct leasing costs		—	452,151	452,151
Balance at end of year		₱1,224,609,670	₱6,055,390,597	₱7,280,000,267

There are no transfers between the levels of fair value hierarchy in 2020 and 2019.

11. Property and Equipment

The balances and movements of this account consist of:

	2020						Total
	Building and Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements		
Cost							
Balance at beginning of year	₱236,920,371	₱66,811,178	₱57,040,879	₱15,255,826	₱78,500		₱376,106,754
Additions	8,633,055	20,376,945	4,822,243	10,016,958	—		43,849,201
Disposals	—	(5,303,543)	—	—	—		(5,303,543)
Balance at end of year	245,553,426	81,884,580	61,863,122	25,272,784	78,500		414,652,412
Accumulated Depreciation and Amortization							
Balance at beginning of year	7,367,916	27,905,539	43,469,345	14,785,891	28,348		93,557,039
Depreciation and amortization	23,633,570	14,829,025	4,765,601	1,918,354	26,167		45,172,717
Disposals	—	(4,269,823)	—	—	—		(4,269,823)
Balance at end of year	31,001,486	38,464,741	48,234,946	16,704,245	54,515		134,459,933
Carrying Amount	₱214,551,940	₱43,419,839	₱13,628,176	₱8,568,539	₱23,985		₱280,192,479

	2019							Total
	Building and Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress		
Cost								
Balance at beginning of year	₱26,917,349	₱54,833,018	₱49,932,812	₱8,790,764	₱78,500	₱177,062,444		₱317,614,887
Additions	32,940,578	25,382,624	7,160,880	6,465,062	—	—		71,949,144
Disposals	—	(13,404,464)	(52,813)	—	—	—		(13,457,277)
Reclassification	177,062,444	—	—	—	—	(177,062,444)		—
Balance at end of year	236,920,371	66,811,178	57,040,879	15,255,826	78,500	—		376,106,754
Accumulated Depreciation and Amortization								
Balance at beginning of year	4,256,821	28,199,886	39,820,930	7,882,114	2,181	—		80,161,932
Depreciation and amortization	3,111,095	13,017,905	3,663,085	6,903,777	26,167	—		26,722,029
Disposals	—	(13,312,252)	(14,670)	—	—	—		(13,326,922)
Balance at end of year	7,367,916	27,905,539	43,469,345	14,785,891	28,348	—		93,557,039
Carrying Amount	₱229,552,455	₱38,905,639	₱13,571,534	₱469,935	₱50,152	₱—		₱282,549,715

As at December 31, 2020 and 2019, fully depreciated property and equipment that are still being used by the Group amounted to ₱16.2 million and ₱14.5 million, respectively.

The Parent Company sold property and equipment with carrying amount of ₱1.0 million in 2020, ₱0.1 million in 2019 and ₱0.6 million in 2018 which resulted to loss on disposal of ₱73,601 in 2020 and gain on disposal of ₱0.3 million in 2019 (see Note 20).

Depreciation expense was charged to:

	Note	2020	2019	2018
Operating expenses	18	₱42,966,008	₱26,722,029	₱15,449,610
Cost of services		2,206,709	—	—
		₱45,172,717	₱26,722,029	₱15,449,610

12. Other Assets

This account consists of:

	2020	2019
Input VAT	₱588,339,255	₱401,576,866
Advances for project development	560,825,051	630,789,051
CWT	383,145,049	338,105,363
Prepaid:		
Commissions	96,577,893	79,836,952
Interest	48,929,943	—
Taxes	48,626,196	55,663,293
Insurance	3,867,239	3,106,123
Debt issuance cost	1,338,813	5,625,000
Others	2,933,199	15,622,152
Advances for asset purchase	90,000,000	—
Amounts held in escrow	85,052,814	85,402,876
Deposits	56,072,105	62,270,945
Deferred input VAT	10,556,594	4,129,087
Materials and supplies	1,341,909	1,519,807
	₱1,977,606,060	₱1,683,647,515

Advances for project development pertain to downpayments made to contractors for the construction of the Group's real estate projects. These advances are applied against contractors' progress billings.

Prepaid commissions pertain to the commission costs incurred to obtain contracts with customer. Amortization of commissions amounted to ₱176.5 million in 2020 and ₱126.5 million in 2019.

Advances for asset purchase pertain to advance payment made to a seller of land to be acquired by the Group.

Amounts held in escrow represents the debt service account required under an existing loan with a certain bank. Details of amounts held in escrow, which is equivalent to a quarterly principal and interest amortization is as follows (see Note 13):

	2020	2019
OLSA	₱54,468,483	₱55,266,376
MTL	30,584,331	30,136,500
	₱85,052,814	₱85,402,876

Deposits pertain to utility deposits, deposits for professional services, and guarantee deposits for the construction of the Group's real estate projects. Deposits are settled upon completion of the documentary requirements.

Materials and supplies are the excess construction materials and supplies from the construction of completed real estate projects.

13. Loans Payable

This account consists of outstanding loans with:

	2020	2019
Local banks	₱9,220,969,353	₱6,840,657,776
Private funders	84,723,970	84,723,970
	₱9,305,693,323	₱6,925,381,746

Movements of this account follow:

	2020	2019
Balance at beginning of year	₱6,955,178,236	₱4,197,257,971
Availments	5,342,426,370	3,486,252,129
Payments	(2,958,344,266)	(728,331,864)
Balance at end of year	9,339,260,340	6,955,178,236
Unamortized debt issue cost	(33,567,017)	(29,796,490)
	9,305,693,323	6,925,381,746
Less current portion of loans payable	4,225,205,340	2,448,042,005
Long term portion of loans payable	₱5,080,487,983	₱4,477,339,741

Movements in debt issue cost are as follows:

	2020	2019
Balance at beginning of year	₱29,796,490	₱27,281,869
Additions	14,512,336	6,168,013
Amortization	(10,741,809)	(3,653,392)
Balance at end of year	₱33,567,017	₱29,796,490

Future repayment of the outstanding principal amounts of loans payable is as follows:

	2020	2019
Within one year	₱4,225,205,340	₱2,448,042,005
After one year but not more than three years	2,247,939,200	2,493,169,370
More than three years	2,866,115,800	2,013,966,861
	₱9,339,260,340	₱6,955,178,236

Local Bank Loans

These are loans from local banks which are interest-bearing and secured loans obtained to finance the Group's working capital requirements, project development and acquisition of properties. These loans have interest rates ranging from 5.00% to 8.00% p.a. in 2020 and 5.12% to 8.58% p.a. in 2019.

Details of outstanding local bank loans as at December 31 follow:

Purpose	Terms and Security	Effective interest rate (p.a.)	2020	2019
Construction of Cebu Exchange	Payable on a quarterly basis after two years from the date of initial drawdown until April 14, 2022; secured by the Cebu Exchange property with carrying amount of ₱2,371.6 million and ₱1,951.0 million as at December 31, 2020 and 2019, respectively (see Note 9).	5.77%	₱2,014,000,000	₱2,166,666,000
Short-term loans for construction of Cebu Exchange	Unsecured and payable in full within one year	5.00% to 8.00%	1,865,481,370	385,728,189
Construction of ACPT	Payable on a quarterly basis starting 4 th quarter of 2020 until July 2025; secured by ACPT building with carrying amount of ₱5,586.8 million and ₱4,676.0 million as at December 31, 2020 and 2019, respectively (see Note 10), and an escrow account amounting to ₱54.5 million and ₱55.3 million as at December 31, 2020 and 2019, respectively (see Note 12).	5.50%	1,858,666,538	1,955,607,089
Acquisition of land and construction of Savya Financial Center	Payable on a quarterly basis within three years from the date of initial drawdown until August 29, 2023; secured by unregistered real estate mortgage over raw land of SLDC with carrying amount of ₱1,434.8 million as at December 31, 2020 and 2019 (see Note 9) and an escrow account of ₱30.6 million and ₱30.1 million as at December 31, 2020 and 2019, respectively (see Note 12).	7.15%	1,268,778,150	1,082,656,498
Short-term loans for working fund requirements	Unsecured and payable in full within one year	5.00% to 7.00%	1,225,000,000	1,250,000,000
Development of Green Projects	Unsecured and payable in full on February 6, 2025	6.35%	989,043,295	—
			₱9,220,969,353	₱6,840,657,776

Construction of Cebu Exchange

In 2017, CLLC entered into an OLSA for a credit line of ₱2,350.0 million with a local bank, to partially finance the development and construction of Cebu Exchange. Loan proceeds were received in several drawdowns within a period of three years after initial drawdown. The outstanding loan balance is secured by Cebu Exchange property and pledge of shares of ALCO and a non-controlling interest in CLLC (see Note 9).

Construction of ACPT

In 2015, the Parent Company entered into an OLSA for a credit line of ₱2,000.0 million, to partially finance the cost of construction and development of the ACPT. The outstanding loan balance is secured by the ACPT building and a security trust agreement covering the maintenance of revenue and operating accounts, project receivables and project agreements. ALCO is required to maintain the following financial ratios based on its separate financial statements:

- Debt service coverage ratio of not more than 1.20x starting 2020 which is one year after the completion of ACPT
- Debt to equity ratio of:

Period	Debt to Equity Ratio
2015	2.00x
2016 to 2018	1.75x
2019 to 2025	1.50x

The debt to equity ratio of ALCO as at December 31, 2019 based on its separate financial statements is 1.12x which is compliant with the requirements of the OLSA.

As at December 31, 2020, the local bank amended the financial covenants of the OLSA, removing the DSCR requirement and changing it to be current ratio of at least 1.50x and a debt to equity ratio of not more than 2.00x based on the consolidated financial statements of the Group. ALCO has current ratio of 2.24x and debt to equity ratio of 1.33x, based on its consolidated financial statements, which is compliant with the amended financial covenants.

Acquisition of land and construction of Savya Financial Center

In 2018, SLDC entered into a MTL for a credit line of ₱1,440.0 million with a local bank, to partially finance the acquisition and development of its land in Taguig City and to repay advances from shareholders. This loan facility is secured by an unregistered real estate mortgage over a parcel of raw land of SLDC, corporate continuing suretyship of ALCO until the completion of construction of Savya Financial Tower 1 and 100% sale of units therein, and deposits in an escrow account (see Note 12).

Development of Green Projects

On February 14, 2020, ALCO entered into a term loan agreement of ₱1,000.0 million with a local bank to obtain financing for the Group's eligible green projects, including land banking, investments and refinancing in relation to eligible green projects. A drawdown of ₱1,000.0 million was made within the same year. ALCO is required to submit a regular disbursement report to the bank soon after the date the proceeds was utilized to confirm that the proceeds has been used for the eligible green projects.

Private Funders

Outstanding balances of the loans from private funders amounting to ₱84.7 million as at December 31, 2020 and 2019 have interest rate of 3.50% p.a., are unsecured and are for working capital requirements of the Group.

Capitalized Borrowing Costs

Borrowing costs capitalized are as follows:

	Note	2020	2019	2018
Loans payable		₱347,998,404	₱186,255,249	₱172,826,857
Bonds payable	14	72,767,759	—	—
		₱420,766,163	₱186,255,249	₱172,826,857

The above is distributed as follows:

	Note	2020	2019	2018
Real estate for sale	9	₱420,766,163	₱159,586,770	₱68,332,597
Investment properties	10	—	26,668,479	104,494,260
		₱420,766,163	₱186,255,249	₱172,826,857

The capitalization rates used to determine general borrowing costs eligible for capitalization ranges from 3.0% to 8.0% in 2020 and 3.0% to 8.58% in 2019.

Interest Expense

Total interest expense charged under “Finance costs” consists of the following (see Note 19):

	Note	2020	2019	2018
Interest expense on:				
Loans payable and advances from non-controlling interests		₱169,908,411	₱124,339,961	₱21,785,948
Bonds payable	14	108,990,151	—	—
Amortization of “Day 1” gain on loan discounting		—	—	51,086,712
		₱278,898,562	₱124,339,961	₱72,872,660

14. Bonds Payable

As at December 31, 2020, this account consists of:

Bonds payable	₱3,000,000,000
Unamortized debt issue cost	(41,473,302)
	₱2,958,526,698

Movement in debt issue cost in 2020 is as follows:

Balance at beginning of year	₱—
Additions	50,676,693
Amortization	(9,203,391)
Balance at end of year	₱41,473,302

In October 2019, the BOD of ALCO approved the filing of a registration statement for the shelf registration of ₱6.0 billion fixed rate ASEAN Green Bonds (the “Bonds”) and the initial tranche of ₱2.0 billion bonds, with an oversubscription option of up to ₱1.0 billion.

In January 2020, the SEC approved the registration of the Bonds and the issuance of the initial tranche of the Bonds. On February 6, 2020, ALCO issued the initial tranche of the Bonds amounting to ₱2.0 billion with an oversubscription of ₱1.0 billion. It has a term ending five years from the issue date or on February 6, 2025, with a fixed interest rate of 6.35% p.a. and an early redemption option on the 3rd and 4th year from issue date. The proceeds of the initial tranche is for the development of eligible green projects and payment of certain outstanding loans of the Group.

The Group is required to maintain debt to equity ratio of not more than 2.00x and current ratio of at least 1.50x based on the consolidated financial statements. As at December 31, 2020, the Group is compliant with these financial ratios.

Capitalized borrowing costs and interest expense incurred on the Bonds amounted to ₱72.8 million and ₱109.0 million, respectively, in 2020 (see Note 13).

15. Accounts Payable and Other Liabilities

This account consists of:

	Note	2020	2019
Accounts payable:			
Third parties		₱208,485,207	₱402,260,832
Related party	24	3,458,920	3,044,200
Deferred output VAT		885,587,128	743,384,411
Accrued:			
Construction costs		821,587,745	348,197,534
Interest		147,587,776	88,149,254
Personnel costs		24,234,892	24,200,544
Others		42,619,260	124,232,308
Retention payable		392,975,986	405,458,152
Payable to customers		77,783,371	113,447,252
Security deposits	22	81,124,014	66,001,748
Advance rent	22	36,183,597	73,792,077
Construction bonds		29,108,948	35,492,392
Withholding taxes payable		26,663,745	21,507,169
Income tax payable		3,240,094	24,888,011
Dividend payable		5,559,031	5,943,585
Others		6,744,247	8,917,408
		₱2,792,943,961	₱2,488,916,877

Accounts payable, which are unsecured, noninterest-bearing and are normally settled within 30 days to one (1) year, consist mainly of liabilities to contractors and suppliers.

Deferred output VAT pertains to VAT from sales of property on installments and receivables from leasing operations. If the payments in the year of sale do not exceed twenty-five percent (25%) of the gross selling price, the sale will be considered under installment, in which case VAT will be paid based on collections.

Accrued expenses are expected to be settled within the next 12 months. Other accrued expenses pertain to management and professional fees, utilities, commissions, advertising and other expenses.

Retention payable, which will be released after completion and satisfaction of the terms and conditions of the construction contract, pertains to amount retained by the Group from the contractors' progress billings for the real estate projects of the Group.

Payable to customers include reservation fees and collections received from prospective lessees or buyers, which are and to be applied as security deposits upon execution of lease contracts or against the total contract price of the real estate sale.

Advance rent pertains to the payments made in advance by the tenants to be applied to their rent payable in the immediately succeeding months or in the last three (3) months of the lease term.

Security deposits pertain to the deposits made by the lessees of the ACPT, Arya commercial units, and dormitory units which are refundable upon termination of the lease less any unsettled balances.

Construction bonds represent noninterest-bearing deposits made by the lessees before the start of its construction in the ACPT and refundable upon fulfillment of contract provisions.

Other payables pertain to liabilities to SSS, PhilHealth and HDMF.

16. Equity

The details of the Parent Company's number of common and preferred shares follow:

	2020		2019		2018	
	Preferred	Common	Preferred	Common	Preferred	Common
Authorized	50,000,000	16,368,095,199	50,000,000	16,368,095,199	50,000,000	16,368,095,199
Par value per share	₱1.00	₱0.18	₱1.00	₱0.18	₱1.00	₱0.18
Issued and outstanding	42,500,000	5,318,095,199	42,500,000	5,318,095,199	32,500,000	5,318,095,199

Preferred Shares

The rollforward analysis of the outstanding preferred shares is as follows:

	2020		2019		2018	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Issued and outstanding						
Balance at beginning of year	42,500,000	₱42,500,000	32,500,000	₱32,500,000	32,500,000	₱32,500,000
Issuance during the year	–	–	10,000,000	10,000,000	–	–
Balance at end of year	42,500,000	42,500,000	42,500,000	42,500,000	32,500,000	32,500,000
Parent Company's shares held by a subsidiary	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)
	30,000,000	₱30,000,000	30,000,000	₱30,000,000	20,000,000	₱20,000,000

In June 2019, the Company made a follow-on offering of 10.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the "Series C Preferred Shares with ₱1.00 par value a share at the issuance price of ₱100 a share. Excess of the proceeds over the total par value amounting to ₱990.0 million and transactions costs of ₱12.5 million was recognized as additional and reduction to additional paid-in capital, respectively.

In 2016, ALCO issued 12.5 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the "Series A Preferred Shares") with ₱1.00 par value a share to MPI. Also in 2016, the Company made a follow-on offering of 20.0 million cumulative, nonvoting, nonparticipating, and nonconvertible Peso-denominated preferred shares (the "Series B preferred shares") with ₱1.00 par value a share at the issuance price of ₱100 a share.

Common Shares

As at December 31, 2020 and 2019, the Parent Company has issued and outstanding common shares of 5,318,095,199 with par value of ₱0.18 amounting to ₱957.3 million.

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

Date of SEC Approval	Type of Issuance	No. of Shares Issued	Issue/Offer Price
1996	Initial public offering	351,000,000	₱1.00
1998	Payment of subscription	256,203,748	1.00
1999	Stock dividends	410,891,451	1.00
2009	Payment of subscription	628,770,000	0.20
2010	Payment of subscription	100,000,000	0.20
2011	Payment of subscription	2,200,000,000	0.20
2016	Public offering of Series "B" preferred shares	20,000,000	100
2019	Public offering of Series "C" preferred shares	10,000,000	100

The Parent Company has 1,939 and 1,943 stockholders as at December 31, 2020 and 2019, respectively.

Dividend Declaration

The Parent Company's BOD and stockholders approved the following cash dividends to preferred and common stockholders:

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
October 21, 2020	December 4, 2020	December 27, 2020	Series C preferred shares	₱17,319,000	₱1.732
October 21, 2020	November 13, 2020	December 6, 2020	Series B preferred shares	35,229,000	1.761
August 5, 2020	September 4, 2020	September 27, 2020	Series C preferred shares	17,319,000	1.732
August 5, 2020	August 19, 2020	September 6, 2020	Series B preferred shares	35,229,000	1.761
June 26, 2020	July 10, 2020	July 31, 2020	Common shares	63,817,142	0.012
May 6, 2020	June 4, 2020	June 27, 2020	Series C preferred shares	17,319,000	1.732
May 6, 2020	May 21, 2020	June 6, 2020	Series B preferred shares	35,229,000	1.761
January 29, 2020	March 6, 2020	March 27, 2020	Series C preferred shares	17,319,000	1.732
January 29, 2020	February 14, 2020	March 6, 2020	Series B preferred shares	35,229,000	1.761
				₱274,009,142	

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
October 23, 2019	November 29, 2019	December 27, 2019	Series C preferred shares	₱17,319,000	₱1.732
October 23, 2019	November 15, 2019	December 6, 2019	Series B preferred shares	35,229,000	1.761
August 7, 2019	September 6, 2019	September 27, 2019	Series C preferred shares	17,319,000	1.732
August 7, 2019	August 22, 2019	September 6, 2019	Series B preferred shares	35,229,000	1.761
June 21, 2019	July 8, 2019	July 31, 2019	Common shares	63,817,142	0.012
May 8, 2019	May 22, 2019	June 6, 2019	Series B preferred shares	35,229,000	1.761
February 21, 2019	March 1, 2019	March 6, 2019	Series B preferred shares	35,229,000	1.761
				₱239,371,142	

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
October 25, 2018	November 12, 2018	December 6, 2018	Series B preferred shares	₱35,229,000	₱1.761
August 1, 2018	August 16, 2018	September 6, 2018	Series B preferred shares	35,229,000	1.761
May 9, 2018	May 23, 2018	June 6, 2018	Series B preferred shares	35,229,000	1.761
March 21, 2018	April 6, 2018	May 2, 2018	Common shares	63,817,142	0.012
January 10, 2018	February 9, 2018	March 6, 2018	Series B preferred shares	35,229,000	1.761
				₱204,733,142	

Other Equity Reserves

This account consists of:

	Note	2020	2019	2018
Effect of change in the Parent Company's ownership interest in a subsidiary		₱229,500,000	₱—	₱—
Stock options outstanding		6,485,553	—	—
Cumulative remeasurement gain (losses) on net retirement liability - net of tax	21	(5,622,407)	(207,724)	18,169,495
		₱230,363,146	(₱207,724)	₱18,169,495

Movements of this account is as follows:

	Note	2020	2019	2018
Balance at beginning of year		(₱207,724)	₱18,169,495	₱7,448,391
Excess of proceeds over the cost of disposed interest in a subsidiary		229,500,000	—	—
Stock options granted	18	6,485,553	—	—
Remeasurement gain (loss) on net retirement liability - net of tax	21	(5,414,683)	(18,377,219)	10,721,104
		₱230,363,146	(₱207,724)	₱18,169,495

Effect of Change in the Parent Company's Ownership Interest in a Subsidiary

Excess of proceeds over the cost of disposed interest in a subsidiary pertains to the difference between the amount received by ALCO of ₱275.0 million, net of transaction costs and taxes of ₱40.5 million, for the sale of 40% of KHI's shares sold to MEC (see Note 1).

Stock Options Outstanding

On October 16, 2009, the stockholders approved the 2009 ALCO Stock Option Plan with the objective of providing material incentive to qualified employees of the Group. The total amount of shares which are available and may be issued for this purpose will amount to 10% of ALCO's total outstanding capital stock at any given time. The period during which a Qualified Employee may exercise the option to purchase such number of common shares granted to him/her will be three (3) years commencing after he or she has rendered the mandatory one year service to the Corporation in accordance with the following schedule:

- i. Within the first 12 months from grant date - up to 33.33%
- ii. Within the 13th to the 24th month from grant date - up to 33.33%
- iii. Within the 25th to 36th month from grant date - up to 33.33%

On December 14, 2018, the BOD approved granting options equivalent to not more than 90.0 million common shares to its qualified employees. On June 26, 2020, the number of options granted and issued to qualified employees amounted to ₱55.4 million shares. The total fair value of stock options granted amounted to ₱6.5 million. The fair values of stock options granted are estimated on the date of grant using the Black-Scholes Merton (BSM) Formula taking into the account the terms and conditions upon which the options were granted. The BSM Formula utilized inputs namely; market value of the share, time to maturity, dividend yield, and risk free rate.

Fair value of each option at grant date is ₱0.14. Assumptions used to determine the fair value of the stock options are as follow:

Weighted average share price	₱0.65
Exercise price	₱0.50
Expected volatility	2.40%
Dividend yield	1.32%
Risk-free interest rate	1.35%

As at December 31, 2020, none of the qualified employees have exercised their options.

Use of Proceeds

Preferred Shares Series B

The estimated gross proceeds from the offer of Series B preferred shares amounted to ₱1,971.8 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱1,972.9 million. The following table shows the breakdown of the use of the proceeds (amounts in millions):

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at 12/31/2020	Balance for Disbursement as at December 31, 2020
South of Metro Manila Project	₱822.4	₱822.4	₱822.4	₱—
Makati CBD Residential Project	371.6	371.6	371.6	—
Binan Laguna Project	331.9	331.9	314.1	17.8
Partial repayment of loans	330.0	330.0	330.0	—
General corporate purposes	62.3	63.4	63.4	—
Cebu Exchange Project	53.6	53.6	53.6	—
	₱1,971.8	₱1,972.9	₱1,955.1	₱17.8

Preferred Shares Series C

The estimated net proceeds from the offer of Series C preferred shares amounted to ₱984.1 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱985.3 million.

The following table shows the breakdown of the use of the proceeds (amounts in millions):

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at 12/31/2020	Balance for Disbursement as at December 31, 2020
Cebu Residential Project	₱300.0	₱300.0	₱300.0	₱—
Makati CBD Residential Project 2	530.0	530.0	530.0	—
General corporate purpose	154.1	155.3	155.3	—
	₱984.1	₱985.3	₱985.3	₱—

17. Revenues

The Group's revenues are as follows:

	Note	2020	2019	2018
Real estate sales of:				
Cebu Exchange		₱2,126,330,823	₱2,870,054,489	₱844,954,726
Savya Financial Center		713,085,853	645,749,539	–
Sevina Park		79,707,222	–	–
Arya Residences		–	–	147,639,118
		2,919,123,898	3,515,804,028	992,593,844
Leasing revenue	22	371,576,866	321,918,256	132,436,268
Property management fees		10,852,292	10,135,140	7,439,974
		₱3,301,553,056	₱3,847,857,424	₱1,132,470,086

Leasing revenue pertains to rent income and CUSA earned from various lease contracts of the Parent Company in ACPT, commercial units of MPI in Arya Residences and dormitory units in Courtyard Hall, in which rent income is recognized on a straight-line basis under PAS 17, *Leases*.

Property management fees pertain to services rendered by EPMI to the Arya Residences Condominium Corporation. The service contract has a term of seven (7) years commencing on December 1, 2014 for the management and maintenance of all common areas of Arya Residences.

18. Operating Expenses

Operating expenses are classified as follows:

	2020	2019	2018
Administrative	₱417,716,339	₱409,806,713	₱325,187,083
Selling and marketing	262,506,092	256,010,229	72,423,411
	₱680,222,431	₱665,816,942	₱397,610,494

Details of operating expenses by nature are as follows:

	Note	2020	2019	2018
Personnel costs		₱198,294,314	₱191,303,427	₱176,647,311
Commissions		183,356,373	131,899,678	27,157,093
Advertising		79,149,719	124,110,551	45,266,318
Management and professional fees		46,042,592	64,516,070	31,867,665
Depreciation and amortization	11	42,966,008	26,722,029	15,449,610
Taxes and licenses		41,876,882	30,047,582	17,671,357
Communication and office expenses		24,899,585	29,116,455	20,057,547
Transportation and travel		17,880,159	24,498,653	18,787,861
Insurance		15,268,232	15,788,365	12,886,192
Utilities		4,038,002	5,002,052	8,315,942
Repairs and maintenance		3,550,213	12,799,877	2,792,489
Rent	22	2,976,306	1,659,167	14,498,091
Representation		2,910,588	1,377,793	672,727
Others		17,013,458	6,975,243	5,540,291
		₱680,222,431	₱665,816,942	₱397,610,494

Personnel costs consist of:

	Note	2020	2019	2018
Salaries and other employee benefits		₱167,928,064	₱168,761,466	₱140,910,996
Retirement expense	21	23,880,697	22,541,961	35,736,315
Stock options granted	16	6,485,553	—	—
		₱198,294,314	₱191,303,427	₱176,647,311

19. Finance Costs

This account consists of:

	Note	2020	2019	2018
Interest expense	13, 14	₱278,898,562	₱124,339,961	₱72,872,660
Bank charges		2,285,398	499,643	774,628
		₱281,183,960	₱124,839,604	₱73,647,288

20. Other Income - Net

This account consists of:

	Note	2020	2019	2018
Realized gain on disposals of financial assets at FVPL	7	₱19,071,132	₱16,784,004	₱14,190,431
Unrealized holding gains (losses) on financial assets at FVPL	7	12,217,775	(617,582)	(6,385,529)
Interest income	6	9,379,745	13,489,356	6,088,906
Loss on sale of investment properties		(461,752)	—	(8,334,033)
Gain (loss) on disposal of property and equipment	11	(73,601)	322,744	—
Foreign exchange gains (losses)		(8,843)	(605,121)	906,754
Gain on settlement of loans payable		—	—	319,553,431
Others		2,115,747	1,733,278	13,100,733
		₱42,240,203	₱31,106,679	₱339,120,693

In 2018, loans payable to Centrobless and SOPI with carrying amounts aggregating ₱1,847.5 million were settled in exchange for ACPT office units and parking slots with cost aggregating ₱1,330.0 million. Accordingly, the cumulative gain on change in fair value on these ACPT office units and parking slots amounting to ₱402.7 million was reversed. This resulted in a gain on settlement of loans payable aggregating ₱319.6 million in 2018.

21. Net Retirement Liability

The Parent Company has a funded and non-contributory defined benefit retirement plan covering all of its qualified employees. The retirement benefits are based on years of service and compensation on the last year of employment as determined by an independent actuary. The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with minimum of five years of credited service or late retirement after age 60, both subject to the approval of the Company's BOD.

The plan is exposed to interest rate risks and changes in the life expectancy of qualified employees. The plan is not exposed to significant concentrations of risk on the plan assets.

There are no unusual or significant risks to which the retirement liability exposes the Parent Company. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Parent Company.

The following tables summarize the components of retirement benefit costs recognized in the consolidated statements of comprehensive income (based on the report of an independent actuary dated January 8, 2021):

Details of retirement expense is as follows (see Note 18):

	2020	2019	2018
Current service cost	₱18,666,937	₱18,130,347	₱7,879,934
Net interest cost	5,213,760	4,411,614	2,033,107
Past service cost	—	—	25,823,274
	₱23,880,697	₱22,541,961	₱35,736,315

In 2018, the new retirement plan provides a retirement benefit ranging from 100% to 150% of salary for every year of credit service. Accordingly, this plan amendment changed the benefits payable under the plan, which resulted in the recognition of past service cost.

The movements of net retirement liability recognized in the consolidated statements of financial position are as follows:

	2020	2019	2018
Balance at beginning of year	₱99,880,460	₱66,088,998	₱50,668,546
Current service cost	18,666,937	18,130,347	7,879,934
Net interest cost	5,213,760	4,411,614	2,033,107
Past service cost	—	—	25,823,274
Contribution to retirement plan assets	(30,000,000)	(15,003,669)	(5,000,000)
Remeasurement loss (gains) on:			
Change in financial assumptions	4,427,055	30,887,077	(9,240,813)
Experience adjustments	2,813,918	(5,262,217)	(6,066,417)
Return on plan assets	494,288	628,310	(8,633)
Balance at end of year	₱101,496,418	₱99,880,460	₱66,088,998

The funded status and amounts recognized in the consolidated statements of financial position for the net retirement liability as at December 31, 2020 and 2019 are as follows:

	2020	2019
Present value of retirement liability	₱152,389,179	₱120,206,490
Fair value of plan assets	(50,892,761)	(20,326,030)
	₱101,496,418	₱99,880,460

As of December 31, 2020, the plan is underfunded by ₱101.5 million based on the latest actuarial valuation. While there are no minimum funding requirements in the country, the size of underfunding may pose a cash flow risk in about ten years' time when a significant number of employees is expected to retire.

The Parent Company expects to make contribution of ₱30 million to the plan in the next financial year.

Changes in the present value of the retirement liability are as follows:

	2020	2019	2018
Balance at beginning of year	₱120,206,490	₱71,097,631	₱50,668,546
Current service cost	18,666,937	18,130,347	7,879,934
Interest cost	6,274,779	5,353,652	2,033,107
Past service cost	—	—	25,823,274
Remeasurement gains on:			
Change in financial assumptions	4,427,055	30,887,077	(9,240,813)
Experience adjustments	2,813,918	(5,262,217)	(6,066,417)
Balance at end of year	₱152,389,179	₱120,206,490	₱71,097,631

Changes in the fair value of plan assets are as follows:

	2020	2019	2018
Balance at beginning of year	₱20,326,030	₱5,008,633	₱—
Contribution to retirement plan assets	30,000,000	15,003,669	5,000,000
Interest income	1,061,019	942,038	—
Remeasurement gain (loss) on return on plan assets	(494,288)	(628,310)	8,633
Balance at end of year	₱50,892,761	₱20,326,030	₱5,008,633

Plan assets are primarily composed of unit investment trust accounts and do not comprise any of the Parent Company's own financial instruments or any of its assets occupied and/or used in operations.

The cumulative remeasurement gains (losses) on net retirement liability recognized in OCI as at December 31 are as follows:

2020			
	Cumulative Remeasurement Losses	Deferred Tax (see Note 23)	Net
Balance at beginning and end of year	(₱296,748)	(₱89,024)	(₱207,724)
Remeasurement loss	(7,735,261)	(2,320,578)	(5,414,683)
Balance at end of year	(₱8,032,009)	(₱2,409,602)	(₱5,622,407)

2019			
	Cumulative Remeasurement Gains (Losses)	Deferred Tax (see Note 23)	Net
Balance at beginning of year	₱25,956,422	₱7,786,927	₱18,169,495
Remeasurement loss	(26,253,170)	(7,875,951)	(18,377,219)
Balance at end of year	(₱296,748)	(₱89,024)	(₱207,724)

2018			
	Cumulative Remeasurement Gains	Deferred Tax (see Note 23)	Net
Balance at beginning of year	₱10,640,559	₱3,192,168	₱7,448,391
Remeasurement gain	15,315,863	4,594,759	10,721,104
Balance at end of year	₱25,956,422	₱7,786,927	₱18,169,495

The principal assumptions used for the purpose of the actuarial valuation are as follows:

	2020	2019
Discount rate	3.95%	5.22%
Salary projection rate	5.00%	6.00%
Average remaining service years	24.2	24.8

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2020 and 2019 are presented below.

		Effect on Present Value of Retirement Liability	
	Change in Assumption	Discount Rate	Salary Projection Rate
December 31, 2020	+1%	(₱14,901,329)	₱17,761,066
	-1%	18,147,808	(14,894,844)
December 31, 2019	+1%	(₱11,366,089)	₱13,583,980
	-1%	13,837,647	(11,387,681)

The expected future benefit payments within the next ten years are as follows:

Financial Year	Amount
2020	₱59,147,252
2021	3,042,802
2022-2029	52,682,563

The weighted average duration of the retirement benefit obligation as at December 31, 2020 is 10.8 years.

22. Commitments

Operating Lease Commitments - Group as Lessor

The Parent Company entered into various lease agreements in ACPT for periods ranging from five (5) years to 10 years. All lease agreements include an escalation clause of 5% every year. The lease contracts do not provide for any contingent rent.

In addition, MPI has various lease agreements for its retail units in Arya Residences. The term of the lease ranges from two (2) to five (5) years. The lease agreements also provide for various escalation rates for the duration of the agreements.

Moreover, Cazneau has entered into lease agreements for its dormitory units in Courtyard Hall. The term is renewable every semester.

Leasing revenue recognized from these operating leases amounted to ₱371.6 million in 2020, ₱321.9 million in 2019 and ₱132.4 million in 2018 (see Note 17). Lease receivables amounted to ₱88.9 million and ₱45.0 million as at December 31, 2020 and 2019, respectively (see Note 8). Accrued rent receivable amounted to ₱89.6 million and ₱99.0 million as at December 31, 2020 and 2019, respectively (see Note 8). Advance rent from tenants amounted to ₱36.2 million and ₱73.8 million as at December 31, 2020 and 2019, respectively. Security deposits, which may be applied to unsettled balances or refunded at the end of the lease term, amounted to ₱81.1 million and ₱66.0 million as at December 31 2020 and 2019, respectively (see Note 15).

The future minimum lease payments to be received under non-cancellable operating leases as at December 31 are as follows:

	2020	2019
Within one year	₱256,810,411	₱253,368,521
After one year but not more than five years	617,893,681	835,221,094
More than five years	24,261,443	43,670,598
	₱898,965,535	₱1,132,260,213

Operating Lease Commitment - Group as Lessee

The Parent Company is a lessee under non-cancellable operating lease where its office space is situated. In 2018, the Parent Company transferred its office to ACPT. This resulted to the termination of its non-cancellable operating lease. For short-term and low value leases, rent expense recognized amounted to ₱3.0 million in 2020, ₱1.7 million in 2019 and ₱14.5 million in 2018 (see Note 18).

23. Income Taxes

The components of income tax expense are as follows:

	Note	2020	2019	2018
Reported in Profit or Loss				
Current:				
Final taxes		₱6,065,051	₱5,533,420	₱5,436,777
RCIT		11,650,910	66,966,595	91,047,356
MCIT		9,901,241	5,619,419	186,560
Gross income tax (GIT)		2,399,074	3,678,373	1,970,310
		30,016,276	81,797,807	98,641,003
Deferred		460,254,146	554,347,227	67,094,603
		₱490,270,422	₱636,145,034	₱165,735,606
Reported in OCI				
Deferred tax related to remeasurement gains (losses) on net retirement liability				
	21	₱2,320,578	₱7,875,951	(₱4,594,759)

Deferred Tax Assets and Deferred Tax Liabilities

The components of the Group's recognized deferred tax assets and liabilities are as follows:

	2020	2019
Deferred tax assets:		
NOLCO	₱186,618,977	₱62,261,706
Retirement liability	30,448,926	29,964,138
Advance rent	8,608,314	11,841,153
Excess MCIT over RCIT	15,706,900	5,805,659
Allowance for impairment losses	110,488	110,488
Unrealized foreign exchange loss	2,654	181,536
	₱241,496,259	₱110,164,680
Deferred tax liabilities:		
Cumulative gain on change in fair value of investment properties	₱1,415,105,254	₱1,127,340,036
Excess of financial over taxable gross profit	523,413,731	237,134,847
Depreciation of investment properties	26,332,554	14,624,431
Accrued rent receivable	17,144,444	17,155,013
Transfer of fair value to property and equipment	12,939,297	13,208,866
Capitalized debt issue costs	9,989,503	10,196,539
	2,004,924,783	1,419,659,732
Net deferred tax liabilities	₱1,763,428,524	₱1,309,495,052

As at December 31, 2020 and 2019, the Group did not recognize deferred tax assets relating to the following:

	2020	2019
NOLCO	₱8,073,179	₱5,660,266
Excess MCIT over RCIT	320	320
	₱8,073,499	₱5,660,586

Management has assessed that these may not be realized in the future.

NOLCO and Excess MCIT over RCIT

The details of the Group's NOLCO and excess MCIT over RCIT are as follows:

NOLCO

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2020	₱—	₱441,070,429	₱—	₱—	₱441,070,429	2025
2019	201,505,549	—	—	—	201,505,549	2022
2018	6,397,876	—	—	—	6,397,876	2021
2017	18,503,148	—	—	18,503,148	—	2020
	₱226,406,573	₱441,070,429	₱—	₱18,503,148	₱648,973,854	

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 to implement Section 4 (4444) of Republic Act No. 11494 (Bayanihan Act to Recover as One Act), allowing the Group's net operating losses for taxable years 2020 and 2021 to be carried over for the next five consecutive taxable years immediately following the year of such loss.

Excess MCIT over RCIT

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2020	₱—	₱9,901,241	₱—	₱—	₱9,901,241	2023
2019	5,619,419	—	—	—	5,619,419	2022
2018	186,560	—	—	—	186,560	2021
	₱5,805,979	₱9,901,241	₱—	₱—	₱15,707,220	

The reconciliation between the income tax based on statutory income tax rate and provision for income tax reported in the consolidated statements of comprehensive income is as follows:

	2020	2019	2018
Income tax computed at statutory tax rate	₱497,818,418	₱636,987,873	₱166,305,856
Add (deduct) tax effect of:			
Income subject to GIT	(11,721,196)	(28,497,641)	(7,573,344)
Expired NOLCO	5,550,944	1,579,881	248,551
Unrealized holding loss (gains) on financial assets at FVPL	(3,665,333)	185,275	1,915,659
Nondeductible expenses and nontaxable income	2,923,947	30,197,169	7,426,287
Change in unrecognized deferred tax assets	2,412,913	1,998,894	29,931
Realized gain on disposals of financial assets at FVPL subjected to final tax	(1,845,302)	(1,552,143)	(1,866,346)
Interest income subjected to final tax	(1,203,969)	(1,151,433)	(750,988)
Stock issuance costs	—	(3,744,499)	—
Expired MCIT	—	141,658	—
	₱490,270,422	₱636,145,034	₱165,735,606

PEZA Registration

ACPT is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise (see Note 1). The scope of its registered activity is limited to development, operation and maintenance of an economic zone.

Under the PEZA Registration Agreement, ACPT is entitled to:

- 5% GIT, in lieu of all national and local taxes; and
- Tax and duty-free importation of capital equipment required for the technical viability and operation of the registered facilities or activities.

Any income from activities of ACPT outside the PEZA-registered activities is subject to RCIT.

Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Bill

On November 26, 2020, the CREATE Bill was approved by the Senate of the Philippines. Under the CREATE Bill, domestic corporations will be subject to 25% or 20% regular corporate income tax (RCIT) depending on the amount of total assets or total amount of taxable income. In addition, MCIT shall be computed at 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

On February 3, 2021, the Senate and the Congress of the Philippines ratified the bill through a bicameral conference. As of March 24, 2021, the CREATE Bill is pending approval of the President.

Accordingly, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

24. Related Party Transactions

The Group, in its regular conduct of business, has transactions with its related parties. The following tables summarize the transactions with the related parties and outstanding balance arising from these transactions.

	Nature of Relationship	Note	Nature of Transaction	Amount of Transactions		Outstanding Balance	
				2020	2019	2020	2019
Due from Related Parties							
		8					
CPG	Principal stockholder		Share purchase agreement	₱—	₱—	₱36,052,873	₱36,052,873
	Entity under common management						
Centrobless			Advances for working capital	3,635,968	12,856,017	16,491,985	12,856,017
	Entity under common management						
SOPi			Advances for working capital	635,359	4,932,492	5,567,851	4,932,492
						₱58,112,709	₱53,841,382
Accounts Payable							
	Principal stockholder						
CPG		15	Management fee	₱12,577,891	₱11,069,818	₱3,458,920	₱3,044,200

Share Purchase Agreement

The Parent Company has an outstanding receivable from CPG amounting to ₱36.1 million as at December 31, 2020 and 2019 arising from a share purchase agreement between the Parent Company, CPG and AOCH1. Under the claw-back provision of the share purchase agreement, the Parent Company warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by UPHI, which includes, among others, removing all doubt on the ownership of UPHI over the property. In the event the satisfactory evidence is submitted by the Parent Company to CPG, the latter shall pay to the Parent Company the entire claw-back amount or a portion thereof plus interest earned in which the claw-back amount was held in escrow.

Advances for Working Capital

This pertains to expenses advanced by the Group to the related parties. Outstanding balances of advances for working capital are unsecured, unguaranteed, collectible or payable on demand and to be settled in cash. The Group's allowance for ECL on due from related parties amounted to nil as at December 31, 2020 and 2019.

Management Fee

Management fees are recognized for management consultancy, development and administrative services provided by CPG. Outstanding balances are unsecured, noninterest-bearing, payable on demand and to be settled in cash.

Compensation of Key Management Personnel

The compensation of key management personnel are as follows:

	2020	2019	2018
Salaries and other employee benefits	₱89,599,050	₱83,779,871	₱77,960,692
Retirement expense	24,095,262	24,095,262	24,095,262
	₱113,694,312	₱107,875,133	₱102,055,954

Transactions with the Retirement Plan

The Parent Company's retirement fund is administered and managed by a trustee bank. The fair value of plan assets, which are primarily composed of unit investment trust funds, amount to ₱50.9 million and ₱20.3 million as of December 31, 2020 and 2019 (see Note 21).

The retirement fund neither provides any guarantee or surety for any obligation of the Parent Company nor its investments covered by any restrictions or liens. The details of the contributions of the Parent Company and benefits paid out by the plan are presented in Note 21.

25. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes:

	Financing Cash Flows			Noncash Transactions			December 31, 2020
	January 1, 2020	Availments/ Declaration	Payments	Assignment of advances	Conversion to deposit for future stock subscription	Movement in Debt Issue Cost	
Loans payable	₱6,925,381,746	₱5,342,426,370	(₱2,958,344,266)	₱—	₱—	(₱3,770,527)	₱9,305,693,323
Bonds payable	—	3,000,000,000	—	—	—	(41,473,302)	2,958,526,698
Advances from non- controlling interests	1,144,586,297	165,000,000	—	195,000,000	(137,000,000)	—	1,367,586,297
Dividends payable	5,943,585	274,009,142	(274,393,696)	—	—	—	5,559,031
	₱8,075,911,628	₱8,781,435,512	(₱3,232,737,962)	₱195,000,000	(₱137,000,000)	(₱45,243,829)	₱13,637,365,349

	Financing Cash Flows			Noncash Transaction		December 31, 2019
	January 1, 2019	Availments/ Declaration	Payments	Movement in Debt Issue Cost		
Loans payable	₱4,169,976,102	₱3,486,252,129	(₱728,331,864)	(₱2,514,621)		₱6,925,381,746
Advances from non- controlling interests	386,666,691	757,919,606	—	—		1,144,586,297
Dividends payable	5,056,961	239,371,142	(238,484,518)	—		5,943,585
	₱4,561,699,754	₱4,483,542,877	(₱966,816,382)	(₱2,514,621)		₱8,075,911,628

26. Earnings Per Share

Basic and diluted earnings per share are computed as follows:

	2020	2019	2018
Net income attributable to equity holders of the Parent Company	₱887,295,539	₱1,187,016,033	₱333,479,516
Less share of Series B and C Preferred Shares	(210,192,000)	(175,554,000)	(140,916,000)
Net income attributable to equity holders of the Parent Company for basic and diluted earnings per share	₱677,103,539	₱1,011,462,033	₱192,563,516
Weighted average number of outstanding common shares for basic EPS	5,318,095,199	5,318,095,199	5,318,095,199
Add dilutive shares arising from stock options	55,400,000	—	—
Adjusted weighted average number of common shares for diluted EPS	5,373,495,199	5,318,095,199	5,318,095,199
Basic EPS	₱0.1273	₱0.1902	₱0.0362
Diluted EPS	₱0.1260	₱0.1902	₱0.0362

Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year.

Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

27. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise cash in banks, cash equivalents, financial assets at FVPL, receivables (excluding advances for project development and accrued rent receivable under straight-line basis of accounting), amounts held in escrow, deposits, loans and bonds payable, accounts payable and other liabilities (except statutory liabilities, advance rent and payable to buyers) and advances from non-controlling interests.

It is the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The BOD reviews and approves policies for managing these risks as summarized below.

Foreign Currency Risk

The Group's exposure to foreign currency risk is minimal, as it does not enter into significant transactions in currencies other than its functional currency.

Credit Risk

The Group's exposure to credit risk arises from the failure of a counterparty to fulfill its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of trade receivables and other financial assets at amortized cost. The carrying amounts of financial assets at amortized cost and contract assets represent its maximum credit exposure.

Trade Receivables and Contract Assets

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms, and conditions are offered. The Group's credit policy includes available external ratings, financial statements, credit agency information, industry information and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from upper level of management. The Group limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. Historically, trade receivables are substantially collected within one (1) year and it has no experience of writing-off or impairing its trade receivables due to the effectiveness of its collection. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. Trade receivables from lease are closely monitored on aging of the account. As at December 31, 2020 and 2019, there were no significant credit concentrations. The maximum exposure at the end of the reporting period is the carrying amount of trade receivables and contract assets.

Other Financial Assets at Amortized Cost

The Group's other financial assets at amortized cost are mostly composed of cash in banks, cash equivalents and amounts held in escrow. The Group limits its exposure to credit risk by investing only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

For deposits, credit risk is low since the Group only transacts with reputable companies and individuals with respect to this financial asset.

It is the Group's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent significant credit risk such as when non-payment arising from administrative oversight rather than resulting from financial difficulty of the borrower.

Financial Assets at FVPL

The Group is also exposed to credit risk in relation to its investment in money market fund that is measured at FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL.

Assets that are credit-impaired are separately presented.

	2020				
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	₱940,924,474	₱—	₱—	₱—	₱940,924,474
Financial assets at FVPL	—	—	—	3,257,288,870	3,257,288,870
Receivables**	—	449,522,428	368,292	—	449,890,720
Contract assets	—	5,341,881,039	—	—	5,341,881,039
Deposits	56,072,105	—	—	—	56,072,105
Amounts held in escrow	85,052,814	—	—	—	85,052,814
	₱1,082,049,393	₱5,791,403,467	₱368,292	₱3,257,288,870	₱10,131,110,022

*Excludes cash on hand amounting to ₱155,000.

**Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱89.6 million as at December 31, 2020.

2019					
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	₱407,134,384	₱—	₱—	₱—	₱407,134,384
Financial assets at FVPL	—	—	—	772,186,717	772,186,717
Receivables**	—	290,315,333	368,292	—	290,683,625
Contract assets	—	3,250,482,689	—	—	3,250,482,689
Deposits	62,270,945	—	—	—	62,270,945
Amounts held in escrow	85,402,876	—	—	—	85,402,876
	₱554,808,205	₱3,540,798,022	₱368,292	₱772,186,717	₱4,868,161,236

*Excludes cash on hand amounting to ₱80,000.

**Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱99.1 million as at December 31, 2019.

Liquidity Risk

Liquidity risk is the risk that the Group may not be able to settle its obligations as they fall due.

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31, 2020 and 2019:

2020						
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	₱—	₱4,225,205,340	₱1,414,000,000	₱833,939,200	₱2,866,115,800	₱9,339,260,340
Bonds payable	—	—	—	—	3,000,000,000	3,000,000,000
Accounts payable and other liabilities*	392,975,986	1,370,510,040	—	—	—	1,763,486,026
Advances from non-controlling interest	1,367,586,297	—	—	—	—	1,367,586,297
	₱1,760,562,283	₱5,595,715,380	₱1,414,000,000	₱833,939,200	₱5,866,115,800	₱15,470,332,663

*Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱1,049.0 million as at December 31, 2020.

2019						
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	₱—	₱2,448,042,005	₱1,683,854,057	₱809,315,313	₱2,013,966,861	₱6,955,178,236
Accounts payable and other liabilities*	405,458,152	1,106,439,805	—	—	—	1,511,897,957
Advances from non-controlling interest	1,144,586,297	—	—	—	—	1,144,586,297
	₱1,550,044,449	₱3,554,481,810	₱1,683,854,057	₱809,315,313	₱2,013,966,861	₱9,611,662,490

*Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱977.0 million as at December 31, 2019.

The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flows from operations.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group's loans payable to local banks are subject to fixed interest rates and are exposed to fair value interest rate risk. The re-pricing of these instruments is done on annual intervals.

The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Group's consolidated net income.

Capital Management

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

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

	2020	2019
Total liabilities	₱18,317,098,613	₱12,000,440,106
Total equity	9,230,104,456	7,475,391,886
Debt-to-equity ratio	1.98:1.00	1.61:1.00

The Group manages the capital structure and makes adjustments when there are changes in the economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

28. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Group's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

	Note	Carrying Amount	2020 Fair Value		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	7	₱3,257,288,870	₱3,257,288,870	₱—	₱—
Investment properties	10	8,315,168,841	—	1,275,863,504	7,039,305,337
Asset for which fair value is disclosed -					
Financial assets at amortized cost - Deposits	12	56,072,105	—	—	56,072,105
		₱11,628,529,816	₱3,257,288,870	₱1,275,863,504	₱7,095,377,442
Liability for which fair value is disclosed -					
Loans payable	13	₱9,305,693,323	₱—	₱—	₱9,220,969,353
Bonds payable	14	2,958,526,698	—	—	3,540,814,710
		₱12,264,220,021	₱—	₱—	₱12,761,784,063

		2019			
		Fair Value			
	Note	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	7	₱772,186,717	₱772,186,717	₱—	₱—
Investment properties	10	7,280,000,267	—	1,224,609,670	6,055,390,597
Asset for which fair value is disclosed -					
Financial assets at amortized cost - Deposits	12	62,270,945	—	—	62,400,650
		₱8,114,457,929	₱772,186,717	₱1,224,609,670	₱6,117,791,247
Liability for which fair value is disclosed -					
Loans payable	13	₱6,925,381,746	₱—	₱—	₱7,248,318,862

The following methods and assumptions were used in estimating the fair value of the Group's financial assets and liabilities:

Financial Assets and FVPL. The fair value of financial assets at FVPL is classified under Level 1 of the fair value hierarchy using quoted market prices.

Investment Properties. The fair value of investment properties were determined using land development approach, discounted cash flow approach and market data approach.

Deposits, Loans and Bonds Payable. The fair value of the Group's deposits, loans and bonds payable was determined by discounting the sum of all future cash flows using the prevailing market rates of interest for instruments with similar maturities. Interest-bearing loans and bonds payable include accrued interest in the estimation of its fair value.

The table below presents the financial assets and liabilities of the Group whose carrying amounts approximate fair values as at December 31, 2020 and 2019:

	2020	2019
Financial assets:		
Cash and cash equivalents	₱941,079,474	₱407,214,384
Receivables*	449,522,428	290,683,625
Contract assets	5,341,881,039	3,250,482,689
Amounts held in escrow	85,052,814	85,402,876
	₱6,817,535,755	₱4,033,783,574
Financial liabilities:		
Accounts payable and other liabilities**	₱1,763,486,026	₱1,511,897,957
Advances from non-controlling interests	1,367,586,297	1,144,586,297
	₱3,131,072,323	₱2,656,484,254

*Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱89.6 million and ₱99.0 million as at December 31, 2020 and 2019, respectively.

**Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱1,029.5 million and ₱977.0 million as at December 31, 2020 and 2019, respectively.

Cash and Cash Equivalents, Receivables, Amounts Held in Escrow, Accounts Payable and Other Liabilities and Advances from Non-controlling Interests. The carrying amounts of these financial assets and liabilities approximate their fair values due to the short-term nature of these financial instruments.

29. Classification of Consolidated Statements of Financial Position Accounts

The Group's current portions of its assets and liabilities as at December 31, 2020 and 2019 are as follows:

	Note	2020	2019
Current Assets			
Cash and cash equivalents	6	₱941,079,474	₱407,214,384
Financial asset at FVPL	7	3,257,288,870	772,186,717
Receivables	8	539,079,767	389,687,736
Contract assets	5	5,341,881,039	3,250,482,689
Real estate for sale	9	6,894,906,539	5,410,062,969
Other assets*	12	1,910,977,361	1,617,247,483
		₱18,885,213,050	₱11,846,881,978

*Excludes non-current portion of deposits and deferred input VAT amounting to ₱66.6 million and ₱66.4 million as at December 31, 2020 and 2019, respectively.

	Note	2020	2019
Current Liabilities			
Current portion of loans payable***	13	₱4,225,205,340	₱2,448,042,005
Accounts payable and other liabilities	14	2,792,943,961	2,488,916,877
Contract liabilities	5	27,423,392	32,179,674
Advances from non-controlling interests	24	1,367,586,297	1,144,586,297
		₱8,413,158,990	₱6,113,724,853

***Excludes long term portion of loans payable aggregating to ₱5,080.5 million and ₱5,454.9 million and as at December 31, 2020 and 2019, respectively.

30. Operating Segment Information

The Group is organized into operating segments based on the type of product or service. The Group's reportable operating segments relates to sale of real estate, leasing and property management services.

All of the assets relating to the Group's operating segments are located in the Philippines. Accordingly, reporting operating segments per geographical business operation is not required.

Segment assets, liabilities and revenue and expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and expenses are consistent with the consolidated statements of comprehensive income. The presentation and classification of segment assets and liabilities are consistent with the consolidated statements of financial position.

The following tables present revenue and expense information and certain assets and liabilities information regarding the different business segments as at and for the years ended December 31, 2020, 2019 and 2018:

2020						
	Sale of Real Estate	Leasing	Property Management Services	Corporate	Eliminations	Total
Segment revenue	₱2,919,123,898	₱371,576,866	₱222,815,561	₱-	(₱211,963,269)	₱3,301,553,056
Segment expenses	(1,591,033,907)	(130,770,623)	(86,221,097)	(767,141,354)	211,963,269	(2,363,203,712)
Segment profit	1,328,089,991	240,806,243	136,594,464	(767,141,354)	-	938,349,344
Net gain on change in fair value of investment properties	-	959,989,140	-	-	-	959,989,140
Finance cost	(447,211)	(430,024,418)	-	(14,088,400)	163,376,069	(281,183,960)
Other income - net	-	-	-	42,240,203	-	42,240,203
Income before income tax	1,327,642,780	770,770,965	136,594,464	(738,989,551)	163,376,069	1,659,394,727
Provision for income tax						(490,270,422)
Net income						1,169,124,305
Other comprehensive income						(5,414,683)
Total comprehensive income						₱1,163,709,622
Assets	₱6,894,906,539	₱8,315,168,841	₱17,028,899	₱18,548,524,200	(₱6,228,425,410)	₱27,547,203,069
Liabilities	(₱5,148,259,520)	(₱4,157,433,803)	₱-	(₱14,634,896,280)	₱5,623,490,990	(₱18,317,098,613)

2019						
	Sale of Real Estate	Leasing	Property Management Services	Corporate	Eliminations	Total
Segment revenue	₱3,515,804,028	₱321,918,256	₱263,259,201	₱-	(₱253,124,061)	₱3,847,857,424
Segment expenses	(2,138,904,072)	(103,619,113)	(77,076,988)	(745,080,287)	253,124,061	(2,811,556,399)
Segment profit	1,376,899,956	218,299,143	186,182,213	(745,080,287)	-	1,036,301,025
Net gain on change in fair value of investment properties	-	1,180,724,811	-	-	-	1,180,724,811
Finance cost	-	(124,552,506)	-	(69,947)	-	(124,622,453)
Other income - net	-	-	-	31,106,679	-	31,106,679
Income before income tax	1,376,899,956	1,274,471,448	186,182,213	(714,043,555)	-	2,123,510,062
Provision for income tax						(636,145,034)
Net income						1,487,147,877
Other comprehensive income						(18,377,219)
Total comprehensive income						₱1,468,770,658
Assets	₱5,410,062,969	₱7,280,000,267	₱9,661,932	₱11,865,432,294	(₱5,089,325,470)	₱19,475,831,992
Liabilities	(₱3,635,050,687)	(₱3,290,331,059)	₱-	(₱8,971,130,820)	₱3,896,072,460	(₱12,000,440,106)

	2018					
	Sale of Real Estate	Leasing	Property Management Services	Corporate	Eliminations	Total
Segment revenue	₱992,593,843	₱132,436,269	₱112,014,081	₱-	(₱104,574,107)	₱1,132,470,086
Segment expenses	(599,734,444)	(15,260,471)	(108,378,431)	(397,610,494)	104,574,107	(1,016,409,733)
Segment profit	392,859,399	117,175,798	3,635,650	(397,610,494)	-	116,060,353
Net gain on change in fair value of investment properties	-	172,819,094	-	-	-	172,819,094
Finance cost	(5,301,623)	(51,086,712)	-	(20,319,692)	3,060,739	(73,647,288)
Other income – Net	-	-	-	339,120,693	-	339,120,693
Income before income tax	387,557,776	238,908,180	3,635,650	(78,809,493)	3,060,739	554,352,852
Provision for income tax						(165,735,606)
Net income						388,617,246
Other comprehensive income						10,721,104
Total comprehensive income						₱399,338,350
Assets	₱3,811,409,604	₱5,965,653,424	₱-	₱5,507,701,512	(₱2,948,298,777)	₱12,336,465,763
Liabilities	(₱1,994,647,533)	(₱2,197,482,011)	₱-	(₱7,078,187,677)	₱1,901,563,866	(₱9,368,753,355)

31. Events After Reporting Period

Declaration of Cash Dividends

The Parent Company's BOD approved and declared the following cash dividends:

Class of shares	Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share
Series C preferred shares	January 27, 2021	March 8, 2021	March 27, 2021	₱17,319,000	₱1.73
Series B preferred shares	January 27, 2021	February 15, 2021	March 6, 2021	35,229,000	1.76

The dividends shall be taken out of the unrestricted earnings of the Parent Company as at December 31, 2020.



**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
7/F Arthaland Century Pacific Tower
5th Avenue corner 30th Street
Bonifacio Global City, Taguig City

We have audited the accompanying consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, on which we have rendered our report dated March 24, 2021.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 1,925 stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & CO.


MICHELLE R. MENDOZA-CRUZ
Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1499-AR-1 Group A

Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8534279

Issued January 5, 2021, Makati City

March 24, 2021
Makati City, Metro Manila



INDEPENDENT AUDITORS REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
7/F Arthaland Century Pacific Tower
5th Avenue corner 30th Street
Bonifacio Global City, Taguig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years ended December 31, 2020, 2019, and 2018, and have issued our report thereon dated March 24, 2021. 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 (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years ended December 31, 2020, 2019, and 2018 and no material exceptions were noted.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1499-AR-1 Group A

Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8534279

Issued January 5, 2021, Makati City

March 24, 2021

Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES

FINANCIAL RATIOS

DECEMBER 31, 2020

Below is a schedule showing financial soundness indicators in the years 2020, 2019 and 2018.

	2020	2019	2018
Current/Liquidity Ratio	2.24	1.94	2.45
Current assets	₱18,885,213,050	₱11,846,881,978	₱6,077,365,868
Current liabilities	8,413,158,990	6,113,724,853	2,480,623,954
Solvency Ratio	0.07	0.13	0.06
Net income before depreciation	1,214,297,022	1,513,869,906	404,066,856
Total liabilities	18,317,098,613	12,000,440,106	7,078,187,677
Debt-to-Equity Ratio	1.98	1.61	1.35
Total liabilities	18,317,098,613	12,000,440,106	7,078,187,677
Total equity	9,230,104,456	7,475,391,886	5,258,278,086
Debt-to-Equity Ratio	1.33	0.93	0.79
Interest-bearing liabilities	12,264,220,021	6,925,381,746	4,169,976,102
Total equity	9,230,104,456	7,475,391,886	5,258,278,086
Asset-to-Equity Ratio	2.98	2.61	2.35
Total assets	27,547,203,069	19,475,831,992	12,336,465,763
Total equity	9,230,104,456	7,475,391,886	5,258,278,086
Interest Rate Coverage Ratio	6.95	18.08	8.61
Pretax income before interest	1,938,293,289	2,247,632,872	627,225,512
Interest expense	278,898,562	124,339,961	72,872,660
Profitability Ratio	0.13	0.20	0.07
Net income	1,169,124,305	1,487,147,877	388,617,246
Total equity	9,230,104,456	7,475,391,886	5,258,278,086



**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
7/F Arthaland Century Pacific Tower
5th Avenue corner 30th Street
Bonifacio Global City, Taguig City

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 included in this Form 17-A and have issued our report thereon dated March 24, 2021. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedule of Use of Proceeds
- Conglomerate Map

These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, as amended, and are not part of the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1499-AR-1 Group A

Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8534279

Issued January 5, 2021, Makati City

March 24, 2021
Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II
OF SRC RULE 68, AS AMENDED
DECEMBER 31, 2020

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C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	<u>3</u>
D	Long-Term Debt	<u>4</u>
E	Indebtedness to Related Parties	<u>N/A</u>
F	Guarantees of Securities of Other Issuers	<u>N/A</u>
G	Capital Stock	<u>5</u>

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2020

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
Cash on hand	₱155,000	₱155,000	₱—	₱—
Cash in Banks:				
Banco De Oro	193,291,185	193,291,185	—	
Philippine National Bank	97,406,514	97,406,514	—	
Bank of the Philippines	99,024,256	99,024,256	—	
Unionbank of the Philippines	131,387,691	131,387,691	—	
Asia United Bank	51,514,525	51,514,525		
Others	9,009,041	9,009,041	—	
	581,633,212	581,633,212	—	3,432,878
Short-term Placements:				
Bank of the Philippines	1,445,522	1,445,522	1,445,522	
Allied Bank	154,000,000	154,000,000	154,000,000	
Asia United Bank	100,476,496	100,476,496	100,476,496	
Unionbank	100,350,195	100,350,195	100,350,195	
Banco De Oro	2,806,979	2,806,979	2,806,979	
Security Bank	212,070	212,070	212,070	
	359,291,262	359,291,262	359,291,262	5,946,867
Deposits	56,072,105	56,072,105	—	—
Unit Investment Trust Fund	3,257,288,870	3,257,288,870	3,257,288,870	—
Amounts Held in Escrow	85,052,814	85,052,814	—	—
	₱4,339,493,263	₱4,339,493,263	₱3,616,561,165	₱9,379,745

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2020

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Deductions		Ending Balance		Balance at end of year
				Amounts written off	Current	Not current		
Due from a Related Party -								
CPG Holdings, Inc.	₱36,052,873	₱—	₱—	₱—	₱36,052,873	₱—		₱36,052,873
Centrobless	12,856,017	3,635,968	—	—	16,491,985	—		16,491,985
Signature Office Property, Inc.	4,932,492	635,359	—	—	5,567,851	—		5,567,851
	₱53,841,382	₱4,271,327	₱—	₱—	₱58,112,709	₱—		₱58,112,709

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2020

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Deductions		Ending Balance	
				Amounts written off		Current	Not current
Advances to subsidiaries:							
Bhavya Properties Inc.	₱665,020,644	₱142,108,233	₱—	₱—	₱807,128,877	₱—	₱807,128,877
Cebu Lavana Land Corp.	495,000,000	340,783,982	(151,469,315)	—	684,314,667	—	684,314,667
Cazneau, Inc.	607,322,258	486,272,575	(299,000,000)	—	794,594,833	—	794,594,833
Bhavana Properties Inc.	534,038,896	307,022,366	(75,000,000)	—	766,061,262	—	766,061,262
Zileya Land Development, Inc.	389,473,444	7,300,410	—	—	396,773,854	—	396,773,854
Kashtha Holdings Inc.	125,000	502,433,406	(208,110,665)	—	294,447,741	—	294,447,741
Urban Property Holdings, Inc.				—		—	
(net of allowance for impairment amounting to ₱3,261,249)	65,304,320	3,900,000	—		69,204,320		69,204,320
Emera Property Management, Inc.	1,560,155	133,726	(110,300)	—	1,583,581	—	1,583,581
Pradhana Land Inc.	300,000	2,009,296	(1,495,532)	—	813,764	—	813,764
Savya Land Development Corporation	487,500,000	642,387	(488,049,253)	—	93,134	—	93,134
	₱3,245,644,717	₱1,792,606,381	(₱1,223,235,065)	₱—	₱3,815,016,033	₱—	₱3,815,016,033
Nontrade Receivables from a subsidiary -							
Cebu Lavana Land Corp.	₱—	₱—	₱—	₱—	₱—	₱—	₱—
Advances from subsidiaries:							
Manchesterland Properties, Inc.	₱282,158,275	₱—	(₱2,525,976)	₱—	₱279,632,299	₱—	₱279,632,299
Cebu Lavana Land Corp.	267,122	112,654,424	—	—	112,921,546	—	112,921,546
	₱282,425,397	₱112,654,424	(₱2,525,976)	₱—	₱392,553,845	₱—	₱392,553,845

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2020

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" related balance sheet	Amount shown under caption "Long-Term Debt" in related statement of financial position			
			Carrying amount	Interest Rate(s)	Payment Terms	Maturity Dates
Bank Loans:						
Bank 1	₱2,350,000,000	₱900,000,000	₱1,114,000,000	5.77%	Quarterly	April 14, 2022
Bank 2	2,000,000,000	150,000,000	1,708,666,538	5.50%	Quarterly	June 30, 2025
Bank 3	1,440,000,000	—	1,268,778,150	7.15%	Quarterly	August 29, 2023
Bank 4	1,000,000,000	—	989,043,295	6.35%	At end of term	February 6, 2025
Bank 5	439,769,017	439,769,017	—	7.50%	At end of term	April 29, 2021
Bank 6	400,000,000	400,000,000	—	5.00%	At end of term	March 1, 2021
Bank 7	350,000,000	350,000,000	—	6.22%	At end of term	April 13, 2021
Bank 8	416,542,022	416,542,022	—	7.50%	At end of term	November 20, 23, 27, 2021
Bank 9	300,000,000	300,000,000	—	5.50%	At end of term	June 15, 2021
Bank 10	250,000,000	250,000,000	—	5.00%	At end of term	May 28, 2021
Bank 11	224,450,914	224,450,914	—	7.50%	At end of term	May 22, 2021
Bank 12	151,572,601	151,572,601	—	7.50%	At end of term	November 9, 2021
Bank 13	133,146,816	133,146,816	—	7.50%	At end of term	November 3, 2021
Bank 14	100,000,000	100,000,000	—	6.25%	At end of term	August 5, 2021
Bank 15	75,000,000	75,000,000	—	5.25%	At end of term	September 20, 2021
Bank 16	100,000,000	100,000,000	—	7.00%	At end of term	March 29, 2021
Bank 17	50,000,000	50,000,000	—	5.00%	At end of term	April 5, 2021
Bank 18	50,000,000	50,000,000	—	5.00%	At end of term	March 16, 2021
Bank 19	50,000,000	50,000,000	—	5.00%	At end of term	March 22, 2021
Various loans from private funders	84,723,970	84,723,970	—	3.50%	Renewable on maturity	January 18, 21, and March 29, June 1, 2021
	₱9,965,205,340	₱4,225,205,340	₱5,080,487,983			

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2020

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the 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
Common shares - ₱0.18 par value per share	16,368,095,199	5,318,095,199	—	3,401,349,910	9	1,916,745,280
Preferred shares - ₱1.00 par value per share	50,000,000	42,500,000	—	12,500,000	—	30,000,000

ARTHALAND CORPORATION
SCHEDULE OF RECONCILIATION OF PARENT COMPANY'S RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
DECEMBER 31, 2020

Unappropriated retained earnings, beginning		₱1,913,015,380
Adjustments:		
Cumulative gain on change in fair value of investment properties	(1,515,703,857)	
Unrealized holding loss on financial assets at FVPL	778,461	
Accumulated depreciation and amortization of investment properties	(28,657,453)	(1,543,582,849)
Unappropriated retained earnings, as adjusted, beginning		369,432,531
 Add: Net income actually earned/realized during the period		
Net income during the year closed to retained earnings	727,946,331	
Realized holding loss on financial assets at FVPL	(778,461)	
 Less: Non-actual/unrealized income and realized loss, net of tax		
Gain on change in fair value of investment properties	(641,801,448)	
Depreciation and amortization of investment properties	628,993	
Unrealized holding gains on financial assets at FVPL	(10,193,586)	
Depreciation of fair value of property and equipment	(37,233,686)	38,568,143
 Cash dividends		(274,009,142)
 Unappropriated retained earnings, as adjusted, ending		₱133,991,532

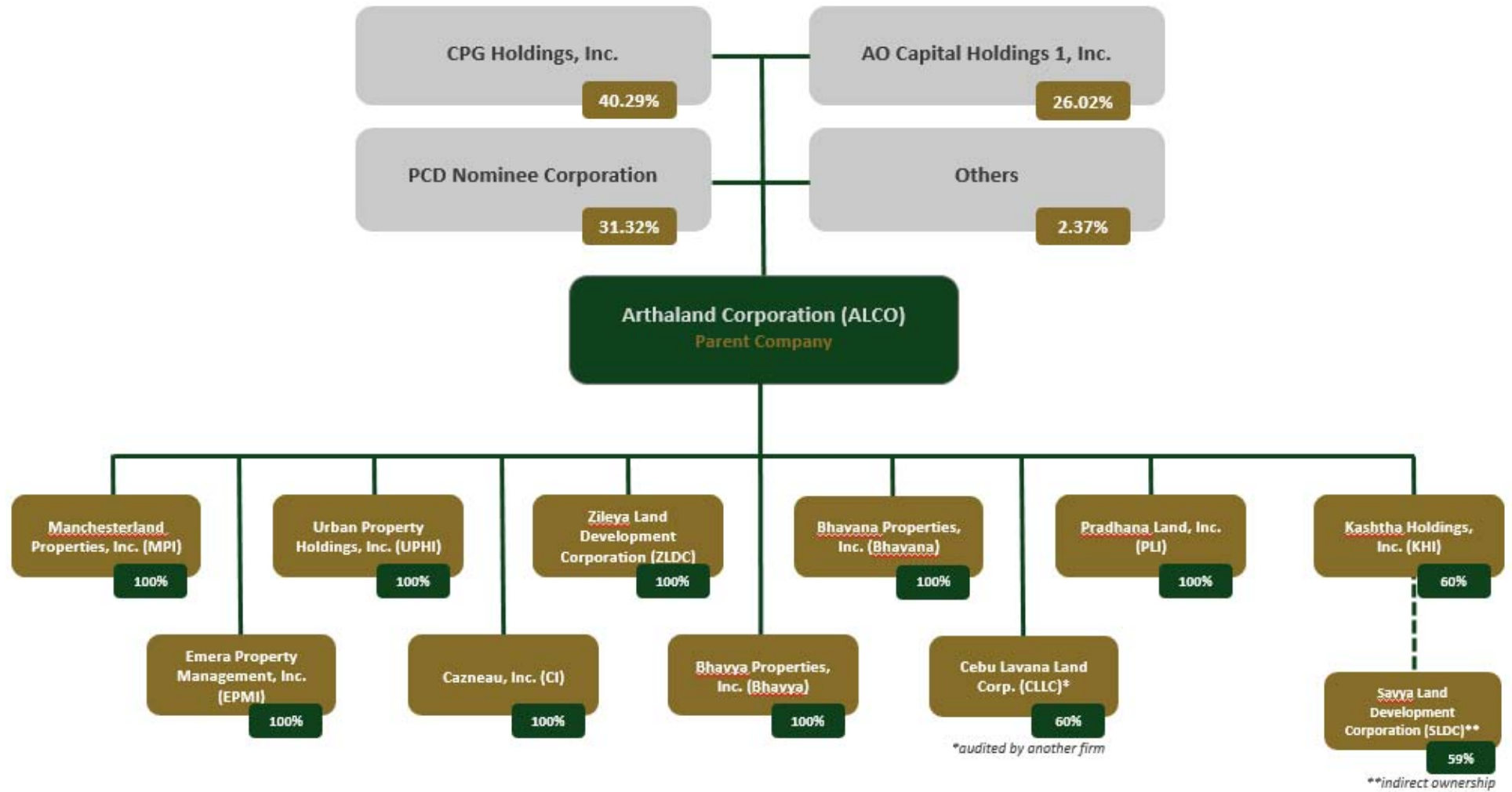
ARTHALAND CORPORATION
SCHEDULE OF USE OF PROCEEDS
Series B Preferred Shares
DECEMBER 31, 2020

The estimated gross proceeds from the offer amounted to ₱1,971.8 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱1,972.9 million.

The following table shows the breakdown of the use of the proceeds:

Purpose	Per Offer Supplement	Actual Net Proceeds	As at	Balance for disbursement
			December 31, 2020	as at December 31, 2020
South of Metro Manila Project	₱822.4	₱822.4	₱822.4	₱—
Makati CBD Residential Project	371.6	371.6	371.6	—
Binan Laguna Project	331.9	331.9	314.1	17.8
Partial repayment of loans	330.0	330.0	330.0	—
General corporate purposes	62.3	63.4	63.4	—
Cebu Exchange project	53.6	53.6	53.6	—
Total	₱1,971.8	₱1,972.9	₱1,955.1	₱17.8

CONGLOMERATE MAP



COVER SHEET

for
AUDITED SEPARATE FINANCIAL
STATEMENTS

SEC Registration Number

A S 9 4 0 0 7 1 6 0

COMPANY NAME

A R T H A L A N D C O R P O R A T I O N

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

7 / F A r t h a l a n d C e n t u r y P a c i f i c T o w e r , 5 t
h A v e n u e c o r n e r 3 0 t h S t r e e t , B o n i f a c i o
G l o b a l C i t y , T a g u i g C i t y

Form Type

A A S F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

—

Company's Telephone Number/s

(02) 8-403-6910

Mobile Number

—

No. of Stockholders

1,939

Annual Meeting (Month / Day)

Last Friday of June

Calendar Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ferdinand A. Constantino

Email Address

faconstantino@arthaland.com

Telephone Number/s

(02) 8-403-6910

Mobile Number

—

CONTACT PERSON'S ADDRESS

Lot 20 B5 P5 Almaciga Street, Greenwoods Executive Village, Pasig City

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

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

Romel J. Espinoza

From: eafs@bir.gov.ph
Sent: Wednesday, 21 April 2021 3:36 PM
To: RJESPINOZA@ARTHALAND.COM
Cc: RJESPINOZA@ARTHALAND.COM
Subject: Your BIR AFS eSubmission uploads were received

Hi ARTHALAND CORPORATION,

Valid files

- EAFS004450721RPTTY122020.pdf
- EAFS004450721AFSTY122020.pdf
- EAFS004450721OTHTY122020.pdf
- EAFS004450721ITRTY122020.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-QR1QVPQY0NZY1VTM2PQQXW2PV0CC96AABH**

Submission Date/Time: **Apr 21, 2021 03:36 PM**

Company TIN: **004-450-721**

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

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

Management of **ARTHALAND CORPORATION** (the “Corporation”) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **31 December 2020, 2019 and 2018**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

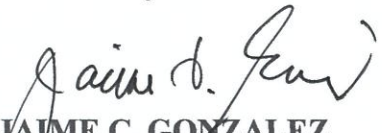
In preparing the financial statements, Management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless Management either intends to liquidate the Corporation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

The Board of Directors is responsible in overseeing the Corporation's financial reporting process.

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Corporation in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed this **24th** day of **March 2021**, **Taguig City, Philippines**.


ERNEST K. CUYEGKENG
Chairman of the Board
JAIME C. GONZALEZ
Vice Chairman and President
FERDINAND A. CONSTANTINO
Chief Finance Officer

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Arthaland Corporation
7/F Arthaland Century Pacific Tower
5th Avenue corner 30th Street
Bonifacio Global City, Taguig City

We have audited the accompanying separate financial statements of Arthaland Corporation (the Company), which comprise the separate statements of financial position as at December 31, 2020 and 2019, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2020, 2019 and 2018, and notes to separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2020 and 2019, and its separate financial performance and its separate cash flows for the years ended December 31, 2020, 2019 and 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

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



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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1499-AR-1 Group A

Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8534279

Issued January 5, 2021, Makati City

March 24, 2021

Makati City, Metro Manila

ARTHALAND CORPORATION

SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2020	2019
ASSETS			
Cash and cash equivalents	4	₱497,541,687	₱31,408,529
Financial assets at fair value through profit or loss (FVPL)	5	2,807,098,299	425,135,599
Receivables	6	393,733,852	290,773,337
Investment properties	7	5,769,152,324	4,850,215,365
Property and equipment	8	254,465,877	250,271,101
Investments in and advances to subsidiaries	9	4,974,385,219	4,461,943,653
Creditable withholding taxes		288,929,356	265,639,220
Other assets	10	273,521,760	206,278,376
		₱15,258,828,374	₱10,781,665,180
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	11	₱4,157,433,803	₱3,290,331,059
Bonds payable	12	2,958,526,698	–
Accounts payable and other liabilities	13	528,934,751	603,087,687
Advances from subsidiaries	19	392,568,926	282,425,397
Net retirement liability	20	101,496,418	99,880,460
Net deferred tax liabilities	22	743,335,049	584,415,907
Total Liabilities		8,882,295,645	4,860,140,510
Equity			
Capital stock	14	999,757,136	999,757,136
Additional paid-in capital		3,008,959,878	3,008,959,878
Retained earnings		2,366,952,569	1,913,015,380
Stock options outstanding	14	6,485,553	–
Cumulative remeasurement gains (losses) on net retirement liability - net of tax	20	(5,622,407)	(207,724)
Total Equity		6,376,532,729	5,921,524,670
		₱15,258,828,374	₱10,781,665,180

See accompanying Notes to Separate Financial Statements.

ARTHALAND CORPORATION
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2020	2019	2018
REVENUES				
Leasing operations	7	₱354,451,034	₱290,439,910	₱121,130,460
Project management and development fees	19	198,218,042	247,636,539	102,000,000
Real estate sales		—	—	147,639,118
		552,669,076	538,076,449	370,769,578
COST OF SALES AND SERVICES				
Cost of leasing operations	7	113,501,420	91,463,135	9,692,900
Cost of services	15	75,891,355	67,572,639	34,255,647
Cost of real estate sales	7	—	—	83,559,820
		189,392,775	159,035,774	127,508,367
GROSS INCOME		363,276,301	379,040,675	243,261,211
OPERATING EXPENSES	16	290,711,724	322,337,095	263,167,198
INCOME (LOSS) FROM OPERATIONS		72,564,577	56,703,580	(19,905,987)
FINANCE COSTS	17	(430,024,418)	(124,552,506)	(71,253,982)
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	7	916,859,212	1,094,934,647	225,446,039
OTHER INCOME (CHARGES)	18	384,003,018	50,806,090	(52,881,977)
INCOME BEFORE INCOME TAX		943,402,389	1,077,891,811	81,404,093
PROVISION FOR INCOME TAX	22	215,456,058	290,646,277	18,267,628
NET INCOME		727,946,331	787,245,534	63,136,465
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Not to be reclassified to profit or loss -</i>				
Remeasurement gains (losses) on net retirement liability	20	(7,735,261)	(26,253,170)	15,315,863
Income tax benefit (expense) relating to item that will not be reclassified	22	2,320,578	7,875,951	(4,594,759)
		(5,414,683)	(18,377,219)	10,721,104
TOTAL COMPREHENSIVE INCOME		₱722,531,648	₱768,868,315	₱73,857,569

See accompanying Notes to Separate Financial Statements.

ARTHALAND CORPORATION

SEPARATE STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31		
		2020	2019	2018
CAPITAL STOCK	14			
Common - at ₱0.18 par value - issued and outstanding		₱957,257,136	₱957,257,136	₱957,257,136
Preferred - at ₱1.00 par value - issued and outstanding				
Balance at beginning of year		42,500,000	32,500,000	32,500,000
Issuance of preferred shares		—	10,000,000	—
Balance at end of year		42,500,000	42,500,000	32,500,000
		999,757,136	999,757,136	989,757,136
ADDITIONAL PAID-IN CAPITAL	14			
Balance at beginning of year		3,008,959,878	2,031,441,541	2,031,441,541
Issuance of preferred shares		—	990,000,000	—
Stock issuance costs		—	(12,481,663)	—
Balance at end of year		3,008,959,878	3,008,959,878	2,031,441,541
STOCK OPTIONS OUTSTANDING				
Grants and balance at end of the year	14	6,485,553	—	—
RETAINED EARNINGS				
Balance at beginning of year		1,913,015,380	1,365,140,988	1,506,737,665
Net income		727,946,331	787,245,534	63,136,465
Dividends declared during the year	14	(274,009,142)	(239,371,142)	(204,733,142)
Balance at end of year		2,366,952,569	1,913,015,380	1,365,140,988
CUMULATIVE REMEASUREMENT GAINS (LOSSES) ON NET RETIREMENT LIABILITY - net of tax	20			
Balance at beginning of year		(207,724)	18,169,495	7,448,391
Remeasurement gains (losses) on net retirement liability		(7,735,261)	(26,253,170)	15,315,863
Benefit from (provision for) income tax relating to other comprehensive income for the year	22	2,320,578	7,875,951	(4,594,759)
Balance at end of year		(5,622,407)	(207,724)	18,169,495
		₱6,376,532,729	₱5,921,524,670	₱4,404,509,160

See accompanying Notes to Separate Financial Statements.

ARTHALAND CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱943,402,389	₱1,077,891,811	₱81,404,093
Adjustments for:				
Gain on change in fair value of investment properties	7	(916,859,212)	(1,094,934,647)	(225,446,039)
Interest expense	11	428,242,355	124,339,961	70,631,626
Gain on sale of investment in a subsidiary	9	(270,000,000)	—	—
Interest income	4	(83,265,430)	(38,122,123)	(13,672,115)
Retirement expense	20	23,880,697	22,541,961	35,736,315
Depreciation and amortization	8	23,197,801	18,915,278	10,572,738
Realized gain on disposal of financial assets at FVPL	5	(18,043,920)	(11,468,772)	(9,569,831)
Unrealized holding losses (gains) on financial assets at FVPL	5	(10,193,586)	778,461	6,759,981
Amortization of initial direct leasing costs	7	6,838,645	5,410,930	1,126,823
Issuance of stock options	14	6,485,553	—	—
Loss (gain) on disposal of property and equipment	8	73,601	(322,744)	—
Unrealized foreign exchange losses (gains)	18	5,919	574,120	(1,070,089)
Reversal of gain on change in fair value of investment properties	7	—	—	402,715,043
Gain on settlement of loans payable	18	—	—	(319,553,431)
Loss on disposal of investment properties	7	—	—	917,769
Operating income before working capital changes		133,764,812	105,604,236	40,552,883
Decrease (increase) in:				
Receivables		(35,140,478)	41,057,932	(44,612,623)
Real estate for sale		—	—	102,898,713
Other assets		(67,243,384)	7,924,583	163,311,989
Decrease in accounts payable and other liabilities		(106,820,438)	(28,337,297)	(253,923,609)
Net cash generated from (used in) operations		(75,439,488)	126,249,454	8,227,353
Interest paid		(385,986,908)	(150,131,169)	(124,852,724)
Interest received on cash and cash equivalents		8,084,793	7,319,827	5,135,977
Income tax paid		(77,506,474)	(44,216,253)	(86,856,642)
Contributions to retirement plan assets	20	(30,000,000)	(15,003,669)	(5,000,000)
Net cash used in operating activities		(560,848,077)	(75,781,810)	(203,346,036)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Financial assets at FVPL	5	(4,771,769,114)	(3,238,512,355)	(1,472,093,827)
Property and equipment	8	(28,426,297)	(57,884,126)	(21,763,057)
Investment properties	7	(1,208,768)	(123,827,612)	(483,368,357)
Proceeds from disposal of:				
Financial assets at FVPL		2,418,043,920	2,944,500,682	1,731,027,590
Investment in and advances to a subsidiary	9	470,000,000	—	—
Property and equipment		960,119	453,099	623,877
Investment properties		—	—	2,470,000
Increase in investments in and advances to subsidiaries		(714,295,671)	(1,489,113,003)	(9,835,009)
Interest received from advances to subsidiaries		9,214,705	—	—
Net cash used in investing activities		(₱2,617,481,106)	(₱1,964,383,315)	(₱252,938,783)

		Years Ended December 31		
	Note	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from:				
Loans payable	11	₱3,099,371,197	₱1,814,370,307	₱523,591,912
Bonds payable	12	2,949,323,307	—	—
Issuance of preferred shares	14	—	987,518,337	—
Payments of loans payable	11	(2,239,976,077)	(724,971,864)	(152,000,000)
Payment of dividends	23	(274,393,696)	(238,484,518)	(204,273,545)
Proceeds from advances from subsidiaries	19	110,143,529	1,000,000	1,223,040
Net cash provided by financing activities		3,644,468,260	1,839,432,262	168,541,407
NET EFFECT OF EXCHANGE RATE CHANGES TO CASH AND CASH EQUIVALENTS				
		(5,919)	(574,120)	1,070,089
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		466,133,158	(201,306,983)	(286,673,323)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		31,408,529	232,715,512	519,388,835
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		₱497,541,687	₱31,408,529	₱232,715,512
COMPONENTS OF CASH AND CASH EQUIVALENTS				
	4			
Cash on hand		₱45,000	₱45,000	₱45,000
Cash in banks		139,576,157	21,107,517	22,680,375
Cash equivalents		357,920,530	10,256,012	209,990,137
		₱497,541,687	₱31,408,529	₱232,715,512
NONCASH FINANCIAL INFORMATION:				
Capitalized borrowing cost	12	₱—	₱26,668,479	₱104,494,260
Settlement of loans payable through dacion en pago	12	—	—	1,847,539,634
Transfer of construction in progress from “Investment properties” account to “Property and equipment” account	8	—	—	131,937,452

See accompanying Notes to Separate Financial Statements.

ARTHALAND CORPORATION
NOTES TO SEPARATE FINANCIAL STATEMENTS

1. General Information

Corporate Information

Arthaland Corporation (the Company or ALCO) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on August 10, 1994. ALCO's common shares and Series B and C preferred shares are listed for trading in the Philippine Stock Exchange (PSE). The Company is primarily engaged in real estate development and leasing.

The Company is currently 40.3% owned by CPG Holdings, Inc. (CPG), a holding company incorporated in the Philippines, and 26.0% owned by AO Capital Holdings 1, Inc. (AOCH1), a holding company also incorporated in the Philippines.

The registered office and principal place of business of the Company is located at 7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City, Taguig City.

The Company amended its Articles of Incorporation for its new registered office and principal place of business which was approved by the SEC on September 4, 2018.

Major Projects

The Parent Company's first major development project is the Arya Residences Towers 1 and 2 (Arya Residences) located in Bonifacio Global City (BGC), Taguig City. Arya Residences is the first top-market condominium development in the Philippines to be awarded the US Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) program Gold certification and a 4-star rating from the Philippine Green Building Council's (PHILGBC) Building for Ecologically Responsive Design Excellence (BERDE) program. The Arya Residences was completed on December 31, 2016.

In 2014, the Parent Company started the construction of Arthaland Century Pacific Tower (ACPT), ALCO's flagship office project, which was set to be BGC's landmark of sustainability. This 30-storey AAA-grade office building located along the prime 5th Avenue was designed by SOM New York, the same group that penned the One World Trade Center and Burj Khalifa in Dubai. In 2018, ACPT received both LEED Platinum rating and BERDE 5-star certification, the highest and most prestigious categories in green building rating standards. In September 2019, it was certified under the Excellence in Design for Greater Efficiencies green building rating tool of the International Finance Corporation as the world's first Zero Carbon building. ACPT is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise (see Note 22) and was completed in the 1st quarter of 2019.

Approval of the Separate Financial Statements

The separate financial statements of the Company as at and for the years ended December 31, 2020 and 2019 were approved and authorized for issue by the BOD on March 24, 2021.

2. Summary of Significant Accounting Policies

Basis of Preparation

The separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

The Company also prepares consolidated financial statements for the same year in accordance with PFRS. The consolidated financial statements are available for public use and can be obtained in the registered office address of the Company and SEC.

Measurement Bases

The separate financial statements are presented in Philippine Peso (Peso), the Company's functional and presentation currency. Functional currency is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest Peso, unless otherwise indicated.

The separate financial statements of the Company have been prepared on a historical cost basis, except for investments in money market fund and investment properties, which are carried at fair value, and net retirement liability, which is carried at the present value of the defined benefit obligation. Historical cost is generally based on the fair value of the consideration given in exchange for an asset or fair value of consideration received in exchange for incurring liability.

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 by the Company.

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.

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

When measuring the fair value of an asset or a liability, the Company uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company (working closely with external qualified valuers) using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset or

liability that market participants would take into account.

Further information about assumptions made in measuring fair values is included in the following:

- Note 3 - Significant Judgments, Accounting Estimates and Assumptions
- Note 5 - Financial Assets at FVPL
- Note 7 - Investment Properties
- Note 25 - Fair Value Measurement

Fair values are categorized into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized by the Company at the end of the reporting period during which the change occurred.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include new concepts affecting measurement, presentation and disclosure and derecognition; improved definitions and guidance-in particular the definition of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence, measurement uncertainty and substance over form in financial reporting.
- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS did not have any material effect on the separate financial statements. Additional disclosures were included in the notes to separate financial statements, as applicable.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS which are not yet effective as at December 31, 2020 and have not been applied in preparing the separate financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments 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 an entity first applies the amendment.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is 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 the lender on the other's behalf. The amendments apply 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 amendments. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2023 -

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier 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 a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.
- SEC Memorandum Circular No. 34, Series of 2020 - *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods PAS 23 - Borrowing Cost for Real Estate Industry* – The circular provides relief to the real estate industry by deferring the application of the provisions of the PIC Q&A No. 2018-12 with respect to the accounting for significant financing component and the exclusion of land in the calculation of percentage of completion (POC) and IFRIC agenda decision on over time transfer of constructed goods under PAS 23 - borrowing cost with respect to the accounting of capitalized borrowing cost, for another period of three (3) years or until 2023. Effective January 1, 2024, real estate companies will adopt PIC Q&A No. 2018-12, IFRIC agenda decision on over time transfer of constructed goods and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.
- SEC Memorandum Circular No. 3, Series of 2018, *PIC Q&A No. 2018-14: PFRS 15 - Accounting for Cancellation of Real Estate Sales* – Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The adoption of the foregoing amended PFRS, except for SEC Memorandum Circular No. 34, Series of 2020 which the Company is still assessing the impact of it, is not expected to have any material effect on the separate financial statements. Additional disclosures will be included in the notes to separate financial statements, as applicable.

Financial Assets and Liabilities

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

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

“Day 1” Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss.

In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference.

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

As at December 31, 2020 and 2019, the Company does not have financial assets at FVOCI and financial liabilities at FVPL.

Financial Assets at FVPL. Financial assets at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not “solely for payment of principal and interest” assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Company may, at initial recognition, designate a financial asset meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these asset.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at December 31, 2020 and 2019, the Company classified its investments in money market fund under this category (see Note 5).

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

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

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

As at December 31, 2020 and 2019, the Company's cash and cash equivalents, receivables (excluding accrued rent receivable under straight-line basis of accounting), advances to subsidiaries, amounts held in escrow, and deposits are classified under this category (see Notes 4, 6, 9, and 10).

Cash in banks are demand deposits with banks and earn interest at prevailing bank deposit rates. Meanwhile, cash equivalents are short-term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value and which have a maturity of three (3) months or less at acquisition.

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

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

As at December 31, 2020 and 2019, the Company's loans payable, bonds payable, accounts payable and other liabilities (excluding advance rent and statutory payables) and advances from subsidiaries are classified under this category (see Notes 11, 12, 13 and 19).

Reclassification

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

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

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

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

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

Impairment of Financial Assets at Amortized Cost

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market.

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

Offsetting of Financial Assets and Liabilities

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

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Classification of Assets and Liabilities between Current and Noncurrent

The Company presents current and noncurrent assets, and current and noncurrent liabilities, as separate classifications in the notes to separate financial statements.

Current Assets. The Company classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within 12 months after the reporting period; or
- The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Otherwise, the Company will classify all other assets as noncurrent.

Current Liabilities. The Company classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within 12 months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise, the Company will classify all other liabilities as noncurrent.

Cost to Obtain a Contract with a Customer

The Company recognizes an asset for the incremental cost of obtaining a contract with a customer if the Company expects to recover those costs. Otherwise, those costs are recognized as expense when incurred. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract such as, but not limited to, sales commissions paid to sales agents and nonrefundable direct taxes incurred in obtaining a contract.

Real Estate for Sale

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

Cost includes acquisition cost plus any other directly attributable costs of developing the asset to its saleable condition and costs of improving the properties up to the reporting date. Directly attributable costs include amounts paid to contractors, borrowing costs, planning and designing costs, costs of site preparation and construction overheads.

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

Borrowing Costs

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

The interest capitalized is calculated using the Company's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. When borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

Creditable Withholding Taxes (CWT)

CWT represents the amount withheld by the Company's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. These are carried at cost less any impairment in value.

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

The Company uses fair value model for the accounting of its investment properties. Under this method, investment properties are initially measured at cost but are subsequently remeasured at fair value at each reporting date, which reflects market conditions at the reporting date. Cost comprises the purchase price and any directly attributable costs in developing and improving the properties. Cost also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. The fair value of investment properties is determined using market data approach and income approach by an independent real estate appraiser. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. For the purposes of these separate financial statements, in order to avoid double counting, the fair value reported in the separate financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and minimum lease payments.

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

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

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment losses.

The initial cost of property and equipment consists of the purchase price, including import duties, borrowing costs (during the construction period) and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts of such property and equipment when the recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year 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 additional costs of property and equipment.

Depreciation and amortization is calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

Asset Type	Number of Years
Building and building improvements	50
Transportation equipment	3 to 5
Office equipment	3 to 5
Furniture and fixtures	3

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

Fully-depreciated assets are retained in the account until they are no longer in use and no further charge for depreciation is made in respect to those assets.

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 that the relevant assets are completed and available for operational use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Investment in Subsidiaries

The Company's investment in subsidiaries, entities over which the Company has control, are accounted for under the cost method of accounting in the separate financial statements less any impairment in value. In assessing control, the Company considers if it is exposed, or has right, to variable returns from its investment with the subsidiary and if it has the ability to affect those returns. The Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the subsidiaries arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Other Assets

Other assets include advances for asset purchase, amounts held in escrow, prepayments, deposits, advances for project development, deferred input value-added tax (VAT), materials and supplies, and input VAT.

Advances for Asset Purchase. Advances for asset purchase are recognized whenever the Company pays in advances for land. These are measured at transaction price less impairment in value, if any.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

Advances for Project Development. Advances for project development are recognized whenever the Company pays in advance for its purchase of goods or services. These are measured at transaction price less impairment in value, if any.

Deferred Input VAT. In accordance with the Revenue Regulations (RR) No. 16-2005, as amended by RR. No. 13-2018, input VAT on purchases or imports of the Company of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter. Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input VAT that are expected to be claimed against output VAT for no more than 12 months after the financial reporting period are classified as current assets. Otherwise these are classified as noncurrent assets.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Materials and Supplies. The Company recorded as assets several excess construction materials and supplies from the completed construction of its projects. Materials and supplies are stated at lower of cost and NRV.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- where receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "Other assets" or "Accounts payable and other liabilities" accounts, respectively, in the separate statements of financial position.

Amounts held in escrow and deposits qualify as financial assets.

Impairment of Nonfinancial Assets

The carrying amounts of the Company's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's net recoverable amount is estimated.

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its net recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Company. Impairment losses are recognized in profit or loss in the period incurred.

The net recoverable amount of an asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

Advance Rent

Advance rent are initially recognized at the value of cash received, and will generally be applied as lease payments to the immediately succeeding months or in the last three (3) months of the lease term.

Debt Issue Costs

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the straight line method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

Capital Stock

Common Stock. Common stock is measured at par value for all shares issued.

Preferred Stock. The Company's preferred stocks are cumulative, nonvoting, nonparticipating and nonconvertible. Preferred stock is classified as equity if this is nonredeemable, or redeemable only at the Company's option, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Company.

Preferred stock is classified as a liability if this is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

Additional Paid-in Capital

Additional paid-in capital is the proceeds and/or fair value of considerations received in excess of par value of the subscribed capital stock. Incremental costs incurred directly attributable to the issuance of new shares are recognized as deduction from equity, net of any tax. Otherwise, these are recognized as expense in profit or loss.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration.

OCI

Other components of equity comprise of items of income and expense that are not recognized in profit or loss for the year. OCI pertains to cumulative remeasurement gains (losses) on net retirement liability.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

Revenue from contracts with customers is recognized when control of the goods and services is transferred to the customer in an amount that reflects the consideration to which the Company expected to be entitled in exchange for those goods and services.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

A. Revenue from Contract with Customers

Revenue from Real Estate Sales. Revenue from the sale of completed real estate project is accounted for using the full accrual method in which revenue is recognized at a point in time when control is transferred to a customer. The Company transfers control of real estate for sale under pre-completion contracts over time and, therefore, satisfies the performance obligations under the contract and recognizes revenue over time.

The Company considers a contract to sell as a valid revenue contract. The Company also assesses the probability that it will collect the consideration under the contract prior to recognizing revenue. This assessment is based on the customer's ability and intention to pay the amount of consideration when it is due. If any of the above criteria is not met, the deposit method is applied until all the conditions for recognizing revenue are met.

Project Management and Development Fees. Revenue is recognized in profit or loss when the related services are rendered.

B. Revenue from Other Sources

Leasing Operations. Leasing revenue consists of rent income and common use service area (CUSA) fees. Rent income arising from operating leases on investment properties is recognized on a straight-line basis over the lease terms, except for contingent rental income, which is recognized in the period that it arises. Tenant lease incentives are recognized as a reduction of rental income on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, management is reasonably certain that the tenant will exercise that option. CUSA fees are recognized as income once earned. These are charged monthly and are based on the lessee's proportionate share on the common areas.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in profit or loss when the right to receive those amounts arises.

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

Other Income. Income from other sources is recognized when earned during the period.

Cost and Expenses Recognition

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Cost of Leasing Operations. Cost of leasing operations, which constitute direct cost incurred in relation to the leasing of ACPT, is recognized as expense when incurred.

Cost of Services. Cost of services, which constitute direct costs incurred in relation to project management and development services, is recognized as expense when the related services are rendered.

Cost of Real Estate Sales. Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works.

Operating Expenses. Operating expenses constitute cost of administering the business and cost incurred to sell and market its products and services. These are recognized as incurred.

Finance Costs. Finance costs are recognized in profit or loss using the effective interest method.

Leases

The Company assesses whether the contracts is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Company assesses whether, throughout the period of use, it has both of the following:

- i. the right to obtain substantially all of the economic benefits from use of the identified asset; and
- ii. the right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Company also assesses whether a contract contains a lease for each potential separate lease component.

The Company as a Lessor. Leases where the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Employee Benefits

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

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Company has a funded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

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

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

Remeasurements pertaining to actuarial gains and losses and return on plan assets are recognized immediately in OCI 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 in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. The fair value of the plan assets is based on the 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). If the fair value of the plan assets is higher than the present value of the retirement liability, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The net retirement asset (liability) is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets against which the obligations are to be settled directly, adjusted for any effect of asset ceiling. The present value of the retirement obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. The asset ceiling is the present value of future economic benefits available in the form of refunds from the plan or reductions in future contribution to the plan.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the separate financial statements do not differ materially from the amounts that would be determined at the reporting date.

Foreign Currency - Denominated Transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at reporting date. Resulting exchange differences arising on the settlement of or on translating such monetary assets and liabilities are recognized in profit or loss. For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable 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.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted, that is, when the investment property is depreciable and is held within the business model whose objective is consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

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

Related Party Transactions and Relationships

Related party transactions are transfer of resources, services or obligations between the Company and its related parties, regardless whether a price is charged. Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related parties in an economically comparable market.

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

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

The key management personnel of the Company are also considered to be related parties.

Provisions and Contingencies

Provisions are recognized when the Company has a present legal or constructive obligation 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. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including risks and uncertainties associated with the present 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 assessments 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 an interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

Events After the Reporting Period

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

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of separate financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of asset, liabilities, income and expenses. The accounting estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments

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

Determining Functional Currency. Based on management's assessment, the functional currency of the Company has been determined to be Philippine Peso, the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the operations of the Company.

Determining Control or Joint Control over an Investee Company. Control is presumed to exist when an investor 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. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Company has determined that by the virtue of the Company's majority ownership of voting rights in its subsidiaries as at December 31, 2020, it has the ability to exercise control over its investees.

Classifying Financial Instruments. The Company exercises judgment in classifying financial instruments in accordance with PFRS 9. The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the Company's business model and its contractual cash flow characteristics and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the separate statements of financial position.

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

Investment properties amounted to ₱5,769.2 million and ₱4,850.2 million as at December 31, 2020 and 2019, respectively (see Note 7).

Determining Lease Commitments - Company as a Lessor. The Company entered into various lease contracts for its office units in ACPT. The Company has determined that the risks and rewards of ownership related to the leased properties are retained by the Company. Accordingly, the leases were accounted for as operating leases.

Revenue from leasing operations recognized from these operating leases amounted to ₱354.5 million in 2020, ₱290.4 million in 2019 and ₱121.1 million in 2018 (see Note 21).

Determining Revenue and Cost Recognition. Selecting an appropriate revenue recognition method for a particular real estate transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development.

Revenue from sale of real estate inventories of Arya Residences is recognized at a point in time, when control is transferred.

Real estate sales and related cost amounted to ₱147.6 million and ₱83.6 million, respectively, in 2018. There were no real estate sales recognized in 2020 and 2019.

Assessing Provisions and Contingencies. The Company evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings.

Accounting Estimates and Assumptions

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

Estimating the Fair Value of Investment Properties. Investment properties are measured at fair values. The Company works closely with external qualified valuers who performed the valuation using appropriate valuation techniques. The appraiser used a valuation technique based on comparable market data adjusted as necessary to reflect the specific assets' location and condition and, estimated expected future cash flows, yields, occupancy rates, and discount rates. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 8 to the separate financial statements.

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

Investment properties amounted to ₱5,769.2 million and ₱4,850.2 million as at December 31, 2020 and 2019, respectively (see Note 7).

Assessing ECL on Trade Receivables. The Company initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a receivable is past due. The Company then calibrates the provision matrix to adjust historical credit loss experience with forward-looking information on the basis of current observable data to reflect the effects of current and forecasted economic conditions.

The Company adjusts historical default rates if forecasted economic conditions such as gross domestic product are expected to deteriorate which can lead to increased number of defaults in the real estate industry. The Company regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the correlation between historical default rates and forecasted economic conditions is a significant estimate. Accordingly, the provision for ECL of trade receivables is sensitive to changes in assumptions about forecasted economic conditions.

No provision for ECL was recognized in 2020, 2019 and 2018. The Company's trade receivables aggregated ₱87.0 million and ₱42.2 million as at December 31, 2020 and 2019, respectively (see Note 6).

Assessing ECL on Other Financial Assets at Amortized Cost. The Company determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions;
- actual or expected significant adverse changes in the operating results of the borrower; and
- significant changes in credit spread, rates or terms such as more stringent covenants and increased amount of collateral or guarantees.

The Company also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

No provision for ECL was recognized in 2020, 2019 and 2018.

The carrying amount of financial assets are as follows:

Asset Type	Note	2020	2019
Cash and cash equivalents*	4	₱497,496,687	₱31,363,529
Interest receivable	6	127,329,147	61,363,215
Receivable from non-affiliated entity	6	11,534,432	12,172,935
Due from related parties	6	58,112,709	53,841,382
Other receivables	6	14,799,693	24,333,249
Advances to employees	6	9,224,398	2,996,765
Advances to subsidiaries	9	3,814,940,402	3,247,499,136
Amounts held in escrow	10	54,468,483	55,266,376
Deposits	10	38,972,963	47,771,783

*Excluding cash on hand amounting to ₱45,000 as at December 31, 2020 and 2019

Determining Fair Value of Investment in Money Market Fund. The Company classifies its investments in money market fund as financial asset at FVPL in the separate statements of financial position. The Company determined the fair value of investment in money market fund using available market prices in active markets for identical assets (Level 1). Any changes in the fair value of this financial asset would affect profit or loss.

The fair value and carrying amount of investments in money market fund amounted to ₱2,807.1 million and ₱425.1 million as at December 31, 2020 and 2019, respectively (see Note 5).

Estimating the Useful Lives of Property and Equipment. The Company reviews annually the estimated useful lives of property and equipment based on expected asset's utilization, market demands and future technological development. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property and equipment.

There were no changes in the estimated useful lives of property and equipment in 2020, 2019 and 2018. The carrying amount of property and equipment amounted to ₱254.5 million and ₱250.3 million as at December 31, 2020 and 2019, respectively (see Note 8).

Assessing the Impairment of Nonfinancial Assets. The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing whether there is any indication that an asset may be impaired, the Company considers the external and internal sources of information. External sources of information include but are not limited to unexpected significant decline in market value and any other significant changes with an adverse effect on the Company, whether it had taken place during period or will take place in the near future in the market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated. Internal sources of information include evidence of obsolescence or physical damage on an asset, significant changes with an adverse effect on the Company whether it had taken place during the period, or are expected to take place in the near future, to the extent to which, or in a manner in which, an asset is used or is expected to be used, and any other evidence that indicates that the economic performance of an asset is, or will be, worse than expected.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Value in use is determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

No provision for impairment loss on nonfinancial assets was recognized in 2020, 2019 and 2018.

The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	2020	2019
Accrued rent receivable*	6	₱86,061,754	₱94,222,282
CWT		288,929,356	265,639,220
Property and equipment	8	254,465,877	250,271,101
Investment in subsidiaries	9	1,159,444,817	1,214,444,517
Other assets**	10	180,080,314	103,240,217

*Presented under "Receivables" account.

**Excluding amounts held in escrow and deposits aggregating ₱93.4 million and ₱103.0 million as at December 31, 2020 and 2019, respectively.

Estimating Retirement Expense. The determination of the Company's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 20 to the separate financial statements and include among others, discount rate and salary increase rate. While the Company believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect net retirement liability.

Retirement expense amounted to ₱23.9 million in 2020, ₱22.5 million in 2019 and ₱35.7 million in 2018. Net retirement liability amounted to ₱101.5 million and ₱99.9 million as at December 31, 2020 and 2019, respectively (see Note 20).

Assessing the Realizability of Deferred Tax Assets. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of unused MCIT and NOLCO is based on the projected taxable income in the following periods. Based on the projection, not all future deductible temporary differences will be realized, therefore, only a portion of deferred tax assets was recognized.

The carrying amount of recognized deferred tax assets amounted to ₱223.1 million and ₱98.0 million as at December 31, 2020 and 2019, respectively. Unrecognized deferred tax assets amounted to ₱2.5 million as at December 31, 2020 and 2019, as management assessed that these may not be realized in the future (see Note 22).

4. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	₱45,000	₱45,000
Cash in banks	139,576,157	21,107,517
Cash equivalents	357,920,530	10,256,012
	₱497,541,687	₱31,408,529

Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations. Cash equivalents are short-term time deposits made for varying periods up to three (3) months or less and earn interest at the respective prevailing time-deposit rates.

Interest income is earned from the following (see Note 18):

	Note	2020	2019	2018
Advances to a subsidiary	19	₱75,180,637	₱30,803,591	₱9,247,247
Cash equivalents		7,592,359	6,233,250	4,252,286
Cash in banks		492,434	912,382	67,990
Investment in time deposits		–	172,900	104,592
		₱83,265,430	₱38,122,123	₱13,672,115

5. Financial Assets at FVPL

This account pertains to investments in money market fund. Movements in this account are as follows:

	Note	2020	2019
Balance at beginning of year		₱425,135,599	₱120,433,615
Additions		4,771,769,114	3,238,512,355
Disposals		(2,400,000,000)	(2,933,031,910)
Unrealized holding gains (losses)	18	10,193,586	(778,461)
Balance at end of year		₱2,807,098,299	₱425,135,599

Realized gain on disposals of financial assets at FVPL amounted to ₱18.0 million in 2020, ₱11.5 million in 2019 and ₱9.6 million in 2018 (see Note 18).

The fair value of financial assets at FVPL is classified under Level 1 of the fair value hierarchy using quoted market prices (see Note 25).

6. Receivables

This account consists of:

	Note	2020	2019
Trade receivables from:			
Leasing	21	₱79,621,896	₱42,211,801
Project management and development	19	7,418,115	–
Interest receivable on:			
Advances to a subsidiary	19	127,329,147	61,191,405
Cash equivalents		–	171,810
Accrued rent receivable	21	86,061,754	94,222,282
Due from related parties	19	58,112,709	53,841,382
Receivable from non-affiliated entity		11,534,432	12,172,935
Advances to employees		9,224,398	2,996,765
Other receivables		14,799,693	24,333,249
		394,102,144	291,141,629
Allowance for ECL		(368,292)	(368,292)
		₱393,733,852	₱290,773,337

Trade receivables from leasing operations are noninterest-bearing, unsecured and generally collectible within seven (7) days. Trade receivables from project management and development are noninterest-bearing, unsecured and generally collectible within 30 days and when the pending matters in invoice are resolved.

Interest receivable includes accrual of interest income from the Company's advances and cash equivalents.

Accrued rent receivable pertains to the difference between rental income recognized using straight-line method of accounting and rental payments based on the terms of the lease contracts.

Receivable from non-affiliated entity pertains to cash advances to non-affiliated entity, which is unsecured, noninterest-bearing and collectible on demand.

Advances to employees represent salary and other loans granted to employees which are noninterest-bearing in nature and collectible through salary deductions.

Others mainly include other charges and advances which are noninterest-bearing and collectible on demand.

7. Investment Properties

Investment properties consist of:

	2020	2019
ACPT	₱5,586,840,361	₱4,676,027,598
Raw land	155,885,678	147,761,482
Arya Residences - parking slots	26,426,285	26,426,285
	₱5,769,152,324	₱4,850,215,365

Movements of this account follow:

	Note	2020	2019	2018
Balance at beginning of year, at cost		₱2,704,568,888	₱2,556,485,273	₱3,441,385,377
Development costs incurred		5,936,974	121,415,136	474,788,616
Capitalized borrowing costs	11	—	26,668,479	104,494,260
Investment property used as settlement of loans payable	18	—	—	(1,330,035,528)
Transfer to property and equipment		—	—	(131,937,452)
Disposal		—	—	(2,210,000)
Balance at end of year, at cost		2,710,505,862	2,704,568,888	2,556,485,273
Cumulative gain on change in fair value		3,038,120,881	2,121,261,669	1,026,327,022
		5,748,626,743	4,825,830,557	3,582,812,295
Unamortized initial direct leasing costs		20,525,581	24,384,808	23,932,657
Balance at end of year, at fair value		₱5,769,152,324	₱4,850,215,365	₱3,606,744,952

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

	Note	2020	2019	2018
Balance at beginning of year		₱2,121,261,669	₱1,026,327,022	₱1,249,701,912
Gain on change in fair value		916,859,212	1,094,934,647	225,446,039
Reversal of gain on change in fair value	18	—	—	(402,715,043)
Transfer to property and equipment		—	—	(44,928,117)
Disposals		—	—	(1,177,769)
Balance at end of year		₱3,038,120,881	₱2,121,261,669	₱1,026,327,022

Movements of the unamortized initial direct leasing costs are as follow:

	2020	2019
Balance at beginning of year	₱24,384,808	₱23,932,657
Additions	2,979,418	5,863,081
Amortization	(6,838,645)	(5,410,930)
Balance at end of year	₱20,525,581	₱24,384,808

ACPT

Carrying amount of ACPT includes offices units and parking slots for lease. ACPT is used as collateral for loans payable amounting to ₱1,858.7 million and ₱1,957.5 million as at December 31, 2020 and 2019, respectively (see Note 11).

Raw Land

Raw land of the Company has a total area of 10.3 hectares located in Batangas and Tagaytay with fair value aggregating ₱155.9 million and ₱147.8 million as at December 31, 2020 and 2019, respectively.

Arya Residences - Parking Slots

These are parking slots of the Company in Arya Residences which are used for leasing operations.

In 2018, the Company sold parking slots with carrying amount of ₱3.4 million (₱2.2 million at cost) for a total consideration of ₱2.5 million. This resulted to a loss on disposal amounting to ₱0.9 million (see Note 18).

Leasing Operations

The Company recognized revenue from leasing operations amounting to ₱354.5 million in 2020, ₱290.4 million in 2019 and ₱121.1 million in 2018 (see Note 21) and incurred direct cost of leasing amounting to ₱113.5 million in 2020, ₱91.5 million in 2019 and ₱9.7 million in 2018.

Cost of leasing operations consists of:

	Note	2020	2019	2018
Rentals		₱23,426,316	₱—	₱—
Utilities		19,864,848	16,550,886	9,692,900
Security services		12,958,232	15,579,536	—
Real property taxes		11,877,282	43,954,262	—
Consultancy fees		8,732,549	4,124,869	—
Janitorial		7,094,504	9,686,620	—
Repairs and maintenance		5,678,723	820,651	—
Insurance		3,327,797	—	—
Depreciation	8	2,206,709	—	—
Others		18,334,460	746,311	—
		₱113,501,420	₱91,463,135	₱9,692,900

Other cost of leasing operations mainly pertain to COVID-related costs such as RT-PCR and antigen tests.

Fair Value Measurement

Details of the valuation techniques used in measuring fair values of investment properties classified under Levels 2 and 3 of the fair value hierarchy are as follows:

Class of Property	Valuation Technique	Significant Inputs	Range	
			2020	2019
ACPT	Discounted cash flow (DCF) approach	Discount rate	8.76%	8.25%
		Rental rate for an office unit per square meter (per sqm)	₱1,500	₱1,500
		Rental rate per slot	₱6,000	₱6,500
		Calculated no. of net leasable area (total sqm)	18,059	18,059
		Vacancy rate	0% - 10%	5% - 10%
Arya Residences - Parking slots	DCF approach	Rental rate per slot	₱6,500	₱6,500
		Rent escalation rate p.a.	7%	7%
		Discount rate	8.74%	8.74%
		Vacancy rate	2%	2%
Raw land	Market data approach	Price per sqm	₱1,420	₱1,350
		Value adjustments	5% - 10%	5% - 15%

The description of the valuation techniques and inputs used in the fair value measurement are as follows:

Discounted Cash Flow Approach

Under the DCF approach, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's estimated useful life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF approach involves the projection of a series of cash flows on a real property interest. An appropriate, market-derived discount rate is applied to projected cash flow series to establish the present value of the income stream associated with the investment property.

Periodic cash flows of investment properties are typically estimated as gross income less vacancy and operating expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The frequency of inflows and outflows are contract and market-derived. The DCF approach assumes that cash outflows occur in the same period that expenses are recorded.

Sensitivity Analysis. Generally, significant increases (decreases) in rental rate per sqm or per slot and rent escalation rate p.a. in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in discount rate and vacancy rate in isolation would result in a significantly lower (higher) fair value measurement.

In 2019, the Company changed its method of valuation in ACPT from land development approach to DCF Approach after its completion on the first quarter of 2019.

Market Data Approach

Market data approach involves the comparison of the Batangas and Tagaytay properties to those that are more or less located within the vicinity of the appraised properties and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

The inputs to fair valuation are as follows:

- *Price per sqm* - estimated value prevailing in the real estate market depending on the location, area, shape and time element.
- *Value adjustments* - adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size and architectural features among others.

The reconciliation of the balances of investments properties classified according to level in the fair value hierarchy is as follows:

	2020		
	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Balance at beginning of year	₱147,761,772	₱4,702,453,593	₱4,850,215,365
Gain on change in fair value	8,123,906	908,735,306	916,859,212
Construction cost incurred	—	5,936,974	5,936,974
Initial direct leasing costs	—	(3,859,227)	(3,859,227)
Balance at end of year	₱155,885,678	₱5,613,266,646	₱5,769,152,324

	2019		
	Significant	Significant	Total
	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Balance at beginning of year	₱141,898,400	₱3,464,846,552	₱3,606,744,952
Gain on change in fair value	5,863,082	1,089,071,565	1,094,934,647
Construction cost incurred	—	121,415,136	121,415,136
Capitalized borrowing costs	—	26,668,479	26,668,479
Initial direct leasing costs	—	452,151	452,151
Balance at end of year	₱147,761,482	₱4,702,453,883	₱4,850,215,365

There are no transfers between the levels of fair value hierarchy in 2020 and 2019.

8. Property and Equipment

The balances and movements of this account consist of:

	2020				
	Building and Building Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost					
Balance at beginning of year	₱202,026,917	₱56,025,625	₱55,266,909	₱12,634,587	₱325,954,038
Additions	6,084,733	18,345,357	3,932,693	63,514	28,426,297
Disposals	—	(5,303,543)	—	—	(5,303,543)
Reclassification	—	—	—	—	—
Balance at end of year	208,111,650	69,067,439	59,199,602	12,698,101	349,076,792
Accumulated Depreciation					
Balance at beginning of year	2,652,983	22,810,716	41,806,864	8,412,374	75,682,937
Depreciation	4,181,230	13,171,785	4,651,967	1,192,819	23,197,801
Disposals	—	(4,269,823)	—	—	(4,269,823)
Balance at end of year	6,834,213	31,712,678	46,458,831	9,605,193	94,610,915
Carrying Amount	₱201,277,437	₱37,354,761	₱12,740,771	₱3,092,908	₱254,465,877

	2019					
	Building and Building Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Construction in Progress	Total
Cost						
Balance at beginning of year	₱—	₱48,103,532	₱48,046,461	₱8,314,752	₱177,062,444	₱281,527,189
Additions	24,964,473	21,326,557	7,273,261	4,319,835	—	57,884,126
Disposals	—	(13,404,464)	(52,813)	—	—	(13,457,277)
Reclassification	177,062,444	—	—	—	(177,062,444)	—
Balance at end of year	202,026,917	56,025,625	55,266,909	12,634,587	—	325,954,038
Accumulated Depreciation						
Balance at beginning of year	—	24,000,622	38,464,316	7,629,643	—	70,094,581
Depreciation	2,652,983	12,122,346	3,357,218	782,731	—	18,915,278
Disposals	—	(13,312,252)	(14,670)	—	—	(13,326,922)
Balance at end of year	2,652,983	22,810,716	41,806,864	8,412,374	—	75,682,937
Carrying Amount	₱199,373,934	₱33,214,909	₱13,460,045	₱4,222,213	₱—	₱250,271,101

As at December 31, 2020 and 2019, fully depreciated property and equipment amounting to ₱53.7 million and ₱49.2 million, respectively, are still being used by the Company.

The Company sold property and equipment with carrying amount of ₱1.0 million in 2020, ₱0.1 million in 2019 and ₱0.6 million in 2018 which resulted to loss on disposal of ₱73,601 in 2020 and gain on disposal of ₱0.3 million in 2019 (see Note 18).

Depreciation and amortization were recognized in the following:

	Note	2020	2019	2018
Operating expense	16	₱20,991,092	₱18,915,278	₱10,572,738
Cost of leasing operations	7	2,206,709	—	—
		₱23,197,801	₱18,915,278	₱10,572,738

9. Investments in and Advances to Subsidiaries

This account consists of:

	Note	2020	2019
Investment in subsidiaries - at cost:			
Manchesterland Properties, Inc. (MPI)		₱900,459,683	₱900,459,683
Urban Property Holdings, Inc. (UPHI)		80,467,161	80,467,161
Cebu Lavana Land Corporation (CLLC)		50,000,000	50,000,000
Zileya Land Development Corporation (ZLDC)		50,000,000	50,000,000
Bhavana Properties, Inc. (Bhavana)		25,000,000	25,000,000
Bhavya Properties, Inc. (Bhavya)		25,000,000	25,000,000
Pradhana Land, Inc. (PLI)		25,000,000	25,000,000
Kashtha Holdings, Inc. (KHI)		7,500,000	12,500,000
Cazneau Inc. (Cazneau)		1,000,000	1,000,000
Emera Property Management, Inc (EPMI)		250,000	250,000
Savya Land Development Corporation (SLDC)		—	49,999,700
		1,164,676,844	1,219,676,544
Allowance for impairment		(5,232,027)	(5,232,027)
		₱1,159,444,817	₱1,214,444,517
Advances to subsidiaries:	19		
Bhavya		₱807,128,877	₱665,020,644
Cazneau		794,518,888	607,322,258
Bhavana		766,061,262	534,038,896
CLLC		684,314,667	495,000,000
ZLDC		396,773,854	389,473,444
KHI		294,447,741	264,882
UPHI		72,465,569	68,565,569
EPMI		1,583,581	1,560,155
PLI		813,764	1,158,580
SLDC		93,134	488,355,643
MPI		314	314
		3,818,201,651	3,250,760,385
Allowance for ECL		(3,261,249)	(3,261,249)
		3,814,940,402	3,247,499,136
		₱4,974,385,219	₱4,461,943,653

The Company's interest on the following subsidiaries follows:

Subsidiary	Place of Incorporation	Percentage of Ownership	
		2020	2019
Cazneau	Philippines	100%	100%
MPI	Philippines	100%	100%
EPMI	Philippines	100%	100%
UPHI	Philippines	100%	100%
ZLDC	Philippines	100%	100%
Bhavana	Philippines	100%	100%
Bhavya	Philippines	100%	100%
PLI	Philippines	100%	100%
KHI	Philippines	60%	100%
CLLC	Philippines	60%	60%
SLDC	Philippines	59%*	98%

**indirectly owned through KHI*

All of the subsidiaries were established to engage primarily either in real estate development or property leasing, except for EPMI which is a property management company and KHI which is an investment holding company.

In March 2018, ALCO and Help Holdings Inc. (HHI) (collectively referred to as the Parties) entered into an agreement (the Agreement) to jointly develop the adjacent lots (the Property) of SLDC and Arcosouth Development Inc. (ADI), the subsidiary of HHI, aggregating 5,991 square meters located in Arca South, Taguig City. The Parties agreed, among others to merge SLDC and Arcosouth into a single corporation, with SLDC as the surviving entity. The merger of SLDC and Arcosouth was approved by the SEC on August 22, 2019.

Also, in August 2019, ALCO and Mitsubishi Estate Company, Limited (MEC), a corporation duly organized and existing under the laws of Japan, have agreed to invest in, establish and maintain a joint venture company to be owned 60% by ALCO and 40% by MEC which will (i) acquire and, thereafter, own and hold the 50% ownership in SLDC, and (ii) acquire by assignment the shareholder's advances made by ALCO to SLDC. On October 1, 2019, ALCO incorporated KHI as the designated joint venture company.

In 2020, ALCO transferred all of its shares in SLDC, representing 98.5% ownership over SLDC, to KHI. Then in June 2020, ALCO sold 5 million common shares in KHI with total par value of ₱5.0 million, representing 40% ownership over KHI, to MEC for ₱275.0 million resulting to a gain on sale of an investment in a subsidiary amounting to ₱270.0 million (see Note 18). The transfer of KHI's shares decreased the effective ownership of ALCO over SLDC from 98% to 59%.

In 2019, the Company subscribed to 100% shares of Bhavana, Bhavya and PLI.

Subscription Payable

The Company has the following unpaid subscriptions on subsidiaries as at December 31 (see Note 13):

	2020	2019
ZLDC	₱37,500,000	₱37,500,000
Bhavya	18,750,000	18,750,000
PLI	18,750,000	18,750,000
SLDC	—	37,500,000
EPMI	—	40,300
	₱75,000,000	₱112,540,300

On December 11, 2020, the Company fully paid its subscription on EPMI.

10. Other Assets

This account consists of:

	Note	2020	2019
Advances for asset purchase		₱90,000,000	₱—
Amounts held in escrow	11	54,468,483	55,266,376
Prepaid:			
Taxes		45,994,570	52,056,282
Insurance		3,608,699	3,448,828
Others		1,162,037	2,491,753
Deposits		38,972,963	47,771,783
Advances for project development		33,461,223	39,554,705
Deferred input VAT		4,511,876	4,009,292
Materials and supplies		1,341,909	1,519,807
Input VAT		—	159,550
		₱273,521,760	₱206,278,376

Advances for asset purchase pertain to advance payment made to a seller of land to be acquired by the Company.

Advances for project development pertain to downpayments made to contractors for the construction of the Company's real estate projects. These advances are applied against contractors' progress billings.

Amounts held in escrow represents the debt service account required under an existing loan with a certain bank and the amount which is equivalent to a quarterly principal and interest amortization. The outstanding loan balance under OLSA amounted to ₱1,858.7 million and ₱1,957.5 million as at December 31, 2020 and 2019, respectively (see Note 11).

Deposits pertain to utility deposits, deposits for professional services, and guarantee deposits for the construction of the Company's real estate projects. Deposits are refunded upon completion of the documentary requirements.

Materials and supplies are the excess construction materials and supplies from the construction of Arya Residences.

11. Loans Payable

This account consists of outstanding loans with:

	2020	2019
Local banks	₱4,072,709,833	₱3,205,607,089
Private funders	84,723,970	84,723,970
	₱4,157,433,803	₱3,290,331,059

Movements of this account follow:

	2020	2019
Balance at beginning of year	₱3,312,200,047	₱2,219,637,971
Availments	3,112,500,000	1,817,533,940
Payments	(2,239,976,077)	(724,971,864)
Balance at end of year	4,184,723,970	3,312,200,047
Unamortized debt issue cost	(27,290,167)	(21,868,988)
	4,157,433,803	3,290,331,059
Less current portion of loans payable	1,459,723,970	1,429,313,816
Long-term portion of loans payable	₱2,697,709,833	₱1,861,017,243

Movements in debt issue cost follow:

	2020	2019
Balance at beginning of year	₱21,868,988	₱22,155,960
Additions	13,128,803	3,163,633
Amortization	(7,707,624)	(3,450,605)
Balance at end of year	₱27,290,167	₱21,868,988

Future repayment of the outstanding principal amounts of loans payable is as follows:

	2020	2019
Within one year	₱1,459,723,970	₱1,429,313,816
After one year but not more than three years	625,000,000	450,564,170
More than three years	2,100,000,000	1,432,322,061
	₱4,184,723,970	₱3,312,200,047

Local Bank Loans

These are loans from local banks which are interest-bearing secured loans obtained to finance the Company's working capital requirements, project development and acquisition of properties. These loans have interest rates ranging from 4.75% to 7.00% p.a. in 2020 and 5.12% to 6.38% p.a. in 2019.

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

Purpose	Terms	Nominal interest rate (p.a.)	2020	2019
Construction of ACPT	Payable on a quarterly basis starting 4 th quarter of 2019 until July 2025; secured by ACPT with carrying amount of ₱5,586.9 million and ₱4,676.0 million as at December 31, 2020 and 2019, respectively (see Note 7), and an escrow account amounting to ₱54.5 million and ₱55.3 million as at December 31, 2020 and 2019, respectively (see Note 10').	5.50%	₱1,858,666,538	₱1,955,607,089
Short-term loans for working fund requirements	Unsecured and payable in full within one year	5.00% to 7.00%	1,225,000,000	1,250,000,000
Development of Green Projects	Unsecured and payable in full on February 6, 2025	6.35%	989,043,295	—
			₱4,072,709,833	₱3,205,607,089

Construction of ACPT

In 2015, the Company entered into an Omnibus Loan and Security Agreement (OLSA) for a credit line of ₱2,000.0 million, to partially finance the cost of construction and development of the ACPT. The outstanding loan balance is secured by the ACPT building and a security trust agreement covering the maintenance of revenue and operating accounts, project receivables and project agreements. ALCO is required to maintain the following financial ratios based on its separate financial statements:

- Debt service coverage ratio of not more than 1.20x starting 2020 which is one year after the completion of ACPT
- Debt to equity ratio of:

Period	Debt to Equity Ratio
2015	2.00x
2016 to 2018	1.75x
2019 to 2025	1.50x

Debt to equity ratio of ALCO as at December 31, 2019 based on its separate financial statements is 1.12x which is compliant with the requirements of OLSA.

As at December 31, 2020, the local bank and the Company agreed to amend the financial covenants of OLSA, removing the DSCR requirement and changing it to current ratio of at least 1.50x and debt to equity ratio of not more than 2.00x based on the consolidated financial statements of the Company. ALCO has a current ratio of 2.24x and debt to equity ratio of 1.33x, based on its consolidated financial statements as at December 31, 2020, which is compliant with the amended financial covenants.

Development of Green Projects

On February 14, 2020, ALCO entered into a term loan agreement of ₱1,000.0 million with a local bank to obtain financing for the eligible green projects of the Company and its subsidiaries, including land banking, investments and refinancing in relation to eligible green projects. Drawdown of ₱1,000.0 million has been made also in 2020. ALCO is required to submit a disbursement report to the bank soon after the date the proceeds has been utilized to confirm that the proceeds has been used for the eligible green projects.

Private Funders

Outstanding balances of loans from private funders amounting to ₱84.7 million as at December 31, 2020 and 2019 have interest rate of 3.50% p.a., unsecured and are for working capital requirements of the Company and its subsidiaries.

Capitalized Borrowing Costs

Borrowing costs capitalized to investment properties amounted to nil in 2020, ₱26.7 million in 2019 and ₱104.5 million in 2018 (see Note 7).

Interest Expense

Total interest expense charged under “Finance costs” consists of the following (see Note 17):

	Note	2020	2019	2018
Interest expense on:				
Loans payable		₱246,484,445	₱124,339,961	₱19,544,914
Bonds payable	12	181,757,910	—	—
Amortization of “Day 1” gain on loan discounting		—	—	51,086,712
		₱428,242,355	₱124,339,961	₱70,631,626

12. Bonds Payable

As at December 31, 2020, this account consists of:

Bonds payable	₱3,000,000,000
Unamortized debt issue cost	(41,473,302)
	₱2,958,526,698

Movement in debt issue cost in 2020 is as follows:

Balance at beginning of year	₱—
Additions	50,676,693
Amortization	(9,203,391)
Balance at end of year	₱41,473,302

In October 2019, the Board of Directors (BOD) of ALCO approved the filing of a registration statement for the shelf registration of ₱6.0 billion fixed rate ASEAN Green Bonds (the “Bonds”) and the initial tranche of ₱2.0 billion bonds, with an oversubscription option of up to ₱1.0 billion.

In January 2020, the SEC approved the registration of the Bonds and the issuance of the initial tranche of the Bonds. On February 6, 2020, ALCO issued the initial tranche of the Bonds amounting to

₱2.0 billion with an oversubscription of ₱1.0 billion. It has a term ending five years from the issue date or on February 6, 2025, with a fixed interest rate of 6.35% p.a. and an early redemption option on the 3rd and 4th year from issue date. The proceeds of initial tranche is for the development of eligible green projects and payment of certain outstanding loans of the Group.

The Company is required to maintain debt to equity ratio of not more than 2.00x and current ratio of at least 1.50x based on its consolidated financial statements. As at December 31, 2020, the Company is compliant with these financial ratios.

Interest expense incurred on the Bonds amounted to ₱181.8 million in 2020 (see Note 11).

13. Accounts Payable and Other Liabilities

This account consists of:

	Note	2020	2019
Accounts payable:			
Third parties		₱39,182,236	₱58,504,051
Related party	19	6,076,485	4,312,585
Accrued:			
Interest		69,573,871	27,318,424
Personnel costs		24,234,892	24,200,544
Others		27,466,908	19,987,098
Retention payable		100,819,982	170,838,164
Security deposits	21	77,487,630	68,348,757
Subscription payable	9	75,000,000	112,540,300
Statutory payables:			
Deferred output VAT		22,616,642	3,127,802
Withholding taxes payable		14,958,066	7,807,723
Output VAT		673,428	—
Advance rent	21	33,438,282	70,045,631
Construction bonds		29,108,948	29,108,948
Dividends payable		5,559,031	5,943,585
Others		2,738,350	1,004,075
		₱528,934,751	₱603,087,687

Accounts payable, which are unsecured, noninterest-bearing and are normally settled within 30 days to one (1) year, consists mainly of liabilities to contractors and suppliers.

Accrued expenses are expected to be settled within the next 12 months. Other accrued expenses pertain to management and professional fees, utilities, commissions, advertising and other expenses.

Retention payable, which will be released after completion and satisfaction of the terms and conditions of the construction contract, pertains to amount retained by the Company from the contractors' progress billings for the Company's projects.

Security deposits pertain to the deposits made by the lessees of the ACPT which may be applied to unsettled balances or refunded at the end of the lease term.

Subscription payable pertains to the unpaid portion of the Company's subscription to its subsidiaries.

Deferred output VAT pertains to the VAT on trade receivables from leasing operations and project management and development fees billed but not yet collected.

Advance rent pertains to the payments made in advance by the tenants to be applied to their rent payable in the immediately succeeding months or in the last three (3) months of the lease term.

Construction bonds represent noninterest-bearing deposits made by the lessees before the start of its construction in the ACPT and refundable upon fulfillment of contract provisions.

Other payables pertain to liabilities to local government, SSS, PhilHealth and HDMF.

14. Equity

The details of the Company's number of common and preferred shares follow:

	2020		2019		2018	
	Preferred	Common	Preferred	Common	Preferred	Common
Authorized	50,000,000	16,368,095,199	50,000,000	16,368,095,199	50,000,000	16,368,095,199
Par value per share	₱1.00	₱0.18	₱1.00	₱0.18	₱1.00	₱0.18
Issued and outstanding	42,500,000	5,318,095,199	42,500,000	5,318,095,199	32,500,000	5,318,095,199

Preferred Shares

The rollforward analysis of the outstanding preferred shares is as follows:

	2020		2019		2018	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Issued and outstanding						
Balance at beginning of year	42,500,000	₱42,500,000	32,500,000	₱32,500,000	32,500,000	₱32,500,000
Issuance during the year	—	—	10,000,000	10,000,000	—	—
Balance at end of year	42,500,000	42,500,000	42,500,000	42,500,000	32,500,000	32,500,000

In June 2019, the Company made a follow-on offering of 10.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the "Series C Preferred Shares with ₱1.00 par value a share at the issuance price of ₱100 a share. Excess of the proceeds over the total par value amounting to ₱990.0 million and transactions costs of ₱12.5 million was recognized as addition and reduction to additional paid-in capital, respectively.

In 2016, ALCO issued 12.5 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the "Series A Preferred Shares") with ₱1.00 par value a share to MPI. Also in 2016, the Company made a follow-on offering of 20.0 million cumulative, nonvoting, nonparticipating, and nonconvertible Peso-denominated preferred shares (the "Series B preferred shares") with ₱1.00 par value a share at the issuance price of ₱100 a share.

Common Shares

As at December 31, 2020 and 2019, the Company has issued and outstanding common shares of 5,318,095,199 with par value of ₱0.18 amounting to ₱957.3 million.

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

Date of SEC Approval	Type of Issuance	No. of Shares Issued	Issue/Offer Price
1996	Initial public offering	351,000,000	₱1.00
1998	Payment of subscription	256,203,748	1.00
1999	Stock dividends	410,891,451	1.00
2009	Payment of subscription	628,770,000	0.20
2010	Payment of subscription	100,000,000	0.20
2011	Payment of subscription	2,200,000,000	0.20
2016	Public offering of Series "B" preferred shares	20,000,000	100
2019	Public offering of Series "C" preferred shares	10,000,000	100

The Company has 1,939 and 1,943 common stockholders as at December 31, 2020 and 2019, respectively.

Dividend Declaration

The Company's BOD and stockholders approved the following cash dividends to preferred and common stockholders:

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
October 21, 2020	December 4, 2020	December 27, 2020	Series C preferred shares	₱17,319,000	₱1.730
October 21, 2020	November 13, 2020	December 6, 2020	Series B preferred shares	35,229,000	1.760
August 5, 2020	September 4, 2020	September 27, 2020	Series C preferred shares	17,319,000	1.730
August 5, 2020	August 19, 2020	September 6, 2020	Series B preferred shares	35,229,000	1.760
June 26, 2020	July 10, 2020	July 31, 2020	Common shares	63,817,142	0.012
May 6, 2020	June 4, 2020	June 27, 2020	Series C preferred shares	17,319,000	1.730
May 6, 2020	May 21, 2020	June 6, 2020	Series B preferred shares	35,229,000	1.760
January 29, 2020	March 6, 2020	March 27, 2020	Series C preferred shares	17,319,000	1.730
January 29, 2020	February 14, 2020	March 6, 2020	Series B preferred shares	35,229,000	1.760
				₱274,009,142	

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
October 23, 2019	November 29, 2019	December 27, 2019	Series C preferred shares	₱17,319,000	₱1.730
October 23, 2019	November 15, 2019	December 6, 2019	Series B preferred shares	35,229,000	1.760
August 7, 2019	September 6, 2019	September 27, 2019	Series C preferred shares	17,319,000	1.730
August 7, 2019	August 22, 2019	September 6, 2019	Series B preferred shares	35,229,000	1.760
June 21, 2019	July 8, 2019	July 31, 2019	Common shares	63,817,142	0.012
May 8, 2019	May 22, 2019	June 6, 2019	Series B preferred shares	35,229,000	1.760
February 21, 2019	March 1, 2019	March 6, 2019	Series B preferred shares	35,229,000	1.760
				₱239,371,142	

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
October 25, 2018	November 12, 2018	December 6, 2018	Series B preferred shares	₱35,229,000	₱1.760
August 1, 2018	August 16, 2018	September 6, 2018	Series B preferred shares	35,229,000	1.760
May 9, 2018	May 23, 2018	June 6, 2018	Series B preferred shares	35,229,000	1.760
March 21, 2018	April 6, 2018	May 2, 2018	Common shares	63,817,142	0.012
January 10, 2018	February 9, 2018	March 6, 2018	Series B preferred shares	35,229,000	1.760
				₱204,733,142	

Stock Options Outstanding

On October 16, 2009, the stockholders approved the 2009 ALCO Stock Option Plan with the objective of providing material incentive to qualified employees of the Group. The shares that are available and may be issued for this purpose is equivalent to 10% of ALCO's total outstanding common stock at any given time. The period during which a Qualified Employee may exercise the option to purchase such number of common shares granted to him/her will be three (3) years commencing after he or she has rendered the mandatory one year service to the Corporation in accordance with the following schedule:

- i. Within the first 12 months from grant date - up to 33.33%
- ii. Within the 13th to the 24th month from grant date - up to 33.33%
- iii. Within the 25th to 36th month from grant date - up to 33.33%

On December 14, 2018, the BOD approved granting options equivalent to not more than 90.0 million common shares to its qualified employees. On June 26, 2020, the number of options granted and issued to qualified employees amounted to 55.4 million shares. The total fair value of stock options granted amounted to ₱6.5 million. The fair values of the stock options granted are estimated on the date of grant using the Black-Scholes Merton (BSM) model taking into account the terms and conditions upon which the options were granted. The BSM model utilized inputs namely; market value of the share, time to maturity, dividend yield, and risk free rate.

Fair value of each option at grant date is ₱0.14. Assumptions used to determine the fair value of the stock options are as follow:

Weighted average share price	₱0.65
Exercise price	₱0.50
Expected volatility	2.40%
Dividend yield	1.32%
Risk-free interest rate	1.35%

As at December 31, 2020, none of the qualified employees exercised their respective options.

Use of Proceeds

Preferred Shares Series B

The estimated gross proceeds from the offer of Series B preferred shares amounted to ₱1,971.8 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱1,972.9 million. The following table shows the breakdown of the use of the proceeds (amounts in millions):

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at 12/31/2020	Balance for Disbursement as at 12/31/2020
South of Metro Manila Project	₱822.4	₱822.4	₱822.4	₱—
Makati CBD Residential Project	371.6	371.6	371.6	—
Binan Laguna Project	331.9	331.9	314.1	17.8
Partial repayment of loans	330.0	330.0	330.0	—
General corporate purposes	62.3	63.4	63.4	—
Cebu Exchange Project	53.6	53.6	53.6	—
Total	₱1,971.8	₱1,972.9	₱1,955.1	₱17.8

Preferred Shares Series C

The estimated net proceeds from the offer of Series C preferred shares amounted to ₱984.1 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱985.3 million.

The following table shows the breakdown of the use of the proceeds:

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at 12/31/2020	Balance for Disbursement as at 12/31/2020
Cebu Residential Project	₱300.0	₱300.0	₱300.0	₱—
Makati CBD Residential Project 2	530.0	530.0	530.0	—
General corporate purpose	154.1	155.3	155.3	—
Total	₱984.1	₱985.3	₱985.3	₱—

15. Cost of Services

This account consists of:

	2020	2019	2018
Personnel costs	₱50,780,510	₱47,111,827	₱34,255,647
Outside services	25,110,845	20,460,812	—
	₱75,891,355	₱67,572,639	₱34,255,647

Personnel costs are classified as:

	Note	2020	2019	2018
Operating expenses	16	₱147,513,804	₱144,195,127	₱141,800,598
Cost of services		50,780,510	47,111,827	34,255,647
		₱198,294,314	₱191,306,954	₱176,056,245

Personnel costs consist of:

	Note	2020	2019	2018
Salaries and other employee benefits		₱167,928,064	₱168,764,993	₱140,319,930
Retirement benefits expense	20	23,880,697	22,541,961	35,736,315
Stock options	14	6,485,553	—	—
		₱198,294,314	₱191,306,954	₱176,056,245

16. Operating Expenses

Operating expenses are classified as follows:

	2020	2019	2018
Administrative	₱281,347,426	₱307,163,778	₱245,219,104
Selling and marketing	9,364,298	15,173,317	17,948,094
	₱290,711,724	₱322,337,095	₱263,167,198

Details of operating expenses by nature are as follows:

	Note	2020	2019	2018
Personnel costs	15	₱147,513,804	₱144,195,127	₱141,800,598
Taxes and licenses		25,223,174	21,240,898	10,627,827
Depreciation and amortization	8	20,991,092	18,915,278	10,572,738
Outside services		19,468,196	27,741,650	17,427,260
Management and professional fees		18,803,626	27,211,615	10,355,614
Insurance		14,231,663	14,971,969	12,452,989
Communication and office expenses		13,246,871	24,514,396	12,039,962
Commissions		6,838,645	5,410,929	10,307,733
Transportation and travel		5,087,405	7,410,362	7,408,436
Repairs and maintenance		3,181,828	12,174,204	2,354,042
Representation		2,808,617	846,591	366,448
Advertising		2,525,653	9,762,388	7,640,361
Utilities		752,975	1,546,776	5,778,063
Rent	21	316,678	413,852	11,511,101
Others		9,721,497	5,981,060	2,524,026
		₱290,711,724	₱322,337,095	₱263,167,198

17. Finance Costs

This account consists of:

	Note	2020	2019	2018
Interest expense	11	₱428,242,355	₱124,339,961	₱70,631,626
Bank charges		1,782,063	212,545	622,356
		₱430,024,418	₱124,552,506	₱71,253,982

18. Other Income (Charges) - Net

This account consists of:

	Note	2020	2019	2018
Gain on sale of an investment in a subsidiary	9	₱270,000,000	₱—	₱—
Interest income	4	83,265,430	38,122,123	13,672,115
Realized gain on disposals of financial assets at FVPL	5	18,043,920	11,468,772	9,569,831
Unrealized holding gains (losses) on financial assets at FVPL	5	10,193,586	(778,461)	(6,759,981)
Dividend income	19	2,000,000	—	—
Gain (loss) on disposal of property and equipment	8	(73,601)	322,744	—
Foreign exchange gains (losses)		(6,372)	(574,120)	1,070,089
Manpower fee	19	—	1,235,928	1,235,928
Reversal of gain on change in fair value of investment properties	7	—	—	(402,715,043)
Gain on settlement of loans payable		—	—	319,553,431
Loss on disposal of investment properties	7	—	—	(917,769)
Others		580,055	1,009,104	12,409,422
		₱384,003,018	₱50,806,090	(₱52,881,977)

In 2018, loans payable to Centrobless and Signature Office Property Inc. (SOPI) with carrying amounts aggregating ₱1,847.5 million were settled in exchange for ACPT office units and parking slots with cost aggregating ₱1,330.0 million. Accordingly, the cumulative gain on change in fair value on these ACPT office units and parking slots amounting to ₱402.7 million was reversed. This resulted in a gain on settlement of loans payable aggregating ₱319.6 million in 2018.

19. Related Party Transactions

The Company, in its regular conduct of business, has transactions with its related parties. The following tables summarize the transactions with the related parties and outstanding balance arising from these transactions.

	Nature of Relationship	Note	Nature of Transaction	Amount of Transactions		Outstanding Balance	
				2020	2019	2020	2019
Advances to Subsidiaries							
		9					
Bhavya	Subsidiary		Advances for working capital	₱142,108,233	₱665,020,644	₱807,128,877	₱665,020,644
Cazneau	Subsidiary		Advances for working capital	188,272,575	123,500,000	794,518,888	607,322,258
Bhavana	Subsidiary		Advances for working capital	232,022,366	534,038,896	766,061,262	534,038,896
CLLC	Subsidiary		Advances for working capital	189,314,667	47,500,000	684,314,667	495,000,000
ZLDC	Subsidiary		Advances for working capital	7,300,410	36,450,000	396,773,854	389,473,444
KHI	Subsidiary		Advances for working capital	294,322,741	264,882	294,447,741	264,882
UPHI	Subsidiary		Advances for working capital	2,900,000	3,000,000	72,465,569	68,565,569
EPMI	Subsidiary		Advances for working capital	23,426	1,560,155	1,583,581	1,560,155
PLI	Subsidiary		Advances for working capital	(345,255)	1,158,580	813,764	1,158,580
SLDC	Subsidiary		Advances for working capital	(488,262,509)	–	93,134	488,355,643
MPI	Subsidiary		Advances for working capital	–	–	314	314
						3,818,201,651	3,250,760,385
Allowance for ECL		9				(3,261,249)	(3,261,249)
						₱3,814,940,402	₱3,247,499,136
Interest Receivable							
		6					
CLLC	Subsidiary		Interest on advances for working capital	₱23,755,496	₱14,660,261	₱52,723,103	₱45,048,075
			Interest on advances for working capital				
Bhavya	Subsidiary		working capital	17,584,137	6,939,960	27,115,306	6,939,960
			Interest on advances for working capital				
Bhavana	Subsidiary		working capital	14,868,435	9,203,370	26,620,912	9,203,370
			Interest on advances for working capital				
Kashtha	Subsidiary		working capital	10,041,701	–	11,045,871	–
			Interest on advances for working capital				
Cazneau	Subsidiary		working capital	8,930,868	–	9,823,955	–
				₱75,180,637	₱30,803,591	₱127,329,147	₱61,191,405
Trade Receivables							
		6					
SLDC	Subsidiary		Project management and development fees	₱113,218,042	₱156,636,539	₱7,418,115	₱–
			Project management and development fees				
CLLC	Subsidiary		working capital	85,000,000	91,000,000	–	–
						₱7,418,115	₱–
Due from Related Parties							
		6					
CPG	Principal stockholder Entity under common management		Share purchase agreement	₱–	₱–	₱36,052,873	₱36,052,873
Centrobless	Entity under common management		Advances for working capital	3,619,311	12,872,674	16,491,985	12,872,674
SOPI	management		Advances for working capital	652,016	4,915,835	5,567,851	4,915,835
						₱58,112,709	₱53,841,382
Advances from Subsidiaries:							
MPI	Subsidiary		Advances for working capital	(₱2,525,976)	₱1,000,000	₱279,632,299	₱282,158,275
CLLC	Subsidiary		Advances for working capital	112,669,505	–	112,936,627	267,122
						₱392,568,926	₱282,425,397

	Nature of Relationship	Note	Nature of Transaction	Amount of Transactions		Outstanding Balance	
				2020	2019	2020	2019
Accounts Payable		13					
	Principal stockholder		Management fee	₱12,577,891	₱11,069,818	₱3,458,920	₱3,044,200
CPG	Subsidiary		Advances for working capital	1,445,580	190,000	1,635,580	190,000
CLLC	Subsidiary		Advances for working capital	–	885,585	885,585	885,585
SLDC	Subsidiary		Advances for working capital	–	192,800	96,400	192,800
CI	Subsidiary		Advances for working capital	–	192,800	96,400	192,800
						₱6,076,485	₱4,312,585
Other Income							
EPMI	Subsidiary	18	Manpower fee	₱–	₱1,235,928	₱–	₱4,573,614
Dividend Income							
EPMI	Subsidiary	18	Dividend income	₱2,000,000	₱–	₱–	₱–

Advances for Working Capital

Outstanding balances of advances for working capital are unsecured, unguaranteed, collectible or payable on demand and to be settled in cash. These are noninterest-bearing, except for certain advances to CI, CLLC, Bhavana and Bhavya which bears a 3.5% interest rate.

The Company's allowance for ECL on advances to related parties amounted to ₱3.3 million as at December 31, 2020 and 2019 (see Note 9).

Project Management and Development Fees

In 2019, the Company entered into an agreement with SLDC, where the former will provide management services for the development and construction of SLDC's Savya Financial Center. Outstanding balances are noninterest-bearing, unsecured and collectible within 30 days and when the pending matters in invoice are resolved.

In 2017, the Company entered into an agreement with CLLC, where the former will provide management services for the development and construction of CLLC's Cebu Exchange Project. Outstanding balances are non-interest bearing, unsecured and collectible within 30 days and when the pending matters in invoice are resolved.

Share Purchase Agreement

The Company has an outstanding receivable from CPG amounting to ₱36.1 million as at December 31, 2020 and 2019 arising from a share purchase agreement between the Company, CPG and AOC1. Under the claw-back provision of the share purchase agreement, the Company warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by UPHI, which includes, among others, removing all doubt on the ownership of UPHI over the property. In the event the satisfactory evidence is submitted by the Company to CPG, the latter shall pay to the Company the entire claw-back amount or a portion thereof plus interest earned in which the claw-back amount was held in escrow.

Management Fee

Management fees are recognized for management consultancy, development and administrative services provided by CPG to the Company. Outstanding balances are unsecured, noninterest-bearing, payable on demand and to be settled in cash.

Manpower Fee

The Company entered into an agreement with EPMI for the Company to provide manpower services for EPMI's operations. The Company agreed to pay the salaries of the employees whereas EPMI agreed to refund such expense by the Company. Outstanding balance is unsecured, noninterest-bearing, payable within 30 days and to be settled in cash.

Compensation of Key Management Personnel

The compensation of key management personnel are as follows:

	2020	2019	2018
Salaries and other employee benefits	₱89,599,050	₱83,779,871	₱77,960,692
Retirement benefits expense	16,101,594	15,727,562	24,095,262
	₱105,700,644	₱99,507,433	₱102,055,954

Transactions with the Retirement Plan

The Company's retirement fund is administered and managed by a trustee bank. The fair value of plan assets, which are primarily composed of unit investment trust funds, amount to ₱50.9 million and ₱20.3 million as of December 31, 2020 and 2019 (see Note 20).

The retirement fund neither provides any guarantee or surety for any obligation of the Company nor its investments covered by any restrictions or liens. The details of the contributions of the Company and benefits paid out by the plan are presented in Note 20.

20. Net Retirement Liability

The Company has a funded and non-contributory defined benefit retirement plan covering all of its qualified employees. The retirement benefits are based on years of service and compensation on the last year of employment as determined by an independent actuary. The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with minimum of five years of credited service or late retirement after age 60, both subject to the approval of the Company's BOD.

The plan is exposed to interest rate risks and changes in the life expectancy of qualified employees. The plan is not exposed to significant concentrations of risk on the plan assets.

There are no unusual or significant risks to which the retirement liability exposes the Company. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Company.

The following tables summarize the components of retirement benefit costs recognized in the separate statements of comprehensive income (based on the report of an independent actuary dated January 8, 2021):

Breakdown of retirement benefits expense is as follows (see Note 15):

	2020	2019	2018
Current service cost	₱18,666,937	₱18,130,347	₱7,879,934
Net interest cost	5,213,760	4,411,614	2,033,107
Past service cost	—	—	25,823,274
	₱23,880,697	₱22,541,961	₱35,736,315

In 2018, the new retirement plan provides a retirement benefit ranging from 100% to 150% of salary for every year of credit service. Accordingly, this plan amendment changed the benefits payable under the plan, which resulted in the recognition of past service cost.

The movements of net retirement liability recognized in the separate statements of financial position are as follows:

	2020	2019	2018
Balance at beginning of year	₱99,880,460	₱66,088,998	₱50,668,546
Current service cost	18,666,937	18,130,347	7,879,934
Net interest cost	5,213,760	4,411,614	2,033,107
Past service cost	—	—	25,823,274
Contribution to retirement plan assets	(30,000,000)	(15,003,669)	(5,000,000)
Remeasurement losses (gains) on:			
Change in financial assumptions	4,427,055	30,887,077	(9,240,813)
Experience adjustments	2,813,918	(5,262,217)	(6,066,417)
Return on plan assets	494,288	628,310	(8,633)
Balance at end of year	₱101,496,418	₱99,880,460	₱66,088,998

The funded status and amounts recognized in the separate statements of financial position for the net retirement liability as at December 31, 2020 and 2019 are as follows:

	2020	2019
Present value of retirement liability	₱152,389,179	₱120,206,490
Fair value of plan assets	(50,892,761)	(20,326,030)
	₱101,496,418	₱99,880,460

As of December 31, 2020, the plan is underfunded by ₱101.5 million based on the latest actuarial valuation. While there are no minimum funding requirements in the country, the size of underfunding may pose a cash flow risk in about ten years' time when a significant number of employees is expected to retire.

The Company expects to make contribution of ₱30 million to plan in the next financial year.

Changes in the present value of retirement liability are as follows:

	2020	2019	2018
Balance at beginning of year	₱120,206,490	₱71,097,631	₱50,668,546
Current service cost	18,666,937	18,130,347	7,879,934
Interest cost	6,274,779	5,353,652	2,033,107
Past service cost	—	—	25,823,274
Remeasurement losses (gains) on:			
Change in financial assumptions	4,427,055	30,887,077	(9,240,813)
Experience adjustments	2,813,918	(5,262,217)	(6,066,417)
Balance at end of year	₱152,389,179	₱120,206,490	₱71,097,631

Changes in the fair value of plan assets are as follows:

	2020	2019
Balance at beginning of year	₱20,326,030	₱5,008,633
Contribution to retirement plan assets	30,000,000	15,003,669
Interest income	1,061,019	942,038
Remeasurement loss on return on plan assets	(494,288)	(628,310)
Balance at end of year	₱50,892,761	₱20,326,030

Plan assets are primarily composed of unit investment trust accounts and do not comprise any of the Company's own financial instruments or any of its assets occupied and/or used in operations.

The cumulative remeasurement gains (losses) on net retirement liability recognized in OCI as at December 31 are as follows:

	2020		
	Cumulative Remeasurement Gains (Losses)	Deferred Tax (see Note 22)	Net
Balance at beginning of year	(₱296,748)	(₱89,024)	(₱207,724)
Remeasurement losses	(7,735,261)	(2,320,578)	(5,414,683)
Balance at end of year	(₱8,032,009)	(₱2,409,602)	(₱5,622,407)

	2019		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 22)	Net
Balance at beginning of year	₱25,956,422	₱7,786,927	₱18,169,495
Remeasurement losses	(26,253,170)	(7,875,951)	(18,377,219)
Balance at end of year	(₱296,748)	(₱89,024)	(₱207,724)

	2018		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 22)	Net
Balance at beginning of year	₱10,640,559	₱3,192,168	₱7,448,391
Remeasurement gains	15,315,863	4,594,759	10,721,104
Balance at end of year	₱25,956,422	₱7,786,927	₱18,169,495

The principal assumptions used for the purpose of the actuarial valuation are as follows:

	2020	2019
Discount rate	3.95%	5.22%
Salary projection rate	5.00%	6.00%
Average remaining service years	24.2	24.8

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2020 and 2019 are presented below.

	Change in Assumption	Effect on Present Value of Retirement Liability	
		Discount Rate	Salary Projection Rate
December 31, 2020	+1%	(P14,901,329)	P17,761,066
	-1%	18,147,808	(14,894,844)
December 31, 2019	+1%	(P11,366,089)	P13,583,980
	-1%	13,837,647	(11,387,681)

The expected future benefit payments within the next ten years are as follows:

Financial Year	Amount
2021	P59,147,252
2022	3,042,802
2023-2030	52,682,563

The weighted average duration of the retirement benefit obligation as at December 31, 2020 is 10.8 years.

21. Lease Commitments

Operating Lease Commitments - Company as a Lessor

The Company entered into various non-cancellable lease agreements in ACPT for periods ranging from five (5) years to 10 years. All lease agreements include an escalation clause of 5% every year. The lease contracts do not provide for any contingent rent.

Leasing revenue recognized from these operating leases amounted to P354.5 million in 2020, P290.4 million in 2019, and P121.1 million in 2018 (see Note 7). Lease receivables amounted to P79.6 million and P42.2 million as at December 31, 2020 and 2019, respectively. Accrued rent receivable amounted to P86.1 million and P94.2 million as at December 31, 2020 and 2019, respectively (see Note 6). Advance rent from tenants amounted to P33.4 million and P70.0 million as at December 31, 2020 and 2019, respectively. Security deposits, which may be applied to unsettled balances or refunded at the end of the lease term, amounted to P77.5 million and P68.3 million as at December 31, 2020 and 2019, respectively (see Note 13).

The future minimum lease payments to be received under non-cancellable operating leases as at December 31 are as follows:

	2020	2019
Within one year	₱247,423,419	₱253,368,521
After one year but not more than five years	594,845,352	835,221,094
More than five years	24,261,443	43,670,598
	₱866,530,214	₱1,132,260,213

Operating Lease Commitment - Company as a Lessee

The Company is a lessee under non-cancellable operating lease where its office space is situated. In 2018, the Company transferred its office to ACPT. This resulted to the termination of its non-cancellable operating lease (see Note 9).

For short-term and low value leases, rent expense recognized from this operating lease amounted to ₱0.3 million, ₱0.4 million and ₱11.5 million in 2020, 2019 and 2018, respectively (see Note 16).

22. Income Taxes

The components of provision for income tax are as follows:

	Note	2020	2019	2018
Reported in Profit or Loss				
Current income tax:				
MCIT		₱6,110,039	₱5,409,829	₱–
Gross income tax (GIT)		2,399,074	3,678,373	1,970,310
Final taxes		45,707,225	3,476,954	3,086,514
RCIT		–	–	92,832,587
		54,216,338	12,565,156	97,889,411
Deferred tax expense (income)		161,239,720	278,081,121	(79,621,783)
		₱215,456,058	₱290,646,277	₱18,267,628
Reported in OCI				
Deferred tax expense (income) related to remeasurement losses (gains) on net retirement liability				
	20	(₱2,320,578)	(₱7,875,951)	₱4,594,759

Deferred Tax Assets and Deferred Tax Liabilities

The components of the Company's recognized deferred tax assets and deferred tax liabilities are as follows:

	2020	2019
Deferred tax assets:		
NOLCO	₱173,221,101	₱51,418,494
Retirement liability	30,448,925	29,964,138
MCIT	11,519,868	5,409,829
Advance rent	7,784,720	10,926,912
Allowance for impairment loss	110,488	110,488
Unrealized foreign exchange losses	1,912	172,236
	223,087,014	98,002,097
Deferred tax liabilities:		
Cumulative gain on change in fair value of investment property	911,436,264	636,378,501
Accrued rent receivable	16,122,171	15,720,464
Depreciation of investment properties	15,934,828	6,913,634
Transfer of fair value to property and equipment	12,939,297	13,208,866
Capitalized debt issue cost	9,989,503	10,196,539
	966,422,063	682,418,004
Net deferred tax liabilities	₱743,335,049	₱584,415,907

The Company did not recognize the deferred tax assets on the allowance for ECL on investment in and advances to subsidiaries amounting to ₱2.5 million as at December 31, 2020 and 2019 because management has assessed that these items will not be realized in the future.

NOLCO and Excess MCIT over RCIT

Details of the Company's NOLCO are as follows:

Year Incurred	Balance at Beginning of Period	Incurred	Expired	Balance at End of Period	Valid Until
2020	₱—	₱406,008,689	₱—	₱406,008,689	2025
2019	171,394,980	—	—	171,394,980	2022
	₱171,394,980	₱406,008,689	₱—	₱577,403,669	

Under Republic Act No. 11494, also known as "Bayanihan to Recover As One Act" and Revenue Regulations No. 25-2020, NOLCO incurred for the taxable years 2020 and 2021 will be carried over for the next five (5) consecutive taxable years immediately following the year of such loss.

Details of the Company's MCIT over RCIT are as follows:

Year Incurred	Balance at Beginning of Period	Incurred	Expired	Balance at End of Period	Valid Until
2020	₱—	₱6,110,039	₱—	₱6,110,039	2023
2019	5,409,829	—	—	5,409,829	2022
	₱5,409,829	₱6,110,039	₱—	₱11,519,868	

The reconciliation between the income tax computed based on statutory income tax rate and the provision for income tax reported in the separate statements of comprehensive income is as follows:

	2020	2019	2018
Income tax computed at statutory tax rate	₱283,020,717	₱323,367,543	₱24,421,228
Add (deduct) tax effects of:			
Gain on sale of shares	(40,500,000)	–	–
Difference in income and statutory rates	(23,921,619)	(28,497,641)	(7,573,344)
Unrealized holding losses (gains) on financial assets at FVPL	(3,058,076)	233,538	2,027,994
Stock options outstanding	1,945,666	–	–
Realized gain on disposals of financial assets at FVPL subjected to final tax	(1,822,913)	(1,427,384)	(656,011)
Nondeductible expenses	1,200,762	1,446,574	503,645
Interest income subjected to final tax	(808,479)	(731,854)	(455,884)
Dividend income	(600,000)	–	–
Stock issuance costs	–	(3,744,499)	–
	₱215,456,058	₱290,646,277	₱18,267,628

PEZA Registration

ACPT is registered with the PEZA as an Ecozone Facilities Enterprise (see Note 1). The scope of its registered activity is limited to development, operation and maintenance of an economic zone.

Under the PEZA Registration Agreement, ACPT is entitled to:

- 5% GIT, in lieu of all national and local taxes; and
- Tax and duty-free importation of capital equipment required for the technical viability and operation of the registered facilities or activities.

Any income from activities of ACPT outside the PEZA-registered activities is subject to RCIT.

Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Bill

On November 26, 2020, the CREATE Bill was approved by the Senate of the Philippines. Under the CREATE Bill, domestic corporations will be subject to 25% or 20% regular corporate income tax (RCIT) depending on the amount of total assets or total amount of taxable income. In addition, MCIT shall be computed at 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

On February 3, 2021, the Senate and the Congress of the Philippines ratified the bill through a bicameral conference. As of March 24, 2021, the CREATE Bill is pending approval of the President.

Accordingly, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

23. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes:

	Financing Cash Flows		Non-Cash Changes		
	January 1, 2020	Availments	Payments	Movements on Debt Issue Cost	December 31, 2020
Loans payable	₱3,290,331,059	₱3,112,500,000	(₱2,239,976,077)	(₱5,421,179)	₱4,157,433,803
Bonds payable	–	3,000,000,000	–	(41,216,874)	2,958,783,126
Advances from subsidiaries	282,425,397	112,669,505	(2,525,976)	–	392,568,926
Dividends payable	5,943,585	274,009,142	(274,393,696)	–	5,559,031
	₱3,578,700,041	₱6,499,178,647	(₱2,516,895,749)	(₱46,638,053)	₱7,514,344,886

	Financing Cash Flows		Non-Cash Changes		
	January 1, 2019	Availments	Payments	Movements on Debt Issue Cost	December 31, 2019
Loans payable	₱2,197,482,011	₱1,817,533,940	(₱724,971,864)	₱286,972	₱3,290,331,059
Advances from subsidiaries	281,425,397	1,000,000	–	–	282,425,397
Dividends payable	5,056,961	239,371,142	(238,484,518)	–	5,943,585
	₱2,483,964,369	₱2,057,905,082	(₱963,456,382)	₱286,972	₱3,578,700,041

24. Financial Risk Management Objectives and Policies

The Company's financial instruments comprise cash and equivalents, financial assets at FVPL, receivables (excluding accrued rent receivable under straight-line basis of accounting), advances to and from subsidiaries, amounts held in escrow, deposits, loans and bonds payable and, accounts payable and other liabilities (excluding advance rent and statutory payables).

It is the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. The BOD reviews and approves policies for managing these risks as summarized below.

The Company's exposure to foreign currency risk is minimal, as it does not enter into significant transactions in currencies other than its functional currency.

Credit Risk

The Company's exposure to credit risk arises from the failure of counterparty to fulfill its financial commitments to the Company under the prevailing contractual terms. Financial instruments that potentially subject the Company to credit risk consist primarily of trade receivables and other financial assets at amortized cost. The carrying amounts of financial assets at amortized cost represent its maximum credit exposure.

Trade Receivables

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms, and conditions are offered. The Company's credit policy includes available external ratings, financial statements, credit agency information, industry information and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from upper level of management. The Company limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. Historically, trade receivables are substantially collected within one (1) year and it has no experience of writing-off or impairing its trade receivables due to the effectiveness of its collection. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Company. Also, customers are required to deposit postdated checks to the Company covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. Trade receivables from lease are closely monitored on aging of the account. As at December 31, 2020 and 2019, there were no significant credit concentrations. The maximum exposure at the end of the reporting period is the carrying amount of trade receivables.

Other Financial Assets at Amortized Cost

The Company's other financial assets at amortized cost are mostly composed of cash in banks, cash equivalents and amounts held in escrow. The Company limits its exposure to credit risk by investing only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

For deposits, credit risk is low since the Company only transacts with reputable companies and individuals with respect to this financial asset.

It is the Company's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions;
- Actual or expected significant adverse changes in the operating results of the borrower; and
- Significant changes in credit spread, rates or terms such as more stringent covenants and increased amount of collateral or guarantees.

The Company also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent significant credit risk such as when non-payment arising from administrative oversight rather than resulting from financial difficulty of the borrower.

Financial Assets at FVPL

The Company is also exposed to credit risk in relation to its investments in money market fund that is measured at FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

The table below presents the summary of the Company's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL.

Assets that are credit-impaired are separately presented.

	2020				
	Financial assets at amortized cost			Financial Assets at FVPL	Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	₱497,496,687	₱—	₱—	₱—	₱497,496,687
Financial assets at FVPL	—	—	—	2,807,098,299	2,807,098,299
Receivables**	220,632,087	87,040,011	368,292	—	308,040,390
Advances to subsidiaries	3,814,940,402	—	3,261,249	—	3,818,201,651
Amounts held in escrow	54,468,483	—	—	—	54,468,483
Deposits	38,972,963	—	—	—	38,972,963
	₱4,626,510,622	₱87,040,011	₱3,629,541	₱2,807,098,299	₱7,524,278,473

*Excludes cash on hand amounting to ₱45,000 as at December 31, 2020.

**Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱86.1 million as at December 31, 2020.

	2019				
	Financial assets at amortized cost			Financial Assets at FVPL	Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	₱31,363,529	₱—	₱—	₱—	₱31,363,529
Financial assets at FVPL	—	—	—	425,135,599	425,135,599
Receivables**	—	196,551,055	368,292	—	196,919,347
Advances to subsidiaries	3,247,499,136	—	3,261,249	—	3,250,760,385
Amounts held in escrow	55,266,376	—	—	—	55,266,376
Deposits	47,771,783	—	—	—	47,771,783
	₱3,381,900,824	₱196,551,055	₱3,629,541	₱425,135,599	₱4,007,217,019

*Excludes cash on hand amounting to ₱45,000 as at December 31, 2019.

**Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱94.2 million as at December 31, 2019.

Liquidity Risk

Liquidity risk is the risk that the Company may not be able to settle its obligations as they fall due.

The table below summarizes the maturity profile of the financial liabilities of the Company based on remaining contractual undiscounted cash flows as at December 31, 2020 and 2019:

2020						
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	P=	P1,459,723,970	P300,000,000	P325,000,000	P2,100,000,000	P4,184,723,970
Bonds payable	—	—	—	—	3,000,000,000	3,000,000,000
Accounts payable and other liabilities*	100,819,982	356,428,351	—	—	—	457,248,333
Advances from subsidiaries	392,568,926	—	—	—	—	392,568,926
	P493,388,908	P1,816,152,321	P300,000,000	P325,000,000	P5,100,000,000	P8,034,541,229

*Excludes advance rent and statutory liabilities aggregating to P71.7 million as at December 31, 2020.

2019						
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	P=	P1,429,313,816	P150,188,056	P300,376,114	P1,432,322,061	P3,312,200,047
Accounts payable and other liabilities*	170,838,164	351,268,367	—	—	—	522,106,531
Advances from subsidiaries	282,425,397	—	—	—	—	282,425,397
	P453,263,561	P1,780,582,183	P150,188,056	P300,376,114	P1,432,322,061	P4,116,731,975

*Excludes advance rent and statutory liabilities aggregating to P81.0 million as at December 31, 2019.

The Company monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Company monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

The Company's objective is to maintain a balance between continuity of funding and flexibility. The Company addresses liquidity concerns primarily through cash flows from operations.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Company's loans payable to local banks are subject to fixed interest rates and are exposed to fair value interest rate risk. The re-pricing of these instruments is done on annual intervals.

The Company regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Company's net income.

Capital Management

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

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

	2020	2019
Total liabilities	₱8,882,295,645	₱4,860,140,510
Total equity	6,376,532,729	5,921,524,670
Debt-to-equity ratio	1.39:1:00	0.82:1:00

The Company manages the capital structure and makes adjustments when there are changes in the economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

25. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Company's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

		2020			
		Fair Value			
	Note	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	5	₱2,807,098,299	₱2,807,098,299	₱—	₱—
Investment properties	7	5,769,152,324	—	155,885,678	5,613,266,646
Asset for which fair value is disclosed –					
Financial assets at amortized cost –					
Deposits	10	38,972,963	—	—	36,121,963
		₱8,615,223,586	₱2,807,098,299	₱155,885,678	₱5,649,388,609
Liability for which fair value is disclosed:					
Loans payable	11	₱4,157,433,803	₱—	₱—	₱4,500,970,034
Bonds payable	12	2,958,526,698	—	—	3,540,814,710
		₱7,115,960,501	₱—	₱—	₱8,041,784,744

		2019			
		Fair Value			
	Note	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	5	₱425,135,599	₱425,135,599	₱–	₱–
Investment properties	7	4,850,215,365	–	147,761,482	4,702,453,883
Asset for which fair value is disclosed –					
Financial assets at amortized cost –					
Deposits	10	47,771,783	–	–	46,936,593
		₱5,323,122,747	₱425,135,599	₱147,761,482	₱4,749,390,476
Liability for which fair value is disclosed –					
Loans payable	11	₱3,290,331,059	₱–	₱–	₱3,399,965,049

The following methods and assumptions were used in estimating the fair value of the Company's financial assets and liabilities:

Financial Assets and FVPL. The fair value of financial assets at FVPL is classified under Level 1 of the fair value hierarchy using quoted market prices.

Investment Properties. The fair value of ACPT, Arya Residences and raw land were determined using land development approach, discounted cash flow approach and market data approach.

Deposits and Loans Payable. The fair value of the Company's deposits and loans payable was determined by discounting the sum of all future cash flows using the prevailing market rates of interest for instruments with similar maturities. Interest-bearing loans payable includes accrued interest in the estimation of its fair value.

The table below presents the financial assets and liabilities of the Company whose carrying amounts approximate fair values as at December 31, 2020 and 2019:

	2020	2019
Financial assets:		
Cash and cash equivalents	₱497,541,687	₱31,408,529
Receivables*	307,672,098	196,551,055
Advances to subsidiaries	3,814,940,402	3,247,499,136
Amounts held in escrow	54,468,483	55,266,376
	₱4,674,622,670	₱3,530,725,096
Financial liabilities:		
Accounts payable and other liabilities**	₱457,248,333	₱522,106,531
Advances from subsidiaries	392,568,926	282,425,397
	₱849,817,259	₱804,531,928

*Excludes accrued rent receivables under straight-line basis of accounting aggregating to ₱86.1 million and ₱94.2 million as at December 31, 2020 and 2019, respectively.

**Excludes advance rent and statutory liabilities aggregating ₱71.7 million and ₱81.0 million as at December 31, 2020 and 2019, respectively.

26. Classification of Separate Statements of Financial Position Accounts

The Company's current portions of its assets and liabilities as at December 31, 2020 and 2019 are as follows:

	Note	2020	2019
Current Assets			
Cash and cash equivalents	4	₱497,541,687	₱31,408,529
Financial asset at FVPL	5	2,807,098,299	425,135,599
Receivables	6	393,733,852	290,773,337
CWT		288,929,356	265,639,220
Advances to subsidiaries	9	3,814,940,402	3,247,499,136
Other assets*	10	230,036,921	154,497,301
		₱8,032,280,517	₱4,414,953,122

*Excludes deposits and deferred input VAT aggregating to ₱43.4 million and ₱51.8 million as at December 31, 2020 and 2019, respectively.

	Note	2020	2019
Current Liabilities			
Current portion of loans payable	11	₱1,459,723,970	₱1,429,313,816
Accounts payable and other liabilities	13	528,934,751	603,087,687
Advances from subsidiaries	19	392,568,926	281,425,397
		₱2,381,227,647	₱2,313,826,900

27. Events After Reporting Period

Declaration of Cash Dividends

The Company's BOD approved and declared the following cash dividends:

Class of shares	Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share
Series C preferred shares	January 27, 2021	March 8, 2021	March 27, 2021	₱17,319,000	₱1.73
Series B preferred shares	January 27, 2021	February 15, 2021	March 6, 2021	35,229,000	1.76

The dividends shall be taken out of the unrestricted earnings of the Company as at December 31, 2020.



**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
Arthaland Corporation
7/F Arthaland Century Pacific Tower
5th Avenue corner 30th Street
Bonifacio Global City, Taguig City

We have audited the accompanying separate financial statements of Arthaland Corporation (the Company) as at and for the years ended December 31, 2020 and 2019, on which we have rendered our report dated March 24, 2021.

In compliance with the Revised Securities Regulations Code Rule 68, we are stating that the Company has 1,925 stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1499-AR-1 Group A

Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8534279

Issued January 5, 2021, Makati City

March 24, 2021
Makati City, Metro Manila



REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Arthaland Corporation
7/F Arthaland Century Pacific Tower
5th Avenue corner 30th Street
Bonifacio Global City, Taguig City

We have audited in accordance with Philippines Standards on Auditing, the separate financial statements of Arthaland Corporation (the Company) as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 and have issued our report thereon dated March 24, 2021. Our audits were made for the purpose of forming an opinion on the separate financial statements taken as a whole. The accompanying Schedule of Unappropriated Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a part of the separate financial statements. This information have been subjected to the auditing procedures applied in the audits of the separate financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the separate financial statements or to the separate financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the separate financial statements taken as a whole.

REYES TACANDONG & Co.



MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until August 15, 2021

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BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8534279

Issued January 5, 2021, Makati City

March 24, 2021
Makati City, Metro Manila

ARTHALAND CORPORATION
7/F Arthaland Century Pacific Tower
5th Avenue corner 30th Street
Bonifacio Global City, Taguig City

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2020

Unappropriated retained earnings, beginning		₱1,913,015,380
Adjustments:		
Cumulative gain on change in fair value of investment properties	(1,515,703,857)	
Unrealized holding loss on financial assets at FVPL	778,461	
Accumulated depreciation and amortization of investment properties	(28,657,453)	(1,543,582,849)
Unappropriated retained earnings, as adjusted, beginning		369,432,531
Add: Net income actually earned/realized during the period		
Net income during the year closed to retained earnings	727,946,331	
Realized holding loss on financial assets at FVPL	(778,461)	
Less: Non-actual/unrealized income and realized loss, net of tax		
Gain on change in fair value of investment properties	(641,801,448)	
Depreciation and amortization of investment properties	628,993	
Unrealized holding gains on financial assets at FVPL	(10,193,586)	
Depreciation of fair value of property and equipment	(37,233,686)	38,568,143
Cash dividends		(274,009,142)
Unappropriated retained earnings, as adjusted, ending		₱133,991,532

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

Mr. Jaime C. Gonzalez

(Contact Person)

(+632) 8 403-6910

(Company Telephone Number)

Sustainability Report for 2020

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

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(Form Type)

0	6	Last	Fri
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Month Day
(Annual Meeting)

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(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

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Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

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Document ID

Cashier

STAMPS

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SUSTAINABILITY REPORT

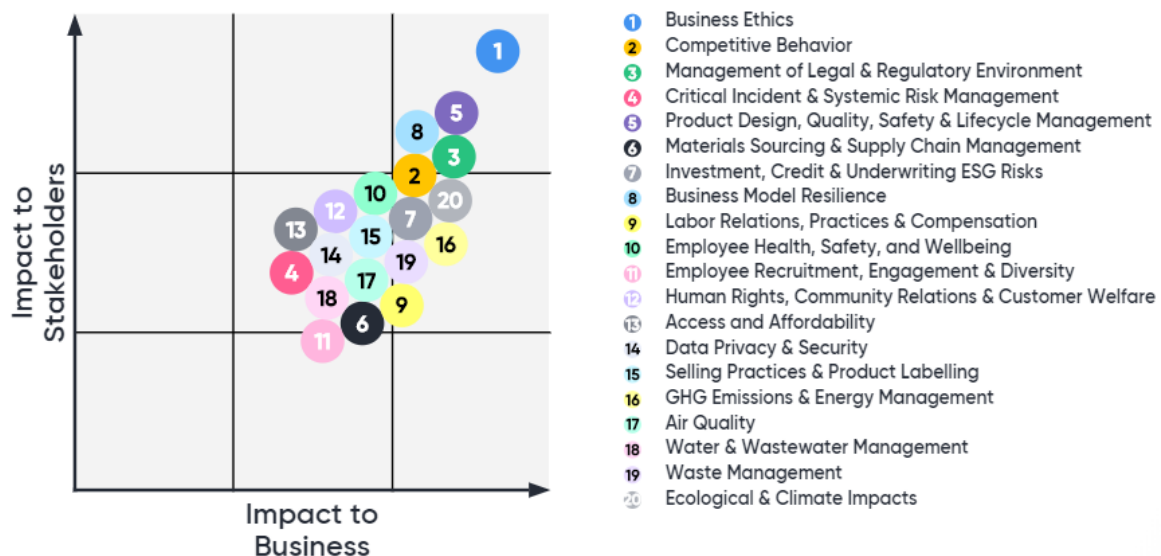
Company Details	
Name of Organization	ARTHALAND CORPORATION (“Arthaland”)
Location of Headquarters	7F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City, Taguig City
Location of Operations	Philippines
Report Boundary: Legal entities (e.g., subsidiaries) included in this report	<p>This Annex shall report on the operations of the following developments/projects of Arthaland and its subsidiaries:</p> <ol style="list-style-type: none"> 1. Arthaland Century Pacific Tower (ACPT), owned by Arthaland and managed by Emera Property Management, Inc. (Emera) 2. Cebu Exchange, owned by Cebu Lavana Land Corp. and to be managed by Emera 3. Savya Financial Center, owned by Savya Land Development Corporation and to be managed by Emera 4. Sevina Park, owned by Cazneau Inc. and to be managed by Emera, and 5. Arya Residences, managed by Emera.
Business Model, including Primary Activities, Brands, Products, and Services	Arthaland is a green developer recognized by both local and global organizations for its superior design, high quality, and focus on sustainability and innovation. Its portfolio is 100% certified and/or vying for green building certification, composed of residential and commercial buildings, and neighborhood development.
Reporting Period	January 1 to December 31, 2020
Highest Ranking Person responsible for this report	Jaime C. Gonzalez Vice Chairman & President

Materiality Process

ARTHALAND is the pioneer developer of premium green and sustainable projects. At the heart of every Arthaland project is sustainability, exceptional and innovative design, and high-quality construction standards. Its developments at present are residential and commercial buildings, and a horizontal mixed-use neighborhood development. All these projects adhere to global and national standards for green buildings through the Leadership for Energy and Environmental Design (LEED) rating system of the US Green Building Council (USGBC) and the Building for Ecologically Responsive Design Excellence (BERDE) rating system of the Philippine Green Building Council (PHILGBC). In 2019 and 2020, Arthaland expanded its sustainability commitment by pursuing additional green building rating tools, specifically the Excellence for Design and Greater Efficiencies (EDGE) rating system of the International Finance Corporation (IFC), and the WELL Building Standard (WELL) rating system of the International WELL Building Institute (IWBI).

Building its foundations on sustainable development, Arthaland understands the significant impact that its developments bring to the economy, the environment and the society. Arthaland identified significant areas of its business activities that contribute, presently and potentially, to its financial, social and environmental performance in accordance with the Global Reporting Initiative (GRI) guidelines.

The results from the previous year's materiality assessment are considered for this year's report. In two different sessions, Top Management and select business units identified, assessed and prioritized sustainability concerns based on their expertise, decision process, and knowledge that represent the interests of stakeholders particularly the company's customers, employees, contractors and local communities. The materiality assessment sessions resulted in the following:



Criticality of topics are measured as low, medium or high depending on the degree of effect of these topics to Arthaland's business and stakeholders. Thus, topics identified as high and medium level of criticality are presented in this Report. Other topics are either deemed with low level of criticality or not applicable to the business of Arthaland.

Each material topic answers to a standard/s set by the GRI that helps monitor Arthaland's performance towards a more sustainable business. As Arthaland leans towards sustainable design, construction and operations, it contributes to the Sustainable Development Goals (SDGs) of the United Nations (UN). Arthaland follows a framework where people, planet and profit prosper simultaneously through (1) Business and Project Development, (2) Project Planning, (3) Project Implementation, and (4) Delivery and After Sales.

Alignment of Material Topics to GRI Standards

Criticality	Material Topic	Relevant GRI Standard	Contribution to SDGs
High	1-Business Ethics	GRI 102-16: Values, principles, standards, and norms of behavior GRI 205: Anti-corruption	SDG 16: Peace, Justice and Strong Institutions
High	5-Product Design, Quality, Safety & Lifecycle Management	GRI 102-9: Supply chain GRI 301: Materials GRI 302: Energy GRI 303: Water and Effluents GRI 416: Customer Health and Safety	SDG 3: Good Health and Well-being SDG 6: Clean Water and Sanitation SDG 7: Affordable and Clean Energy SDG 11: Sustainable Cities and Communities SDG 12: Responsible Consumption and Production
High	8-Business Model Resilience	GRI 102-11: Precautionary Principle or approach GRI 102-15: Key impacts, risks, and opportunities	SDG 16: Peace, Justice and Strong Institutions
High	3-Management of Legal & Regulatory Environment	GRI 307: Environmental Compliance GRI 419: Socioeconomic Compliance	SDG 16: Peace, Justice and Strong Institutions
Medium	2-Competitive Behavior	GRI 206: Anti-competitive Behavior	SDG 16: Peace, Justice and Strong Institutions
Medium	20-Ecological & Climate Impacts	GRI 304: Biodiversity GRI 305: Emissions	SDG 13: Climate Action SDG 15: Life on Land
Medium	10-Employee Health, Safety, and Wellbeing	GRI 403: Occupational Health and Safety	SDG 3: Good Health and Well-being
Medium	7-Investment, Credit & Underwriting ESG Risks	GRI 102-15: Key impacts, risks, and opportunities	SDG 17: Partnership for the Goals
Medium	16-GHG Emissions & Energy Management	GRI 302: Energy GRI 305: Emissions	SDG 7: Affordable and Clean Energy
Medium	12-Human Rights, Community Relations & Customer Welfare	GRI 408: Child Labor GRI 409: Forced or Compulsory Labor GRI 411: Rights of Indigenous Peoples GRI 412: Human Rights Assessment GRI 413: Local Communities	SDG 3: Good Health and Well-being SDG 8: Decent work and economic growth

Criticality	Material Topic	Relevant GRI Standard	Contribution to SDGs
		GRI 416: Customer Health and Safety	
Medium	15-Selling Practices & Product Labelling	GRI 417: Marketing and Labeling	SDG 16: Peace, Justice and Strong Institutions
Medium	19-Waste Management	GRI 306: Effluents and Waste	SDG 12: Responsible Consumption and Production
Medium	13-Access and Affordability	GRI 206: Anti-competitive Behavior	SDG 11: Sustainable Cities and Communities
Medium	14-Data Privacy & Security	GRI 418: Customer Privacy	SDG 16: Peace, Justice and Strong Institutions
Medium	17-Air Quality	GRI 305: Emissions	SDG 3: Good Health and Well-being
Medium	9-Labor Relations, Practices & Compensation	GRI 401: Employment GRI 402: Labor/Management Relations	SDG 8: Decent Work and Economic Growth
Medium	4-Critical Incident & Systemic Risks Management	GRI 102-15: Key impacts, risks, and opportunities	SDG 16: Peace, Justice and Strong Institutions
Medium	18-Water & Wastewater Management	GRI 303: Water and Effluents GRI 306: Effluents and Waste	SDG 6: Clean Water and Sanitation
Medium	6-Materials Sourcing & Supply Chain Management	GRI 204: Procurement Practices GRI 301: Materials GRI 308: Supplier Environmental Assessment GRI 414: Supplier Social Assessment	SDG 12: Responsible Consumption and Production
Medium	11-Employee Recruitment, Engagement & Diversity	GRI 401: Employment GRI 405: Diversity and Equal Opportunity	SDG 5: Gender Equality SDG 8: Decent Work and Economic Growth

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure		Amount	Units
Direct economic value generated		3,331,575,484	Php
Direct economic value distributed	Operating costs, including payment to suppliers ¹	2,045,484,783	Php
	Employee wages & benefits	198,294,314	Php
	Dividends to stockholders and interest payments	374,588,218	Php
	Taxes to government	145,670,789	Php
	Community investments	7,101,643	Php
Direct economic value retained		560,435,737	Php

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
A company's business model affects its overall economic performance that is primarily impacted by market view and acceptance.	Shareholders and Stakeholders	<p>Arthaland creates shareholder and stakeholder value by positioning itself as a green developer who designs, constructs and operates buildings and neighborhoods that are sustainable through nationally and globally recognized rating systems, such as LEED, BERDE, EDGE and WELL green building rating tools.</p> <p>Arthaland's portfolio consists of:</p> <ul style="list-style-type: none"> • Arya Residences (Arya), the company's flagship residential development, is the first and only dual certified residential building in the Philippines to date, having been awarded with LEED Gold and BERDE 4-Stars. In 2020, it was awarded with ANZ/PH 3-Star under PHILGBC's Advancing Net Zero pilot program. • Arthaland Century Pacific Tower (ACPT), the company's flagship office development, is the only triple certified building in the Philippines at present, having been awarded the highest distinctions of LEED Platinum, BERDE 5-Stars, and EDGE Zero Carbon. In 2020, it was awarded Net Zero Energy under PHILGBC's Advancing Net Zero pilot program.

¹ Net of other costs identified (wages, taxes, community investments)

		<ul style="list-style-type: none"> • Cebu Exchange (CebEx) is an office building in Cebu is now LEED Pre-certified Gold and in 2020, with WELL Precertification under IWBI's WELL certification. The project is on track for BERDE and EDGE certifications. • Savya Financial Center is an office building in Arca South, Taguig City that is LEED Pre-certified Gold and on track for BERDE, EDGE and WELL certifications. • Sevina Park is a horizontal mixed-use development with townhouses² awarded LEED Platinum under LEED Neighborhood Development and LEED Homes.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
All businesses have the risk of implementing its business plans and strategies successfully.	Shareholders, Business & Project Development Department, Technical Services Department, Management and Project Services Department	Arthaland continues to capitalize on the extensive experience of its management team composed of highly experienced industry veterans from various real estate developers, carrying a wealth of cumulative management experience in the Philippines and abroad to transform its plans into reality through a deep understanding of the market as well as the careful formation of its strategies. Arthaland also banks on the success of Arya and ACPT as proof of its track record and capability to deliver quality projects on schedule and within budget.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There are growth opportunities in different market segments and geographic areas.	Business & Project Development Department	Arthaland remains constantly on the lookout for opportunities to acquire properties in different segments and locations that match its development plans.

Climate-related risks and opportunities

Governance	
Disclose the organization's governance around climate-related risks and opportunities	<p>Arthaland's foundation is building sustainable developments where climate-related subjects are an essential part. This direction starts with the Board of Directors, then the President, and finally, Management. Each department in Arthaland plays a role in the wholistic delivery of sustainable developments.</p> <p>The Board of Directors consider climate-related risks and opportunities through the recommendations of Management and their alignment with Arthaland's mission and vision, which is, in brief, to be the preferred and world-class company for sustainable developments that provides a wealth of life to its stakeholders.</p>

² Only one townhouse (a.k.a. Villa Model Unit) is awarded at present. The rest of the townhouses are on track for LEED and EDGE certifications.

	In 2019, Arthaland reworded its vision, mission and core values to give further emphasis to its commitment to sustainability, sending a clearer message that Arthaland is building sustainable legacies.
Strategy	
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material	<p>Extreme weather events and major natural disasters impact the business in its timely delivery of projects and the repair costs of potential damage, while major biodiversity loss and ecosystem collapse impacts resources which are essential to the construction and operations of developments.</p> <p>To reduce climate-related risks and take advantage of opportunities, Arthaland supports the conservation of biodiversity, and designs and constructs buildings that mitigate and adapt to climate change and reduce man-made environmental damage and disasters.</p> <p>Further, Arthaland joined the Advancing Net Zero (ANZ) project of the World Green Building Council (WorldGBC) by being a signatory to the Net Zero Carbon Buildings (NZCB) Commitment in 2020. The commitment³ notably includes the undertaking of decarbonizing the entire Arthaland development portfolio by 2030.</p>
Risk Management	
Disclose how the organization identifies, assesses, and manages climate-related risks	<p>Arthaland gives climate-related risks high importance because of their significant impact not only to its projects themselves, but also to the surrounding communities. As a result, Arthaland always aims to contribute positively in different aspects of green building, such as location and transportation, site development, water, energy and waste.</p> <p>Experts are engaged to deliver green buildings in every aspect. One such activity is to identify and address climate-related risks by engaging for each project licensed geotechnical engineer/s to conduct a Geotechnical Assessment Report which contains suggested design strategies and construction methodologies to address the different hazards the site is exposed to.</p>
Metrics and Targets	
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	<p>All of Arthaland's developments shall be sustainable by securing third party green building certifications – at present, defined by achieving USGBC's LEED, PHILGBC's BERDE, IFC's EDGE and IWBI's WELL certifications.</p> <p>Arthaland developments claim the following:</p> <ul style="list-style-type: none"> • Arya is the first and only residential building in the Philippines to date, that is multi-certified, having achieved LEED Gold, BERDE 4-Stars and ANZ/PH 3-Star. • ACPT is the first and only triple certified office building in the Philippines at present, having achieved the highest ratings of LEED Platinum, BERDE 5-Stars and EDGE Zero Carbon. <p>Arthaland and its developments are multi-awarded by various local and global organizations. The recognition received for 2020 are, as follows:</p>

³ The detailed information about Arthaland's commitment is published in the WorldGBC's website.

	<ul style="list-style-type: none"> • Finalist in the 2020 Transformational Business Award for Transformational Solutions in Urban Infrastructure • Special Recognition in the WorldGBC Pacific Leadership in Green Building Awards 2020 for Business Leadership in Sustainability Award • Winner in the Philippine Leadership in Green Building Awards 2020 for Business Leadership in Sustainability Award • Winner in the Philippine Leadership in Green Building Awards 2020 for Leadership in Sustainable Design and Performance Award • Winner in the DOE-EUMB Energy Efficiency Awards 2020 for Large Building Category
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Procurement Processes

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement spending used for significant locations of operations that is spent on local suppliers	94.42	%

The local suppliers in this report are accredited vendors of the company who have a business address in the Philippines and/or have 60% of their workforce as Filipinos.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Procurement practices reflect a company's business ethics and competitive behavior, which paints the company's image.	Shareholders/ Organization	<p>Arthaland established policies on Business Conduct and Ethics, Conflict of Interest, Anti-Corruption and Bribery, Insider Trading, and Related Party Transactions, to name a few. These policies indicate that the following, at the very least, shall be implemented:</p> <ul style="list-style-type: none"> • Promotion of a culture that fosters and maintains the core values of fairness, transparency, accountability and integrity • Disclosure of any conflict of interest on personal, professional and business interests • Zero-tolerance to bribery and corruption, and • No inside trading allowed, and related party transactions must at all times be properly disclosed and implemented on an arms-length basis.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Unethical procurement practices will not only paint the wrong and bad	Employees and Vendors (Designers, Contractors and the like)	Unethical procurement practices will not only paint the wrong and bad image of the company. It can

image of the company, it can also expose the company to substandard service and/or overpricing.		also expose the company to substandard service and/or overpricing.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Opportunity to ensure that good procurement practices are relevant to the present time.	Board of Directors, Strategic Procurement Department, Employees	Review of procurement practices and related policies are done annually, and as often as may be necessary, to ensure relevance to the present time.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti- corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Corruption reflects the company's business ethics, which paints the company's image.	Shareholders, Board of Directors, Management and Employees	Arthaland has established a policy on anti-corruption and bribery which categorically states that it has zero-tolerance to bribery and corruption in all its dealings and engagement.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Wrong practices will have a negative impact on Arthaland's reputation. Exposure to this risk is during the selection of vendors.	Employees and Vendors (Designers, Contractors and the like)	Arthaland ensures that employees exposed to such risks know the related policies and the proper procedure in handling situations that could put the company at risk. A key core value of Arthaland is "we always work with integrity".
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach

Opportunity to ensure that the Anti-corruption and Bribery Policy is relevant to the present time.	Board of Directors, and the entire organization	Review of the Anti-corruption and Bribery Policy and related policies are done annually, or as often as may be necessary, to ensure relevance to the present time.
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Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Corruption incidence is a partial indication of a company's corruption risk level.	Board of Directors, Employees and Business Partners	Arthaland strictly implements its Anti-corruption and Bribery Policy to ensure proper procedures are followed to avoid and/or handle corruption, if any arise.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The departments or individuals who handle procurement of materials or awarding of contracts have the highest risk for corruption.	Strategic Procurement Department	Part of Arthaland's Anti-corruption and Bribery Policy is that there is no one individual who can decide to whom to award a contract.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There is an opportunity to ensure that all departments and individuals are free of corruption.	Employees	Arthaland has external auditors who review the company's proceedings and ensure that all is in proper order and free of corruption.

ENVIRONMENT

Resource Management

Energy consumption within the organization

Disclosure	Quantity	Units
Energy consumption (renewable sources)	6,254,531	kWh
Energy consumption (gasoline)	0	m ³
Energy consumption (LPG)	4,685	m ³
Energy consumption (diesel)	1	m ³
Energy consumption (electricity)	6,421,091	kWh

The energy consumption disclosed include all consumptions from all areas in Arthaland's operational developments such as common areas and its tenanted areas. The common areas include, but are not limited to, ACPT's Business Center and Arya's amenity areas. Note that the report last year covered energy consumption in areas under Arthaland's jurisdiction.

Specific to the diesel consumption disclosed, it includes the consumption of the generator sets for preventive maintenance but is not necessarily the consumption to supply the buildings' energy demand. The electric consumption excludes the renewable energy consumption of the developments.

Reduction of energy consumption

Disclosure	Quantity	Units
Energy consumption (gasoline)	0	m ³
Energy consumption (LPG)	-730	m ³
Energy consumption (diesel)	0	m ³
Energy consumption (electricity)	838,088	kWh

The reduction of energy consumption is calculated according to the difference between the total energy consumption of the previous year's records and the reporting year's records.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The product design is a significant factor to a building's energy performance, while the energy consumption impacts businesses economically in utility costs, as well as in the	Shareholders and Building Occupants	The design of the building is one of the significant factors that enables its occupants to reduce their operational energy demand. Arthaland strives to deliver buildings that are more energy efficient than the ASHRAE 90.1 baseline for sustainable buildings. The energy savings is calculated by a third-party consultant and verified by a globally recognized certifying body, Green Business Certification, Inc. (GBCI).

environmental footprint in GHG emissions.		<p>The following developments of Arthaland have been designed and is performing according to below energy savings of the said sustainable baseline standard:</p> <table> <tr> <th>Buildings⁴</th><th>Designed Energy Savings</th><th>Actual Energy Savings</th></tr> <tr> <td>Arya</td><td>33%</td><td>73%</td></tr> <tr> <td>ACPT</td><td>33%</td><td>47%</td></tr> </table> <p>.</p>	Buildings ⁴	Designed Energy Savings	Actual Energy Savings	Arya	33%	73%	ACPT	33%	47%
Buildings ⁴	Designed Energy Savings	Actual Energy Savings									
Arya	33%	73%									
ACPT	33%	47%									
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach									
The energy consumption of every building and organization is directly proportional to their GHG emissions contributions which is the prime factor to climate change and global warming.	Building Occupants and surrounding communities	Arthaland will continue to design and build third-party certified sustainable buildings to enable its occupants to have energy savings and reduced GHG emissions.									
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach									
Buildings of certain energy capacity have the opportunity to be supplied by renewable sources.	Building Occupants	Arthaland prioritizes renewable energy suppliers who can provide the energy demand of its eligible developments. ACPT contracted hydroelectric power for 100% of its building energy demand, and this earned it an award and title from IFC as the first in the world to be a Zero Carbon certified building under the EDGE rating tool.									

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	0	m ³
Water consumption	89,304	m ³
Water recycled and reused	2,160	m ³

The water consumption disclosed include all consumptions from all areas in Arthaland's operational developments such as common areas and its tenanted areas. The common areas include, but are not limited to, ACPT's Business Center and Arya's amenity areas. This further includes, but is not limited to, the consumption from the Business Center common toilets, the irrigation consumption for the landscape areas, the swimming

⁴ The developments not included in this table are projects that are yet to undergo third-party verification process for their projected energy savings.

pool water, the building maintenance, etc. Note that the report last year covered energy consumption in areas under Arthaland's jurisdiction.

Specific to the water recycled and reused, the disclosed quantity is calculated by the difference between the readings from the total of the submeters and the main meter.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach									
The product design is a significant factor to a building's water performance, and the water consumption impacts the business economically in utility costs, as well as an environmental stress to the aquifers.	Building users and surrounding communities	<p>The design of the building is one of the significant factors that will enable its occupants to reduce their operational water demand. Arthaland strives to deliver buildings that are more water efficient than the baseline of the Uniform Plumbing Code, and the US Environmental Protection Agency (EPA) Water Budget Standard. The water savings is calculated by a third-party consultant and verified by a globally recognized certifying body, Green Business Certification Inc. (GBCI).</p> <p>The following Arthaland development has been designed and is performing according to below indoor water savings of the said sustainable baseline standard:</p> <table> <tr> <th>Buildings⁵</th><th>Designed Water Savings</th><th>Actual Water Savings</th></tr> <tr> <td>Arya</td><td>40%</td><td>52%</td></tr> <tr> <td>ACPT</td><td>50%</td><td>81%</td></tr> </table>	Buildings ⁵	Designed Water Savings	Actual Water Savings	Arya	40%	52%	ACPT	50%	81%
Buildings ⁵	Designed Water Savings	Actual Water Savings									
Arya	40%	52%									
ACPT	50%	81%									
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach									
The water consumption of buildings and organizations create a stress in the aquifers such that it may reach a point where there would be scarcity of potable water.	Building Occupants and surrounding communities	Arthaland will continue to design buildings that are water efficient to reduce the operational water demand of the building occupants and the corresponding stress to the aquifers. Furthermore, Arthaland builds water recycling systems in its developments for alternative water sources of non-potable water supply for irrigation, toilet flushing, outdoor water use, and the like.									
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach									

⁵ The developments not included in this table are projects that are yet to undergo third-party verification process for their projected energy savings.

There is opportunity to design buildings that can source alternative water supply.	Building Occupants	Arthaland designs developments that can harvest graywater sources and reuse them as an alternative source to the municipal potable water supply. The graywater sources present in Arthaland's developments are rainwater and/or condensate water.
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Materials used by the organization

Disclosure	Quantity	Units
Materials used manufacture the organization's primary products and services		
• Renewable	Not measured	%
• Non-renewable	Not measured	%

The materials disclosed in this section are the permanently installed architectural and structural construction materials sourced and procured by Arthaland's General Contractors, considering the company's sustainable materials specification requirements. Renewable materials in this report are defined as materials that have recycled content, reused materials, bio-based materials, rapidly renewable materials and/or third-party certified green material, otherwise the material is considered as nonrenewable. The quantities are calculated according to the cost of materials.

The existing monitoring system for the materials performance was crafted to measure the sustainability commitment of Arthaland which is based according to each project's material purchases. The major difference between the data requirements of the Securities and Exchange Commission (SEC) and Arthaland's existing monitoring system is that the data are recorded per project regardless of the year purchased, and the unit of measure is recorded per material cost and not as per weight. Moving forward, Arthaland will be setting up a monitoring system that accommodates both requirements for future reports.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Materials are essential and necessary in constructing a building; however, it has an impact on the availability of natural resources. In Arthaland developments, the General Contractors are responsible in sourcing, procuring and installing these materials.	General Contractor	<p>Although construction materials are generally the responsibility of the General Contractors, Arthaland sets sustainable guidelines with the following targets:</p> <ul style="list-style-type: none"> • At least 10% of the materials' cost must be sustainable by having recycled content, reused materials, bio-based materials, rapidly renewable materials, Forest Stewardship Council (FSC) certified wood, etc. • At least 10% of the materials' cost must be sourced within 160 kilometers from the project site, and • 100% of the liquid applied materials (paints, coatings, adhesives, sealants, etc.) per volume must be within the VOC limits of the SCAQMD

		The compliance is confirmed by Arthaland's third-party consultant and accepted by a globally recognized certifying body, Green Business Certification Inc. (GBCI).
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
High demand for new construction materials affects the availability of natural resources which, without responsible sourcing, may lead to fast depletion and scarcity of materials.	General Contractors, Suppliers, and Manufacturers	Arthaland imposes on its General Contractors guidelines on materials performance targets. This urges General Contractors, as well as suppliers and manufacturers, to learn further and be influenced in developing innovative sustainable materials that can be applied to succeeding projects.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There is an opportunity to inform the supply chain in the built industry of the impact of materials in the environment, and the different ways for a material to be sustainable.	General Contractors, Suppliers and Manufacturers	Arthaland conducts workshops, when deemed necessary, for general contractors, suppliers, manufacturers and other members of the built industry to inform and teach them about sustainable materials.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	#
Habitats protected or restored	N/A	ha
IUCN ⁶ Red List species and national conservation list species with habitats in areas affected by operations	N/A	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Developing on lands that have significant ecosystem and biodiversity value	Surrounding communities	Arthaland avoids building in lands with significant ecosystem and biodiversity value in order to help in its preservation. This approach includes not building in areas that are: <ul style="list-style-type: none"> Agricultural land

⁶ International Union for Conservation of Nature

disrupts these areas of their natural habitat.		<ul style="list-style-type: none">• Habitat for endangered species• Waterbodies/wetlands• Historical sites, and• High hazard risk.						
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach						
Continuous disruption of ecosystem and biodiversity can lead to extinction of species and can increase the probability of flood risk due to the reduced biodiversity.	Surrounding communities	<p>Where possible, Arthaland provides venues for endangered trees to grow and be nurtured within its properties. This allows Arthaland to help in propagating endangered biodiversity and mitigate the effects of disrupted ecosystem and biodiversity. Arthaland started this initiative with its 8-hectare mixed use development, Sevina Park, by planting endangered trees such as:</p> <ul style="list-style-type: none">• Pterocarpus indicus (Narra)• Diospyros blancoi (Kamagong)• Dillenia philippinensis (Katmon), and• Vitex parviflora (Molave).						
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach						
There is an opportunity for developers to help in the preservation and restoration of the ecosystem and biodiversity even in lands that is not identified with ecosystem and biodiversity value.	Building users and surrounding communities	<p>Arthaland dedicates an area equivalent to 30% of its site for open space and vegetation. This helps in the increase of biodiversity, a means to manage rainwater, and spaces that building users can enjoy. Below is the percentage of open space and vegetation in each of Arthaland’s development:</p> <table><tr><td>Development</td><td>% Open Space & Vegetation</td></tr><tr><td>Arya</td><td>43%</td></tr><tr><td>ACPT</td><td>47%</td></tr></table> <p>The percentage is calculated by the total area of horizontal open space and vegetation over the total site area. Other properties developed by Arthaland will be added in the foregoing list after construction is complete.</p>	Development	% Open Space & Vegetation	Arya	43%	ACPT	47%
Development	% Open Space & Vegetation							
Arya	43%							
ACPT	47%							

Environmental Impact Management

GHG Emissions

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	6,288	tCO ₂ e
Energy indirect (Scope 2) GHG Emissions	2,044	tCO ₂ e
Emissions of ozone-depleting substances (ODS)	0	tonnes

The GHG emissions disclosed include the resulting emissions from operating and maintaining Arthaland's developments. The total emissions disclosed include emissions from the tenants and residents.

The Scope 1 GHG emissions factors, in carbon dioxide equivalence, is based from the database of the International Carbon Bank & Exchange. The Scope 2 GHG emissions, in carbon dioxides equivalence, is calculated using the Philippines' national grid mix coefficients from the International Energy Agency CO2 Emission from Fuel Combustion 2020 report, and using the Philippines' energy mix factor and total energy generated for the year is based from Dependable Capacity per Fuel Type in the latest Power Situation Report of the Philippines' Department of Energy.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
GHG is one of the factors to climate change and global warming. Buildings contribute to the GHG emissions through its choice of energy sources and amount used for its operations.	Building Users	Given the same approach with the Energy Consumption – by designing buildings that are energy efficient, the GHG emissions produced from its energy production are reduced.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Continuous release of GHG in the atmosphere will advance climate change and worsen global warming.	Building Users	Arthaland designs its developments not only to be sustainable but also to be resilient towards natural hazards. Among the strategies used are: <ul style="list-style-type: none"> • Smart selection of the site where there is low risk for natural disasters • Due diligence for structural integrity and design, and • Mitigation measures for flooding and heat island effect, and the like
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There is an opportunity to source from clean energy where there is zero to low GHG emissions.	Building Users	Arthaland continues to study other ways where all its developments will be able to source from clean and renewable energy.

Air pollutants

Disclosure	Quantity	Units
NOx	N/A	kg
SOx	N/A	kg

Disclosure	Quantity	Units
Persistent organic pollutants (POPs)	N/A	kg
Volatile organic compounds (VOCs)	N/A	kg
Hazardous air pollutants (HAPs)	N/A	kg
Particulate matter (PM)	N/A	kg

The presence of the identified air pollutants in the Arthaland developments are very low due to the nature of the activities in residential and/or commercial developments. Arthaland however has established standards and procedures to ensure that air pollutants are prevented from coming in and/or are flushed out in the buildings. These standards and procedures are composed of compliance with international standards for the ventilation design of the developments, and implementation of construction indoor air quality management plan.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Air quality inside buildings can significantly impact the health of those inside it – may it be during occupancy/operations or during construction.	Building users, construction workers	Arthaland ensures that its developments have measures to ensure good air quality both during operational and construction stages, by: <ul style="list-style-type: none"> • Design compliance to the international standards ASHRAE 62.1 and 62.2 for ventilation. Compliance with this standard means that every space in the building can receive the adequate amount of fresh and clean air during operations. • Implementation of construction indoor air quality management plan which looks after the air pollutants during construction.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The risk for air pollutants to be present inside a building is during and right after construction. During and before project turnover, the General Contractor manages the air quality of the building.	General Contractor, construction workers	It is not deemed important to measure each of the pollutant's concentration since a construction indoor air quality management plan is implemented. The plan observes the following measures throughout the construction phase and the fit-out works to make sure that pollutants are not within the spaces: <ul style="list-style-type: none"> • Use of low emitting materials, e.g. low VOC content materials • Use of human powered or electric equipment to reduce CO pollutants • Use of local exhaust to reduce other construction pollutants
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The risk for these pollutants to be present inside an office or	Building users	It is not deemed important to measure each of the pollutant's concentration within a building's space since the nature of activities in the building are

residential building is very low due to the nature of activities.		<p>unlikely to have pollutants. However, measures are implemented to ensure that the buildings are free of these pollutants:</p> <ul style="list-style-type: none"> • Adequate flow of air to ensure air changes within spaces, either through natural or mechanical ventilation • Standard compliant with the exhaust system in areas that may have high chemical concentration
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Solid and Hazardous Wastes

Solid Wastes

Disclosure	Quantity	Units
Total solid waste generated	333,829	kg
Recyclable / Reusable / Composted	259,447	kg
Incinerated	0	Kg
Residuals/Landfilled	74,382	kg

The solid wastes disclosed in this report are the construction waste generated by Arthaland's General Contractors in the construction sites. The existing construction waste monitoring system records the diverted waste from the landfill and does not differentiate the specific disposal method. The disclosed records combine the reused, recycled and composted wastes.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach		
The construction of a development generates a significant amount of waste which can contribute to pollution if not managed properly. The General Contractor manages their generation and waste disposal during construction.	General Contractor	Arthaland ensures that the General Contractor for each development implements a construction waste management plan which contains the following per project: <ul style="list-style-type: none">• Facility for waste segregation, storage and collection• Proper waste segregation• Waste diversion rate target of 50% by weight		
		The table below shows the progress percentage diversion rate of Arthaland developments with generated construction wastes:		
		<table><tr><th>Projects in Construction</th><th>Progress Diversion Rate</th></tr><tr><td>Cebu Exchange</td><td>90%</td></tr></table>	Projects in Construction	Progress Diversion Rate
Projects in Construction	Progress Diversion Rate			
Cebu Exchange	90%			

		Savya Financial Center	81%
		Sevina Park	100%
		Progress percentage diversion rate is the project's accumulative diverted materials over total waste generated from the start of construction until this reporting period.	
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach	
Mismanaged construction waste can cause hazards to the community and construction workers if left unattended inside the site and in public places. It can also cause damage or public concerns, should the solid wastes drain to the public sewers.	General Contractor	In order to ensure that the construction waste management plan is implemented correctly. Arthaland have set up a procedure where a third-party consultant monitors and verifies the General Contractor's waste performance.	
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach	
The success of waste diversion from landfill/dumpsite is significantly dependent on the waste management on site.	General Contractor	All construction developments of Arthaland are required to have a permanent or temporary Material Recovery Facility accessible to the site to ensure that waste segregation, proper storage and collection point is available for easier waste diversion.	

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	173	kg
Total weight of hazardous waste transported	0	kg

The hazardous wastes disclosed in this report are the construction hazardous wastes generated by Arthaland's General Contractor in the construction sites. These include but not limited to cans of paint, sealants, busted lamps, etc.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach

The most significant hazardous waste generation in the business life cycle of a project development is during its construction. The General Contractor manages their generation of hazardous waste together with the solid waste.	General Contractor	Arthaland ensures that the General Contractor for each development implements a construction waste management plan which contains the following per project: <ul style="list-style-type: none"> • Dedicated space for hazardous waste in the waste storage, and • Proper waste segregation and disposal
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Mismanaged hazardous waste can cause health hazards to the community and the environment.	General Contractor	In order to ensure that, the construction waste management plan is implemented correctly, Arthaland has set up a procedure where its third-party consultant frequently inspects the site for compliance.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The proper handling and disposal of hazardous waste is significantly influenced by the availability of storage facilities.	General Contractor	All construction developments of Arthaland are required to have a permanent or temporary Material Recovery Facility, which has a dedicated space for hazardous waste, and accessible to the site to ensure that waste segregation, proper storage and collection point is available for easier waste handling.

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	Not measured	m ³
Percent of wastewater recycled	0	%

The volume of effluent water in buildings is relative to its water consumption; hence, establishing a measuring system for the building's water consumption is enough to address the issues related to the effluent water volume. The developments of Arthaland do not measure effluent volume directly but address its environmental impact by the reduction of each of its building's total water demand.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The volume of wastewater generated by buildings is equivalent to the amount of water that	Building users	The same approach with the Water Consumption – by reducing the operational water demand of a building reduces the wastewater generated, which also means less water needs to be treated.

needs to be treated before it is safe to discharge in the public sewers.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Untreated wastewater can damage plant and marine lives where it is discharged.	Surrounding community	Arthaland designs all its developments' wastewater to go through an onsite or offsite sewage treatment plants to ensure that the wastewater generated is properly treated prior to discharge.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There is an opportunity for buildings to build their own sewage treatment plant and reuse the treated water to offset the building's water demand.	Building users	Arthaland, through the help of experts, designs and builds its own sewage treatment plant in the absence of a centralized plant from the municipality. Among Arthaland developments, CebEx deemed it necessary to build its own, and has taken the same opportunity to reuse the wastewater for the building's non-potable water demand.

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The General Contractor's construction activities can impact the environment negatively when not regulated strictly.	Surrounding community	The General Contractors of Arthaland are mandated to acquire all necessary permits prior to construction and to comply with all relative environmental laws during construction.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The General Contractor's noncompliance with the	Building users, surrounding community	Arthaland engages experts to assess the development's impact within the site's surrounding

environmental laws can damage the biodiversity within and around the site, which can pose health and safety issues for the surrounding community.		areas, and to ensure that the design does not violate any environmental laws.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There are more opportunities to respond to environmental issues other than compliance with environmental laws.	General Contractor	<p>In all of Arthaland's developments, the General Contractors are required to implement an erosion and sedimentation control plan to prevent pollution during construction activities. The plan established ensures that any body of water and public sewers near and around the construction site is protected. These measures include:</p> <ul style="list-style-type: none"> • Perimeter barrier to contain erosion and sedimentation within the site • Curb protection to filter the stormwater coming from the site before it drains to the public sewers, and • Wash bays for the truck egress to clear their tires of construction soil.

SOCIAL

Employment Management

Employee Hiring and Benefits: Employee data

Disclosure	Quantity	Units
Total number of employees	139	#
a. Number of female employees	80	#
b. Number of male employees	59	#
Attrition rate ⁷	10%	rate
Ratio of lowest paid employee against minimum wage	19:12	ratio

The employees disclosed in the report are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary). The employee data disclosed in the report includes the employees of Arthaland and Emera.

Employee Hiring and Benefits: Employee benefits

List of Benefits	Y/N	% of female employees who availed for the Year	% of male employees who availed for the Year
SSS	Y	34%	22%
PhilHealth	Y	8%	12%
Pag-ibig	Y	15%	8%
Parental leaves	Y	0%	3%
Vacation leaves (VL)	Y	88%	75%
Sick leaves (SL)	Y	66%	46%
Medical benefits (aside from PhilHealth)	Y	53%	38%
Housing assistance (aside from Pag-ibig)	N	0%	0%
Retirement fund (aside from SSS)	Y	0%	0%
Further education support ⁸	Y	1%	0%
Telecommuting ⁹	Y	100%	100%
Flexible-working Hours	N	0%	0%
Transportation allowance ¹⁰	Y	100%	100%

7 The attrition rate is calculated by (no. of new hires – no. of turnover) / (average of total no. of employees of previous year and total no. of employees of current year).

8 Further education support includes formal education, short courses, continuous professional development/education that aim to upgrade skills.

9 The telecommuting benefit was made available during pandemic as part of the business continuity plan of Arthaland.

10 The availability and extent of the transportation benefit depends on the employee's rank. This includes, in part or combination of, a car plan, fuel allowance, parking and reimbursement of other transportation costs.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Attrition rates reflect the business operations through employee productivity and efficiency, project continuity, and the like.	<p>Arthaland aims to keep its attrition rate at the minimum and lessen its negative impact through employee engagement and above average employee benefits.</p> <p>Among these employee engagements are:</p> <ul style="list-style-type: none"> • Townhall meetings • Internal talks/workshops/seminars • External seminars/trainings • Regular health checkups and information, and • Email announcements. <p>Employee benefits aside from those government mandated are:</p> <ul style="list-style-type: none"> • Additional VL & SL, Emergency Leaves • Comprehensive medical benefits • Retirement fund • Educational and training support • Company stock options • Transportation benefit • Communication allowances, and • Uniform allowance.
What are the Risk/s Identified?	Management Approach
High attrition rates negatively impact business operations through productivity and sometimes morale.	Arthaland strives to be a good employer, and to promote good working conditions and culture. Arthaland's core values include "we will have fun while getting things done" to promote low stress levels, and "we work together to get better" to promote collaborations between and among employees and consultants.
What are the Opportunity/ies Identified?	Management Approach
Opportunity to identify causes of attrition and to address common issues for better employee retention.	Arthaland closely monitors the engagement levels of employees to identify employee concerns or issues before it worsens. Arthaland also conducts exit interviews to identify concerns and feedback that led to an employee's resignation.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees	902	hrs
a. Female employees	419	hrs
b. Male employees	483	hrs
Average training hours provided to employees	6.5	hrs/e

Disclosure	Quantity	Units
a. Female employees	5.2	hrs/e
b. Male employees	8.2	hrs/e

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Employee training and development impacts Arthaland's product design and quality since it is the employees' expertise that shapes the project's design and quality.	Arthaland supports its employees' professional growth by providing training and development assistance through internal and external trainings/ seminars/ conferences. Most of the employee's participation are on various topics such as: <ul style="list-style-type: none"> • Green building 2020 week webinar series • REady, Set, Go: Gaining Competitive Advantage in Business through Renewable Energy • Climate Week NYC webinar series • Transition to Zero Carbon and Climate Resilient Buildings through Financial and Certification Tools • Mental Wellness in time of Covid
What are the Risk/s Identified?	Management Approach
Little or no continuous training and development can compromise Arthaland's product design and quality. Products may be substandard, out-of-date or may not be the best solution to the project's green building goals.	Arthaland encourages its employees to participate in related trainings and developments for their continuous professional growth.
What are the Opportunity/ies Identified?	Management Approach
Employee training and development is mutually beneficial to employers and employees. It is an opportunity for the employees to improve their proficiency and/or increase their skillset, which, in turn, can benefit the company through their productivity level and application of new skillset.	Arthaland made it a policy for its employees to have continuous training and development and at the same time continue to receive salary for the duration of the trainings/seminars and have scholarly benefits which benefit them in the long run.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	N/A	%
Number of consultations conducted with employees concerning employee-related policies	N/A	#

Arthaland does not have collective bargaining agreements, hence there is no related consultations conducted within the reporting year. Arthaland initiates consultations with its employees to discuss employee-related concerns such as the new work-arrangements due to the global pandemic.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Employee concerns are important to be expressed and addressed because it can impact employee morale and performance.	Arthaland has not had a collective bargaining agreement. All employees are encouraged and are, in fact, able to freely raise their concerns by approaching their respective direct supervisors or anyone in the human resource department.
What are the Risk/s Identified?	Management Approach
Employee concerns that are not expressed and addressed may result to low employee morale and poor performance, which may eventually lead to resignation or termination.	In order to ensure that concerns are addressed properly in due course, Arthaland established a policy to raise and resolve grievances to be managed by the Human Resources Department. The policy allows grievances to be resolved within the affected business unit, but should there be no resolution reached, the matter will be elevated to Management.
What are the Opportunity/ies Identified?	Management Approach
Employees are an integral part of a company's success; hence, it is important for the employers and its employees to have a good working relationship.	Arthaland promotes a harmonious and caring working environment for its employees. The company has open communication lines where employees can approach and raise concern/s at any time and in any medium. Arthaland's recognition of the employee's importance is reflected in its core values "we care for each other", "we will have fun while getting things done", and "we work together to get better."

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	60	%
% of male workers in the workforce	40	%
Number of employees from indigenous communities and/or vulnerable sector ¹¹	9	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Employees of Arthaland play a crucial role in the product design and quality of projects and they affect the efficiency of the day-to-day business operations.	Arthaland hires based on qualifications and capabilities, which are measured according to merit, ability, competence, experience, good employee track record and appropriateness to the position. Gender, race, religion and the like have no bearing in this process, thereby providing everyone equal opportunity and no bias.

¹¹ Vulnerable sector includes elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

What are the Risk/s Identified?	Management Approach
Bias hiring can be a roadblock to hiring the best fit person for the position and this risk can happen during the process of hiring.	Arthaland practices a qualification-based hiring and assessment, providing equal opportunities to all applicants. This is reflected in Arthaland's core value "we only go for the best".
What are the Opportunity/ies Identified?	Management Approach
Opportunity to ensure that the hiring process continue to reflect equal opportunity and unbiased hiring process.	An annual review of the Human Resources' Recruitment & Regularization Policy and its related policies are done to ensure continued improvement and relevance to present time.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	N/A	hrs
No. of work-related injuries	N/A	#
No. of work-related fatalities	N/A	#
No. of work-related ill-health	N/A	#
No. of safety drills	6	#

The nature of work in Arthaland is primarily professional and administrative work where occupational health and safety is at low risk, hence is not normally reported. The safety drills disclosed in the report include building participation such as alarming of sounds, lights, etc. for projects in operation.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Occupational health and safety in high-risk working conditions such as construction is an important responsibility of the General Contractor. It does however have an implication to the developer's reputation since it is their property.	<p>Arthaland requires all its General Contractors to have a Philippine Contractors Accreditation Board (PCAB) license before engagement, to submit a sound safety management plan as part of their bid documents, as well as to comply with Occupational Safety and Health Standards (OSHA) during construction. These requirements ensure that the following are in place:</p> <ul style="list-style-type: none"> • Construction workers are oriented, instructed and trained by the construction project manager to assure safe handling of equipment and of disposing waste, and • All employees must have protective equipment for the eyes, face, feet and all crucial body parts when exposed to hazardous work procedures.
What are the Risk/s Identified?	Management Approach
Construction works have significant occupational risks because of their high exposure to health and safety issues. Due to its nature of work, workers can be injured, fall ill, or die.	The General Contractors are required to have a Health & Safety Officer who inspects the site to ensure its compliance with OSHA and to identify potential safety risks. An emergency health

	personnel and facilities are also required depending on the number of construction personnel.
What are the Opportunity/ies Identified?	Management Approach
There is an opportunity to further improve health impacts to the construction workers aside from compliance with the standards and requirements herein mentioned.	<p>Arthaland requires all General Contractors to implement an Indoor Air Quality Management Plan during construction to ensure health and safety of the workers on site. The plan must at least contain the following:</p> <ul style="list-style-type: none"> • Abatement of dust during construction • Use of low emitting materials to protect the workers from inhaling volatile organic compounds • Use of human powered or electric equipment to reduce air pollutants • Proper housekeeping to reduce risk hazards on site, and • Use of local exhaust to clear the air of pollutants.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N*	
Child labor	N*	
Human Rights	Y	F.9 Sexual Harassment Policy

*Arthaland complies with all applicable laws and regulations even if the same is not categorically stated in its policies yet. Arthaland has not had any case where it is accused of violating laws on forced labor, child labor and human rights.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Labor Laws and Human Rights impact the management of legal and regulatory environment, both of which are applicable to Arthaland's business operations.	<p>Arthaland is fully compliant with all applicable laws and regulations, including labor laws and human rights, and especially those on the following:</p> <ul style="list-style-type: none"> • Sexual Harassment, and • HIV/AIDS.
What are the Risk/s Identified?	Management Approach
Arthaland business operations have no exposure to violations of labor laws and human rights because the business is composed of professionals and experts.	The law is deemed incorporated into any contract or policy even if not embodied therein. Still, Arthaland will review and determine whether there is a need to

Nonetheless, it is recognized that the absence of an explicit statement within its Policies may have an impact in the company's image.	revise its related policies and explicitly state compliance to labor laws and human rights in the business operations.
What are the Opportunity/ies Identified?	Management Approach
Opportunity to ensure that the hiring procedures of the company are relevant to the present time.	Annual review of hiring practices and its related policies is done to ensure relevance to the present time.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Yes, kindly see the attached document labeled as Annex "1".

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the company policy
Environmental performance	Y	Vendor Accreditation Form
Forced labor	N*	
Child labor	Y	E.2.1.b.2
Human rights	Y	E.2.1.b.3
Bribery and corruption	Y	E.2.1.c

*Arthaland complies with all applicable laws and regulations even if the same is not categorically reflected in its policies. It expects its counterparties to be of the same mind.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Vendor compliance to Labor Laws and Human Rights impacts Arthaland's reputation by association.	Arthaland has established policies related to Vendors wherein they are required to comply at the minimum with the following: <ul style="list-style-type: none"> • Local minimum working age, • Does not engage in physical abuse, sexual or other harassment, and verbal abuse • Pay the legal minimum wages and benefits
What are the Risk/s Identified?	Management Approach
Labor intensive works such as construction have risks of labor law and human rights violations. Wrong practice of Vendors has an adverse effect to Arthaland's reputation.	As a precaution, Arthaland requires the submission of an affidavit every month from its Vendors declaring under oath that they are in compliance with all laws and regulations.
What are the Opportunity/ies Identified?	Management Approach
There is an opportunity to formalize the company's practices to explicitly include compliance requirements for the vendors.	Arthaland will review and revise its related policies as may be necessary.

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Development of a sustainable community – Sevina Park
Location	Biñan, Laguna
Vulnerable groups (if applicable) ¹²	Youth
Does the particular operation have impacts on indigenous people (IP) (Y/N)?	N
Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Traffic impact	Arthaland conducts due diligence on the project site and engages relevant experts to study the traffic impact and how best to address potential issues.
Erosion and sedimentation during construction	Arthaland requires its General Contractors to implement an Erosion and Sedimentation Control measures, which are reported to Arthaland on a monthly basis.
Employment opportunities	Sevina Park will have a commercial segment where employment opportunities will be open for the surrounding community.
Housing opportunities	Sevina Park has a housing segment where students can reside for convenient access to nearby schools, and where employees of the commercial segment can also reside.

For operations that are affecting IP, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: N/A

Disclosure	Quantity	Units
FPIC process is still undergoing	N/A	#
CP secured	N/A	#

What are the Risk/s Identified?	Management Approach
Developments that have not carefully considered the existing community may put them at risk, most especially vulnerable and indigenous groups. Risk can be in a form of robbing them of their livelihood, exposing them to an environment that is unhealthy, etc.	Conduct stakeholder meeting/s to identify potential negative impact and/or ways to support the surrounding community for the better through the development.

¹² Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)

What are the Opportunity/ies Identified?	Management Approach
Every development has opportunities to create positive impact in the surrounding communities by designing and constructing sustainable buildings/communities.	Arthaland develops buildings/communities that are no less than third-party certified sustainable by means of green building tools such as LEED, BERDE and/or EDGE rating systems.

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	3.5	N

Customer satisfaction is measured through a customer feedback survey with a metric scale of 1 to 4, where 1 is unacceptable and 4 above average, conducted through an online platform. The score disclosed in this report is the weighted average of all of Arthaland's properties. The content of the customer satisfaction survey is about the quality of on administrative services, including concierge, as well as the operations and maintenance of the common areas, facilities, equipment and utilities, as rendered by Emera.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Customer satisfaction is important to the business as it is an indicator of how good the product design and quality in aspects such as project delivery, building design & amenities, operational service satisfactions.	<p>Arthaland, through its property management arm, Emera, established an annual customer satisfaction survey procedure to identify what needs to be improved on and what is being done right. The survey measures the satisfaction level of the customers on the following building's services:</p> <ul style="list-style-type: none"> • Competence, Effectiveness, Efficiency • Responsiveness, helpfulness • Courtesy, Professionalism • Easy of doing business, and • Quality of Maintenance. <p>Based on the results of the survey, Arthaland responds accordingly to the issues raised by improving its systems/procedures. Arthaland's core values for customer satisfaction is "we always strive to delight our customers," and the core value to ensure delivery of quality product design is "we act as owners."</p>
What are the Risk/s Identified?	Management Approach
Arthaland is known for its sustainable developments, quality construction and excellent operational services. Customer dissatisfaction can influence its reputation negatively which can affect future purchases.	<p>Arthaland continues to upgrade its sustainable standards through:</p> <ul style="list-style-type: none"> • Compliance with the latest versions of global and national standards (from ASHRAE 2007 to ASHRAE 2013, inclusion of the Philippine Green Building Code), and

	<ul style="list-style-type: none"> Expanding the scope of its sustainable design, construction and operations (from LEED and BERDE to additional EDGE and WELL).
What are the Opportunity/ies Identified?	Management Approach
There is an opportunity for a customer survey designed to find satisfaction feedback on the project delivery, design and amenities, construction quality, and the like.	Arthaland, at present, measures customer satisfaction on building design and quality construction on its sales. This can be further improved by having a formal after sales survey to get a more comprehensive feedback.

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety ¹³	0	#
No. of complaints addressed	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Design, construction, and operations have an impact to the customer's health and safety. Product design must be sound enough to ensure health and safety measures are integrated in the design, while operational procedures and services must be well equipped to respond to any health and safety issues.	<p>Arthaland ensures that experts are engaged in every project to ensure structural integrity and compliance with global and local codes/standards to address health and safety of the building users. A few of the code standards followed are:</p> <ul style="list-style-type: none"> Fire Code of the Philippines ASHRAE Ventilation and Acceptable Indoor Air Quality, and BP 344 for persons with disability. <p>During operations, Arthaland ensures that the facility is well maintained, and personnel are trained in case of emergencies. A few of the activities are:</p> <ul style="list-style-type: none"> Emergency preparedness training and seminar for both the building staff and the building users, and Building wide emergency drills. <p>Arthaland's core value "we act as owners" ensures that the product design and quality is to the best standards.</p>
What are the Risk/s Identified?	Management Approach
People are bound to stay clear of buildings that are considered unsafe and unhealthy. This can cause	Arthaland conducts regular building inspections and audits to ensure that the building functions and operates as designed.

¹³ Substantiated complaints include complaints from customers who went through the organization's formal communication channels and grievance mechanisms, as well as complaints lodged before and acted upon by government agencies.

serious issues such as death, which will expose the company to lawsuits and a negative reputation.	
What are the Opportunity/ies Identified?	Management Approach
There is an opportunity to always be informed on updates of relevant standards and codes for health and safety of buildings.	Arthaland ensures that not only the new projects follow the latest applicable codes and standards, but also that its existing buildings are able to cope with the updates.

Marketing and Labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling ¹⁴	0	#
No. of complaints addressed	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Branding impacts a business' success and equally, claims are important to be no less than the truth.	Arthaland's claim to sustainability is through a third-party certification system that is not only applicable locally but also globally. Arthaland complies with green building certification platforms LEED, BERDE, EDGE and WELL.
What are the Risk/s Identified?	Management Approach
Misuse of logos and labels can mislead readers and might be taken as a form of false claims.	<p>Arthaland carefully uses the logos of the green building rating tools with appropriate labelling on status to avoid misinterpretations. Arthaland follows the logo and labeling guidelines of each rating tool, which are as follows:</p> <ul style="list-style-type: none"> • "Registered" to indicate that the project has officially submitted to the certifying body its intentions to vie for the respective certifications • "Precertified" to indicate that the project design was deemed feasible for certification • "On-track" to indicate that the certification of the project is ongoing, and this is usually used when precertification is not available, and • The label that indicates the certification level that the project was awarded. <p>Variations may apply in the language when referring to specific rating systems.</p>
What are the Opportunity/ies Identified?	Management Approach
There is an opportunity to use the logos to advertise and inform the readers of the company's sustainable achievement.	Arthaland showcases its buildings and achievements and does it according to the correct and official

¹⁴ Substantiated complaints include complaints from customers who went through the organization's formal communication channels and grievance mechanisms, as well as complaints lodged before and acted upon by government agencies.

	status. Arthaland true to its core value, “we work with integrity.”
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Customer Privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy ¹⁵	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
In real estate, the customers are the investors, buyers and tenants of the developments, and information gathered through the processes are personal information such as names, addresses, capacity to pay, etc. Companies who are able to protect their customer’s privacy are deemed trustworthy and reliable.	Arthaland have a data privacy agreement with all its customers which states the following, among others: <ul style="list-style-type: none"> • What data have been collected • Where it will be used • How it will be stored and for how long, and • Whether the customers consent to the disclosure of their data in accordance with the agreement.
What are the Risk/s Identified?	Management Approach
The department who handles customer data is the Sales and Leasing Administration Department. Usage of customer data other than the primary purpose for which they were obtained can create customer dissatisfaction, mistrust and possibly legal actions.	Arthaland complies with the Data Privacy Act of 2012.
What are the Opportunity/ies Identified?	Management Approach
There is an opportunity to review and update the related policies to ensure relevance to present time.	Arthaland reviews annually its customer privacy policy to ensure that it is adequate and relevant to the present time.

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
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¹⁵ Substantiated complaints include complaints from customers that went through the organization’s formal communication channels and grievance mechanisms as well as complaints lodged with and acted upon by government agencies.

Data security of the company dictates the secureness of the customer privacy.	In order to limit access to the customer data and provide better data control and security, Arthaland has a separate and dedicated department to handle customer information. All necessary information needed for a transaction goes through the Sales and Leasing Administration Department where all information is stored and protected.
What are the Risk/s Identified?	Management Approach
The department who has the highest risk in compromised customer data is the Sales and Leasing Administration Department. Data leak or compromise can create customer dissatisfaction, mistrust and possibly legal actions.	All Arthaland computers and networks are password protected that is mandatorily reset often.
What are the Opportunity/ies Identified?	Management Approach
There is an opportunity to review and update the third-party software protection to ensure effectivity.	Arthaland reviews annually its procedures to ensure that it is up to date and effective to present and potential threats.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development

Key Products and Services	Sustainable Developments	
Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
11- Sustainable Cities and Communities 13- Climate action	Buildings and construction contribute to 39% of the global GHG emissions (WorldGBC, 2019). Without conscious effort to sustainable design, construction and operations, the built industry will continue to impact the climate negatively.	Arthaland adapts green building rating tools that are globally and locally relevant to ensure sustainable operations and contributions to climate action. The platforms Arthaland adapts are LEED, BERDE, EDGE and WELL.
7- Affordable and clean energy 13- Climate action	The significance of a building's GHG emissions depends on its energy source, whether it is renewable or nonrenewable.	Arthaland is committed to a net zero carbon operation for its development portfolio by 2030.
6- Clean water and sanitation 7- Affordable and clean energy 12- Responsible consumption and production	Buildings naturally run using resources such as energy and water but conventional buildings are commonly high-consuming resources if not designed sustainably.	Arthaland developments are designed to be more energy and water efficient than conventionally designed buildings.
3- Good health and well-being	Sick syndrome building is a condition referred to buildings where its occupants suffer from symptoms of illness or become infected with chronic disease from the building in which they work or reside. The outbreaks may be from inadequate building design and/or operations.	Arthaland adapts the WELL Building Standard to ensure that its developments operate with conscious measures to promote the health and wellness of its occupants. Arthaland designs its developments where all spaces are able to receive adequate indoor air quality through the following design strategies: <ul style="list-style-type: none"> • Provision for fresh air ventilation compliant to a global standard, and • Provision for an ample filter rating to ensure fresh and clean air supply.

Key Products and Services	Green Partnerships	
Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact

17- Partnerships for the goals	Endeavors pursued alone may have smaller impact and fewer beneficiaries	Arthaland is actively partnering with different organizations who have aligned sustainability goals with the company. These long-term partnerships are PHILGBC, USGBC, IFC and IWBI.
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Key Products and Services	Smart location and sustainable site development	
Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
15- Life on land	Potential displacement of biodiversity and communities	<p>Arthaland avoids developing on lands that displace biodiversity and/or communities. The primary criteria for Arthaland developments are those that are not:</p> <ul style="list-style-type: none"> • A natural habitat for endangered species • A high-risk to natural disasters (flood, earthquake, storm surge, etc.), or • Agricultural land, or near a wet land or water body <p>Furthermore, Arthaland allocates an equivalent to 30% of its site for open space and vegetation, where endangered plant species are planted.</p>
9- Industry, Innovation and Infrastructure	Increase in volume of traffic and pollution in the area	<p>Arthaland designs its buildings where it can lessen traffic and pollution impact by:</p> <ul style="list-style-type: none"> • Choosing sites where public transportation is available to provide opportunities for the building users to commute instead of driving single-occupancy vehicles; • Choosing sites where the basic needs and services is within walking distance to provide options for the building users to walk instead of riding a car • Provision of no more than code requirement parking capacity to limit single-occupancy vehicle access • Provision for alternative transportation modes such as bicycle facilities and priority

		<p>parking for green vehicles, and</p> <ul style="list-style-type: none"> Engagement of a traffic consultant to ensure smooth traffic flow.
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Key Products and Services	Construction activities by the supply chain	
Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
3- Good health and well-being	Construction can cause air pollution and generate a significant amount of waste that impacts health and safety of the construction workers and the community	<p>Arthaland requires its General Contractors to implement best construction practices to prevent construction pollution. Below are nongovernmental requirements of Arthaland from its General Contractors:</p> <ul style="list-style-type: none"> Implementation of Erosion and Sedimentation Control Construction Waste Management, and Construction Indoor Air Quality Management
12- Responsible consumption and production	Due to the increase in the demand of construction materials, resources can be depleted	The General Contractors are required to target at least 10%, of the cost of the materials sourced, procured and installed are sustainable materials. These materials are defined as:
8- Decent work and economic growth	High demand for labor work may result to noncompliance with the Labor Code, such as child labor and human rights	The General Contractors can provide decent work opportunities to the community where the Arthaland development is. All General Contractors engaged by Arthaland have agreed to follow and comply with Labor, Human Rights and other relevant governmental laws, as well as Arthaland's Code of Business Ethics.

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E.2. SUPPLIER ACCREDITATION POLICY

E.2.1. All vendors and their employees, agents, and subcontractors should adhere to the Vendors' Code of Ethics while they are conducting business with and/or on behalf of Arthaland. All vendors should educate their representatives to ensure that they understand and comply with the Code as follows:

a. All vendors and their representatives should conduct their business interactions and activities with integrity and in accordance with their obligations under their specific agreements with Arthaland. In addition to those obligations, all vendors should, without limitation:

- a.1. Honestly and accurately record and report all business information and comply with all applicable laws regarding their completion and accuracy;
- a.2. Create, retain, and dispose of business records in full compliance with all applicable legal and regulatory requirements;
- a.3. Protect and responsibly use both the physical and intellectual assets of Arthaland, including its property, supplies, and equipment when authorized by Arthaland to use such assets;
- a.4. Use Arthaland-provided information technology and systems (including email) only for authorized Arthaland business-related purposes. Arthaland strictly prohibits vendors and their representatives from using Arthaland provided technology and systems to create, access, store, print, solicit or send any material that is intimidating, harassing, threatening, abusive, sexually explicit or otherwise offensive or inappropriate and/or send any false, derogatory or malicious communications using Arthaland provided information, assets, and systems;
- a.5. Comply with all Arthaland requirements for maintenance of passwords, confidentiality, security, and privacy procedures as a condition of receiving access to Arthaland's internal corporate network, all systems and buildings;

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- a.6. Comply with the intellectual property ownership rights of Arthaland and others including but not limited to copyrights, patents, trademarks, and trade secrets;
 - a.7. Speak to the press on Arthaland's behalf only if vendor and/or representative is expressly authorized in writing to do so by one of Arthaland's communications professionals;
 - a.8. Use good judgement, discretion and moderation when offering gifts or entertainment to Arthaland employees. In doing so, the vendor and/or its representatives will refrain from giving Arthaland employees an individual gift or a combination of gifts, or providing any entertainment, that would violate Arthaland's Employees Code of Conduct and Ethics;
 - a.9. In any event, no vendor may ever offer a bribe, kickback, bartering arrangement for goods or services and/or any other incentive to an Arthaland employee in order to obtain or retain Arthaland's business;
 - a.10. Avoid the appearance of or actual improprieties or conflicts of interests. Vendors or their representatives should not deal directly with any Arthaland employee whose spouse, domestic partner or other family member or relative holds a significant financial interest in the vendor. Dealing directly in the course of negotiating the vendor agreement or performing the vendor's obligations with a spouse, domestic partner or other family member of relative who is employed by Arthaland is also prohibited;
 - a.11. Avoid insider trading by buying or selling Arthaland or another company's stock when in possession of information about Arthaland or another company that is not available to the investing public and that could influence an investor's decision to buy or sell stock.
- b. Arthaland vendors should conduct their employment practices in full compliance with all applicable laws and regulations, and should, without limitation:

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- b.1. Provide a safe and healthy work environment and fully comply with all applicable safety and health laws, regulations and practices. Vendors should take adequate steps to minimize the causes of hazards inherent in the working environment. While on Arthaland's leased or managed property, vendors should comply with all rules and regulations concerning the operation of the property and the interaction with other individuals with access to the property, whether with Arthaland, its clients, or other vendors, employees or guests. Prohibit the use, possession, distribution, and sale of illegal drugs while on Arthaland owned, leased, or managed property;
 - b.2. Comply with all local minimum working age laws and requirements. Employees should not be under the legal minimum working age of the respective region or should not be less than 18 years of age (whichever is higher);
 - b.3. Not engage in physical discipline or abuse. Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation is prohibited;
 - b.4. Pay wages and benefits meeting the minimum legal standards. All workers should be provided with clear, written information about their employment conditions with respect to wages before they enter employment and as needed throughout their term of employment. Deductions from wages as a disciplinary measure should not be permitted nor should any deductions from wages not provided for by national law be permitted without the express permission of the worker concerned. All disciplinary measures should be recorded;
 - b.5. Cooperate with Arthaland's commitment to a workforce free of harassment and unlawful discrimination;
 - b.6. Keep employee records in accordance with local and national regulations.
- c. All Arthaland vendors and their representatives should conduct their business activities in full compliance with the applicable laws and regulations

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of their respective countries while conducting business with and/or on behalf of Arthaland. In addition to any specific obligations under the vendor's agreement with Arthaland, all vendors should, without limitation:

- c.1. Comply with the anti-corruption laws of the countries in which it does business;
 - c.2. Conduct business in full compliance with anti-trust and fair competition laws that govern the jurisdictions in which they conduct business;
 - c.3. Comply with all applicable environmental laws and regulations regarding hazardous materials, air emissions, waste and wastewater discharges, including the manufacture, transportation, storage, disposal, and release to the environment of such materials;
 - c.4. Be honest, direct, and truthful in discussions with regulatory agency representatives a government official.
- d. It is the responsibility of the vendor to ensure that its representatives understand and comply with the Vendors' Code of Ethics and to inform its Arthaland contact (or a member of Arthaland Management) if any situation develops that causes the vendor to operate in violation of the code. Company vendors are expected to self-monitor their compliance with the code. In addition to any other rights Arthaland may have under its agreement with vendor, Arthaland may request the immediate removal of any representative who behaves in a manner that is unlawful or inconsistent with this code or any Arthaland policy.
- e. The Vendors' Code of Ethics does not confer, nor should it be deemed to confer, any rights on the part of third parties, including any third-party beneficiary rights. For example, no employee of any vendor should have any rights against Arthaland by virtue of this code, nor should such employees have any rights to cause Arthaland to enforce any provisions of the code, the decision with respect to any such actions being reserved by Arthaland in its sole discretion.

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- f. Any questionable behavior or possible violation of the Vendors' Code of Ethics must be reported to the President & CEO of Arthaland with the following contact details:

President & CEO
Arthaland Corporation
7th Floor Arthaland Century Pacific Tower, 5th Avenue corner. 30th St.,
Bonifacio Global City, Taguig, Philippines 1634
T: (02) 8403.6910 F: (02) 8403.6908

Arthaland will not tolerate any retribution or retaliation taken against any individual who has in good faith sought out advice or has reported questionable behavior or a possible violation.