

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

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

FERDINAND A. CONSTANTINO

(Contact Person)

(+632) 8403-6910

(Company Telephone Number)

Month *Day*
(Fiscal Year)

2021				
1	7	-	A	

(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

1,937

Total No. of Stockholders

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Domestic

or Derivings

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

[illegible]

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

FW: Arthaland Corporation | Annual Report

ALCO@arthaland.com <alco@arthaland.com>

From: ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>

Sent: Monday, April 18, 2022 3:39 PM

To: ALCO@arthaland.com

Subject: Re: Arthaland Corporation | Annual Report

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD.

(Subject to Verification and Review of the Quality of the Attached Document)

Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at www.sec.gov.ph

NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, Monthly Reports, Quarterly Reports, Letters, through email at

ictdsubmission@sec.gov.ph

Note: All submissions through this email are no longer required to submit the hard copy thru mail, eFAST/OST or over- the- counter.

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the **ONLINE SUBMISSION TOOL (OST)** such as: AFS, GIS, GFFS, LCFS, LCIF, FCFS, FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

FOR MC28, please email to:

<https://apps010.sec.gov.ph>

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 2021**
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
Preferred Shares – Series D	6,000,000 (₱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 C and D 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 [x] 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 2022)	<u>Total Amount</u> (₱)
1. Tina Keng	25,000,000	0.590	14,750,000.00
2. EQL Properties, Inc.	14,671,125	0.590	8,655,963.75
3. Urban Bank Trust Department – A/C No. 625	4,838,488	0.590	2,854,707.92
4. RBL Fishing Corporation	4,350,000	0.590	2,566,500.00
5. Veronica D. Reyes	3,799,272	0.590	2,241,570.48
6. Veronica D. Reyes and/or Cecilia D. Reyes	2,654,061	0.590	1,565,895.99
7. Theodore G. Huang and/or Corazon B. Huang	2,501,250	0.590	1,475,737.50
8. Anito Tan and/or Lita Tan	2,027,049	0.590	1,195,958.91
9. Lourdes D. Dizon	1,740,000	0.590	1,026,600.00
10. Kwan Yan Dee and/or Christina Dee	1,631,250	0.590	962,437.50

Documents Incorporated by Reference:

Audited Financial Statements for the period ended as of 31 December 2021 (Consolidated)
Sustainability Report

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PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. Business

a. Corporate Overview

ARTHALAND CORPORATION (ALCO) is a world-class boutique real estate developer of enduring and sustainable properties recognized internationally as the best residential and green developments, for which it has received various awards in the Philippines and internationally. It has built its mark in the Philippine real estate market with its unwavering commitment to sustainability and innovation, and by developing and managing world-class properties that adhere to the global and national standards in green buildings.

ALCO was incorporated on 10 August 1994¹ for the primary purpose of engaging in the realty development business, including home building and development, and to deal, engage, invest and transact, directly or indirectly, in all forms of business and mercantile acts and transactions concerning all kinds of real property, 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. Its principal office is at the 7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City (BGC), Taguig City 1634.²

In 2007, a group of investors led by AO Capital Holdings 1, Inc. (AOCH1), an investment company specializing in investing in business opportunities in the Philippines, acquired 73.27% of ALCO's then outstanding capital stock, marking the beginning of its renewed focus in real estate development.

The year 2011 marked the entry into ALCO of CPG Holdings Inc. (CPG), an affiliate of leading food manufacturer Century Pacific Food, Inc., which is listed with the PSE under the stock symbol "CNPF", through its acquisition of 1,800,000,000 ALCO common shares. In 2014, CPG further solidified its commitment by purchasing an additional 342,619,910 ALCO common shares.

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 12,500,000 cumulative, non-voting, non-participating, non-convertible Peso-denominated Preferred shares to Manchesterland Properties, Inc. (the "Series A Preferred Shares"), and 20,000,000 Preferred shares which are likewise cumulative, non-voting, non-participating, non-convertible and Peso-denominated, among other conditions, to the public (the "Series B Preferred Shares").

¹ The company 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 (ALCO).

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.

In June 2019, ALCO issued 10,000,000 Preferred shares which are also cumulative, non-voting, non-participating, nonconvertible, and Peso-denominated, among other conditions, to the public (the “Series C Preferred Shares”).

On 03 December 2021, ALCO issued 6,000,000 Preferred shares, which are similarly cumulative, non-voting, non-participating, nonconvertible, and Peso-denominated, among other conditions, to the public (the “Series D Preferred Shares”).

On 06 December 2021, ALCO redeemed all the outstanding 20,000,000 Series B Preferred Shares.

All of ALCO’s issued and outstanding common shares, and Series C and Series D Preferred shares are listed with and traded in the Philippine Stock Exchange (PSE) with the trading symbols “ALCO”, “ALCPC”, and “ALCPD”, respectively. ALCO has requested the PSE to delist from its platform the Series B Preferred shares with trading symbol “ALCPB”.

As of the date of this Report, CPG and AOC1 continue to be the largest stockholders of ALCO with 40.29% and 26.02%, respectively, of the total issued and outstanding shares.

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 unique developments independently and with its joint venture partners, as exemplified by its key projects and developments in the pipeline, to wit:

<u>Project Name</u>	<u>GFA⁴</u> <u>(in square</u> <u>meters</u> <u>[sqm])</u>	<u>NLA⁵/</u> <u>NSA⁶</u> <u>(in sqm)</u>	<u>Location</u>	<u>Development</u> <u>Type</u>	<u>Year of</u> <u>Completion or</u> <u>Expected Year</u> <u>of Completion</u>
Arya Residences	76,284	67,876	BGC, Taguig City	Residential	Tower I - 2013 Tower II - 2016
ACPT	34,295	32,016	BGC, Taguig	Office	2019

⁴ GFA or Gross Floor Area, which is the total floor space within the perimeter of the permanent external building walls (inclusive of main and auxiliary buildings) such as office areas, residential areas, corridors, lobbies and mezzanine level/s. The GFA shall also include building projections which may serve as floors or platforms that are directly connected to/integrated with areas within the building/structure, e.g., balconies, and the GFA excludes the following: (a) Covered areas used for parking and driveways, services and utilities; (b) Vertical penetrations in parking floors where no residential or office units are present; and (c) Uncovered areas for helipads, air-conditioning cooling towers or air-conditioning condensing unit balconies, overhead water tanks, roof decks, laundry areas and cages, wading or swimming pools, whirlpool or jacuzzis, terraces, gardens, courts or plazas, balconies exceeding ten square meters, fire escape structures and the like.

⁵ NLA or Net Leasable Area, which is the total leasable area that includes but not limited to all internal walls, mezzanines, bathrooms, pipe chases, columns and balconies depending on a specific project’s terms of reference.

⁶ NSA or Net Saleable Area, which is the total saleable area that includes but is not limited to all internal walls, mezzanines, bathrooms, pipe chases, columns and balconies depending on a specific project’s terms of reference.

			City		
Cebu Exchange	108,564	89,018	Salinas Drive, Cebu City	Office	Q2 2022
Savya Financial Center	59,763	49,078	Arca South, Taguig City	Office	North Tower – Q2 2022 South Tower - Q4 2022
Sevina Park	129,910	99,144	Biñan, Laguna	Mixed use	In phases from 2022 onward
Lucima	28,063	21,927	Makati City	Residential	2024
Makati CBD Residential 1	15,305	11,938	Makati City	Residential	2027
Makati CBD Residential 2	14,656	11,729	Makati City	Residential	2025

ALCO's firm commitment to sustainability is manifested in its development portfolio which is composed entirely of certified sustainable projects. All its projects adhere to global and national standards for green buildings through the Leadership for Energy and Environmental Design™ (LEED™) rating system of the U.S. Green Building Council (USGBC) and the Building for Ecologically Responsive Design Excellence (BERDE) rating system of the Philippine Green Building Council (PHILGBC). Since 2019, ALCO has expanded its sustainability commitment by pursuing additional green building rating tools, specifically the Excellence in Design for 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).

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 (Arya)

Arya is a multi-awarded, two-tower, high-end residential project located at the corners of Rizal Drive, 8th Avenue and Mckinley Parkway, BGC, Taguig City. Tower 1 commenced construction in 2010, was completed in 2013 and was handed over to buyers in 2014. Tower 2's construction commenced in 2012, and it was handed over to buyers in 2016. All the residential units in both Tower 1 and Tower 2 have been sold. At the ground floor of Arya is Arya Plaza, a canopied al fresco destination area in which a curated selection of restaurants, cafes and other retail establishments is located. ALCO retains ownership over the Arya Plaza and recognizes lease income from it.

Arya has the distinction of being the first and only residential building in the Philippines to have received LEED Gold certification from the USGBC as well as BERDE 4-Star certification from the PHILGBC. It was also

awarded with ANZ/PH 3-Star under the pilot program Advancing Net Zero Philippines.

Arthaland Century Pacific Tower (ACPT)

Designed by Skidmore Owings & Merrill LLP, the same group behind One World Trade Center in New York City and Burj Khalifa in Dubai, ACPT is one of the first premium grade offices in BGC. It is located along the prime 5th Avenue within BGC's E-Square, opposite The Shangrila at the Fort and proximate to the PSE. ACPT addresses the strong demand for office space in BGC with its 34,295 sqm of GFA and 32,016 sqm of NLA. ALCO commenced the development of ACPT in 2014 and it was completed in 2019.

In October 2019, the IFC, a member of the World Bank Group, recognized ACPT as the world's first net zero certified building under its EDGE green building rating system. This recognition is in addition to the LEED Platinum and BERDE 5-Star certifications it had achieved previously. In 2020, ACPT was awarded with the WELL Health-Safety Rating seal which certifies the building's safe operations even during the COVID-19 pandemic. It continues to hold such rating to date.

ALCO retains ownership over 21,089 sqm of ACPT which represents approximately 66% of the 32,016 sqm of its NLA.

Cebu Exchange

Cebu Exchange, a 38-storey office building with retail establishments, is poised to be one of Cebu's largest and tallest office developments that will cater to the city's booming office space market. It is being built on an 8,440 sqm property located along Salinas Drive directly across the Cebu IT Park in Cebu City, and it will have a total NSA of almost 90,000 sqm. Cebu Exchange has achieved LEED Gold pre-certification, BERDE Design 5-Star and is WELL pre-certified. It is on-track to achieve EDGE Zero Carbon certification under the IFC's EDGE program. Phase 1 of Cebu Exchange, covering areas from the basement to the 15th level, was successfully completed and handed over to buyers in September 2020 in accordance with its pre-pandemic delivery date. Phase 2, covering areas from the 16th level to the roofdeck, achieved structural top-off in September 2020 as well. It is scheduled for completion and handover to buyers in Q2 2022.

Depending on market conditions, ALCO may choose to retain some units in Cebu Exchange to expand its recurring revenues from leasing operations. However, no final decision has been made in this regard.

Sevina Park

Presently being developed on eight (8) hectares of land adjacent to the De La Salle University Laguna campus is Sevina Park, a sustainable mixed-use community that will feature a combination of designer villas, residential midrise buildings, commercial lots as well as retail and supplemental amenities, in step with the growth of the market demand and infrastructure in the area. Sasaki of Boston is the master planner for this project.

Sevina Park is recognized as the first and only real estate development in the Philippines to have received the LEED Platinum certification under the LEED for Neighborhood Development (LEED ND) and LEED for Homes categories. Likewise, Sevina Park Villas turnover units are on-track to achieve EDGE Advanced under the EDGE green building certification system, while the remaining Villa 182 turnover unit is for Gold certification under the LEED for Homes category. Sevina Park's 4-Bedroom Villa 182 Model Unit initiated the Villa's certification process by achieving LEED Platinum certification in 2020.

The completion of the Cavite Laguna Expressway, with its expected interconnection with the Manila-Cavite Expressway at Kawit, Cavite and the South Luzon Expressway at Mamplasan, Laguna interchange, is seen to significantly benefit Sevina Park.

Phase one of the project covering the first 4,000 sqm has already been developed into Courtyard Hall which offers dormitory accommodations for students.

The Sevina Park Villas covering approximately 3 hectares of the 8.1-hectare property was launched in June 2019. The townhomes of the Sevina Park Villas are designed by L.V. Locsin and Partners and consist of 108 units ranging from 138 sqm to 182 sqm in floor area for each. Succeeding phases of this project will be launched during the second quarter of 2022.

Savya Financial Center

In 2017, ALCO, together with its Filipino joint venture partner, acquired an approximately 6,000-sqm property within the Arca South development in Taguig City where ALCO expects office space to grow exponentially resulting from the property's direct access to major thoroughfares C-5 and Skyway, the presence of the proposed Taguig Integrated Transport Exchange inside Arca South, and the roll-out of the Metro Manila Subway which will have one of its stations inside Arca South itself. The property is currently being developed into Savya Financial Center (Savya), a two-tower commercial development designed and built with leading-edge sustainable building features. Savya has achieved LEED Gold pre-certification and is also WELL pre-certified. It is on-track to achieve BERDE 4-Star certification and EDGE Zero Carbon certification.

Savya's North Tower was launched for pre-selling in February 2019. Handover of the North Tower to buyers was initiated in January 2022 and completion is expected by Q2 2022. The South Tower is expected to be completed by Q4 2022.

Lucima

In August 2019, ALCO, through its special purpose company, Bhavana Properties, Inc., purchased a prime property with a total area of 2,245 sqm, located in Cebu Business Park at the corner of Cardinal Rosales Avenue and Samar Loop inside the Cebu Business Park which is the foremost business district of Cebu City. The property will be developed into the first and only

premiere, multi-certified, sustainable residential high-rise development.

The Project is on-track to achieve quadruple certification including LEED, BERDE, EDGE and WELL certifications from USGBC, PGBC, IFC and IWBI, respectively. In fact, in 2020, Lucima has achieved LEED Gold precertification. Lucima will have a pedestrian access to the Ayala Center Cebu mall and other prominent business, commercial, and lifestyle destinations. It will have a gross floor area of approximately 28,000 sqm and it will offer 263 residential units.

Makati CBD Residential Project 2

In 2020, ALCO, through its special purpose company, Bhavya Properties, Inc., completed the acquisition of a 916 sqm property in Legazpi Village, Makati City. The property will be the site of ALCO's pioneer residential project in Makati City which will be a low-density, multi-certified, ultra-luxury development that will offer large, limited edition designer residences. Once completed, its future residents will enjoy exceptional white glove butler services. The project will offer only 37 residential units and will have a total gross floor area of approximately 14,600 sqm. ALCO expects to formally launch the project within H1 2022.

Makati CBD Residential Project 1

ALCO has acquired about 47.4% of a 2,018-sqm property located along Antonio Arnaiz Avenue within the Makati Central Business District. The Company plans to develop a high-rise luxury, sustainable, multi-certified residential property. ALCO expects to launch the project by H1 of 2023.

Aside from the projects mentioned above, ALCO is evaluating prospective acquisition targets within the business districts of Makati, BGC, Cebu as well as other emerging cities. ALCO will continue to disclose to its stakeholders, through the PSE and the SEC, material acquisitions as they become final.

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 as of 31 December 2021 with the exception of Bhavana Properties, Inc., Bhavya Properties, Inc., Kashtha Holdings, Inc., and Savya Land Development Corporation.

- i. **Bhavana Properties, Inc. (Bhavana)** was incorporated on 15 July 2019 with the primary purpose of engaging in the realty development business. This is the investment vehicle used to purchase a parcel of land with a total area of 2,245 square meters, more or less, located at the corner of Cardinal Rosales Avenue and Samar Loop Road, Cebu City, which will be the site of *Lucima*.

On 23 December 2021, ALCO sold, transferred and conveyed in favor of Narra Investment Properties Pte. Ltd. (“Narra”)⁷, by way of secondary sale, all of its rights, title and interest in and to 40% of the common shares of stock of Bhavana, or 10,000,000 common shares of stock thereof, as well as its shareholder advances therein.

- ii. **Bhavya Properties, Inc. (Bhavya)** was incorporated on 19 July 2019 with the primary purpose of engaging in the realty development business. This is the investment vehicle used in acquiring a 916 sqm property⁸ located at 119 Rada Street, Legaspi Village, in Makati City, with the objective of developing therein Makati CBD Residential Project 2.

On 23 December 2021, ALCO sold, transferred and conveyed in favor of Narra Investment Properties Pte. Ltd. (“Narra”)⁹, by way of secondary sale, all of its rights, title and interest in and to 40% of the common shares of stock of Bhavya, or 10,000,000 common shares of stock thereof, as well as its shareholder advances therein.

- 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. Cazneau acquired the 8.1-hectare property in Biñan, Laguna in September 2016 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 used to acquire two parcels of adjacent land in Cebu City, Philippines, with a total area of 8,440 sqm, on which Cebu Exchange now stands.

Rock & Salt B.V.¹⁰, a foreign private limited liability company existing and duly constituted under the laws of The Netherlands, and managed by Arch Capital Management Company, Ltd., subscribed to 40% CLLC’s shares of stock in January 2016.

On 23 December 2021, ALCO purchased and acquired by way of secondary sale all of the rights, title and interest of Rock and Salt B.V. in and to the said 40% of CLLC’s issued and outstanding shares of stock and shareholder advances. ALCO now has 100% ownership interest over CLLC.

- v. **Emera Property Management, Inc.** was incorporated on 31 July 2008¹¹. It was originally established to engage in the realty development business but now

⁷ Narra is a private limited liability company existing and duly constituted under the laws of Singapore with principal office address at 10 Changi Business Park Central 2 #01-02, Hansapoint, Singapore 486030, managed by Arch Capital Management Company Limited.

⁸ Formerly First Capital Condominium.

⁹ Narra is a private limited liability company existing and duly constituted under the laws of Singapore with principal office address at 10 Changi Business Park Central 2 #01-02, Hansapoint, Singapore 486030, managed by Arch Capital Management Company Limited.

¹⁰ With principal office address at Naritaweg 165, 1043 BW Amsterdam, The Netherlands.

¹¹ Emera was originally registered as Technopod, Inc. but was renamed on 30 October 2013.

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 was the registered owner of the 6,357-sqm parcel of land located along McKinley Parkway on which Arya now stands, prior to the conveyance thereof to Arya Residences Condominium Corporation in December 2016. It still owns Arya Plaza and several parking slots in said development.
- 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 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 a two-tower office development to be known as Savya.

After the merger, Arcosouth's principal shareholder, Help Holdings, Inc. (HHI) became the owner of 50% of the common shares of SLDC, although the parties are still awaiting the appropriate Certificates Authorizing Registration to enable them to reflect this transaction accordingly in their respective records.

- ix. **Kashtha Holdings, Inc. (KHI)** was incorporated on 01 October 2019 as a joint venture company between ALCO and Mitsubishi Estate Company, Limited (MEC), a corporation duly organized and existing under the laws of Japan¹², to be owned 60% by ALCO and 40% by MEC. KHI acquired, and now owns and holds 50% equity interest of SLDC.

KHI and HHI are the principal shareholders of SLDC, with KHI having 100% economic interest in the North Tower of Savya, and HHI holds 100% economic interest in the South Tower of Savya.

- x. **Urban Property Holdings, Inc. (UPHI)** was incorporated on 23 January 1995 and is presently the registered owner of the 33-hectare property located in Calamba, Laguna, which may be developed in the future 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. This is the investment vehicle which ALCO used to acquire about 47.4% of the property located at 839 A. Arnaiz Avenue, Legazpi Village, 1200 Makati City.

¹² With address at Otemachi Park Building, 1-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8133 Japan.

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 as direct competition 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. 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 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 though, cash remittances grew by 5.1% to US\$31.4 billion following of easing of restrictions in countries where demand for Filipino workers continued despite the pandemic.

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.

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 other real estate products.

ALCO has a very rigid credit approval system to ensure that its buyers are financially capable of meeting their payment schedules. It evaluates the credit-worthiness of prospective buyers and regularly monitors the economic performance of the domestic and global players through internal research and discussions 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

Construction of ALCO's projects is 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 reinforcing bars (rebars), are normally provided by the contractors as part of their engagement. In instances when management finds it to be more cost-effective, ALCO may opt to procure owner-supplied construction materials.

g. Advances to Related Parties

In the regular conduct of business, ALCO and its wholly owned subsidiaries enter into intercompany transactions, primarily 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 an EDGE Champion of the IFC and a supporter of 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 2021, ALCO had a total of 135 personnel, 57 of whom are in management and 78 are non-managers¹³. As of the same period, ALCO also engaged 164 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.

¹³ 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.

I. Working Capital

Generally, ALCO finances its projects through internally generated funds, loans from banks, funds from joint venture partners, and funds raised from its public offering of preferred shares and bonds. ALCO may also obtain support from its major shareholders, such as the non-interest-bearing loans obtained from Centrobless Corporation¹⁴, 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.¹⁵, which is majority-owned and chaired by ALCO Director Jaime Enrique Y. González.

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.

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 have 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 P2.3 million in 2021, P3.0 million in 2020, and P1.7 million in 2019.

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.

¹⁴ The loan amounting to ₱1,650,643,779.00 has been fully settled as of 31 December 2018.

¹⁵ This loan amounting to ₱207,051,912.00 has been fully settled as of 31 December 2018.

Leasing revenue recognized from these operating leases amounted to ₱325.5 million in 2021, ₱371.6 million in 2020, and ₱321.9 million in 2019. As at 31 December 2021 and 2020, respectively, lease receivables amounted to ₱153.5 million and ₱88.9 million; accrued rent receivable amounted to ₱66.2 million and ₱89.6 million; advance rent from tenants amounted to ₱39.3 million and ₱36.2 million; and security deposits, which may be applied to unsettled balances or refunded at the end of the lease term, amounted to ₱83.3 million and ₱81.1 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 defendants¹⁶ 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 parcel expropriated by NAPOCOR.

4. Claim for Refund

- a. A buyer¹⁷ 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

¹⁶ The lone defendant who appealed is Ms. Rosalinda Reyes.

¹⁷ The complainant is Ms. Bernadette Villaseñor.

attorney's and appearance fees, by filing a complaint before the Housing and Land Use Regulatory Board (HLURB)¹⁸ in 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 buyer¹⁹ 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 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.

In a Resolution dated 24 March 2021, the DOLE granted ALCO's appeal and found the Order dated on 03 July 2017 complied with.

¹⁸ Now Department of Human Settlements and Urban Development.

¹⁹ The complainant is Ms. Anita Medina-Yu.

- 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.

In a Resolution dated 20 April 2021, the DOLE granted ALCO's appeal and set aside the Order dated on 29 November 2017.

6. Liquidation Proceedings of Lessee

On 15 November 2021, Common Ground Works Philippines, Inc. (CGWPI), a lessor of ALCO for the 20th floor of ACPT, filed a Petition for Voluntary Liquidation with the Regional Trial Court of Taguig City, Branch 271 seeking to be declared insolvent and praying for the issuance of a liquidation order. ALCO was impleaded as a creditor of CGWPI for unpaid rentals, CUSA, other dues and penalties arising from the leased premises. The Court issued a Liquidation Order dated 19 November 2021 declaring CGWPI insolvent and dissolved.

ALCO will be filing its Statement of Claims upon appointment of the liquidator.

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

During the Annual Stockholders' Meeting held on 25 June 2021, the following matters were submitted to the vote and approval of the stockholders: (1) the minutes of the previous Annual Stockholders' Meeting held on 26 June 2020, (2) the election of the members of the Board of Directors for the year 2021-2022, and (3) the ratification of the appointment of Reyes Tacandong & Co. as external auditor of ALCO.

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

	2021			2020			2019		
Quarter	High	Low	Close	High	Low	Close	High	Low	Close
1	0.64	0.63	0.63	0.62	0.57	0.61	0.83	0.82	0.82
2	0.71	0.67	0.68	0.57	0.52	0.56	0.88	0.84	0.85
3	0.64	0.64	0.64	0.54	0.52	0.53	0.92	0.87	0.90
4	0.64	0.61	0.64	0.65	0.62	0.65	0.81	0.78	0.81

Preferred Series B

	2021			2020			2019		
Quarter	High	Low	Close	High	Low	Close	High	Low	Close
1	102.00	100.60	100.60	-	-	-	-	-	-
2	104.00	104.00	104.00	-	-	-	-	-	-
3	102.50	101.50	102.50	-	-	-	-	-	-
4 ²⁰	102.30	102.20	102.30	-	-	-	101.3	98.25	101.3

Preferred Series C

	2021			2020			2019		
Quarter	High	Low	Close	High	Low	Close	High	Low	Close
1	102.60	102.50	102.50	-	-	-	N/A	N/A	N/A
2	101.80	101.80	101.80	104.9	104.9	104.9	101.1	101.1	101.1
3	103.50	103.50	103.50	-	-	-	101.1	101.1	101.1
4	108.00	108.00	108.00	110	110	110	-	-	-

Preferred Series D

	2021		
Quarter	High	Low	Close
1	N/A	N/A	N/A
2	N/A	N/A	N/A
3	N/A	N/A	N/A
4	512.50	512.00	512.50

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 C	-	10,000,000
Preferred Series D	-	6,000,000

As of 31 December 2021, the number of shareholders of record is as follows:

Common	-	1,937
Preferred Series A	-	1
Preferred Series C	-	2
Preferred Series D	-	4

²⁰ As of 10 November 2021 when trading was suspended in anticipation of redemption of the shares.

ALCO's public ownership percentage as of said period is 29.905%.

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 2021 are as follows:

Name of Shareholders	No. of Shares	%
1. CPG Holdings, Inc.	2,017,619,910	37.938
2. PCD Nominee Corporation – Filipino	1,649,599,415	31.019
3. AO Capital Holdings I, Inc.	1,383,730,000	26.019
4. Elite Holdings, Inc.	119,809,996	2.253
5. Tina Keng	25,000,000	0.470
6. EQL Properties, Inc.	14,671,125	0.276
7. PCD Nominee Corporation – Non-Filipino	14,423,310	0.271
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	5,254,622,533	98.806

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

All 20,000,000 Series B Preferred Shares were redeemed as of 06 December 2021 and are now treasury shares of ALCO.

ALCO's top stockholders of Series C Preferred Shares as of 31 December 2021 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

ALCO's top stockholders of Series D Preferred Shares as of 31 December 2021 are as follows:

Name of Shareholders	No. of Shares	%
1. PCD Nominee Corporation – Filipino	5,932,210	98.8702
2. PCD Nominee Corporation – Non-Filipino	54,740	0.9123

3. Myra P. Villanueva	50	0.0008
4. G.D. Tan & Co., Inc.	13,000	0.2167
TOTAL	6,000,000	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
25 June 2021	09 July 2021	30 July 2021	₱0.012

ALCO declared cash dividends to holders of Preferred Shares Series B until the date these shares were redeemed, 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
27 January 2021	15 February 2021	06 March 2021 ²¹	₱1.76145
05 May 2021	19 May 2021	06 June 2021 ²²	₱1.76145
04 August 2021	20 August 2021	06 September 2021	₱1.76145
20 October 2021	16 November 2021	06 December 2021	₱1.76145

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

<u>Declaration Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Amount/Share</u>
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

²¹ Following the terms of the offering of the Preferred Shares Series B, as the scheduled payment date fell on a weekend, payment of the dividends was made the following business day.

²² *Ibid.*

05 August 2020	04 September 2020	27 September 2020	₱1.7319
21 October 2020	04 December 2020	28 December 2020	₱1.7319
27 January 2021	08 March 2021	27 March 2021 ²³	₱1.7319
05 May 2021	07 June 2021	27 June 2021 ²⁴	₱1.7319
04 August 2021	07 September 2021	27 September 2021	₱1.7319
20 October 2021	03 December 2021	27 December 2021	₱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 2021 vs. 31 December 2020

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>	<u>Change</u>
Cash and cash equivalents	₱1,949,257,156	₱941,079,474	107%
Financial assets at fair value through profit or loss (FVPL)	4,378,607,744	3,257,288,870	34%
Receivables	1,563,406,726	539,079,767	190%
Contract Assets	6,238,880,086	5,341,881,039	17%
Real estate for sale	8,988,754,987	6,894,906,539	30%
Investment properties	9,026,428,319	8,315,168,841	9%

²³ Following the terms of the offering of the Preferred Shares Series C, as the scheduled payment date fell on a weekend, payment of the dividends was made the following business day.

²⁴ *Ibid.*

Property and equipment	273,213,366	280,192,479	-2%
Other Assets	2,252,738,463	1,977,606,060	14%
Total Assets	34,671,286,847	27,547,203,069	26%
Loans payable	13,436,717,469	9,305,693,323	44%
Bonds payable	2,966,594,179	2,958,526,698	0%
Accounts payable and other liabilities	4,218,822,302	2,792,943,961	51%
Contract liabilities	62,154,096	27,423,392	127%
Advances from non-controlling interests	1,102,119,597	1,367,586,297	-19%
Net retirement liability	118,443,498	101,496,418	17%
Net deferred tax liabilities	1,714,298,793	1,763,428,524	-3%
Total Liabilities	23,619,149,934	18,317,098,613	29%
Capital stock	1,005,757,136	999,757,136	1%
Additional paid-in capital	5,973,360,513	3,008,959,878	99%
Retained earnings	4,404,555,747	3,779,054,629	17%
Other equity reserves	177,630,403	230,363,146	-23%
Parent Company's shares held by a subsidiary	(12,500,000)	(12,500,000)	0%
Treasury shares - preferred shares series B	(2,000,000,000)	-	100%
Total equity attributable to the Parent Company	9,548,803,799	8,005,634,789	19%
Non-controlling interests	1,503,333,114	1,224,469,667	23%
Total Equity	11,052,136,913	9,230,104,456	20%
Total Liabilities and Equity	P34,671,286,847	P27,547,203,069	26%

ALCO's total resources as of 31 December 2021 amounting to P34.67 billion is 26% higher than the 31 December 2020 level of P27.55 billion due to the following:

107% Increase in Cash and Cash Equivalents

The increase is accounted for by inflows from Preferred Shares Series D issuance net of Series B redemption, loan proceeds and sales collections net of loan repayments and operational and construction related disbursements.

34% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)

The increase is attributable to additional funds invested in money market placements.

190% Increase in Receivables

The increase is largely due to the installment receivables recognized from the sale of office units in Cebu Exchange, Savya Financial Center, and residential units in Sevina Park, as well as receivables from ACPT tenants.

17% Increase in Contract Assets

The increase in contract assets pertains to the additional booked units during the year, arising from the sale of office units in Cebu Exchange, Savya Financial Center and residential units in Sevina Park accounted for under percentage of completion (POC), where contract assets is recognized when total revenues from real estate sales exceeds the billed amount.

30% Increase in Real Estate for Sale

The increase was mainly due to the additional construction costs incurred for ongoing projects as well as the carrying value of a portion of land that was transferred from “Investment properties” to “Real estate for sale” due to change in the intended use of the property.

9% Increase in Investment Properties

The increase is mainly attributable to the appraisal gain from ACPT, Laguna and other investment properties, net of reclassification of a portion of land to “Real estate for sale”.

14% Increase in Other Assets

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

44% Increase in Loans Payable

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

51% Increase in Accounts Payable and Other Liabilities

This is attributable to payables to contractors for ongoing projects and other liabilities.

127% Increase in Contract Liabilities

The increase pertains to collections received from buyers of units in Savva Financial Center and Sevina Park Villas, the related revenue of which is not yet recognized.

19% Decrease in Advances from Non-controlling Interests

The decrease pertains to ALCO’s acquisition of the 40% share owned by Rock and Salt B.V. (RSBV) in CLLC.

17% Increase in Net Retirement Liability

The increase is due to the additional retirement expense recognized for the year, net of remeasurement gains.

99% Increase in Additional Paid-in Capital

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

17% Increase in Retained Earnings

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

23% Decrease in Other Equity Reserves

The decrease is mainly due to ALCO’s acquisition of 40% of the ownership and voting rights of CLLC from RSBV resulting to 100% ownership of the Parent Company in CLLC. The difference between the acquisition cost and book value was recorded as reduction to equity reserves.

100% Increase in Treasury Shares - Preferred Shares Series B

This is due to the redemption of Preferred Shares Series B during the year.

23% Increase in Non-Controlling Interests

The increase is largely contributed by the recognition of NCI's share in the net income of CLLC and SLDC.

FINANCIAL POSITION

31 December 2020 vs. 31 December 2019

	31 Dec 2020	31 Dec 2019	Change
Cash and cash equivalents	₹941,079,474	₹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	₹27,547,203,069	₹19,475,831,992	41%

ALCO's total resources as of 31 December 2020 amounting to ₹27.55 billion is 41% higher than the 31 December 2019 level of ₹19.48 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.

RESULTS OF OPERATIONS

31 December 2021 vs. 31 December 2020

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>	<u>Change</u>
Revenues	₱2,972,199,256	₱3,301,553,056	-10%
Cost of sales and services	(1,728,843,604)	(1,682,981,281)	3%
Gross income	1,243,355,652	1,618,571,775	-23%
Administrative expenses	438,756,665	417,716,339	5%
Selling and marketing expenses	299,702,134	262,506,092	14%
Operating expenses	738,458,799	680,222,431	9%
Income from operations	504,896,853	938,349,344	-46%
Finance costs	(277,828,945)	(281,183,960)	-1%
Gain on change in fair value of investment properties	872,263,700	959,989,140	-9%
Other income – Net	27,647,106	42,240,203	-35%
Income before income tax	1,126,978,714	1,659,394,727	-32%

Income tax expense	11,895,600	490,270,422	-98%
Net income	₱1,115,083,114	₱1,169,124,305	-5%
OTHER COMPREHENSIVE INCOME (LOSS)			
Remeasurement gains (losses) on net retirement liability	10,211,359	(7,735,261)	232%
Income tax benefit (expense) relating to item that will not be reclassified	(2,639,131)	2,320,578	-214%
Total comprehensive income	₱1,122,655,342	₱1,163,709,622	-4%

Results of Operations for the year ended 31 December 2021 compared to the year ended 31 December 2020.

10% Decrease in Revenues

The decrease in revenue is due to the minimal movement of Cebu Exchange POC in 2021 since the project is already nearing its completion and the lesser amount of booked sales as compared with the preceding year.

On the other hand, real estate sales of the office units at Savva Financial Center and residential units at Sevina Park Villas increased by 37% and 275% respectively.

14% Increase in Selling and Marketing Expenses

The change is mainly due to the increase in marketing activities for ongoing and new projects.

9% Decrease in Gain on Change in Fair Value of Investment Properties

The decrease is largely due to the minimal appraisal gain recognized in 2021.

35% Decrease in Other Income – Net

The decrease is attributable to lower unrealized holding gains on financial assets at FVPL during the year.

98% Decrease in Income Tax Expense

The decrease is largely due to the full effect of CREATE law resulting to lower income tax during the year.

232% Increase in Remeasurement Gains (Losses) on Net Retirement Liability

The increase is attributable to the change in financial assumptions and other variables used by the actuarial company in the valuation of the retirement plan.

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	1,618,571,775	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.

FINANCIAL RATIOS

	December 2021	December 2020	December 2019
Current/Liquidity Ratio (Current Assets over Current Liabilities)	1.81:1	2.24:1	1.94:1
Solvency Ratio (Net income [Loss] before depreciation over total liabilities)	0.05:1	0.07:1	0.13:1
Debt-to-equity Ratio (Total debt to total equity)	2.14:1	1.98:1	1.61:1
Debt-to-equity (Interest-bearing) Ratio (Interest-bearing debt to total equity)	1.48:1	1.33:1	0.93:1
Asset-to-equity Ratio (Total assets over total equity)	3.14:1	2.98:1	2.61:1
Interest Rate Coverage Ratio (Pre-tax income before Interest over interest expense)	5.09:1	6.95:1	18.08:1
Profitability Ratio (Net income over total equity)	0.10:1	0.13:1	0.20:1

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 2021 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
BOA Accreditation No.	:	4782 (valid until 13 April 2024)
SEC Accreditation No.	:	97380-SEC Group A issued on 08 April 2021 (Valid for Financial Periods 2020 to 2024)
PTR No.	:	8851710 issued on 05 January 2021 at Makati City
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 2021 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
2021	-	₱1,750,000.00

RT&Co rendered services to ALCO's subsidiaries with the exception of CLLC²⁵, and its audit fees are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Bhavana Properties, Inc.	₱100,000.00	₱100,000.00	₱100,000.00
Bhavya Properties, Inc.	₱100,000.00	₱100,000.00	₱100,000.00
Cazneau Inc.	₱300,000.00	₱300,000.00	₱300,000.00
Emera Property Management, Inc.	₱160,000.00	₱160,000.00	₱160,000.00
Kashtha Holdings, Inc.	₱100,000.00	₱100,000.00	₱100,000.00
Manchesterland Properties, Inc.	₱350,000.00	₱350,000.00	₱350,000.00
Pradhana Land, Inc.	₱100,000.00	₱100,000.00	₱100,000.00
Savya Land Development Corporation	₱250,000.00	₱250,000.00	₱250,000.00
Urban Property Holdings, Inc.	₱130,000.00	₱130,000.00	₱130,000.00
Zileya Land Development Corporation	₱160,000.00	₱160,000.00	₱160,000.00

RT&Co did not charge ALCO for non-audit work for the years 2013, 2014, 2015, 2017 and 2018. RT&Co charged ALCO for non-audit work for the public offering of the following Preferred Shares:

<u>Year</u>	<u>Purpose</u>	<u>Amount</u>
2016	Series B	₱1.50MM
2019	Series C	₱1.00MM
2021	Series D	₱0.90MM

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

²⁵ The external auditor of CLLC is Isla Lipana & Co., a PwC member firm. Its fees for 2021, 2020, 2019, 2018 and 2017 amount to ₱538,000.00, ₱538,000.00, ₱520,000.00, ₱500,000.00, and ₱430,000.00, respectively, all of which are net of VAT.

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>Age²⁶</u>
Ernest K. Cuyegkeng	Non-Executive	21 May 2007	75
Jaime C. González	Executive	21 May 2007	76
Jaime Enrique Y. González	Non-Executive	24 June 2011	45
Christopher Paulus Nicolas T. Po	Non-Executive	24 June 2011	51
Cornelio S. Mapa, Jr.	Executive	25 June 2021	55
Ricardo Gabriel T. Po	Non-Executive	28 March 2012	54
Fernan Victor P. Lukban	Independent	25 April 2011 ²⁷	61
Hans B. Sicat	Independent	30 June 2017	61
Andres B. Sta. Maria	Independent	24 June 2016	73

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 the Vice Chairman and President of ALCO, is a graduate of Harvard Business School (MBA) and of De La Salle University in Manila, 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 was previously 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 of New York, 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 a special trade negotiator (with an equivalent rank of Deputy Minister) 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

²⁶ As of the date of this Report.

²⁷ Mr. Lukban ceased to be a director of ALCO in 2016 but was re-elected anew on 28 June 2019.

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 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 Softbank-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 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 & 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.

Cornelio S. Mapa, Jr., Filipino, presently the Treasurer and Executive Vice President of ALCO, who oversees the Finance Group and the Information Technology Department. He previously had several senior executive roles with the Gokongwei Group of companies and its subsidiaries until 2020. His last position was Senior Vice President, Investments and New Builds of JG Summit Holdings,

Inc., a role he carried out concurrently as Executive Vice President for Corporate Strategy of Universal Robina Corporation (URC). He was also the Executive Vice President and Managing Director of the URC Branded Consumer Food Group and before then, he served as Senior Vice President at Robinsons Land Corporation, with the functional role of General Manager of the Commercial Centers Division. Prior to joining the Gokongwei Group of companies, he was Senior Vice President and Chief Financial Officer of Coca Cola Bottlers Philippines, including its subsidiaries, Cosmos Bottling and Philippine Beverage Partners. He was also Senior Vice President and Chief Financial Officer of La Tondeña Distillers, Inc. He earned his Bachelor of Science degrees in Economics and International Finance from New York University, and obtained his Masters in Business Administration from International Institute for Management Development in Lausanne, Switzerland. Mr. Mapa is a Director of DHL Summit Solutions, Inc. and was recently appointed as Independent Director of Radiowealth Finance Corporation.

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.

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.

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 member of the Board of Trustees of the Investment House Association of the Philippines and is a Director of the Bankers Association of the Philippines. He is also the Chairman of YPO Gold (a global organization) 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 to 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, spanning financial services, Knowledge Process Outsourcing and real estate. He is Acting Chairman of LegisPro Corporation, and an Independent Director of Serica Balanced Fund & Master Fund, Skycable Corporation, and TransNational Diversified Corporation. He is also 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 and 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.

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. González
Vice Chairman	Ricardo Gabriel T. Po
Treasurer and Executive Vice President	Cornelio S. Mapa, Jr.
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 the Executive Vice President who oversees the concerns of the Business and Project Development Department, the Customers Account Management Department, the Technical Services Department, and the Strategic Procurement 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.

Aristides Antonio C. Gonzales, Filipino, was appointed as Head of the Business and Project Development Department on 23 February 2022. Mr. Gonzales is a graduate of the De La Salle University with a Bachelor of Science degree in Civil Engineering, major in Structural Design, and he obtained his Masters in Business Administration from the Asian Institute of Management. He is a licensed Civil Engineer and a Real Estate Broker, with over 16 years of professional experience in the field of business and project development specific to the real estate industry. He spent the majority of his career in Alveo Land Corporation overseeing its expansion and development in key growth areas of the country such as Makati, Alabang, Nuvali, Cavite, Tagaytay and Cebu.

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.

Marivic S. Victoria, Filipino, was appointed as Deputy Chief Finance Officer on 15 December 2021. She is a seasoned executive with more than 25 years of experience in Finance, Controllershship, Audit and Taxation. She has industry knowledge in real estate, real estate financing, asset and portfolio management. Prior to joining the Corporation, she was the Treasurer and CFO of the Philippine office of Capmark Financial Group and Elite Union Group. She started her career in SGV and Company. She is a Certified Public Accountant who obtained her MBA from the joint program of Ateneo de Manila University and Regis University. She also attended the Executive Development Program of the Wharton School.

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. Borromeo, 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. Borromeo 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 Officer²⁸.

Joseph R. Feliciano, Filipino, was appointed Internal Audit Head in 2020 and was thereafter promoted to Internal Audit and Risk Management Officer on 15 December 2021. 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.

²⁸ Engr. Sabidong was appointed by the Board as such on 20 March 2019.

d. Family Relationship

With the exception of brothers Ricardo Gabriel T. Po and Christopher Paulus Nicolas T. Po, and father and son Jaime C. González and Jaime Enrique Y. González, 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. González, 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) 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. González 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. González 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. González, among others, arising from the same set of allegations and circumstances stated in the above complaint PDIC filed with the DOJ, *i.e.* that Mr. González and his co-defendants committed fraud with the concealment of the engagement of the company which Mr. González was an officer of, as the bank's financial advisor, and demanded from the defendants the return of the payment made by the bank to a third party. The individual defendants denied PDIC's assertions and presented evidence that there was full disclosure of the questioned transaction given that a PDIC officer was a member of the bank's board at the time.

On 12 November 2021, the trial court denied the plaintiff's application for preliminary attachment without prejudice to further evidence that may be presented in the trial proper to prove the alleged fraud. Trial is 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. González, among others, administratively liable for violation of banking laws and imposing upon him a fine of ₱20,000.00. Mr. González 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. González 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. González, 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. González 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. González 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. González, 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. González, Chairman Ricardo Gabriel T. Po Hans B. Sicat
Governance and Nomination Committee	Ricardo Gabriel T. Po, Chairman Hans B. Sicat Andres B. Sta. Maria
Executive Committee	Jaime C. González, Chairman Ricardo Gabriel T. Po, Vice Chairman Jaime Enrique Y. González Christopher Paulus Nicolas T. Po Cornelio S. Mapa, Jr.
Risk Management Committee	Hans B. Sicat, Chairman Jaime Enrique Y. González Christopher T. Po Andres B. Sta. Maria

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”

The compensation of ALCO’s directors for the last two years is as follows:

<u>Name of Director</u>	<u>2020 (₱)</u>	<u>2021 (₱)</u>
Ernest K. Cuyegkeng	907,500.00	1,097,500.00
Jaime C. González	105,000.00	112,500.00
Jaime Enrique Y. González	107,500.00	80,000.00
Fernan Victor P. Lukban	687,500.00	690,000.00
Cornelio S. Mapa, Jr.	N/A	70,000
Christopher Paulus Nicolas T. Po	97,500.00	110,000.00

Leonardo Arthur T. Po ²⁹	97,500.00	40,000.00
Ricardo Gabriel T. Po	117,500.00	100,000.00
Hans B. Sicat	697,500.00	615,000.00
Andres B. Sta. Maria	690,000.00	845,000.00
Total	3,507,500.00	3,760,000.00

The compensation of ALCO's officers and other employees for the last two years is as follows:

2020

	<u>Salary</u> ³⁰	<u>Bonus</u>	<u>Others</u>
Executives ³¹ includes Jaime C. Gonzalez, the Vice Chairman and President, and the four highest compensated officers: i. Leonardo Arthur T. Po, Executive Vice President and Treasurer ii. Christopher G. Narciso, Executive Vice President iii. Gabriel I. Paulino, Head, Technical Services, and iv. Sheryll P. Verano, Head, Strategic Funding and Investments.	₱72.67M	₱2.76M	None
<u>Officers</u> (As a group unnamed) ³²	₱44.25M	₱4.13M	None

2021

	<u>Salary</u> ³³	<u>Bonus</u>	<u>Others</u>
Executives ³⁴ includes Jaime C. Gonzalez, the Vice Chairman and President, and the four highest compensated officers: i. Cornelio S. Mapa, Jr., Treasurer and Executive Vice President ii. Christopher G. Narciso, Executive Vice President iii. Gabriel I. Paulino, Head,	₱77.45M	₱6.36M	None

²⁹ Resigned effective 31 May 2021.

³⁰ Rounded-off.

³¹ Includes all employees with the rank of Vice President and higher.

³² Includes all employees with the rank of Manager up to Senior Assistant Vice President.

³³ Rounded-off.

³⁴ Includes all employees with the rank of Vice President and higher.

Technical Services, and iv. Sheryll P. Verano, Head, Strategic Funding and Investments.			
<u>Officers (As a group unnamed)</u> ³⁵	₱50.11M	₱4.16M	None

Estimated Compensation for 2022 (Collective)

	<u>Salary</u> ³⁶	<u>Bonus</u>	<u>Others</u>
Directors and Executives	₱99.15	None ³⁷	None
Officers (As a group unnamed)	₱58.69		

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 affiliates³⁸.

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

³⁵ Includes all employees with the rank of Manager up to Senior Assistant Vice President.

³⁶ Rounded-off.

³⁷ Whether bonuses will be given in 2022 is uncertain at this time.

³⁸ ALCO must have at least 50% equity holdings of said subsidiary or affiliate.

- (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.

The total number of stock options granted to ALCO's officers and other employees at the time is 57,200,000 and classified as follows:

(This portion is intentionally left blank.)

	<u>No. of Options Outstanding</u>	<u>Date Granted</u>	<u>Exercise/ Option Price</u>	<u>Expiration Date</u>
Executives ³⁹ includes Jaime C. Gonzalez, the Vice Chairman and President, and the four highest compensated officers at the time of the grant: i. Leonardo Arthur T. Po, Executive Vice President and Treasurer ii. Christopher G. Narciso, Executive Vice President iii. Gabriel I. Paulino, Head, Technical Services, and iv. Sheryll P. Verano, Head, Strategic Funding and Investments.	35,350,000	February 2019	₱0.50/share	February 2022
<u>Officers</u> (As a group unnamed) ⁴⁰	56,000,000			

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 2021)

<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.

³⁹ Includes all employees with the rank of Vice President and higher.

⁴⁰ Includes all employees with the rank of Manager up to Senior Assistant Vice President.

(2) **Security Ownership of Management** (*as of 31 December 2021*)

<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</u> <u>Beneficial</u> <u>Owner</u>	0.00 %
Common	Jaime C. González <i>Vice Chairman and President</i>	Filipino	76,715,151 <u>Direct and</u> <u>Beneficial</u> <u>Owner</u>	1.44 %
Common	Jaime Enrique Y. González <i>Director</i>	Filipino	1 <u>Direct and</u> <u>Beneficial</u> <u>Owner</u>	0.00 %
Common	Cornelio S. Mapa, Jr. <i>Treasurer and Executive Vice President</i>	Filipino	1 <u>Direct and</u> <u>Beneficial</u> <u>Owner</u>	0.00 %
Common	Christopher Paulus Nicolas T. Po <i>Director</i>	Filipino	1 <u>Direct and</u> <u>Beneficial</u> <u>Owner</u>	0.00 %
Common	Ricardo Gabriel T. Po <i>Director/Vice Chairman</i>	Filipino	1 <u>Direct and</u> <u>Beneficial</u> <u>Owner</u>	0.00 %
Common	Fernan Victor P. Lukban <i>Independent Director</i>	Filipino	1 <u>Direct and</u> <u>Beneficial</u> <u>Owner</u>	0.00 %
Common	Hans B. Sicat <i>Independent Director</i>	Filipino	1 <u>Direct and</u> <u>Beneficial</u> <u>Owner</u>	0.00 %
Common	Andres B. Sta. Maria <i>Independent Director</i>	Filipino	1 <u>Direct and</u> <u>Beneficial</u> <u>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 wholly owned subsidiaries enter into intercompany transactions, primarily advances 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 06 May 2020, 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 2021, 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 2021.

ITEM 14. Sustainability Report

ALCO's Sustainability Report for 2021 (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:

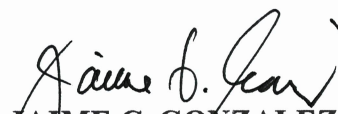


ERNEST K. CUYEGKENG

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 **APR 12 2022** at **Taguig City, Philippines**, affiants exhibiting to me competent evidence of their respective identities as above indicated.

Doc. No. 159
Page No. 33
Book No. 15
Series of **2022**.

GAUDENCIO A. BARBOZA JR.

NOTARY PUBLIC

UNTIL DEC. 31, 2022

PTR NO. A-5378160/ 01-03-2022 / TAGUIG CITY

IBP NO. 167462 / Nov. 18, 2021 RSM (for yr 2022)

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.

**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 2021, 2020 and 2019**, 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.

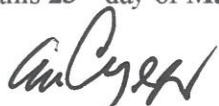
In preparing the financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to 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.

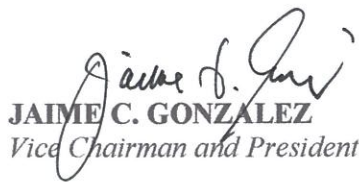
The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

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 23rd day of **March 2022**, **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 MAR 23 2022, 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. 354
Page No. 72
Book No. 12
Series of 2022

GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2022
PTR NO. A-5378160/ 01-03-2022 / TAGUIG CITY
IBP NO. 267462 / Nov. 18, 2021 RSM (for yr 2022)
ROLL NO. 41969
MCLE COMP. VI No. 0021812
MARCH 29, 2019
APP No. 38(2021-2022)

COVER SHEET

for AUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEC Registration Number

A S 9 4 0 0 7 1 6 0

COMPANY NAME

ARTHALAND CORPORATION AND SUBSIDIARIES

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

7 / F Arthaland Century Pacific Tower, 5th
Avenue corner 30th Street, Bonifacio
Global City, Taguig City

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

ALCO@arthaland.com

Group's Telephone Number/s

(+632) 8403-6910

Mobile Number

(+63) 917 509 3413

No. of Stockholders

1,937

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

7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City, Taguig 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.



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

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, 2021 and 2020, 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, 2021, 2020 and 2019, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2021, 2020 and 2019 in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of financial reporting relief issued and approved by the Philippine Securities and Exchange Commission (SEC) (see Note 2).

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 ₱9,026.4 million as at December 31, 2021. The fair value measurement is significant to our audit as the investment properties account for 26.0% of the Group's total assets as at December 31, 2021 (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, 2021, the Group recognized revenue of ₱2,628.9 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, 2021 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 ₱8,988.8 million as at December 31, 2021, which accounts for 25.9% 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, 2021, 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, 2021 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 April 13, 2024

SEC Accreditation No. 97380-SEC Group A

Issued April 8, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8851710

Issued January 3, 2022, Makati City

March 23, 2022

Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2021	2020
ASSETS			
Cash and cash equivalents	6	₱1,949,257,156	₱941,079,474
Financial assets at fair value through profit or loss (FVPL)	7	4,378,607,744	3,257,288,870
Receivables	8	1,563,406,726	539,079,767
Contract assets	5	6,238,880,086	5,341,881,039
Real estate for sale	9	8,988,754,987	6,894,906,539
Investment properties	10	9,026,428,319	8,315,168,841
Property and equipment	11	273,213,366	280,192,479
Other assets	12	2,252,738,463	1,977,606,060
		₱34,671,286,847	₱27,547,203,069
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	13	₱13,436,717,469	₱9,305,693,323
Bonds payable	14	2,966,594,179	2,958,526,698
Accounts payable and other liabilities	15	4,218,822,302	2,792,943,961
Contract liabilities	5	62,154,096	27,423,392
Advances from non-controlling interests	4	1,102,119,597	1,367,586,297
Net retirement liability	21	118,443,498	101,496,418
Net deferred tax liabilities	23	1,714,298,793	1,763,428,524
Total Liabilities		23,619,149,934	18,317,098,613
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	16	1,005,757,136	999,757,136
Additional paid-in capital	16	5,973,360,513	3,008,959,878
Retained earnings	16	4,404,555,747	3,779,054,629
Other equity reserves	16	177,630,403	230,363,146
Treasury shares	16	(2,000,000,000)	–
Parent Company's preferred shares held by a subsidiary - at cost	16	(12,500,000)	(12,500,000)
		9,548,803,799	8,005,634,789
Non-controlling Interests	4	1,503,333,114	1,224,469,667
Total Equity		11,052,136,913	9,230,104,456
		₱34,671,286,847	₱27,547,203,069

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2021	2020	2019
REVENUES				
Real estate sales	17	₱2,628,943,563	₱2,919,123,898	₱3,515,804,028
Leasing operations	17	325,500,935	371,576,866	321,918,256
Property management fees	17	17,754,758	10,852,292	10,135,140
		2,972,199,256	3,301,553,056	3,847,857,424
COST AND EXPENSES				
Cost of real estate sales	9	1,610,033,648	1,549,173,465	2,037,976,792
Cost of leasing operations	10	107,071,759	124,447,609	100,539,773
Cost of services		11,738,197	9,360,207	7,222,892
		1,728,843,604	1,682,981,281	2,145,739,457
GROSS INCOME		1,243,355,652	1,618,571,775	1,702,117,967
OPERATING EXPENSES	18	738,458,799	680,222,431	665,816,942
INCOME FROM OPERATIONS		504,896,853	938,349,344	1,036,301,025
NET GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	10	872,263,700	959,989,140	1,180,724,811
FINANCE COSTS	19	(277,828,945)	(281,183,960)	(124,839,604)
OTHER INCOME - Net	20	27,647,106	42,240,203	31,106,679
INCOME BEFORE INCOME TAX		1,126,978,714	1,659,394,727	2,123,292,911
PROVISION FOR INCOME TAX	23	11,895,600	490,270,422	636,145,034
NET INCOME		1,115,083,114	1,169,124,305	1,487,147,877
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Not to be reclassified to profit or loss -</i>				
Remeasurement gains (losses) on net retirement liability	21	10,211,359	(7,735,261)	(26,253,170)
Income tax benefit (expense) on remeasurement gains or losses	23	(2,639,131)	2,320,578	7,875,951
		7,572,228	(5,414,683)	(18,377,219)
TOTAL COMPREHENSIVE INCOME		₱1,122,655,342	₱1,163,709,622	₱1,468,770,658

(Forward)

		Years Ended December 31		
	Note	2021	2020	2019
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱899,510,260	₱887,295,539	₱1,187,016,033
Non-controlling interests	4	215,572,854	281,828,766	300,131,844
		₱1,115,083,114	₱1,169,124,305	₱1,487,147,877
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱907,082,488	₱881,880,856	₱1,168,638,814
Non-controlling interests	4	215,572,854	281,828,766	300,131,844
		₱1,122,655,342	₱1,163,709,622	₱1,468,770,658
EARNINGS PER SHARE				
	26			
Basic		₱0.1296	₱0.1273	₱0.1902
Diluted		₱0.1283	₱0.1260	₱0.1902

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	2021	2020	2019
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				
Balance at beginning of year		42,500,000	42,500,000	32,500,000
Issuance of preferred shares		6,000,000	—	10,000,000
Balance at end of year		48,500,000	42,500,000	42,500,000
		1,005,757,136	999,757,136	999,757,136
ADDITIONAL PAID-IN CAPITAL	16			
Balance at beginning of year		3,008,959,878	3,008,959,878	2,031,441,541
Issuance of preferred shares		2,994,000,000	—	990,000,000
Stock issuance costs		(29,599,365)	—	(12,481,663)
Balance at end of year		5,973,360,513	3,008,959,878	3,008,959,878
RETAINED EARNINGS	16			
Balance at beginning of year		3,779,054,629	3,161,789,766	2,214,144,875
Net income for the year		899,510,260	887,295,539	1,187,016,033
Dividends declared during the year		(274,009,142)	(274,009,142)	(239,371,142)
Change in non-controlling interest		—	3,978,466	—
Balance at end of year		4,404,555,747	3,779,054,629	3,161,789,766
OTHER EQUITY RESERVES	16			
Balance at beginning of year		230,363,146	(207,724)	18,169,495
Net additions (disposals)		(52,732,743)	230,570,870	(18,377,219)
Balance at end of year		177,630,403	230,363,146	(207,724)
TREASURY STOCK – SERIES B PREFERRED SHARES	16	(2,000,000,000)	—	—
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		₱9,548,803,799	₱8,005,634,789	₱7,157,799,056

(Forward)

Years Ended December 31				
	Note	2021	2020	2019
NON-CONTROLLING INTERESTS	4			
Balance at beginning of year		₱1,224,469,667	₱317,592,830	₱17,265,039
Share in net income during the year		215,572,854	281,828,766	300,131,844
Deposit for future stock subscription		681,477,836	624,026,537	—
Acquisition of non-controlling interest of a subsidiary		(638,187,243)	—	—
Acquisition of shares of subsidiaries		20,000,000	5,000,000	250,000
Change in non-controlling interest		—	(3,978,466)	—
Effect of consolidation of Arcosouth Development Inc.		—	—	(54,053)
Balance at end of year		1,503,333,114	1,224,469,667	317,592,830
		₱11,052,136,913	₱9,230,104,456	₱7,475,391,886

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱1,126,978,714	₱1,659,394,727	₱2,123,292,911
Adjustments for:				
Net gain on change in fair value of investment properties	10	(872,263,700)	(959,989,140)	(1,180,724,811)
Interest expense	13	275,238,263	278,898,562	124,339,961
Depreciation and amortization	11	33,366,121	45,172,717	26,722,029
Retirement expense	21	27,158,439	23,880,697	22,541,961
Realized gain on disposals of financial assets at FVPL	7	(23,603,206)	(19,071,132)	(16,784,004)
Amortization of initial direct leasing costs	10	6,590,360	6,838,645	5,410,930
Unrealized holding losses (gains) on financial assets at FVPL	7	6,258,905	(12,217,775)	617,582
Interest income	6	(3,537,246)	(9,379,745)	(13,489,356)
Stock options	16	594,611	6,485,553	–
Loss (gain) on sale of property and equipment	11	545,561	73,601	(322,744)
Foreign exchange losses (gains)	20	(368,205)	8,393	605,121
Loss on disposal of investment properties		–	461,752	–
Operating income before working capital changes		576,958,617	1,020,556,855	1,092,209,580
Increase in:				
Receivables		(1,262,564,709)	(149,392,031)	(151,911,398)
Contract assets		(896,999,047)	(2,091,398,350)	(2,465,284,745)
Real estate for sale		(1,357,622,441)	(1,064,077,407)	(1,859,170,852)
Other assets		(193,186,049)	(248,918,859)	(339,944,340)
Increase (decrease) in:				
Accounts payable and other liabilities		1,110,028,187	276,774,238	788,245,948
Contract liabilities		34,730,704	(4,756,282)	11,794,394
Net cash used in operations		(1,988,654,738)	(2,261,211,836)	(2,924,061,413)
Interest paid		(1,061,384,897)	(640,147,052)	(285,688,190)
Income taxes paid		(146,012,416)	(100,194,522)	(137,401,701)
Interest received		3,537,246	9,379,745	12,176,797
Contribution to retirement plan assets	21	–	(30,000,000)	(15,003,669)
Net cash used in operating activities		(₱3,192,514,805)	(₱3,022,173,665)	(₱3,349,978,176)

(Forward)

Years Ended December 31				
	Note	2021	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Financial assets at FVPL	7	(P6,759,000,000)	(P5,114,756,389)	(P4,542,390,465)
Property and equipment	11	(32,148,365)	(43,849,201)	(71,949,144)
Investment properties	10	(29,562,351)	(83,779,831)	(154,046,731)
Proceeds from disposal of:				
Financial assets at FVPL		5,655,025,427	2,660,943,143	3,982,464,489
Property and equipment		5,215,796	960,119	453,099
Investment properties		—	1,300,000	—
Net cash used in investing activities		(1,160,469,493)	(2,579,182,159)	(785,468,752)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Loans payable	13	10,445,612,330	5,342,426,370	3,486,252,129
Issuance of preferred shares	16	2,970,400,635	—	987,518,337
Deposit for future stock subscription from non-controlling interest	4	681,477,836	624,026,537	—
Sale of interests in subsidiaries	4	258,237,750	429,500,000	—
Bonds payable	14	—	3,000,000,000	—
Advances from non-controlling interests		—	28,000,000	757,919,606
Payments of:				
Loans payable	13	(6,302,985,708)	(2,958,344,266)	(728,331,864)
Dividends	16	(273,052,780)	(274,393,696)	(238,484,518)
Advances from non-controlling interests		(265,466,700)	—	—
Debt issue cost		(27,929,588)	(55,985,638)	(6,168,013)
Redemption of preferred shares	16	(2,000,000,000)	—	—
Purchase of additional shares in a subsidiary	4	(125,500,000)	—	—
Net cash provided by financing activities		5,360,793,775	6,135,229,307	4,258,705,677
EFFECT OF CONSOLIDATION	4	—	—	(852,576)
NET EFFECT OF EXCHANGE RATE CHANGES TO CASH AND CASH EQUIVALENTS		368,205	(8,393)	(605,121)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,008,177,682	533,865,090	121,801,052
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		941,079,474	407,214,384	285,413,332
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	P1,949,257,156	P941,079,474	P407,214,384

(Forward)

Years Ended December 31				
	Note	2021	2020	2019
COMPONENTS OF CASH AND CASH EQUIVALENTS				
	6			
Cash on hand		₱195,000	₱155,000	₱80,000
Cash in banks		692,017,890	581,633,212	344,377,842
Cash equivalents		1,257,044,266	359,291,262	62,756,542
		₱1,949,257,156	₱941,079,474	₱407,214,384
NONCASH FINANCIAL INFORMATION:				
Assignment of shareholder advances and accrued interest from purchase of interests in a subsidiary	4	₱762,340,790	₱—	₱—
Capitalized borrowing costs	13	552,249,794	420,766,163	186,255,249
Assignment of shareholder advances and accrued interest from sale of interests in subsidiaries	4	446,800,000	—	—
Transfer of land from “Investment properties” account to “Real estate for sale” account	10	186,463,663	—	—
Transfer of land and assets under construction from “Real estate for sale” account to “Investment properties” account	9	—	—	22,456,601

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 C and D 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).

In December 2021, the Parent Company made a follow-on offering of 6.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated Series D preferred shares at ₱1.00 par value at the issuance price of ₱500 a share (see Note 16). Moreover, the Parent Company redeemed all of the outstanding 20.0 million Series B Preferred Shares equal to its offer price plus any accrued and unpaid cash dividends due as of date.

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		
		2021	2020	2019
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%
Pradhana Land, Inc. (PLI)	Philippines	100%	100%	100%
Cebu Lavana Land Corp. (CLLC)	Philippines	100%	60%	60%
Bhavana Properties, Inc. (Bhavana)	Philippines	60%	100%	100%
Bhavya Properties, Inc. (Bhavya)	Philippines	60%	100%	100%
Kashtha Holdings, Inc. (KHI)	Philippines	60%	60%	100%
Savya Land Development Corporation (SLDC)	Philippines	59%*	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, 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% ownership over SLDC, to KHI. 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. In December 2021, the Parent Company sold, transferred and conveyed 10.0 million common shares each of Bhavana and Bhavya representing 40% ownership and voting rights, as well as the Parent Company's shareholder advances, to Narra Properties Investment PTE. LTD (Narra), a corporation duly organized and existing under the laws of Singapore (see Note 4).

In December 2021, the Parent Company purchased 214,351 common and 118,982 preferred shares representing 40% of the ownership and voting rights of CLLC for ₱113.2 million from Rock and Salt B.V. (RSBV) resulting to 100% ownership in CLLC (see Note 4).

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 with Leadership in Energy and Environmental Design (LEED) Gold certification by the US Green Building Council (USGBC) and Building for Ecologically Responsive Design Excellence (BERDE) 4-Star rating by the Philippine Green Building Council (PHILGBC). 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 Skidmore, Owings & Merrill (SOM), 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 2019, the International Finance Corporation, a member of the World Bank Group, recognized ACPT as the world's first net zero certified building under its EDGE green building rating system. This recognition is in addition its LEED and BERDE certification achieved previously. In 2020 until to-date, ACPT was awarded with the WELL Health-Safety Rating seal by the International WELL Building Institute (IWBI) which certifies the building's safe operations even during the COVID-19 pandemic.

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 Gold precertification and BERDE Design 5-Star. In 2020, the project was awarded WELL precertification by IWBI. 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 multi-certified green and healthy building in the country. The construction of Cebu Exchange commenced in the second quarter of 2018 and is expected to be completed in 2022.

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 from 2022 onward.

Sevina Park is recognized as the first and only real estate development in the Philippines to have received the LEED Platinum under the LEED for Neighborhood Development (LEED ND) and LEED for Homes categories. Likewise, Sevina Park Villas turnover units are on track to EDGE Advanced under the EDGE and the remaining Villa-182 turnover units for Gold certification under the LEED for Homes. Sevina Park's 4-Bedroom Villa 182 Model Unit initiated the Villa's certification process by achieving LEED Platinum certification in 2020.

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 other party which acquired the remaining 52.6% of the total area of the condominium units are still working on getting the property partitioned to enable the Company to have 100% ownership over 47.4% of the land area of the Property, which is equivalent to 957 square meters. Once the partition is completed, the Company plans to develop its portion into a high-end, sustainable, multi-certified residential project.

In February 2019, SLDC launched the development of Savva 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 and South Tower (of the Savva Financial Tower) is expected to be completed in 2022. Savva's North Tower was launched for pre-selling in February 2019. Also in 2019, the project received LEED Gold precertification and in 2021, WELL precertification.

In August 2019, Bhavya started acquiring a prime property located inside the Makati Central Business District. Bhavya intends to develop therein a pioneer residential project which will be a low-density, multi-certified, ultra-luxury development that will offer large, limited edition designer residences. Once completed, its future residents will enjoy exceptional white glove butler services. This project offers only 37 residential units and will have a total gross floor area of approximately 14,600 sqm. It will be formally launched in 2022.

In July 2021, Bhavana launched the development of Lucima Residences. The property will be developed into the first and only premiere, multi-certified, sustainable high-rise development located in Cebu Business Park at the Corner Samar Loop Road and Ayala, Hipodromo, Cebu City. It has a total area of 2,245 sqm and is expected to be developed into approximately 28,000 sqm of GFA and will offer 263 residential units. The project is on-track to achieve quadruple certification including LEED, BERDE, EDGE and WELL certifications from USGBC, PHILGBC, IFC and IWBI (International WELL Building Institute). Lucima was launched in July 2021 and is expected to be completed by the fourth quarter of 2024.

Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 were approved and authorized for issue by the BOD on March 23, 2022, as reviewed and recommended for approval by the Audit Committee on the same date.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS), as modified by the application of financial reporting relief issued and approved by the Philippine SEC in response to the COVID-19 pandemic. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

In December 2020, the SEC issued Memorandum Circular (MC) No. 34, Series of 2020, which further extended the deferral of application of the provisions of Philippine Interpretations Committee (PIC) Question & Answer (Q&A) No. 2018-12 with respect to accounting for significant financing component and exclusion of land in the calculation of percentage of completion (POC) and IFRIC Agenda Discussion on over time transfers of constructed goods under PAS 23, *Borrowing Cost*, for another period of three years or until 2023.

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

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 Fair Value through Profit or Loss (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 PIC Issuances

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following PIC issuances which the Group adopted effective for annual periods beginning on or after January 1, 2021 -

PIC Q&A 2020-05 Accounting for Cancellation of Real Estate Sales – Under this PIC Q&A the sales cancellation and repossession of the property may be accounted by using any of the three approaches (a) the repossessed property is recognized at fair value less cost to repossess; (b) the repossessed property is recognized at fair value plus repossession cost; or (c) the cancellation is accounted for as a modification of the contract where the Group will have to reverse the previously recognized revenues and related costs. The approach selected shall be applied consistently.

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

Amendments to PFRS and PIC Issuances in Issue But Not Yet Effective or Adopted

Relevant amended PFRS which are not yet effective 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 will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include 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 will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination. 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 applied the amendments.
- 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 component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle –
 - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include 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 amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied 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.
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.
- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. 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.
- *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) for the Real Estate Industry* – In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of International Financial Reporting Standards 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

On December 15, 2020, the SEC issued SEC MC No. 34, Series of 2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the real estate industry until December 31, 2023.

The Group availed of the SEC relief with respect to accounting for borrowing costs. 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 would have been recognized as expense when incurred.

- PIC Q&A 2018-12, *PFRS 15 Implementing Issues Affecting the Real Estate Industry (as amended by PIC Q&A 2020-04)*. On December 15, 2020, the SEC issued SEC MC No. 34-2020 providing relief to the real estate industry by deferring the application of “assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)” and the exclusion of land in the calculation of POC, until December 31, 2023.

The Group availed of the SEC relief with respect to accounting for significant financing component and exclusion of land in the calculation of POC. 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 includes the cost of land.

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

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS and PIC issuances, except for the potential impact of accounting for borrowing costs, the assessment if the transaction price includes a significant financing component and the exclusion of land in the calculation of POC, is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the 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 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, 2021 and 2020, 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 assets.

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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 expected credit loss (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the 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 sell.

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

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.

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.

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.

Advances for Asset Purchase. Advances for asset purchase are recognized whenever the Company pays in advance 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.

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.

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

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.

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

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.

Treasury Shares

Treasury shares represent owner's equity instruments which are reacquired and deducted from equity. Treasury shares are accounted for at cost and shown as a deduction in the equity section of the consolidated statements of financial position. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Parent Company's own equity instruments.

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 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.

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. 2018-12 (*as amended by PIC Q&A 2020-05*) 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.

Share-based Compensation

The Parent Company has a stock option plan covering employees, officers and directors, whereby employees render services for shares or rights over shares ("equity-settled transaction"). The rights granted under the plan are not assignable and nontransferable. The cost of the equity-settled transactions is measured by reference to the fair value of the stock options on the date that it was granted. Stock options reserve presented as part of "Equity" is measured at fair value of the share options as at reporting date when the options are exercised, forfeited or lapsed.

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, 2021, 2020 and 2019, 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 and sale of residential units in should be recognized over time. The Group also determined that input method is the appropriate method in measuring the POC. 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.

Revenue from real estate sales recognized based on POC amounted to ₱2,628.9 million in 2021, ₱2,919.1 million in 2020 and ₱3,515.8 million in 2019. Related cost of real estate sales amounted to ₱1,610.0 million in 2021, ₱1,549.2 million in 2020 and ₱2,038.0 million in 2019 (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 ₱8,988.8 million and ₱6,894.9 million as at December 31, 2021 and 2020, respectively (see Note 9). Investment properties amounted to ₱9,026.4 million and ₱8,315.2 million as at December 31, 2021 and 2020, respectively (see Note 10). Property and equipment amounted to ₱273.2 million and ₱280.2 million as at December 31, 2021 and 2020, 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 ₱9,026.4 million and ₱8,315.2 million as at December 31, 2021 and 2020, 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 ₱325.5 million in 2021, ₱371.6 million in 2020 and ₱321.9 million in 2019 (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 ₱2.3 million in 2021, ₱3.0 million in 2020 and ₱1.7 million in 2019 (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 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 ₱2,628.9 million in 2021, ₱2,919.1 million in 2020 and ₱3,515.8 million in 2019. Related cost of real estate sales amounted to ₱1,610.0 million in 2021, ₱1,549.2 million in 2020 and ₱2,038.0 million in 2019.

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 ₱9,026.4 million and ₱8,315.2 million as at December 31, 2021 and 2020, 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 2021, 2020 and 2019. The carrying amount of real estate for sale amounted to ₱8,988.8 million and ₱6,894.9 million as at December 31, 2021 and 2020, respectively (see Note 9).

Assessing the 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 2021, 2020 and 2019. The Group's trade receivables and contract assets aggregated ₱7,359.3 million and ₱5,684.6 million as at December 31, 2021 and 2020, 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 2021, 2020 and 2019.

The carrying amounts of financial assets are as follows:

Asset Type	Note	2021	2020
Cash and cash equivalents*	6	₱1,949,062,156	₱940,924,474
Receivable from sale of interests in subsidiaries	8	208,562,250	—
Due from related parties	8	46,409,707	58,112,709
Interest receivable	8	36,910,585	22,733,591
Advances to employees	8	29,646,160	10,532,725
Receivable from non-affiliated entity	8	—	11,534,432
Other receivables	8	55,694,374	4,230,664
Amounts held in escrow	12	144,678,088	85,052,814
Deposits	12	65,599,638	56,072,105

*excluding cash on hand

Determining the 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 ₱4,378.6 million and ₱3,257.3 million as at December 31, 2021 and 2020, 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 2021, 2020 and 2019. The carrying amount of property and equipment amounted to ₱273.2 million and ₱280.2 million as at December 31, 2021 and 2020, 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 2021, 2020 and 2019.

The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	2021	2020
Accrued rent receivable*	8	P66,158,150	P89,557,339
Property and equipment	11	273,213,366	280,192,479
Other assets**	12	2,042,460,737	1,836,481,141

*presented under "Receivables" account.

**excluding deposits and amounts held for escrow aggregating P210.3 million and P141.1 million as at December 31, 2021 and 2020, 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 P118.4 million and P101.5 million as at December 31, 2021 and 2020, respectively (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 P311.9 million and P241.5 million as at December 31, 2021 and 2020, respectively. Unrecognized deferred tax assets amounted to P14.9 million and P8.1 million as at December 31, 2021 and 2020, 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 ₱1,503.3 million in 2021, ₱1,224.5 million and ₱317.6 million as at December 31, 2021, 2020 and 2019, respectively, pertains to interests in CLLC, KHI and SLDC.

CLLC

The non-controlling interest in CLLC is 40% as at December 31, 2020 and 2019. The net income of CLLC allocated to non-controlling interests amounting to ₱96.4 million for the period January 1 to December 27, 2021, ₱228.4 million in 2020 and ₱296.1 million in 2019 is calculated based on the profit-sharing agreement of 50:50.

In December 2021, the Parent Company purchased 214,351 common and 118,982 preferred shares representing 40% of the ownership and voting rights of CLLC for ₱113.2 million from RSBV, resulting to 100% ownership of the Parent Company in CLLC. The difference between the acquisition cost and book value amounting to ₱60.5 million was recorded as reduction to equity reserves. Also, RSBV assigned its shareholder advances and accrued interest receivables amounting to ₱764.1 million. The Parent Company's outstanding payable arising from the purchase of common shares and preferred shares in CLLC amounted to ₱762.3 million as at December 31, 2021 (see Note 15).

The summarized financial information of CLLC, before intercompany eliminations, as at and for the years ended December 31, 2021, 2020 and 2019 are as follows:

	2021	2020	2019
Current assets	₱9,414,145,568	₱8,214,470,597	₱5,937,595,017
Noncurrent assets	10,886,344	10,873,955	19,325,977
Current liabilities	(8,921,122,416)	(5,602,523,973)	(3,562,434,070)
Noncurrent liabilities	(381,797,706)	(1,524,515,987)	(1,753,020,892)
Net assets	₱122,111,790	₱1,098,304,592	₱641,466,032

	2021	2020	2019
Revenue	₱1,354,517,334	₱2,126,330,822	₱2,870,054,489
Expenses	(1,193,651,466)	(1,474,349,597)	(2,028,066,337)
Income before income tax	160,865,868	651,981,225	841,988,152
Other income – net	3,879,882	1,312,137	3,851,740
Provision for (benefit from) income tax	28,061,448	(196,454,802)	(254,044,235)
Net income	192,807,198	456,838,560	591,795,657
Other comprehensive income	–	–	–
Total comprehensive income	₱192,807,198	₱456,838,560	₱591,795,657

	2021	2020	2019
Cash flows from (used in):			
Operating activities	(₱659,709,724)	(₱1,238,655,164)	(₱1,028,862,911)
Investing activities	200,928,281	(2,342,993)	(332,083,162)
Financing activities	573,336,553	1,428,498,442	1,367,901,683
Net increase in cash and cash equivalents	114,555,110	187,500,285	6,955,610
Cash and cash equivalents at beginning of year	246,426,119	58,925,834	51,970,224
Cash and cash equivalents at end of year	₱360,981,229	₱246,426,119	₱58,925,834

SLDC

Non-controlling interests over SLDC is 41%, 41% and 2% as at December 31, 2021, 2020 and 2019, respectively.

SLDC received deposits amounting to ₱681.5 million in 2021 and ₱624.0 million in 2020 for future stock subscription from HHI. These will be applied against future subscription on preferred shares where SEC approve SLDC's application for the change in the par value of authorized preferred shares. As at December 31, 2021, SLDC has already submitted the requirements for the conversion of deposits for future stock subscription to preferred shares. The approval of the conversion is still pending with the SEC as at March 23, 2022.

Net income of SLDC allocated to non-controlling interests amounted to ₱119.2 million in 2021, ₱53.4 million in 2020 and nil in 2019 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, 2021, 2020 and 2019 is as follows:

	2021	2020	2019
Current assets	₱5,819,094,589	₱4,069,922,386	₱2,709,664,451
Noncurrent assets	33,078,020	31,730,462	31,282,631
Current liabilities	(2,609,864,079)	(1,732,357,568)	(1,323,561,747)
Noncurrent liabilities	(1,210,540,368)	(1,333,945,153)	(1,112,145,671)
Net assets	₱2,031,768,162	₱1,035,350,127	₱305,239,664

	2021	2020	2019
Revenue	₱975,128,529	₱713,085,853	₱645,749,539
Expenses	(584,200,793)	(371,034,794)	(423,250,761)
Income before income tax	390,927,736	342,051,059	222,498,778
Other income – net	3,052,303	4,265,753	4,222,207
Provision for income tax	(79,039,840)	(103,232,886)	(67,582,358)
Total comprehensive income	₱314,940,199	₱243,083,926	₱159,138,627

	2021	2020	2019
Cash flows from (used in):			
Operating activities	(₱523,559,502)	(₱645,449,472)	(₱325,638,441)
Investing activities	(148,403,306)	(61,053,563)	(50,999,648)
Financing activities	837,957,071	670,735,028	528,558,251
Net increase (decrease) in cash and cash equivalents	165,994,263	(35,768,007)	151,920,162
Cash and cash equivalents at beginning of year	150,794,246	186,562,253	34,642,091
Cash and cash equivalents at end of year	₱316,788,509	₱150,794,246	₱186,562,253

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 2021 and 2020 is distributed based on the capital contribution. The total assets of KHI amounted to ₱573.3 million and ₱554.2 million as at December 31, 2021 and 2020, respectively. Net loss amounted to ₱0.2 million in 2021 and 2020 and net cash outflows amounted to ₱0.3 million in 2021 and ₱11.8 million in 2020.

Bhavana and Bhavya

In December 2021, ALCO sold, transferred and conveyed in favor of Narra Investment Properties Pte. Ltd. ("Narra"), by way of secondary sale, all of its rights, title and interest in and to 40% of the common shares of stock of Bhavana and Bhavya, or 20,000,000 common shares of stock thereof, as well as its shareholder advances and accrued interest receivables aggregating ₱449.4 million in exchange for ₱446.8 million. The transfer of Bhavana and Bhavya shares decreased the effective ownership of ALCO from 100% to 60%. The Parent Company's receivable arising from the sale of interests in Bhavana and Bhavya amounted to ₱208.6 million as at December 31, 2021 (see Note 8).

Advances from Non-controlling Interests

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

	Amount of Transactions		Outstanding Balance	
	2021	2020	2021	2020
Advances for Project Development				
HHI	₱—	₱427,947,235	₱495,919,597	₱495,919,597
Narra	411,200,000	—	411,200,000	—
MEC	—	195,000,000	195,000,000	195,000,000
RSBV	(676,666,700)	165,000,000	—	676,666,700
			₱1,102,119,597	₱1,367,586,297
Interest Expense				
Narra	₱38,245,656	₱—	₱38,245,656	₱—
MEC	6,825,000	3,990,574	9,734,016	3,591,516
RSBV	(66,959,585)	18,646,823	—	66,959,585
			₱47,979,672	₱70,551,101

CLLC obtained from RSBV 3.5% interest-bearing loans for its real estate projects with outstanding balance of nil and ₱676.7 million as at December 31, 2021 and 2020, respectively, and recognized interest expense of nil in 2021, ₱12.9 million in 2020 and ₱17.1 million in 2019. These are unsecured, unguaranteed, and payable on demand and in cash. In December 2021, RSBV assigned its shareholder advances and accrued interest receivables amounting to ₱762.3 million from CLLC to ALCO.

Moreover, SLDC received advances from related parties and expenses paid by related parties on behalf of 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 ₱6.8 in 2021 and ₱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:

	2021	2020
Contract assets	₱6,238,880,086	₱5,341,881,039
Contract liabilities	62,154,096	27,423,392
Net contract assets	₱6,176,725,990	₱5,314,457,647

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:

	2021	2020
Cash on hand	₱195,000	₱155,000
Cash in banks	692,017,890	581,633,212
Cash equivalents	1,257,044,266	359,291,262
	₱1,949,257,156	₱941,079,474

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):

	2021	2020	2019
Cash in banks	₱2,130,550	₱3,432,878	₱4,678,550
Cash equivalents	1,406,696	5,946,867	8,340,308
Investment in time deposits	—	—	470,498
	₱3,537,246	₱9,379,745	₱13,489,356

7. Financial Assets at FVPL

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

	Note	2021	2020
Balance at beginning of year		₱3,257,288,870	₱772,186,717
Additions		6,759,000,000	5,114,756,389
Disposals		(5,631,422,221)	(2,641,872,011)
Unrealized holding gains (losses)	20	(6,258,905)	12,217,775
Balance at end of year		₱4,378,607,744	₱3,257,288,870

Realized gain on disposals of financial assets at FVPL amounted to ₱23.6 million in 2021, ₱19.1 million in 2020 and ₱16.8 million in 2019 (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	2021	2020
Trade receivables from:			
Sale of real estate		₱966,882,625	₱253,834,678
Leasing	22	153,511,167	88,911,921
Receivable from sale of interests in subsidiaries	4	208,562,250	—
Accrued rent receivable	22	66,158,150	89,557,339
Due from related parties	24	46,409,707	58,112,709
Interest receivable		36,910,585	22,733,591
Advances to employees		29,646,160	10,532,725
Receivable from non-affiliated entity		—	11,534,432
Other receivables		55,694,374	4,230,664
		1,563,775,018	539,448,059
Allowance for ECL		(368,292)	(368,292)
		₱1,563,406,726	₱539,079,767

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.

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

Receivable from non-affiliated entity pertains to cash advances, which are unsecured, noninterest-bearing and collectible on demand. In 2021, the BOD of the Parent Company approved to write-off the balance amounting to ₱11.6 million (see Note 18).

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:

	2021	2020
Raw land	₱386,241,830	₱947,034,368
Assets under construction	8,217,419,103	4,820,316,598
Condominium units for development	385,094,054	1,127,555,573
	₱8,988,754,987	₱6,894,906,539

Movements of this account follow:

	Note	2021	2020	2019
Balance at beginning of year		₱6,894,906,539	₱5,410,062,969	₱3,412,713,425
Construction costs incurred		2,967,656,089	2,442,340,208	2,533,671,949
Cost of real estate sold		(1,610,033,648)	(1,549,173,465)	(2,037,976,792)
Capitalized borrowing costs	13	549,762,344	420,766,163	159,586,770
Transfers from (to) investment properties	10	186,463,663	—	(22,456,601)
Acquisition of:				
Condominium units for development		—	138,759,064	648,371,094
Raw land		—	32,151,600	715,104,601
Effect of consolidation of Arcosouth		—	—	1,048,523
Balance at end of year		₱8,988,754,987	₱6,894,906,539	₱5,410,062,969

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.

Also 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).

In 2021, the Group transferred portion of a parcel of land from “Investment properties” account to “Real estate for sale” account aggregating ₱186.5 million because of the change in the intended use of the property as approved by the BOD (see Note 10).

The land of Sevina Park with carrying amount of ₱386.2 million as at December 31, 2021 was used as security for the bank loan of Cazneau with outstanding balance of ₱684.1 million as at December 31, 2021 (see Note 13).

Assets under Construction

Assets under construction consist of land and development costs of ongoing real estate projects of the Group. As at December 31, 2021 and 2020, 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 ₱2,885.9 million and ₱2,371.6 million as at December 31, 2021 and 2020, respectively, are used as security for the bank loan of CLLC with outstanding balance of ₱1,114.0 million and ₱2,014.0 million as at December 31, 2021 and 2020, respectively (see Note 13).

As at December 31, 2021 and 2020, 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 ₱1,431.8 million and ₱1,268.8 million as at December 31, 2021 and 2020, respectively (see Note 13).

The land of Lucima Residences with carrying amount of ₱747.3 million as at December 31, 2021 are used as security for the bank loan of Bhavana with outstanding balance of ₱550.0 million as at December 31, 2021 (see Note 13).

Condominium Units for Development

Condominium units for development pertain to 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 ₱549.8 million in 2021 and ₱420.8 million in 2020 were capitalized as part of real estate for sale. The capitalization rates used to determine general borrowing costs eligible for capitalization ranges from 4.5% to 7.5% in 2021 and 3.0% to 8.0% in 2020 (see Note 13).

NRV of Real Estate for Sale

As at December 31, 2021 and 2020, 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, 2021 and 2020.

10. Investment Properties

This account consists of the following completed real estate projects and land which are 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.

	2021	2020
Arthaland Century Pacific Tower	₱5,959,294,200	₱5,586,840,650
Arya Residences:		
Commercial units	1,250,517,007	1,194,379,000
Parking slots	181,556,620	183,222,248
Land:		
UPHI's Laguna and Tagaytay properties	729,891,103	646,948,931
Cazneau's commercial lots	396,134,175	361,039,841
ALCO's Batangas and Tagaytay properties	182,840,598	155,885,388
Courtyard Hall	326,194,616	186,852,783
	₱9,026,428,319	₱8,315,168,841

Movements of this account follow:

	Note	2021	2020	2019
Balance at beginning of year,				
at cost		₱3,577,625,751	₱3,497,815,338	₱3,300,506,608
Development costs incurred		29,562,351	80,800,413	148,183,650
Capitalized borrowing costs	13	2,487,450	—	26,668,479
Transfers from (to) real estate for				
sale	9	(186,463,663)	—	22,456,601
Disposals		—	(990,000)	—
Balance at end of year, at cost		3,423,211,889	3,577,625,751	3,497,815,338
Cumulative gain on change in fair				
value		5,589,281,209	4,717,017,509	3,757,800,121
		9,012,493,098	8,294,643,260	7,255,615,459
Unamortized initial direct leasing				
costs		13,935,221	20,525,581	24,384,808
Balance at end of year,				
at fair value		₱9,026,428,319	₱8,315,168,841	₱7,280,000,267

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

	2021	2020	2019
Balance at beginning of year	₱4,717,017,509	₱3,757,800,121	₱2,577,075,310
Net gain on change in fair			
value	872,263,700	959,989,140	1,180,724,811
Disposals	—	(771,752)	—
Balance at end of year	₱5,589,281,209	₱4,717,017,509	₱3,757,800,121

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

	2021	2020
Balance at beginning of year	₱20,525,581	₱24,384,808
Additions	–	2,979,418
Amortization	(6,590,360)	(6,838,645)
Balance at end of year	₱13,935,221	₱20,525,581

ACPT

Carrying amount of ACPT includes office units and parking slots for lease. ACPT is used as collateral for loans payable amounting to ₱1,712.4 million and ₱1,858.7 million as at December 31, 2021 and 2020, respectively (see Note 13).

Arya Residences

Commercial 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).

Land

UPHI's raw land, with fair value amounting to ₱729.9 million and ₱646.9 million as at December 31, 2021 and 2020, 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, 2021 and 2020, 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 ₱182.8 million and ₱155.9 million as at December 31, 2021 and 2020, respectively.

In 2021, Cazneau transferred portion of land amounting to ₱186.5 million from "Investment properties" account to "Real estate for sale" account due to change of intention in the use of the property as approved by the BOD.

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 ₱326.2 million and ₱186.9 million as at December 31, 2021 and 2020, respectively.

The land attributable to Cazneau’s retail spaces and Courtyard Hall with a carrying amount of ₱498.0 million as at December 31, 2021 was used as collateral for a long-term loan facility of Cazneau with an outstanding balance of ₱684.1 million as at December 31, 2021.

Leasing Operations

The Group recognized revenue from leasing operations amounting to ₱325.5 million in 2021, ₱371.6 million in 2020 and ₱321.9 million in 2019 (see Note 22) and incurred direct cost of leasing amounting to ₱107.1 million in 2021, ₱124.4 million in 2020 and ₱100.5 million in 2019.

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	
			2021	2020
ACPT	Discounted cash flow (DCF) approach	Discount rate	8.51%	8.76%
		Rental rate for an office unit per sqm	₱1,500	₱1,500
		Rental rate per slot	₱6,000	₱6,000
		Calculated no. of net leasable area (total sqm)	18,059	18,059
		Vacancy rate	0% - 5%	0% - 10%
		Income tax rate	25%	30%
		Arya Residences: Commercial units	DCF approach	Rental rate per sqm
Rent escalation rate per annum (p.a.)	7%	7%		
Discount rate	8.51%	8.74%		
Vacancy rate	5%	2%		
Income tax rate	25%	30%		
Parking slots	DCF approach	Rental rate per slot	₱7,000	₱6,500
		Rent escalation rate p.a.	7%	7%
		Discount rate	8.51%	8.74%
		Vacancy rate	10%	2%
		Income tax rate	25%	30%
Land:				
UPHI's Laguna and Tagaytay properties	Market data approach	Price per sqm	₱2,200	₱1,950
		Value adjustments	5% - 10%	10% - 15%
Cazneau's Laguna properties	Market data approach	Price per sqm	₱55,000	₱11,300
		Value adjustments	5% - 20%	0% - 10%
ALCO's Batangas and Tagaytay properties	Market data approach	Price per sqm	₱1,660	₱1,420
		Value adjustments	5% - 20%	5% - 10%
Courtyard Hall	Depreciated replacement cost method	Estimated replacement cost	₱143,117,000	₱143,117,000
		Remaining economic life	36 years	37 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:

	2021		
	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Balance at beginning of year	₱1,350,726,943	₱6,964,441,898	₱8,315,168,841
Net gain on change in fair value	438,747,411	433,516,289	872,263,700
Transfers to real estate for sale	(186,463,663)	—	(186,463,663)
Construction costs incurred	29,562,351	—	29,562,351
Capitalized borrowing costs	2,487,450	—	2,487,450
Initial direct leasing costs	—	(6,590,360)	(6,590,360)
Balance at end of year	₱1,635,060,492	₱7,391,367,827	₱9,026,428,319

	2020		
	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
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	74,863,439	5,936,974	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	₱1,350,726,943	₱6,964,441,898	₱8,315,168,841

There are no transfers between the levels of fair value hierarchy in 2021 and 2020.

11. Property and Equipment

The balances and movements of this account consist of:

	2021					Total
	Building and Building Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	
Cost						
Balance at beginning of year	₱245,553,426	₱81,884,580	₱61,863,122	₱25,272,784	₱78,500	₱414,652,412
Additions	—	21,295,803	10,791,447	61,115	—	32,148,365
Disposals	—	(17,939,593)	(3,500,000)	—	—	(21,439,593)
Reclassification	749,465	—	(276,979)	(472,486)	—	—
Balance at end of year	246,302,891	85,240,790	68,877,590	24,861,413	78,500	425,361,184
Accumulated Depreciation and Amortization						
Balance at beginning of year	31,001,486	38,464,741	48,234,946	16,704,245	54,515	134,459,933
Depreciation and amortization	4,478,614	19,697,066	6,135,228	3,031,228	23,985	33,366,121
Disposals	—	(15,678,236)	—	—	—	(15,678,236)
Reclassification	290,910	—	—	(290,910)	—	—
Balance at end of year	35,771,010	42,483,571	54,370,174	19,444,563	78,500	152,147,818
Carrying Amount	₱210,531,881	₱42,757,219	₱14,507,416	₱5,416,850	₱—	₱273,213,366

	2020					
	Building and Building Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
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

As at December 31, 2021 and 2020, fully depreciated property and equipment that are still being used by the Group amounted to ₱57.4 million and ₱54.2 million, respectively.

The Parent Company sold property and equipment with carrying amount of ₱5.8 million in 2021, ₱1.0 million in 2020 and ₱0.1 million in 2019 which resulted to loss on disposal of ₱545,561 in 2021 and ₱73,601 in 2020 and gain on disposal of ₱0.3 million in 2019 (see Note 20).

Depreciation expense was charged to:

	Note	2021	2020	2019
Operating expenses	18	₱31,605,519	₱42,966,008	₱26,722,029
Cost of services		1,760,602	2,206,709	–
		₱33,366,121	₱45,172,717	₱26,722,029

12. Other Assets

This account consists of:

	2021	2020
Input VAT	₱709,781,681	₱588,339,255
Advances for project development	519,328,038	560,825,051
CWT	465,091,403	383,145,049
Advances for asset purchase	209,361,707	90,000,000
Amounts held in escrow	144,678,088	85,052,814
Prepaid:		
Taxes	41,200,016	48,626,196
Commissions	33,089,253	96,577,893
Interest	13,354,947	48,929,943
Debt issuance cost	8,071,131	1,338,813
Insurance	3,719,796	3,867,239
Others	4,590,037	2,933,199
Deposits	65,599,638	56,072,105
Deferred input VAT	33,530,819	10,556,594
Materials and supplies	1,341,909	1,341,909
	₱2,252,738,463	₱1,977,606,060

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.

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):

	2021	2020
ALCO's OLSA	₱105,679,411	₱54,468,483
SLDC's term loan	30,642,471	—
Cazneau's OLSA	8,356,206	—
SLDC's MTL	—	30,584,331
	₱144,678,088	₱85,052,814

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.

Prepaid commissions pertain to the commission costs incurred to obtain contracts with customer. Amortization of commissions amounted to ₱129.4 million in 2021 and ₱176.5 million in 2020.

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:

	2021	2020
Local banks	₱13,375,993,499	₱9,220,969,353
Private funders	60,723,970	84,723,970
	₱13,436,717,469	₱9,305,693,323

Movements of this account follow:

	2021	2020
Balance at beginning of year	₱9,339,260,340	₱6,955,178,236
Availments	10,445,612,330	5,342,426,370
Payments	(6,302,985,708)	(2,958,344,266)
Balance at end of year	13,481,886,962	9,339,260,340
Unamortized debt issue cost	(45,169,493)	(33,567,017)
	13,436,717,469	9,305,693,323
Less current portion of loans payable	8,417,020,962	4,225,205,340
Long term portion of loans payable	₱5,019,696,507	₱5,080,487,983

Movements in debt issue cost are as follows:

	2021	2020
Balance at beginning of year	₱33,567,017	₱29,796,490
Additions	27,929,588	14,512,336
Amortization	(10,981,712)	(10,741,809)
Derecognition	(5,345,400)	—
Balance at end of year	₱45,169,493	₱33,567,017

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

	2021	2020
Within one year	₱8,417,020,962	₱4,225,205,340
After one year but not more than three years	2,219,000,000	2,247,939,200
More than three years	2,845,866,000	2,866,115,800
	₱13,481,886,962	₱9,339,260,340

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 4.50% to 7.50 % p.a. in 2021 and 5.00% to 8.00% p.a. in 2020.

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

Purpose	Terms and Security	Effective interest rate (p.a.)	2021	2020
Credit facility agreement for financing of receivables from buyers of units and parking slots in Cebu Exchange	Payable in full in 2022; secured by receivables and contract assets from buyer of units and parking slots in Cebu Exchange with carrying amount of ₱3.6 billion as at December 31, 2021 (see Notes 5 and 8)	6.75% to 7.50%	₱2,673,296,992	₱1,365,481,370
Short-term loans for working fund requirements	Unsecured and payable in full within one year	4.50% to 7.00%	2,472,000,000	1,225,000,000
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 ₱5,959.3 million and ₱5,586.8 million as at December 31, 2021 and 2020, respectively (see Note 10), and an escrow account amounting to ₱105.7 million and ₱54.5 million as at December 31, 2021 and 2020, respectively (see Note 12)	5.50%	1,712,356,858	1,858,666,538
Construction of Savva 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, 2021 (see Note 9) and an escrow account ₱30.6 million as at December 31, 2021 (see Note 12)	4.75%	1,431,814,488	—
Short-term loans for construction of Cebu Exchange	Unsecured and payable in full within one (1) year	5.00% to 7.50%	1,251,000,000	500,000,000

(Forward)

Purpose	Terms and Security	Effective interest rate (p.a.)	2021	2020
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 ₱2,885.9 million and ₱2,371.6 million as at December 31, 2021 and 2020, respectively (see Note 9)	5.77%	1,114,000,000	2,014,000,000
Development of Green Projects	Unsecured and payable in full on February 6, 2025	6.35%	991,234,308	989,043,295
Construction of Sevina Park	Payable on a quarterly basis starting November 2023 until August 2026; secured by raw land with carrying amount of ₱884.2 million as at December 31, 2021 (see Notes 9 and 10), and an escrow account amounting to ₱8.3 million as at December 31, 2021 (see Note 12)	6.25%	₱684,057,581	₱—
Construction of Lucima Residences	Payable on a quarterly basis starting 2024 until 2026; secured by Lucima Residences property with carrying amount of ₱747.3 million as at December 31, 2021 (see Note 9)	6.17%	549,983,272	—
Working fund requirements	Payable on November 25, 2024	6.00%	496,250,000	—
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 (see Note 9) and an escrow account of and ₱30.6 million as at December 31, 2020 (see Note 12)	7.15%	—	1,268,778,150
			₱13,375,993,499	₱9,220,969,353

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 1.81x and debt to equity ratio of 1.48x, 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). The loan was fully settled in 2021.

In 2021, SLDC entered into a new loan facility of ₱1,440.0 million with a local bank. The ₱1,440.0 million was fully drawn and was used to repay the ₱1,440.0 million outstanding loan under the MTL. The outstanding loan balance is secured by real estate mortgage over raw land property (see Note 9). SLDC is required to debt service coverage ratio of 1.25x beginning 2021 and shall not fall below 1.5x to declare dividends and maintain a debt-to-equity ratio not exceeding 2.0x and a current ratio of at least 1.5x.

The debt to equity and current ratio of SLDC as at December 31, 2021 based on its financial statements is 1.88x and 2.23x, respectively, which is compliant with the requirements of the term loan.

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 Sevina Park

In 2021, Cazneau entered into a long-term loan facility of ₱1.0 billion with a local bank to partially finance the construction of Sevina Park. Loan proceeds are available in multiple tranches for a period of three (3) years from the date of initial drawdown. The outstanding loan balance is secured by real estate mortgage over two parcels of land of Cazneau and grant of security interest over shares of ALCO. Moreover, Cazneau is required to maintain debt to equity ratio of not more than 2.00x and current ratio of not less than 1.50x.

The debt to equity and current ratio of Cazneau as at December 31, 2021 based on its financial statements is 0.96x and 2.12x, respectively, which is compliant with the requirements of the term loan. The loan facility requires Cazneau to maintain current ratio of not less than 1.50x and debt to equity ratio of not more than 2.00x.

Construction of Lucima Residences

In 2021, the Company entered into a term loan facility of ₱930.0 million with a local bank to partially finance the construction of Lucima Residences. Loan proceeds are available in multiple tranches for a period of 3 years from the date of initial drawdown. The outstanding loan balance is secured by real estate mortgage on the land of Bhavana located in Cebu City. Moreover, Bhavana is required to maintain debt to equity ratio of not more than 2.00x, current ratio of not less than 1.50x and project debt to equity ratio not exceeding 0.50x.

The debt to equity ratio, current ratio and project debt to equity ratio of Bhavana as at December 31, 2021 based on its financial statements is 1.22x, 1.69x and 0.48x, respectively, which is compliant with the requirements of the term loan.

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 ₱60.7 million and ₱84.7 million as at December 31, 2021 and 2020 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	2021	2020	2019
Loans payable		₱478,859,663	₱347,998,404	₱186,255,249
Bonds payable	14	73,390,131	72,767,759	–
		₱552,249,794	₱420,766,163	₱186,255,249

The above is distributed as follows:

	Note	2021	2020	2019
Real estate for sale	9	₱549,762,344	₱420,766,163	₱159,586,770
Investment properties	10	2,487,450	–	26,668,479
		₱552,249,794	₱420,766,163	₱186,255,249

The capitalization rates used to determine general borrowing costs eligible for capitalization ranges from 4.50% to 7.50% in 2021 and 3.00% to 8.00% in 2020.

Interest Expense

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

	Note	2021	2020	2019
Interest expense on:				
Loans payable and advances from non-controlling interests		₱158,599,452	₱169,908,411	₱124,339,961
Bonds payable	14	116,638,811	108,990,151	–
		₱275,238,263	₱278,898,562	₱124,339,961

14. Bonds Payable

As at December 31, 2021 and 2020, this account consists of:

	2021	2020
Bonds payable	₱3,000,000,000	₱3,000,000,000
Unamortized debt issue cost	(33,405,821)	(41,473,302)
	₱2,966,594,179	₱2,958,526,698

Movement in debt issue cost in 2021 and 2020 are as follows:

	2021	2020
Balance at beginning of year	₱41,473,302	₱—
Additions	—	50,676,693
Amortization	(8,067,481)	(9,203,391)
Balance at end of year	₱33,405,821	₱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, 2021, the Group is compliant with these financial ratios.

Capitalized borrowing costs and interest expense incurred on the Bonds amounted to ₱73.4 million and ₱116.6 million, respectively, in 2021 (see Note 13). 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	2021	2020
Accounts payable:			
Third parties		₱363,521,164	₱208,485,207
Related party	24	3,096,486	3,458,920
Accrued:			
Construction costs		1,146,088,718	821,587,745
Interest		110,703,657	147,587,776
Personnel costs		19,762,831	24,234,892
Others		34,021,314	42,619,260
Payable for the purchase of interests in a subsidiary	4	762,340,790	—
Deferred output VAT		748,221,837	885,587,128
Retention payable		492,874,816	392,975,986
Payable to customers		298,088,488	77,783,371
Security deposits	22	83,257,815	81,124,014
Withholding taxes payable		61,619,568	26,663,745
Advance rent	22	39,262,391	36,183,597
Construction bonds		21,398,433	29,108,948
Income tax payable		8,199,158	3,240,094
Dividend payable		6,515,393	5,559,031
Others		19,849,443	6,744,247
		₱4,218,822,302	₱2,792,943,961

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.

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.

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.

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.

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.

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 SSS, PhilHealth and HDMF.

16. Equity

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

	2021		2020		2019	
	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	48,500,000	5,318,095,199	42,500,000	5,318,095,199	42,500,000	5,318,095,199
Outstanding	28,500,000	5,318,095,199	42,500,000	5,318,095,199	42,500,000	5,318,095,199

Preferred Shares

The rollforward analysis of the outstanding preferred shares is as follows:

	2021		2020		2019	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance at beginning of year	42,500,000	₱42,500,000	42,500,000	₱42,500,000	32,500,000	₱32,500,000
Issuance during the year	6,000,000	6,000,000	—	—	10,000,000	10,000,000
Redemption during the year	(20,000,000)	(20,000,000)	—	—	—	—
Balance at end of year	28,500,000	28,500,000	42,500,000	42,500,000	42,500,000	42,500,000
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)
	16,000,000	₱16,000,000	30,000,000	₱30,000,000	30,000,000	₱30,000,000

On December 6, 2021, the Parent Company redeemed all of the outstanding 20.0 million Series B Preferred Shares equal to its offer price plus any accrued and unpaid cash dividends due as of date. Treasury shares pertaining to the redemption of 20.0 million Series B Preferred Shares recognized at cost amounted to ₱2,000.0 million as at December 31, 2021.

On December 3, 2021, the Parent Company made a follow-on offering of 6.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the "Series D Preferred Shares), with ₱1.00 par value a share at the issuance price of ₱500 a share. Excess of the proceeds over the total par value amounting to ₱2,994.0 million and transaction costs of ₱29.6 million were recognized as addition and reduction to additional paid-in capital, respectively.

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 were 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, 2021 and 2020, 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.

Common and Preferred Shares Listed with PSE

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

Date of SEC Approval	Type of Issuance	No. of Shares Issued (Redeemed)	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
	Public offering of Series “B”		
2016	preferred shares	20,000,000	100
	Public offering of Series “C”		
2019	preferred shares	10,000,000	100
	Public offering of Series “D”		
2021	preferred shares	6,000,000	500
2021	Redemption of Series “B” preferred shares	(20,000,000)	100

The Parent Company has 1,937 and 1,939 stockholders as at December 31, 2021 and 2020, 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 20, 2021	December 3, 2021	December 27, 2021	Series C preferred shares	₱17,319,000	₱1.730
October 20, 2021	November 16, 2021	December 6, 2021	Series B preferred shares	35,229,000	1.760
August 4, 2021	September 7, 2021	September 27, 2021	Series C preferred shares	17,319,000	1.730
August 4, 2021	August 20, 2021	September 6, 2021	Series B preferred shares	35,229,000	1.760
June 25, 2021	July 9, 2021	July 30, 2021	Common shares	63,817,142	0.012
May 5, 2021	June 7, 2021	June 27, 2021	Series C preferred shares	17,319,000	1.730
May 5, 2021	May 19, 2021	June 6, 2021	Series B preferred shares	35,229,000	1.760
January 27, 2021	March 8, 2021	March 27, 2021	Series C preferred shares	17,319,000	1.730
January 27, 2021	February 15, 2021	March 6, 2021	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 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	

Other Equity Reserves

This account consists of:

	Note	2021	2020	2019
Effect of changes in the Parent Company's ownership interest in subsidiaries		₱169,002,018	₱229,500,000	₱—
Stock options outstanding		7,080,164	6,485,553	—
Cumulative remeasurement gain (losses) on net retirement liability - net of tax	21	1,548,221	(5,622,407)	(207,724)
		₱177,630,403	₱230,363,146	(₱207,724)

Movements of this account is as follows:

	Note	2021	2020	2019
Balance at beginning of year		₱230,363,146	(₱207,724)	₱18,169,495
Excess of acquisition cost over the non-controlling interest acquired in a subsidiary	4	(60,497,982)	—	—
Remeasurement gain (loss) on net retirement liability - net of tax and effect of CREATE Law	21	7,170,628	(5,414,683)	(18,377,219)
Stock options granted and fair value changes	18	594,611	6,485,553	—
Excess of proceeds over the cost of disposed interest in a subsidiary	4	—	229,500,000	—
Balance at end of year		₱177,630,403	₱230,363,146	(₱207,724)

Effect of Changes in the Parent Company's Ownership Interest in a Subsidiary

In December 2021, the Parent Company purchased 214,351 common and 118,982 preferred shares representing 40% of the ownership and voting rights of CLLC for ₱113.2 million from RSBV resulting to 100% ownership of the Parent Company in CLLC. The difference between the acquisition cost and book value amounting to ₱60.5 million was recorded as reduction to equity reserves (see Note 4).

In 2020, 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 ₱7.2 million and ₱6.5 million as at December 31, 2021 and 2020, respectively. 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, 2021 and 2020, none of the qualified employees have exercised their options.

Use of Proceeds

Series D Preferred Shares

The estimated gross proceeds from the offer of Series D Preferred Shares amounted to ₱3,000.0 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱2,966.7 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 12/31/2021	Balance for Disbursement as at 12/31/2021
Redemption of Series B Preferred Shares	₱2,000.0	₱2,000.0	₱2,000.0	₱—
Savya Financial Center and Cebu Exchange Project	1,000.0	966.7	—	966.7
Total	₱3,000.0	₱2,966.7	₱2,000.0	₱966.7

17. Revenues

The Group's revenues are as follows:

	Note	2021	2020	2019
Real estate sales of:				
Cebu Exchange		₱1,354,517,333	₱2,126,330,823	₱2,870,054,489
Savya Financial Center		975,128,529	713,085,853	645,749,539
Sevina Park		299,297,701	79,707,222	—
		2,628,943,563	2,919,123,898	3,515,804,028
Leasing revenue	22	325,500,935	371,576,866	321,918,256
Property management fees		17,754,758	10,852,292	10,135,140
		₱2,972,199,256	₱3,301,553,056	₱3,847,857,424

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 (ARCC) and Arthaland Century Pacific Tower Condominium Corporation (ACPTCC). The service contract with ARCC has a term of five (5) years commencing on December 1, 2014 and was subsequently renewed for a period of five (5) years commencing on December 1, 2021. Meanwhile, the service contract with ACPTCC has a term of seven (7) years commencing on August 1, 2018, both for the management and maintenance of all common areas of said condominium properties.

18. Operating Expenses

Operating expenses are classified as follows:

	2021	2020	2019
Administrative	₱438,756,665	₱417,716,339	₱409,806,713
Selling and marketing	299,702,134	262,506,092	256,010,229
	₱738,458,799	₱680,222,431	₱665,816,942

Details of operating expenses by nature are as follows:

	Note	2021	2020	2019
Personnel costs		₱202,731,197	₱198,294,314	₱191,303,427
Advertising		163,666,488	79,149,719	124,110,551
Commissions		136,035,646	183,356,373	131,899,678
Management and professional fees		62,353,498	46,042,592	64,516,070
Communication and office expenses		38,445,777	24,899,585	29,116,455
Taxes and licenses		35,991,672	41,876,882	30,047,582
Depreciation and amortization	11	31,605,519	42,966,008	26,722,029
Transportation and travel		18,742,075	17,880,159	24,498,653
Insurance		18,531,639	15,268,232	15,788,365
Write-off of receivables from non-affiliated entity		11,559,066	—	—
Repairs and maintenance		4,797,950	3,550,213	12,799,877
Representation		3,503,647	2,910,588	1,377,793
Utilities		2,423,146	4,038,002	5,002,052
Rent	22	2,313,138	2,976,306	1,659,167
Others		5,758,341	17,013,458	6,975,243
		₱738,458,799	₱680,222,431	₱665,816,942

Personnel costs consist of:

	Note	2021	2020	2019
Salaries and other employee benefits		₱174,978,147	₱167,928,064	₱168,761,466
Retirement expense	21	27,158,439	23,880,697	22,541,961
Stock options granted and fair value changes	16	594,611	6,485,553	—
		₱202,731,197	₱198,294,314	₱191,303,427

19. Finance Costs

This account consists of:

	Note	2021	2020	2019
Interest expense	13, 14	₱275,238,263	₱278,898,562	₱124,339,961
Bank charges		2,590,682	2,285,398	499,643
		₱277,828,945	₱281,183,960	₱124,839,604

20. Other Income - Net

This account consists of:

	Note	2021	2020	2019
Realized gain on disposals of financial assets at FVPL	7	₱23,603,206	₱19,071,132	₱16,784,004
Unrealized holding gains (losses) on financial assets at FVPL	7	(6,258,905)	12,217,775	(617,582)
Interest income	6	3,537,246	9,379,745	13,489,356
Gain (loss) on disposal of property and equipment	11	(545,561)	(73,601)	322,744
Foreign exchange gains (losses)		368,205	(8,843)	(605,121)
Loss on sale of investment properties		—	(461,752)	—
Others		6,942,915	2,115,747	1,733,278
		₱27,647,106	₱42,240,203	₱31,106,679

21. Net Retirement Liability

The Group 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 Group. 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 14, 2022):

Details of retirement expense is as follows (see Note 18):

	2021	2020	2019
Current service cost	₱22,933,142	₱18,666,937	₱18,130,347
Net interest cost	4,225,297	5,213,760	4,411,614
	₱27,158,439	₱23,880,697	₱22,541,961

The movements of net retirement liability recognized in the consolidated statements of financial position are as follows:

	2021	2020	2019
Balance at beginning of year	₱101,496,418	₱99,880,460	₱66,088,998
Current service cost	22,933,142	18,666,937	18,130,347
Net interest cost	4,225,297	5,213,760	4,411,614
Contribution to retirement plan assets	—	(30,000,000)	(15,003,669)
Remeasurement loss (gains) on:			
Experience adjustments	(9,133,789)	2,813,918	(5,262,217)
Change in financial assumptions	(2,314,401)	4,427,055	30,887,077
Return on plan assets	1,296,104	494,288	628,310
Change in demographic assumptions	(59,273)	—	—
Balance at end of year	₱118,443,498	₱101,496,418	₱99,880,460

The funded status and amounts recognized in the consolidated statements of financial position for the net retirement liability as at December 31, 2021 and 2020 are as follows:

	2021	2020
Present value of retirement liability	₱158,888,009	₱152,389,179
Fair value of plan assets	(40,444,511)	(50,892,761)
	₱118,443,498	₱101,496,418

As of December 31, 2021, the plan is underfunded by ₱118.4 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.

Changes in the present value of the retirement liability are as follows:

	2021	2020	2019
Balance at beginning of year	₱152,389,179	₱120,206,490	₱71,097,631
Current service cost	22,933,142	18,666,937	18,130,347
Interest cost	6,019,373	6,274,779	5,353,652
Benefits paid from plan assets	(10,946,222)	—	—
Remeasurement gains on:			
Experience adjustments	(9,133,789)	2,813,918	(5,262,217)
Change in financial assumptions	(2,314,401)	4,427,055	30,887,077
Change in demographic assumptions	(59,273)	—	—
Balance at end of year	₱158,888,009	₱152,389,179	₱120,206,490

Changes in the fair value of plan assets are as follows:

	2021	2020	2019
Balance at beginning of year	₱50,892,761	₱20,326,030	₱5,008,633
Interest income	1,794,076	1,061,019	942,038
Benefits paid from plan assets	(10,946,222)	—	—
Contribution to retirement plan assets	—	30,000,000	15,003,669
Remeasurement gain (loss) on return on plan assets	(1,296,104)	(494,288)	(628,310)
Balance at end of year	₱40,444,511	₱50,892,761	₱20,326,030

Plan assets are primarily composed of unit investment trust accounts and do not comprise any of the Group'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:

	2021		
	Cumulative Remeasurement Losses	Deferred Tax (see Note 23)	Net
Balance at beginning of year	(₱8,032,009)	(₱2,409,602)	(₱5,622,407)
Remeasurement gain	10,211,359	2,639,131	7,572,228
Effect of changes in tax rates due to CREATE Law	—	—	(401,600)
Balance at end of year	₱2,179,350	₱229,529	₱1,548,221

	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)

The principal assumptions used for the purpose of the actuarial valuation are as follows:

	2021	2020
Discount rate	5.09%	3.95%
Salary projection rate	6.00%	5.00%
Average remaining service years	21.7	24.2

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2021 and 2020 are presented below.

	Change in Assumption	Effect on Present Value of Retirement Liability	
		Discount Rate	Salary Projection Rate
December 31, 2021	+1%	(P13,908,844)	P16,403,042
	-1%	16,730,232	(13,919,729)
December 31, 2020	+1%	(P14,901,329)	P17,761,066
	-1%	18,147,808	(14,894,844)

The expected future benefit payments within the next ten years are as follows:

Financial Year	Amount
2022	P67,945,586
2023	802,412
2024-2031	82,100,350

The weighted average duration of the retirement benefit obligation as at December 31, 2021 and 2020 are 9.8 years and 10.8 years, respectively.

22. Commitments

Operating Lease Commitments - Group as Lessor

The Parent Company entered into various lease agreements in ACPT for periods ranging from one (1) year to 10 years. Majority of 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 P325.5 million in 2021, P371.6 million in 2020 and P321.9 million in 2019 (see Note 17). Lease receivables amounted to P153.5 million and P88.9 million as at December 31, 2021 and 2020, respectively (see Note 8). Accrued rent receivable amounted to P66.2 million and P89.6 million as at December 31, 2021 and 2020, respectively (see Note 8). Advance rent from tenants amounted to P39.3 million and P36.2 million as at December 31, 2021 and 2020, respectively. Security deposits, which may be applied to unsettled balances or refunded at the end of the lease term, amounted to P83.3 million and P81.1 million as at December 31 2021 and 2020, respectively (see Note 15).

The future minimum lease payments to be received under non-cancellable operating leases as at December 31 are as follows:

	2021	2020
Within one year	₱261,888,151	₱256,810,411
After one year but not more than five years	453,024,093	617,893,681
More than five years	13,221,455	24,261,443
	₱728,133,699	₱898,965,535

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 ₱2.3 million in 2021, ₱3.0 million in 2020 and ₱1.7 million in 2019 (see Note 18).

23. Income Taxes

The components of income tax expense are as follows:

	Note	2021	2020	2019
Reported in Profit or Loss				
Current:				
RCIT		₱50,194,798	₱11,650,910	₱66,966,595
MCIT		6,848,361	9,901,241	5,619,419
Gross income tax (GIT)		5,191,339	2,399,074	3,678,373
Final taxes		4,916,752	6,065,051	5,533,420
		67,151,250	30,016,276	81,797,807
Deferred		(55,255,650)	460,254,146	554,347,227
		₱11,895,600	₱490,270,422	₱636,145,034
Reported in OCI				
Deferred tax related to remeasurement gains (losses) on net retirement liability	21	(₱2,639,131)	₱2,320,578	₱7,875,951

Deferred Tax Assets and Deferred Tax Liabilities

The components of the Group's recognized deferred tax assets and liabilities are as follows:

	2021	2020
Deferred tax assets:		
NOLCO	₱253,843,493	₱186,618,977
Retirement liability	28,829,718	30,448,926
Excess MCIT over RCIT	21,049,084	15,706,900
Advance rent	8,128,617	8,608,314
Allowance for impairment losses	92,073	110,488
Unrealized foreign exchange loss	—	2,654
	311,942,985	241,496,259
Deferred tax liabilities:		
Cumulative gain on change in fair value of investment properties	1,394,057,646	1,415,105,254
Excess of financial over taxable gross profit	569,320,155	523,413,731
Depreciation of investment properties	32,359,232	26,332,554
Accrued rent receivable	11,702,598	17,144,444
Transfer of fair value to property and equipment	10,558,107	12,939,297
Capitalized debt issue costs	8,152,056	9,989,503
Unrealized foreign exchange gain	91,984	—
	2,026,241,778	2,004,924,783
Net deferred tax liabilities	₱1,714,298,793	₱1,763,428,524

As at December 31, 2021 and 2020, the Group did not recognize deferred tax assets relating to the following:

	2021	2020
NOLCO	₱14,861,627	₱8,073,179
Excess MCIT over RCIT	320	320
	₱14,861,947	₱8,073,499

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	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2021	₱—	₱439,172,305	₱—	₱—	₱439,172,305	2026
2020	441,070,429	—	—	—	441,070,429	2025
2019	201,505,549	—	—	—	201,505,549	2022
2018	6,397,876	—	—	6,397,876	—	2021
	₱648,973,854	₱439,172,305	₱—	₱6,397,876	₱1,081,748,283	

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
2021	₱—	₱6,848,361	₱—	₱—	₱6,848,361	2024
2020	9,901,241	—	—	—	9,901,241	2023
2019	5,619,419	—	—	—	5,619,419	2022
2018	186,560	—	—	186,560	—	2021
	₱15,707,220	₱6,848,361	₱—	₱186,560	₱22,369,021	

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:

	2021	2020	2019
Income tax computed at statutory tax rate	₱331,646,283	₱497,818,418	₱636,987,873
Effect of CREATE Law	(301,160,455)	—	—
Add (deduct) tax effect of:			
Income subject to GIT	(23,504,522)	(11,721,196)	(28,497,641)
Stock issuance costs	(7,399,841)	—	(3,744,499)
Change in unrecognized deferred tax assets	6,986,414	2,412,913	1,998,894
Nondeductible expenses and nontaxable income	4,483,199	2,923,947	30,197,169
Unrealized holding loss (gains) on financial assets at FVPL	1,536,300	(3,665,333)	185,275
Realized gain on disposals of financial assets at FVPL subjected to final tax	(1,535,568)	(1,845,302)	(1,552,143)
Expired NOLCO	1,147,774	5,550,944	1,579,881
Interest income subjected to final tax	(491,564)	(1,203,969)	(1,151,433)
Expired MCIT	187,580	—	141,658
	₱11,895,600	₱490,270,422	₱636,145,034

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”) Law

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) was approved and signed into law by the country’s President. Under the CREATE, the regular corporate income tax (RCIT) of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the minimum corporate income tax (MCIT) was changed from 2% to 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.

However, 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. The difference amounting to ₱301.2 million arising from the changes in income tax rates was recognized in 2021.

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	
				2021	2020	2021	2020
Due from Related Parties							
		8					
CPG	Principal stockholder		Share purchase agreement	₱—	₱—	₱36,052,873	₱36,052,873
	Entity under common management						
SOPH			Advances for working capital	39,442	635,359	5,607,293	5,567,851
	Entity under common management						
Centrobless			Advances for working capital	(11,742,444)	3,635,968	4,749,541	16,491,985
						₱46,409,707	₱58,112,709
Accounts Payable							
	Principal stockholder						
CPG		15	Management fee	₱12,385,943	₱12,577,891	₱3,096,486	₱3,458,920

Share Purchase Agreement

The Parent Company has an outstanding receivable from CPG amounting to ₱36.1 million as at December 31, 2021 and 2020 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, 2021 and 2020.

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:

	2021	2020	2019
Salaries and other employee benefits	₱82,773,183	₱89,599,050	₱83,779,871
Retirement expense	27,158,439	24,095,262	24,095,262
	₱109,931,622	₱113,694,312	₱107,875,133

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 ₱40.4 million and ₱50.9 million as of December 31, 2021 and 2020 (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			
	January 1, 2021	Availments/ Declaration	Payments	Assignment of advances	Conversion to deposit for future stock subscription	Movement in Debt Issue Cost	December 31, 2021
Loans payable	₱9,305,693,323	₱10,445,612,330	(₱6,302,985,708)	₱—	₱—	(₱11,602,476)	₱13,436,717,469
Bonds payable	2,958,526,698	—	—	—	—	8,067,481	2,966,594,179
Advances from non-controlling interests	1,367,586,297	411,200,000	(676,666,700)	—	—	—	1,102,119,597
Dividends payable	5,559,031	274,009,142	(273,052,780)	—	—	—	6,515,393
	₱13,637,365,349	₱11,130,821,472	(₱7,252,705,188)	₱—	₱—	(₱3,534,995)	₱17,511,946,638

	Financing Cash Flows			Noncash Transactions			
	January 1, 2020	Availments/ Declaration	Payments	Assignment of advances	Conversion to deposit for future stock subscription	Movement in Debt Issue Cost	December 31, 2020
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

26. Earnings Per Share

Basic and diluted earnings per share are computed as follows:

	2021	2020	2019
Net income attributable to equity holders of the Parent Company	₱899,510,260	₱887,295,539	₱1,187,016,033
Less share of Series B and C Preferred Shares	(210,192,000)	(210,192,000)	(175,554,000)
Net income attributable to equity holders of the Parent Company for basic and diluted earnings per share	₱689,318,260	₱677,103,539	₱1,011,462,033
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	55,400,000	—
Adjusted weighted average number of common shares for diluted EPS	5,373,495,199	5,373,495,199	5,318,095,199
Basic EPS	₱0.1296	₱0.1273	₱0.1902
Diluted EPS	₱0.1283	₱0.1260	₱0.1902

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, 2021 and 2020, 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.

2021					
	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*	₱1,949,062,156	₱—	₱—	₱—	₱1,949,062,156
Financial assets at FVPL	—	—	—	4,378,607,744	4,378,607,744
Receivables**	—	1,497,248,576	368,292	—	1,497,616,868
Contract assets	—	6,238,880,086	—	—	6,238,880,086
Deposits	65,599,638	—	—	—	65,599,638
Amounts held in escrow	144,678,088	—	—	—	144,678,088
	₱2,159,339,882	₱7,736,128,662	₱368,292	₱4,378,607,744	₱14,274,444,580

*Excludes cash on hand amounting to ₱195,000.

**Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱66.2 million as at December 31, 2021.

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.

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, 2021 and 2020:

2021						
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	P=	P8,328,978,932	P1,414,000,000	P1,219,000,000	P2,845,866,000	P13,807,844,932
Bonds payable	-	-	-	-	3,000,000,000	3,000,000,000
Accounts payable and other liabilities*	492,874,816	1,820,556,044	-	-	-	2,313,430,860
Advances from non-controlling interest	1,102,119,597	-	-	-	-	1,102,119,597
	P1,594,994,413	P10,149,534,976	P1,414,000,000	P1,219,000,000	P5,845,866,000	P20,223,395,389

*Excludes payable to buyers, advance rent and statutory liabilities aggregating to P1,155.4 million as at December 31, 2021.

2020						
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	P=	P4,225,205,340	P1,414,000,000	P833,939,200	P2,866,115,800	P9,339,260,340
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
	P1,760,562,283	P5,595,715,380	P1,414,000,000	P833,939,200	P5,866,115,800	P15,470,332,663

*Excludes payable to buyers, advance rent and statutory liabilities aggregating to P1,049.0 million as at December 31, 2020.

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.

Impact of COVID-19

The varying level of community quarantine that have been enforced in the different parts of the country since its initial imposition on March 16, 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 of communities were locked down.

In spite of the difficulties posed by these challenges, the Company 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 has allowed the Company to continue functioning and operating except in areas where no alternative means, given existing circumstances, are readily available.

To date, management is monitoring all the ongoing COVID-19 related developments to assess, anticipate, and develop appropriate business strategies moving forward.

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:

	2021	2020
Total liabilities	₱23,619,149,934	₱18,317,098,613
Total equity	11,052,136,913	9,230,104,456
Debt-to-equity ratio	2.14:1.00	1.98:1.00

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	2021 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	₱4,378,607,744	₱4,378,607,744	₱—	₱—
Investment properties	10	9,026,428,319	—	1,635,060,492	7,391,367,827
Asset for which fair value is disclosed -					
Financial assets at amortized cost - Deposits	12	65,599,638	—	—	65,599,638
		₱13,470,635,701	₱4,378,607,744	₱1,635,060,492	₱7,456,967,465
Liability for which fair value is disclosed -					
Loans payable	13	₱13,436,717,469	₱—	₱—	₱13,375,990,935
Bonds payable	14	2,966,594,179	—	—	3,003,560,199
		₱16,403,311,648	₱—	₱—	₱16,379,551,134

		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	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

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 were 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, 2021 and 2020:

	2021	2020
Financial assets:		
Cash and cash equivalents	₱1,949,257,156	₱941,079,474
Receivables*	1,497,248,576	449,522,428
Contract assets	6,238,880,086	5,341,881,039
Amounts held in escrow	144,678,088	85,052,814
	₱9,830,063,906	₱6,817,535,755
Financial liabilities:		
Accounts payable and other liabilities**	₱2,313,818,280	₱1,763,486,026
Advances from non-controlling interests	1,102,119,597	1,367,586,297
	₱3,415,937,877	₱3,131,072,323

*Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱66.2 million and ₱89.6 million as at December 31, 2021 and 2020, respectively.

**Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱1,155.4 million and ₱1,029.5 million as at December 31, 2021 and 2020, 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, 2021 and 2020 are as follows:

	Note	2021	2020
Current Assets			
Cash and cash equivalents	6	₱1,949,257,156	₱941,079,474
Financial assets at FVPL	7	4,378,607,744	3,257,288,870
Receivables	8	1,563,406,726	539,079,767
Contract assets	5	6,238,880,086	5,341,881,039
Real estate for sale	9	8,988,754,987	6,894,906,539
Other assets*	12	1,865,555,269	1,910,977,361
		₱24,984,461,968	₱18,885,213,050

*Excludes non-current portion of deposits and deferred input VAT amounting to ₱178.2 million and ₱66.6 million as at December 31, 2021 and 2020, respectively.

	Note	2021	2020
Current Liabilities			
Current portion of loans payable***	13	₱8,417,020,962	₱4,225,205,340
Accounts payable and other liabilities	14	4,218,822,302	2,792,943,961
Contract liabilities	5	62,154,096	27,423,392
Advances from non-controlling interests	4	1,102,119,597	1,367,586,297
		₱13,800,116,957	₱8,413,158,990

***Excludes long term portion of loans payable aggregating to ₱5,107.7 million and ₱5,080.5 million and as at December 31, 2021 and 2020, 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, 2021, 2020 and 2019:

2021						
	Sale of Real Estate	Leasing	Property Management Services	Corporate	Eliminations	Total
Segment revenue	₱2,628,943,563	₱325,500,935	₱478,856,970	₱-	(₱461,102,212)	₱2,972,199,256
Segment expenses	(1,668,922,051)	(106,984,259)	(116,486,671)	(847,984,974)	273,075,552	(2,467,302,403)
Segment profit	960,021,512	218,516,676	362,370,299	(847,984,974)	(188,026,660)	504,896,853
Net gain on change in fair value of investment properties	-	872,263,700	-	-	-	872,263,700
Finance costs	(192,226,329)	-	-	(277,828,945)	(192,226,329)	(277,828,945)
Other income - net	-	-	-	27,647,106	-	27,647,106
Income before income tax	767,795,183	1,090,780,376	362,370,299	(1,098,166,813)	4,199,669	1,126,978,714
Provision for income tax	-	-	-	-	-	(11,895,600)
Net income	-	-	-	-	-	1,115,083,114
Other comprehensive income	-	-	-	-	-	7,572,228
Total comprehensive income	-	-	-	-	-	₱1,122,655,342
Assets	₱8,988,754,987	₱9,026,428,319	₱15,858,139	₱24,417,005,366	(₱7,776,759,964)	₱34,671,286,847
Liabilities	(₱13,411,648,011)	(₱1,712,356,858)	₱-	(₱14,732,477,103)	₱6,237,332,038	(₱23,619,149,934)

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 costs	(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 costs	-	(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)

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 D Preferred Shares	January 26, 2022	February 11, 2022	March 3, 2022	₱45,000,000	₱7.5000
Series C Preferred Shares	February 23, 2022	March 10, 2022	March 27, 2022	17,319,000	1.7319

The dividends shall be taken out of the unrestricted earnings of the Parent Company as at December 31, 2021.



**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, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019, on which we have rendered our report dated March 23, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 1,920 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 April 13, 2024

SEC Accreditation No. 97380-SEC Group A

Issued April 8, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8851710

Issued January 3, 2022, Makati City

March 23, 2022
Makati City, Metro Manila



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 Philippine Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 included in this Form 17-A and have issued our report thereon dated March 23, 2022. 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 April 13, 2024

SEC Accreditation No. 97380-SEC Group A

Issued April 8, 2021

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BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8851710

Issued January 3, 2022, Makati City

March 23, 2022

Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES

FINANCIAL RATIOS

DECEMBER 31, 2021

Below is a schedule showing financial soundness indicators in the years 2021, 2020 and 2019.

	2021	2020	2019
Current/Liquidity Ratio	1.81	2.24	1.94
Current assets	₱24,974,149,416	₱18,885,213,050	₱11,846,881,978
Divided by: Current liabilities	13,800,504,377	8,413,158,990	6,113,724,853
Acid Test Ratio	0.57	0.56	0.26
Quick assets (Cash and cash equivalents, financial assets at FVPL and receivables)	₱7,891,271,626	₱4,737,448,111	₱1,569,088,837
Divided by: Current liabilities	13,800,504,377	8,413,158,990	6,113,724,853
Solvency Ratio	0.05	0.07	0.13
Net income before depreciation	1,148,449,235	1,214,297,022	1,513,869,906
Divided by: Total liabilities	23,619,149,934	18,317,098,613	12,000,440,106
Debt-to-Equity Ratio	2.14	1.98	1.61
Total liabilities	23,619,149,934	18,317,098,613	12,000,440,106
Divided by: Total equity	11,052,136,913	9,230,104,456	7,475,391,886
Debt-to-Equity Ratio	1.48	1.33	0.93
Interest-bearing liabilities	16,403,311,648	12,264,220,021	6,925,381,746
Divided by: Total equity	11,052,136,913	9,230,104,456	7,475,391,886
Asset-to-Equity Ratio	3.14	2.98	2.61
Total assets	34,671,286,847	27,547,203,069	19,475,831,992
Divided by: Total equity	11,052,136,913	9,230,104,456	7,475,391,886
Interest Rate Coverage Ratio	5.09	6.95	18.08
Pretax income before interest	1,402,216,977	1,938,293,289	2,247,632,872
Divided by: Interest expense	275,238,263	278,898,562	124,339,961
Return on Assets Ratio	0.03	0.04	0.08
Net income	1,115,083,114	1,169,124,305	1,487,147,877
Divided by: Total assets	34,671,286,847	27,547,203,069	19,475,831,992
Return on Equity Ratio	0.10	0.13	0.20
Net income	1,115,083,114	1,169,124,305	1,487,147,877
Divided by: Total equity	11,052,136,913	9,230,104,456	7,475,391,886
Profitability Ratio	0.10	0.13	0.20
Net income	1,115,083,114	1,169,124,305	1,487,147,877
Divided by: Total equity	11,052,136,913	9,230,104,456	7,475,391,886



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, 2021 and 2020 and for each of the three years ended December 31, 2021, 2020 and 2019, and have issued our report thereon dated March 23, 2022. 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, 2021 and 2020 and for each of the three years ended December 31, 2021, 2020 and 2019 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 April 13, 2024

SEC Accreditation No. 97380-SEC Group A

Issued April 8, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8851710

Issued January 3, 2022, Makati City

March 23, 2022
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, 2021

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ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2021

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	₱195,000	₱195,000	₱—	₱—
Cash in Banks:				
Philippine National Bank	323,324,613	323,324,613	—	
Banco De Oro	175,414,022	175,414,022	—	
Unionbank of the Philippines	106,603,772	106,603,772	—	
Bank of the Philippines	67,278,348	67,278,348	—	
Asia United Bank	12,580,818	12,580,818	—	
Others	6,816,317	6,816,317	—	
	692,017,890	692,017,890	—	2,130,550
Short-term Placements:				
Philippine National Bank	800,000,000	800,000,000	800,000,000	
Asia United Bank	391,003,585	391,003,585	391,003,585	
Bank of the Philippines	64,500,069	64,500,069	64,500,069	
Banco De Oro	1,440,576	1,440,576	1,440,576	
Security Bank	100,036	100,036	100,036	
	1,257,044,266	1,257,044,266	1,257,044,266	1,406,696
Deposits	65,599,638	65,599,638	—	—
Unit Investment Trust Fund	4,378,607,744	4,378,607,744	4,378,607,744	17,344,301
Amounts Held in Escrow	144,678,088	144,678,088	—	—
	₱6,538,142,626	₱6,537,987,628	₱3,616,561,165	₱20,881,547

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS
(OTHER THAN RELATED PARTIES)
DECEMBER 31, 2021

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Deductions		Ending Balance	
				Amounts written off	Current	Not current	Balance at end of year
Due from Related Parties -							
CPG Holdings, Inc.	₱36,052,873	₱—	₱—	₱—	₱36,052,873	₱—	₱36,052,873
Signature Office Property, Inc.	5,567,851	39,442	—	—	5,607,293	—	5,607,293
Centrobless	16,491,985	—	(11,742,444)	—	4,749,541	—	4,749,541
	₱58,112,709	₱39,442	(₱11,742,444)	₱—	₱46,409,707	₱—	₱46,409,707

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2021

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		
Advances to subsidiaries:								
Cebu Lavana Land Corp.	₱684,314,667	₱1,579,779,015	(₱27,426,800)	₱—	₱2,236,666,882	₱—		₱2,236,666,882
Bhavya Properties Inc.	807,128,877	246,061,996	(247,000,000)	—	806,190,873	—		806,190,873
Cazneau, Inc.	794,594,833	387,146,753	(485,500,000)	—	421,257,061	274,984,525		696,241,586
Zileya Land Development, Inc.	396,773,854	25,159,449	—	—	421,933,303	—		421,933,303
Bhavana Properties Inc.	766,061,262	426,826,477	(813,168,083)	—	379,719,656	—		379,719,656
Kashtha Holdings Inc.	294,447,741	1,008,057	—	—	295,455,798	—		295,455,798
Urban Property Holdings, Inc. (net of allowance for impairment amounting to ₱3,261,249)	69,204,320	10,755,024	(500,000)	—	79,459,344	—		79,459,344
Manchesterland Properties, Inc.	314	5,447,433	(14,120)	—	5,433,627	—		5,433,627
Savya Land Development Corporation	93,134	3,432,747	(10,313)	—	3,515,568	—		3,515,568
Emera Property Management, Inc.	1,583,581	1,025,084	—	—	2,608,665	—		2,608,665
Pradhana Land Inc.	813,764	2,895	—	—	816,659	—		816,659
	₱3,815,016,347	₱2,686,644,930	(₱1,573,619,316)	₱—	₱4,653,057,436	₱274,984,525		₱4,928,041,961
Advances from subsidiaries:								
Manchesterland Properties, Inc.	₱279,632,299	₱5,000,000	(₱2,525,976)	₱—	₱282,106,323	₱—		₱282,106,323
Cazneau, Inc.	—	527,646	—	—	527,646	—		527,646
Cebu Lavana Land Corp.	112,921,546	—	(112,470,208)	—	451,338	—		451,338
Savya Land Development Corporation	—	61,109	—	—	61,109	—		61,109
	₱392,553,845	₱5,588,755	(₱114,996,184)	₱—	₱283,146,416	₱—		₱283,146,416

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2021

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 Rates	Payment Terms	Maturity Dates
Bank Loans:						
Bank 1	₱2,350,000,000	₱1,114,000,000	₱—	5.77%	Quarterly	April 14, 2022
Bank 2	2,000,000,000	300,000,000	1,425,000,000	5.50%	Quarterly	June 30, 2025
Bank 3	1,440,000,000	546,000,000	894,000,000	4.75%	Quarterly	August 29, 2023
Bank 4	1,000,000,000	—	689,000,000	6.25%	Quarterly	August 10, 2026
Bank 5	930,000,000	—	556,866,000	6.17%	Quarterly	October 2026
Bank 6	2,000,000,000	1,673,296,992	—	7.50%	At end of term	April 2022
Bank 7	1,000,000,000	1,000,000,000	—	6.75%	At end of term	December 2022
Bank 8	1,000,000,000	—	1,000,000,000	6.35%	At end of term	February 6, 2025
Bank 9	1,000,000,000	751,000,000	—	6.00%	At end of term	April to May 2022
Bank 10	934,500,000	934,500,000	—	6.00%	At end of term	March 11, 2022
Bank 11	500,000,000	500,000,000	—	4.50%	At end of term	February 4, 2022
Bank 12	500,000,000	500,000,000	—	5.00%	At end of term	March 2022
Bank 13	300,000,000	300,000,000	—	5.25%	At end of term	June 10, 2022
Bank 14	500,000,000	—	500,000,000	6.00%	At end of term	November 25, 2024
Bank 15	187,500,000	187,500,000	—	4.50%	At end of term	August 15, 2022
Bank 16	100,000,000	100,000,000	—	6.25%	At end of term	March 24, 2022
Bank 17	100,000,000	100,000,000	—	7.00%	At end of term	August 29, 2022
Bank 18	100,000,000	100,000,000	—	4.50%	At end of term	January 11, 2022
Bank 19	100,000,000	100,000,000	—	4.75%	At end of term	November 21, 2022
Bank 20	62,500,000	62,500,000	—	4.75%	At end of term	January 11, 2022
Bank 21	50,000,000	50,000,000	—	5.00%	At end of term	March 9, 2022
Bank 22	37,500,000	37,500,000	—	4.75%	At end of term	September 15, 2022
					Renewable on	
Various loans from private funders	60,723,970	60,723,970	—	3.50%	maturity	January 24 and June 15, 2022
	₱16,252,723,970	₱8,417,020,962	₱5,064,866,000			

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2021

Title of Issue	Number of shares held by					
	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	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	76,715,159	1,840,030,130
Preferred shares - ₱1.00 par value per share	50,000,000	28,500,000	—	12,500,000	—	16,000,000

ARTHALAND CORPORATION
SCHEDULE OF RECONCILIATION OF PARENT COMPANY'S RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
DECEMBER 31, 2021

Unappropriated Retained Earnings, beginning		₱2,366,952,569
Adjustments:		
Cumulative gain on change in fair value of investment properties	(2,156,876,309)	
Unrealized holding gain on financial assets at FVPL	(10,193,586)	
Accumulated depreciation and amortization of investment properties	(65,891,138)	(2,232,961,033)
Unappropriated retained earnings, as adjusted, beginning		133,991,536
Add: Net income actually earned/realized during the period		
Net income during the year closed to retained earnings	1,001,142,090	
Realized holding gains on financial assets at FVPL	10,193,586	
Less: Non-actual/unrealized income and realized loss, net of tax		
Gain on change in fair value of investment properties	(299,137,225)	
Depreciation and amortization of investment properties	(39,893,235)	
Unrealized holding loss on financial assets at FVPL	6,855,655	
Depreciation of fair value of property and equipment	673,921	679,834,792
Cash dividends		(274,009,142)
Unappropriated Retained Earnings, <i>as adjusted to available for dividend distribution, ending</i>		₱539,817,186

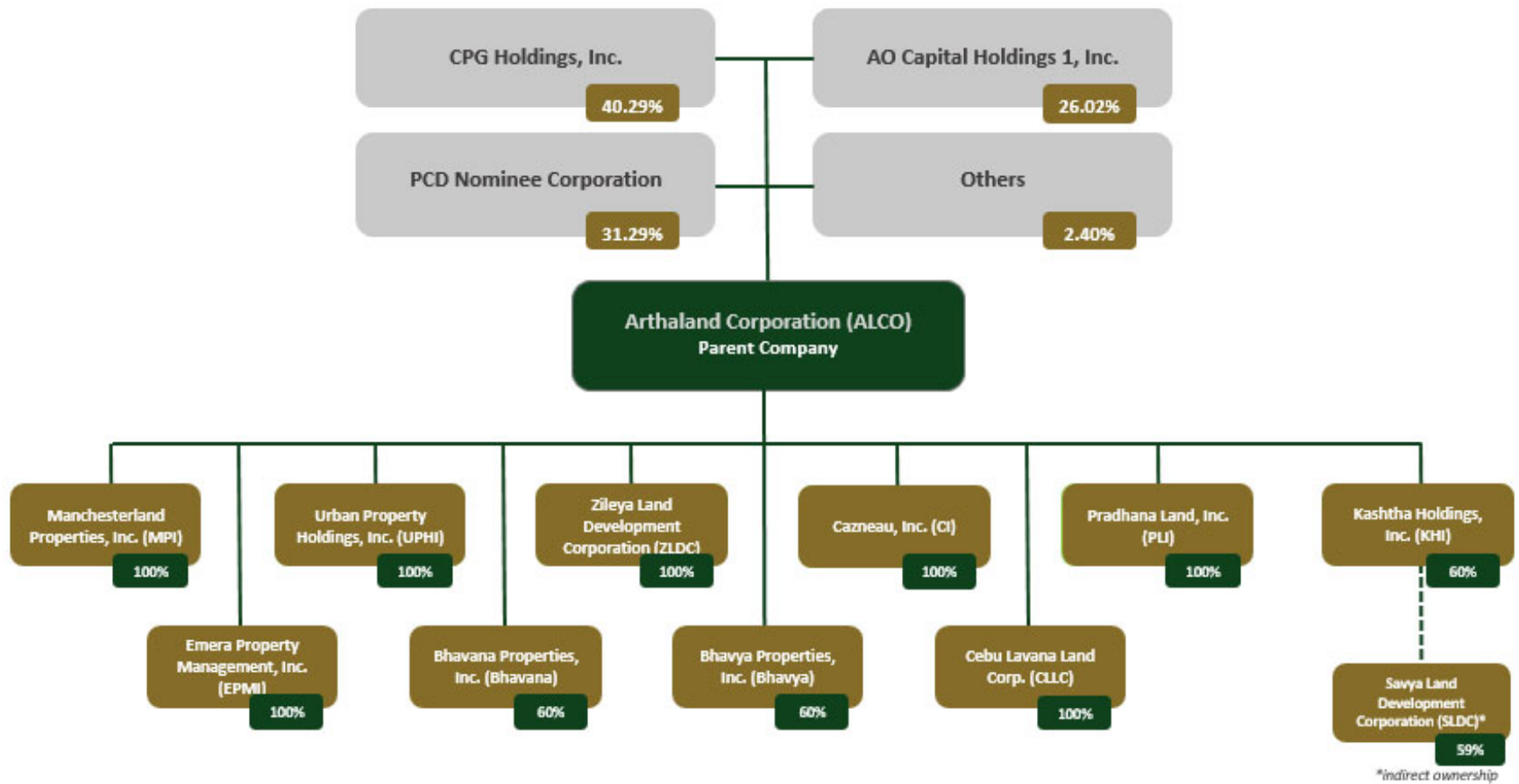
ARTHALAND CORPORATION
SCHEDULE OF USE OF PROCEEDS
Series D Preferred Shares
DECEMBER 31, 2021

The estimated gross proceeds from the offer amounted to ₱3,000.0 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱2,966.7 million.

The following table shows the breakdown of the use of the proceeds (amounts in millions):

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursements as at December 31, 2021	Balance for Disbursement as at December 31, 2021
Redemption of Series B Preferred Shares	₱2,000.0	₱2,000.0	₱2,000.0	₱—
Cebu Exchange Project & Savya Financial Center Project	1,000.0	966.7	—	966.7
Total	₱3,000.0	₱2,966.7	₱2,000.0	₱966.7

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

ALCO@arthaland.com

Company's Telephone Number/s

(02) 8-403-6910

Mobile Number

(+63) 917 509 3413

No. of Stockholders

1,937

Annual Meeting (Month / Day)

Last Friday of June

Calendar Year (Month / Day)

December 31

CONTACT PERSON INFORMATIONThe 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

7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City, Taguig 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.



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

Report on the Separate Financial Statements

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, 2021 and 2020, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2021, 2020 and 2019, 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, 2021 and 2020, and its separate financial performance and its separate cash flows for the years ended December 31, 2021, 2020 and 2019 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 April 13, 2024

SEC Accreditation No. 97380-SEC Group A

Issued April 8, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8851710

Issued January 3, 2022, Makati City

March 23, 2022

Makati City, Metro Manila

ARTHALAND CORPORATION
SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2021	2020
ASSETS			
Cash and cash equivalents	4	P952,733,651	P497,541,687
Financial assets at fair value through profit or loss (FVPL)	5	3,878,132,080	2,807,098,299
Receivables	6	822,701,165	393,733,852
Investment properties	7	6,168,286,293	5,769,152,324
Property and equipment	8	244,773,936	254,465,877
Investments in and advances to subsidiaries	9	6,180,645,988	4,974,385,219
Creditable withholding taxes		343,165,774	288,929,356
Other assets	10	457,792,517	273,521,760
		P19,048,231,404	P15,258,828,374
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	11	P5,732,565,136	P4,157,433,803
Bonds payable	12	2,966,594,179	2,958,526,698
Accounts payable and other liabilities	13	1,198,780,388	528,934,751
Advances from subsidiaries	19	285,687,473	392,568,926
Net retirement liability	20	115,731,998	101,496,418
Net deferred tax liabilities	22	665,660,018	743,335,049
Total Liabilities		10,965,019,192	8,882,295,645
Equity			
Capital stock	14	1,005,757,136	999,757,136
Additional paid-in capital		5,973,360,513	3,008,959,878
Retained earnings		3,094,085,517	2,366,952,569
Treasury shares	14	(2,000,000,000)	—
Stock options outstanding	14	7,080,164	6,485,553
Cumulative remeasurement gains (losses) on net retirement liability - net of tax	20	2,928,882	(5,622,407)
Total Equity		8,083,212,212	6,376,532,729
		P19,048,231,404	P15,258,828,374

See accompanying Notes to Separate Financial Statements.

ARTHALAND CORPORATION
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2021	2020	2019
REVENUES				
Project management and development fees	19	₱455,532,291	₱198,218,042	₱247,636,539
Leasing operations	7	314,551,426	354,451,034	290,439,910
		770,083,717	552,669,076	538,076,449
COST OF SERVICES				
Cost of services	15	100,978,536	75,891,355	67,572,639
Cost of leasing operations	7	97,883,482	113,501,420	91,463,135
		198,862,018	189,392,775	159,035,774
GROSS INCOME		571,221,699	363,276,301	379,040,675
OPERATING EXPENSES	16	282,329,191	290,711,724	322,337,095
INCOME FROM OPERATIONS		288,892,508	72,564,577	56,703,580
FINANCE COSTS	17	(452,438,712)	(430,024,418)	(124,552,506)
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	7	398,849,633	916,859,212	1,094,934,647
OTHER INCOME	18	697,722,973	384,003,018	50,806,090
INCOME BEFORE INCOME TAX		933,026,402	943,402,389	1,077,891,811
PROVISION FOR (BENEFIT FROM) INCOME TAX	22	(68,115,688)	215,456,058	290,646,277
NET INCOME		1,001,142,090	727,946,331	787,245,534
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Not to be reclassified to profit or loss -</i>				
Remeasurement gains (losses) on net retirement liability	20	11,937,185	(7,735,261)	(26,253,170)
Income tax benefit (expense) relating to item that will not be reclassified	22	(2,984,296)	2,320,578	7,875,951
		8,952,889	(5,414,683)	(18,377,219)
TOTAL COMPREHENSIVE INCOME		₱1,010,094,979	₱722,531,648	₱768,868,315

See accompanying Notes to Separate Financial Statements.

ARTHALAND CORPORATION
SEPARATE STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	2021	2020	2019
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				
Balance at beginning of year		42,500,000	42,500,000	32,500,000
Issuance of preferred shares		6,000,000	–	10,000,000
Balance at end of year		48,500,000	42,500,000	42,500,000
		1,005,757,136	999,757,136	999,757,136
ADDITIONAL PAID-IN CAPITAL	14			
Balance at beginning of year		3,008,959,878	3,008,959,878	2,031,441,541
Issuance of preferred shares		2,994,000,000	–	990,000,000
Stock issuance costs		(29,599,365)	–	(12,481,663)
Balance at end of year		5,973,360,513	3,008,959,878	3,008,959,878
TREASURY SHARES - redemption of 20.0 million Series B Preferred Shares	14	(2,000,000,000)	–	–
STOCK OPTIONS OUTSTANDING				
Balance at end of the year	14	6,485,553	–	–
Fair value of stock options		594,611	6,485,553	–
Balance at end of year		7,080,164	6,485,553	–
RETAINED EARNINGS				
Balance at beginning of year		2,366,952,569	1,913,015,380	1,365,140,988
Net income		1,001,142,090	727,946,331	787,245,534
Dividends declared during the year	14	(274,009,142)	(274,009,142)	(239,371,142)
Balance at end of year		3,094,085,517	2,366,952,569	1,913,015,380
CUMULATIVE REMEASUREMENT GAINS (LOSSES) ON NET RETIREMENT LIABILITY - Net of tax	20			
Balance at beginning of year		(5,622,407)	(207,724)	18,169,495
Remeasurement gains (losses) on net retirement liability		11,937,185	(7,735,261)	(26,253,170)
Income tax benefit (expense) relating to other comprehensive income for the year	22	(2,984,296)	2,320,578	7,875,951
Effect of changes in tax rates		(401,600)	–	–
Balance at end of year		2,928,882	(5,622,407)	(207,724)
		₱8,083,212,212	₱6,376,532,729	₱5,921,524,670

See accompanying Notes to Separate Financial Statements.

ARTHALAND CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱933,026,402	₱943,402,389	₱1,077,891,811
Adjustments for:				
Interest expense	11	450,402,017	428,242,355	124,339,961
Gain on change in fair value of investment properties	7	(398,849,633)	(916,859,212)	(1,094,934,647)
Interest income	4	(88,277,902)	(83,265,430)	(38,122,123)
Depreciation and amortization	8	28,131,656	23,197,801	18,915,278
Retirement expense	20	26,172,765	23,880,697	22,541,961
Realized gain on disposals of financial assets at FVPL	5	(18,837,880)	(18,043,920)	(11,468,772)
Write-off of receivables from non-affiliated entity	6	11,559,066	—	—
Unrealized holding losses (gains) on financial assets at FVPL	5	6,855,655	(10,193,586)	778,461
Amortization of initial direct leasing costs	7	6,590,360	6,838,645	5,410,930
Net loss (gain) on sale and purchase of investments in subsidiaries	9	895,593	(270,000,000)	—
Stock options	14	594,611	6,485,553	—
Loss (gain) on disposal of property and equipment	8	545,561	73,601	(322,744)
Unrealized foreign exchange losses (gains)		(4,496)	5,919	574,120
Operating income before working capital changes		958,803,775	133,764,812	105,604,236
Decrease (increase) in:				
Receivables		(305,317,605)	(35,140,478)	41,057,932
Other assets		(184,270,757)	(67,243,384)	7,924,583
Increase (decrease) in accounts payable and other liabilities		673,030,480	(106,820,438)	(28,337,297)
Net cash generated from (used in) operations		1,142,245,893	(75,439,488)	126,249,454
Interest paid		(440,594,408)	(385,986,908)	(150,131,169)
Income tax paid		(67,181,657)	(77,506,474)	(44,216,253)
Interest received on cash and cash equivalents		2,247,625	8,084,793	7,319,827
Contributions to retirement plan assets	20	—	(30,000,000)	(15,003,669)
Net cash provided by (used in) operating activities		636,717,453	(560,848,077)	(75,781,810)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Financial assets at FVPL	5	(5,822,500,000)	(4,771,769,114)	(3,238,512,355)
Property and equipment	8	(24,201,072)	(28,426,297)	(57,884,126)
Investment properties	7	(6,874,696)	(1,208,768)	(123,827,612)
Proceeds from disposal of:				
Financial assets at FVPL		4,763,448,444	2,418,043,920	2,944,500,682
Investments in and advances to subsidiaries	9	446,800,000	470,000,000	—
Property and equipment		5,215,796	960,119	453,099
Increase in investments in and advances to subsidiaries		(940,794,069)	(714,295,671)	(1,489,113,003)
Purchase of investment in and advances to a subsidiary	9	(762,340,790)	—	—
Interest received from advances to subsidiaries		—	9,214,705	—
Net cash used in investing activities		(₱2,341,246,387)	(₱2,617,481,106)	(₱1,964,383,315)

(Forward)

		Years Ended December 31		
	Note	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from:				
Loans payable	11	P4,166,754,338	P3,099,371,197	P1,814,370,307
Bonds payable	12	—	2,949,323,307	—
Issuance of preferred shares	14	2,970,400,635	—	987,518,337
Payments of loans payable	11	(2,597,504,338)	(2,239,976,077)	(724,971,864)
Redemption of shares	14	(2,000,000,000)	—	—
Payment of dividends	23	(273,052,780)	(274,393,696)	(238,484,518)
Proceeds from (payments of) advances from subsidiaries	19	(106,881,453)	110,143,529	1,000,000
Net cash provided by financing activities		2,159,716,402	3,644,468,260	1,839,432,262
NET EFFECT OF EXCHANGE RATE CHANGES TO CASH AND CASH EQUIVALENTS				
		4,496	(5,919)	(574,120)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		455,191,964	466,133,158	(201,306,983)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		497,541,687	31,408,529	232,715,512
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		P952,733,651	P497,541,687	P31,408,529
COMPONENTS OF CASH AND CASH EQUIVALENTS				
	4			
Cash on hand		P55,000	P45,000	P45,000
Cash in banks		48,685,873	139,576,157	21,107,517
Cash equivalents		903,992,778	357,920,530	10,256,012
		P952,733,651	P497,541,687	P31,408,529
NONCASH FINANCIAL INFORMATION				
Assignment of shareholder advances and accrued interest from purchase of interests in a subsidiary	9	P762,340,790	P—	P—
Assignment of shareholder advances and accrued interest from sale of interests in subsidiaries	9	446,800,000	—	—
Capitalized borrowing cost	11	—	—	26,668,479

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 C and D 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.

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 with Leadership in Energy and Environmental Design (LEED) Gold certification by the US Green Building Council (USGBC) and Building for Ecologically Responsive Design Excellence (BERDE) 4-Star rating by the Philippine Green Building Council (PHILGBC). 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 Skidmore, Owings & Merrill (SOM), 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 22) and was completed in the 1st quarter of 2019.

In 2019, the International Finance Corporation, a member of the World Bank Group, recognized ACPT as the world's first net zero certified building under its EDGE green building rating system. This recognition is in addition to its LEED and BERDE certification achieved previously. In 2020 until to-date, ACPT was awarded with the WELL Health-Safety Rating seal by the International WELL Building Institute (IWBI) which certifies the building's safe operations even during the COVID-19 pandemic.

Approval of the Separate Financial Statements

The separate financial statements of the Company as at and for the years ended December 31, 2021 and 2020 were approved and authorized for issue by the Board of Directors (BOD) on March 23, 2022, as reviewed and recommended for approval by the Audit Committee on the same date.

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.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS which are not yet effective as at December 31, 2021 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 will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include 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 will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination. 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 applied the amendments.

- 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 component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include 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 amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied 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.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.
- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy require an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

The adoption of the foregoing amended PFRS 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 fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company’s business model and its contractual cash flow characteristics.

As at December 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, the Company's loans payable, bonds payable, accounts payable and other liabilities (excluding statutory payables, advance rent and other 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.

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.

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) and materials and supplies.

Advances for Asset Purchase. Advances for asset purchase are recognized whenever the Company pays in advance 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.

Treasury Shares

Owner's equity instruments which are reacquired are deducted from equity. Treasury stock is accounted for at cost and shown as a deduction in the equity section of the separate statements of financial position. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

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 performs 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

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

Revenue from Leasing Operations

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.

b. Revenue from Other Sources

Dividend income. Dividend income is recognized when the Company's right to receive the dividend payments is established.

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.

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 to 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 assets, 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, 2021 and 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 ₱6,168.3 million and ₱5,769.2 million as at December 31, 2021 and 2020, 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 ₱314.6 million in 2021, ₱354.5 million in 2020 and ₱290.4 million in 2019 (see Note 21).

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 7 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 ₱6,168.3 million and ₱5,769.2 million as at December 31, 2021 and 2020, respectively (see Note 7).

Assessing the 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 2021, 2020 and 2019. Allowance for ECL amounted to ₱0.4 million as at December 31, 2021 and 2020. The Company's trade receivables aggregated ₱182.9 million and ₱87.0 million as at December 31, 2021 and 2020, respectively (see Note 6).

Assessing the 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 2021, 2020 and 2019.

The carrying amount of financial assets are as follows:

Asset Type	Note	2021	2020
Cash and cash equivalents*	4	₱952,678,651	₱497,496,687
Interest receivable	6	295,073,492	127,329,147
Receivable from sale of interests in subsidiaries	6	208,562,250	—
Receivable from non-affiliated entity	6	—	11,534,432
Due from related parties	6	46,409,707	58,112,709
Other receivables	6	21,216,880	14,799,693
Advances to employees	6	6,539,323	9,224,398
Advances to subsidiaries	9	4,928,041,961	3,814,940,402
Amounts held in escrow	10	105,679,411	54,468,483
Deposits	10	38,972,963	38,972,963

**Excluding cash on hand amounting to ₱55,000 and ₱45,000 as at December 31, 2021 and 2020.*

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 ₱3,878.1 million and ₱2,807.1 million as at December 31, 2021 and 2020, 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 2021, 2020 and 2019. The carrying amount of property and equipment amounted to ₱244.8 million and ₱254.5 million as at December 31, 2021 and 2020, 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 2021, 2020 and 2019.

The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	2021	2020
Accrued rent receivable*	6	₱62,404,718	₱86,061,754
CWT		343,165,774	288,929,356
Property and equipment	8	244,773,936	254,465,877
Investment in subsidiaries	9	1,252,604,027	1,159,444,817
Other assets**	10	313,140,143	180,080,314

*Presented under "Receivables" account.

**Excluding amounts held in escrow and deposits aggregating ₱144.7 million and ₱93.4 million as at December 31, 2021 and 2020, 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 ₱26.2 million in 2021, ₱23.9 million in 2020 and ₱22.5 million in 2019. Net retirement liability amounted to ₱115.7 million and ₱101.5 million as at December 31, 2021 and 2020, 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 ₱244.5 million and ₱223.1 million as at December 31, 2021 and 2020, respectively. Unrecognized deferred tax assets amounted to ₱2.5 million as at December 31, 2021 and 2020, as management assessed that these may not be realized in the future (see Note 22).

4. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand	₱55,000	₱45,000
Cash in banks	48,685,873	139,576,157
Cash equivalents	903,992,778	357,920,530
	₱952,733,651	₱497,541,687

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	2021	2020	2019
Advances to subsidiaries	19	₱86,030,277	₱75,180,637	₱30,803,591
Cash in banks		1,318,999	492,434	912,382
Cash equivalents		928,626	7,592,359	6,233,250
Investment in time deposits		—	—	172,900
		₱88,277,902	₱83,265,430	₱38,122,123

5. Financial Assets at FVPL

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

	Note	2021	2020
Balance at beginning of year		₱2,807,098,299	₱425,135,599
Additions		5,822,500,000	4,771,769,114
Disposals		(4,744,610,564)	(2,400,000,000)
Unrealized holding gains (losses)	18	(6,855,655)	10,193,586
Balance at end of year		₱3,878,132,080	₱2,807,098,299

Realized gain on disposals of financial assets at FVPL amounted to ₱18.8 million in 2021, ₱18.0 million in 2020 and ₱11.5 million in 2019 (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	2021	2020
Trade receivables from:			
Leasing	21	₱137,154,591	₱79,621,896
Project management and development	19	45,708,496	7,418,115
Interest receivable on advances to subsidiaries	19	295,073,492	127,329,147
Receivable from sale of interests in subsidiaries	9	208,562,250	—
Accrued rent receivable	21	62,404,718	86,061,754
Due from related parties	19	46,409,707	58,112,709
Advances to employees		6,539,323	9,224,398
Receivable from non-affiliated entity		—	11,534,432
Other receivables		21,216,880	14,799,693
		823,069,457	394,102,144
Allowance for ECL		(368,292)	(368,292)
		₱822,701,165	₱393,733,852

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.

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

Receivable from non-affiliated entity pertains to cash advances, which is unsecured, noninterest-bearing and collectible on demand. In 2021, the BOD approved to write-off the balance amounting to ₱11.6 million (see Note 16).

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

7. Investment Properties

Investment properties consist of:

	2021	2020
ACPT	₱5,959,293,911	₱5,586,840,361
Raw land	182,840,888	155,885,678
Arya Residences - parking slots	26,151,494	26,426,285
	₱6,168,286,293	₱5,769,152,324

Movements of this account follow:

	Note	2021	2020	2019
Balance at beginning of year, at cost		₱2,710,505,862	₱2,704,568,888	₱2,556,485,273
Development costs incurred		6,874,696	5,936,974	121,415,136
Capitalized borrowing costs	11	—	—	26,668,479
Balance at end of year, at cost		2,717,380,558	2,710,505,862	2,704,568,888
Cumulative gain on change in fair value		3,436,970,514	3,038,120,881	2,121,261,669
		6,154,351,072	5,748,626,743	4,825,830,557
Unamortized initial direct leasing costs		13,935,221	20,525,581	24,384,808
Balance at end of year, at fair value		₱6,168,286,293	₱5,769,152,324	₱4,850,215,365

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

	2021	2020	2019
Balance at beginning of year	₱3,038,120,881	₱2,121,261,669	₱1,026,327,022
Gain on change in fair value	398,849,633	916,859,212	1,094,934,647
Balance at end of year	₱3,436,970,514	₱3,038,120,881	₱2,121,261,669

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

	2021	2020
Balance at beginning of year	₱20,525,581	₱24,384,808
Additions	–	2,979,418
Amortization	(6,590,360)	(6,838,645)
Balance at end of year	₱13,935,221	₱20,525,581

ACPT

Carrying amount of ACPT includes offices units and parking slots for lease. ACPT is used as collateral for loans payable amounting to ₱1,712.4 million and ₱1,858.7 million as at December 31, 2021 and 2020, 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 ₱182.8 million and ₱155.9 million as at December 31, 2021 and 2020, respectively.

Arya Residences - Parking Slots

These are parking slots of the Company in Arya Residences which are used for leasing operations.

Leasing Operations

The Company recognized revenue from leasing operations amounting to ₱314.6 million in 2021, ₱354.5 million in 2020 and ₱290.4 million in 2019 (see Note 21) and incurred direct cost of leasing amounting to ₱97.9 million in 2021, ₱113.5 million in 2020 and ₱91.5 million in 2019.

Cost of leasing operations consists of:

	Note	2021	2020	2019
Condominium dues		₱46,690,531	₱–	₱–
Rentals		27,121,071	23,426,316	–
Real property taxes		10,598,976	11,877,282	43,954,262
Depreciation	8	1,673,102	2,206,709	–
Janitorial		1,646,928	7,094,504	9,686,620
Consultancy fees		1,450,446	8,732,549	4,124,869
Security services		1,414,026	12,958,232	15,579,536
Repairs and maintenance		1,126,955	5,678,723	820,651
Utilities		322,635	19,864,848	16,550,886
Others		5,838,812	21,662,257	746,311
		₱97,883,482	₱113,501,420	₱91,463,135

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	
			2021	2020
ACPT	Discounted cash flow (DCF) approach	Discount rate	8.51%	8.76%
		Rental rate for an office unit per square meter (per sqm)	P1,500	P1,500
		Rental rate per slot	P6,000	P6,000
		Calculated no. of net leasable area (total sqm)	18,059	18,059
		Vacancy rate	0% - 5%	0% - 10%
		Income tax rate	25%	30%
		Rental rate per slot	P7,000	P6,500
Arya Residences - Parking slots	DCF approach	Rent escalation rate p.a.	7%	7%
		Discount rate	8.51%	8.74%
		Vacancy rate	10%	2%
		Income tax rate	25%	30%
		Price per sqm	P1,660	P1,420
Raw land	Market data approach	Value adjustments	5% - 20%	5% - 10%

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 in 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 investment properties classified according to level in the fair value hierarchy is as follows:

	2021		
	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Balance at beginning of year	P155,885,678	P5,613,266,646	P5,769,152,324
Gain on change in fair value	26,955,210	371,894,423	398,849,633
Development costs incurred	—	6,874,696	6,874,696
Initial direct leasing costs	—	(6,590,360)	(6,590,360)
Balance at end of year	P182,840,888	P5,985,445,405	P6,168,286,293

	2020		
	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Balance at beginning of year	P147,761,772	P4,702,453,593	P4,850,215,365
Gain on change in fair value	8,123,906	908,735,306	916,859,212
Development costs incurred	—	5,936,974	5,936,974
Initial direct leasing costs	—	(3,859,227)	(3,859,227)
Balance at end of year	P155,885,678	P5,613,266,646	P5,769,152,324

There are no transfers between the levels of fair value hierarchy in 2021 and 2020.

8. Property and Equipment

The balances and movements of this account consist of:

	2021				
	Building and Building Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost					
Balance at beginning of year	₱208,111,650	₱69,067,439	₱59,199,602	₱12,698,101	₱349,076,792
Additions	–	18,210,982	5,928,975	61,115	24,201,072
Disposals	–	(17,939,593)	(3,500,000)	–	(21,439,593)
Balance at end of year	208,111,650	69,338,828	61,628,577	12,759,216	351,838,271
Accumulated Depreciation					
Balance at beginning of year	6,834,213	31,712,678	46,458,831	9,605,193	94,610,915
Depreciation	4,170,800	17,724,319	5,059,784	1,176,753	28,131,656
Disposals	–	(15,678,236)	–	–	(15,678,236)
Balance at end of year	11,005,013	33,758,761	51,518,615	10,781,946	107,064,335
Carrying Amount	₱197,106,637	₱35,580,067	₱10,109,962	₱1,977,270	₱244,773,936

	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)
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

As at December 31, 2021 and 2020, fully depreciated property and equipment amounting to ₱56.9 million and ₱53.7 million, respectively, are still being used by the Company.

The Company sold property and equipment with carrying amount of ₱2.3 million in 2021, ₱1.0 million in 2020 and ₱0.1 million in 2019 which resulted to loss on disposal of ₱545,561 in 2021, ₱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	2021	2020	2019
Operating expense	16	₱26,458,554	₱20,991,092	₱18,915,278
Cost of leasing operations	7	1,673,102	2,206,709	–
		₱28,131,656	₱23,197,801	₱18,915,278

9. Investments in and Advances to Subsidiaries

This account consists of:

	Note	2021	2020
Investment in subsidiaries - at cost:			
Manchesterland Properties, Inc. (MPI)		₱900,459,683	₱900,459,683
Cebu Lavana Land Corporation (CLLC)		163,159,210	50,000,000
Urban Property Holdings, Inc. (UPHI)		80,467,361	80,467,161
Zileya Land Development Corporation (ZLDC)		50,000,000	50,000,000
Pradhana Land, Inc. (PLI)		25,000,000	25,000,000
Bhavana Properties, Inc. (Bhavana)		15,000,000	25,000,000
Bhavya Properties, Inc. (Bhavya)		15,000,000	25,000,000
Kashtha Holdings, Inc. (KHI)		7,499,800	7,500,000
Cazneau Inc. (Cazneau)		1,000,000	1,000,000
Emera Property Management, Inc. (EPMI)		250,000	250,000
		1,257,836,054	1,164,676,844
Allowance for impairment		(5,232,027)	(5,232,027)
		1,252,604,027	1,159,444,817
Advances to subsidiaries:	19		
CLLC		2,236,666,882	684,314,667
Bhavya		806,190,873	807,128,877
Cazneau		696,241,586	794,518,888
Bhavana		379,719,656	766,061,262
ZLDC		421,933,303	396,773,854
KHI		295,455,798	294,447,741
UPHI		82,720,593	72,465,569
MPI		5,433,627	314
Savya Land Development Corporation (SLDC)		3,515,568	93,134
EPMI		2,608,665	1,583,581
PLI		816,659	813,764
		4,931,303,210	3,818,201,651
Allowance for ECL		(3,261,249)	(3,261,249)
		4,928,041,961	3,814,940,402
		₱6,180,645,988	₱4,974,385,219

The Company's interest on the following subsidiaries follows:

Subsidiary	Place of Incorporation	Percentage of Ownership	
		2021	2020
Cazneau	Philippines	100%	100%
MPI	Philippines	100%	100%
EPMI	Philippines	100%	100%
UPHI	Philippines	100%	100%
ZLDC	Philippines	100%	100%
PLI	Philippines	100%	100%
CLLC	Philippines	100%	60%
Bhavana	Philippines	60%	100%
Bhavya	Philippines	60%	100%
KHI	Philippines	60%	60%
SLDC	Philippines	59%*	59%*

**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% ownership over SLDC, to KHI. Then in June 2020, ALCO sold 5.0 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.

In December 2021, ALCO sold, transferred and conveyed in favor of Narra Investment Properties Pte. Ltd. ("Narra"), by way of secondary sale, all of its rights, title and interest in and to 40% of the common shares of stock of Bhavana and Bhavya, or 20,000,000 common shares of stock thereof, as well as its shareholder advances and accrued interest receivables aggregating ₱449.4 million in exchange for ₱446.8 million, resulting to a loss of ₱2.6 million (see Note 18). The transfer of Bhavana and Bhavya shares decreased the effective ownership of ALCO from 100% to 60%. The Company's receivable arising from the sale of interests in Bhavana and Bhavya amounted to ₱208.6 million as at December 31, 2021 (see Note 6).

In December 2021, the Company purchased 214,351 common and 118,982 preferred shares representing 40% of the ownership and voting rights of CLLC for ₱113.2 million from RSBV, resulting to 100% ownership of the Company in CLLC. Also, RSBV assigned its shareholder advances and accrued interest receivables amounting to ₱764.1 million. The Company's outstanding payable arising from the acquisition in CLLC amounted to ₱762.3 million as at December 31, 2021 (see Note 13).

Subscription Payable

The Company has the following unpaid subscriptions on subsidiaries as at December 31 (see Note 13):

	2021	2020
ZLDC	₱37,500,000	₱37,500,000
PLI	18,750,000	18,750,000
Bhavya	–	18,750,000
	₱56,250,000	₱75,000,000

10. Other Assets

This account consists of:

	Note	2021	2020
Advances for asset purchase		₱219,674,259	₱90,000,000
Amounts held in escrow	11	105,679,411	54,468,483
Advances for project development		43,113,585	33,461,223
Deposits		38,972,963	38,972,963
Prepaid:			
Taxes		38,963,399	45,994,570
Insurance		3,536,580	3,608,699
Others		621,994	1,162,037
Deferred input VAT		5,006,064	4,511,876
Materials and supplies		1,341,909	1,341,909
Intangible asset in-progress		882,353	–
		₱457,792,517	₱273,521,760

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

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 ₱1,712.4 million and ₱1,858.7 million as at December 31, 2021 and 2020, respectively (see Note 11).

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.

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.

Intangible asset in-progress pertains to acquired software under development of a system provider.

11. Loans Payable

This account consists of outstanding loans with:

	2021	2020
Local banks	₱5,671,841,166	₱4,072,709,833
Private funders	60,723,970	84,723,970
	₱5,732,565,136	₱4,157,433,803

Movements of this account follow:

	2021	2020
Balance at beginning of year	₱4,184,723,970	₱3,312,200,047
Availments	4,170,504,338	3,112,500,000
Payments	(2,597,504,338)	(2,239,976,077)
Balance at end of year	5,757,723,970	4,184,723,970
Unamortized debt issue cost	(25,158,834)	(27,290,167)
	5,732,565,136	4,157,433,803
Less current portion of loans payable	2,832,723,970	1,459,723,970
Long-term portion of loans payable	₱2,899,841,166	₱2,697,709,833

Movements in debt issue cost follow:

	2021	2020
Balance at beginning of year	₱27,290,167	₱21,868,988
Additions	3,750,000	13,128,803
Amortization	(5,881,333)	(7,707,624)
Balance at end of year	₱25,158,834	₱27,290,167

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

	2021	2020
Within one year	₱2,832,723,970	₱1,459,723,970
After one year but not more than three years	1,325,000,000	625,000,000
More than three years	1,600,000,000	2,100,000,000
	₱5,757,723,970	₱4,184,723,970

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 2021 and 2020.

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

Purpose	Terms	Nominal interest rate (p.a.)	2021	2020
Short-term loans for working fund requirements	Unsecured and payable in full within one year	4.75% to 7.00%	₱2,472,000,000	₱1,225,000,000
Construction of ACPT	Payable on a quarterly basis starting 4 th quarter of 2019 until July 2025; secured by ACPT with carrying amount of ₱5,959.3 million and ₱5,586.8 million as at December 31, 2021 and 2020, respectively (see Note 7), and an escrow account amounting to ₱105.7 million and ₱54.5 million as at December 31, 2021 and 2020, respectively (see Note 10).	5.50%	1,712,359,422	1,858,666,538
Development of Green Projects	Unsecured and payable in full on February 6, 2025	6.35%	991,231,744	989,043,295
Long-term loans for working fund requirements	Payable on November 25, 2024	6.00%	496,250,000	—
			₱5,671,841,166	₱4,072,709,833

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 (DSCR) of not more than 1.20x starting 2020 which is one year after the completion of ACPT
- Debt to equity ratio of not more than the following based on the period:

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 1.81x and 2.24x and debt to equity ratio of 1.48x and 1.33x, based on its consolidated financial statements as at December 31, 2021 and 2020, respectively, 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 also been made 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 have been used for the eligible green projects.

Private Funders

Outstanding balances of loans from private funders amounting to ₱60.7 million and ₱84.7 million as at December 31, 2021 and 2020, respectively, 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 2021 and 2020 and ₱26.7 million in 2019.

Interest Expense

Total interest expense charged under "Finance costs" consists of the following (see Note 17):

	Note	2021	2020	2019
Interest expense on:				
Loans payable		₱251,783,534	₱246,484,445	₱124,339,961
Bonds payable	12	198,618,483	181,757,910	—
		₱450,402,017	₱428,242,355	₱124,339,961

12. Bonds Payable

As at December 31, 2021 and 2020, this account consists of:

	2021	2020
Bonds payable	₱3,000,000,000	₱3,000,000,000
Unamortized debt issue cost	(33,405,821)	(41,473,302)
	₱2,966,594,179	₱2,958,526,698

Movements in debt issue costs in 2021 and 2020 are as follows:

	2021	2020
Balance at beginning of year	₱41,473,302	₱—
Additions	—	50,676,693
Amortization	(8,067,481)	(9,203,391)
Balance at end of year	₱33,405,821	₱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 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, 2021 and 2020, the Company is compliant with these financial ratios.

Interest expense incurred on the Bonds amounted to ₱198.6 million in 2021 and ₱181.8 million in 2020 (see Note 11).

13. Accounts Payable and Other Liabilities

This account consists of:

	Note	2021	2020
Accounts payable:			
Third parties		₱15,671,830	₱39,182,236
Related party	19	5,849,651	6,076,485
Payable for purchase of interests in a subsidiary	9	762,340,790	—
Accrued:			
Interest		65,432,666	69,573,871
Personnel costs		19,762,831	24,234,892
Others		23,570,643	27,466,908
Security deposits	21	79,304,172	77,487,630
Subscription payable	9	56,250,000	75,000,000
Retention payable		53,006,597	100,819,982
Statutory payables:			
Deferred output VAT		37,501,622	22,616,642
Withholding taxes payable		6,773,108	14,958,066
Output VAT		6,375,966	673,428
Advance rent	21	36,562,416	33,438,282
Construction bonds		21,398,433	29,108,948
Dividends payable		6,515,393	5,559,031
Others		2,464,270	2,738,350
		₱1,198,780,388	₱528,934,751

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.

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.

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.

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:

	2021		2020		2019	
	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	48,500,000	5,318,095,199	42,500,000	5,318,095,199	42,500,000	5,318,095,199
Outstanding	28,500,000	5,318,095,199	42,500,000	5,318,095,199	42,500,000	5,318,095,199

Preferred Shares

The rollforward analysis of the outstanding preferred shares is as follows:

	2021		2020		2019	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance at beginning of year	42,500,000	₱42,500,000	42,500,000	₱42,500,000	32,500,000	₱32,500,000
Issuance during the year	6,000,000	6,000,000	—	—	10,000,000	10,000,000
Redemption during the year	(20,000,000)	(20,000,000)	—	—	—	—
Balance at end of year	28,500,000	₱28,500,000	42,500,000	₱42,500,000	42,500,000	₱42,500,000

On December 6, 2021, the Company redeemed all of the outstanding 20.0 million Series B Preferred Shares equal to its offer price plus any accrued and unpaid cash dividends due as of date. Treasury shares pertaining to the redemption of 20.0 million Series B Preferred Shares recognized at cost amounted to ₱2,000.0 million as at December 31, 2021.

On December 3, 2021, the Company made a follow-on offering of 6.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the "Series D Preferred Shares with ₱1.00 par value a share at the issuance price of ₱500 a share. Excess of the proceeds over the total par value amounting to ₱2,994.0 million and transaction costs of ₱29.6 million were recognized as addition and reduction to additional paid-in capital, respectively.

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 were 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, 2021 and 2020, the Company has issued and outstanding common shares of 5,318,095,199 with par value of ₱0.18 amounting to ₱957.3 million.

Common and Preferred Shares Listed with PSE

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

Date of SEC Approval	Type of Issuance	No. of Shares Issued (Redeemed)	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
2021	Public offering of Series "D" preferred shares	6,000,000	500
2021	Redemption of Series "B" preferred shares	(20,000,000)	100

The Company has 1,937 and 1,939 common stockholders as at December 31, 2021 and 2020, 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 20, 2021	December 3, 2021	December 27, 2021	Series C preferred shares	₱17,319,000	₱1.730
October 20, 2021	November 16, 2021	December 6, 2021	Series B preferred shares	35,229,000	1.760
August 4, 2021	September 7, 2021	September 27, 2021	Series C preferred shares	17,319,000	1.730
August 4, 2021	August 20, 2021	September 6, 2021	Series B preferred shares	35,229,000	1.760
June 25, 2021	July 9, 2021	July 30, 2021	Common shares	63,817,142	0.012
May 5, 2021	June 7, 2021	June 27, 2021	Series C preferred shares	17,319,000	1.730
May 5, 2021	May 19, 2021	June 6, 2021	Series B preferred shares	35,229,000	1.760
January 27, 2021	March 8, 2021	March 27, 2021	Series C preferred shares	17,319,000	1.730
January 27, 2021	February 15, 2021	March 6, 2021	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 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	

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 ₱7.1 million and ₱6.5 million as at December 31, 2021 and 2020. 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 follows:

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, 2021 and 2020, none of the qualified employees exercised their respective options.

Use of Proceeds

Series D Preferred Shares

The estimated gross proceeds from the offer of Series D Preferred Shares amounted to ₱3,000.0 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱2,966.7 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 12/31/2021	Balance for Disbursement as at 12/31/2021
Redemption of Series B Preferred Shares	₱2,000.0	₱2,000.0	₱2,000.0	₱—
Savya Financial Center and Cebu Exchange Project	1,000.0	966.7	—	966.7
Total	₱3,000.0	₱2,966.7	₱2,000.0	₱966.7

15. Cost of Services

This account consists of:

	2021	2020	2019
Personnel costs	₱100,978,536	₱50,780,510	₱47,111,827
Outside services	—	25,110,845	20,460,812
	₱100,978,536	₱75,891,355	₱67,572,639

Personnel costs are classified as:

	Note	2021	2020	2019
Cost of services		₱100,978,536	₱50,780,510	₱47,111,827
Operating expenses	16	99,050,089	147,513,804	144,195,127
		₱200,028,625	₱198,294,314	₱191,306,954

Personnel costs consist of:

	Note	2021	2020	2019
Salaries and other employee benefits		₱173,261,249	₱167,928,064	₱168,764,993
Retirement benefits expense	20	26,172,765	23,880,697	22,541,961
Stock options	14	594,611	6,485,553	—
		₱200,028,625	₱198,294,314	₱191,306,954

16. Operating Expenses

Operating expenses are classified as follows:

	2021	2020	2019
Administrative	₱267,466,446	₱281,347,426	₱307,163,778
Selling and marketing	14,862,745	9,364,298	15,173,317
	₱282,329,191	₱290,711,724	₱322,337,095

Details of operating expenses by nature are as follows:

	Note	2021	2020	2019
Personnel costs	15	₱99,050,089	₱147,513,804	₱144,195,127
Outside services		28,908,655	19,468,196	27,741,650
Depreciation and amortization	8	26,458,554	20,991,092	18,915,278
Communication and office expenses		22,807,352	13,246,871	24,514,396
Taxes and licenses		21,828,296	25,223,174	21,240,898
Management and professional fees		17,976,560	18,803,626	27,211,615
Insurance		17,092,500	14,231,663	14,971,969
Transportation and travel		12,024,859	5,087,405	7,410,362
Write-off of receivables from non-affiliated entity	6	11,559,066	—	—
Advertising		8,272,385	2,525,653	9,762,388
Commissions		6,590,360	6,838,645	5,410,929
Repairs and maintenance		4,178,664	3,181,828	12,174,204
Representation		3,348,997	2,808,617	846,591
Utilities		799,435	752,975	1,546,776
Rent	21	299,493	316,678	413,852
Others		1,133,926	9,721,497	5,981,060
		₱282,329,191	₱290,711,724	₱322,337,095

17. Finance Costs

This account consists of:

	Note	2021	2020	2019
Interest expense	11	₱450,402,017	₱428,242,355	₱124,339,961
Bank charges		2,036,695	1,782,063	212,545
		₱452,438,712	₱430,024,418	₱124,552,506

18. Other Income (Charges) - Net

This account consists of:

	Note	2021	2020	2019
Dividend income	19	₱593,250,000	₱2,000,000	₱—
Interest income	4	88,277,902	83,265,430	38,122,123
Realized gain on disposals of financial assets at FVPL	5	18,837,880	18,043,920	11,468,772
Unrealized holding gains (losses) on financial assets at FVPL	5	(6,855,655)	10,193,586	(778,461)
Net gain (loss) on sale and purchase of investments in subsidiaries	9	(895,593)	270,000,000	—
Gain (loss) on disposal of property and equipment	8	(545,561)	(73,601)	322,744
Foreign exchange gains (losses)		4,496	(6,372)	(574,120)
Manpower fee	19	—	—	1,235,928
Others		5,649,504	580,055	1,009,104
		₱697,722,973	₱384,003,018	₱50,806,090

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	Amount of Transactions		Outstanding Balance	
			2021	2020	2021	2020
Advances to Subsidiaries		9				
CLLC	Subsidiary	Advances for working capital	₱1,552,352,215	₱189,314,667	₱2,236,666,882	₱684,314,667
Bhavya	Subsidiary	Advances for working capital	(938,004)	142,108,233	806,190,873	807,128,877
Cazneau	Subsidiary	Advances for working capital	(98,277,302)	187,272,575	696,241,586	794,518,888
ZLDC	Subsidiary	Advances for working capital	25,159,449	7,300,410	421,933,303	396,773,854
Bhavana	Subsidiary	Advances for working capital	(386,341,606)	232,022,366	379,719,656	766,061,262
KHI	Subsidiary	Advances for working capital	1,008,057	294,322,741	295,455,798	294,447,741
UPHI	Subsidiary	Advances for working capital	10,255,024	3,900,000	82,720,593	72,465,569
MPI	Subsidiary	Advances for working capital	5,433,313	—	5,433,627	314
SLDC	Subsidiary	Advances for working capital	3,422,434	(487,406,866)	3,515,568	93,134
EPMI	Subsidiary	Advances for working capital	1,025,084	23,426	2,608,665	1,583,581
PLI	Subsidiary	Advances for working capital	2,895	513,764	816,659	813,764
					4,931,303,210	3,818,201,651
Allowance for ECL		9			(3,261,249)	(3,261,249)
					₱4,928,041,961	₱3,814,940,402
Interest Receivable		6				
CLLC	Subsidiary	Interest on advances for working capital	₱24,997,210	₱23,755,496	₱191,576,731	₱52,723,103
Bhavya	Subsidiary	Interest on advances for working capital	17,750,044	17,584,137	28,968,480	27,115,306
Cazneau	Subsidiary	Interest on advances for working capital	16,201,255	8,930,868	27,645,336	9,823,955
Bhavana	Subsidiary	Interest on advances for working capital	16,844,268	14,868,435	24,575,824	26,620,912
KHI	Subsidiary	Interest on advances for working capital	10,237,500	10,041,701	22,307,121	11,045,871
					₱295,073,492	₱127,329,147

	Nature of Relationship	Note	Nature of Transaction	Amount of Transactions		Outstanding Balance	
				2021	2020	2021	2020
Trade Receivables							
SLDC	Subsidiary	6	Working capital requirements	₱15,137,026	₱—	₱15,137,026	₱—
			Project management and development fees	2,801,988	7,418,115	10,220,103	7,418,115
Cazneau	Subsidiary		Working capital requirements	13,832,902	—	13,832,902	—
Bhavya	Subsidiary		Working capital requirements	2,450,000	—	2,450,000	—
EPMI	Subsidiary		Working capital requirements	1,905,100	—	1,905,100	—
Bhavana	Subsidiary		Working capital requirements	1,681,683	—	1,681,683	—
CLLC	Subsidiary		Working capital requirements	481,682	—	481,682	—
						₱45,708,496	₱7,418,115
Due from Related Parties							
		6					
CPG	Principal stockholder		Share purchase agreement	₱—	₱—	₱36,052,873	₱36,052,873
SOPI	Entity under common management		Advances for working capital	39,442	652,016	5,607,293	5,567,851
Centrobless	Entity under common management		Advances for working capital	(11,742,444)	3,619,311	4,749,541	16,491,985
						₱46,409,707	₱58,112,709
Advances from Subsidiaries							
MPI	Subsidiary		Advances for working capital	₱5,000,000	(₱2,525,976)	₱284,632,299	₱279,632,299
Cazneau	Subsidiary		Advances for working capital	527,646	—	527,646	—
CLLC	Subsidiary		Advances for working capital	(112,470,208)	112,669,505	466,419	112,936,627
SLDC	Subsidiary		Advances for working capital	61,109	—	61,109	—
						₱285,687,473	₱392,568,926
Accounts Payable							
		13					
CPG	Principal stockholder		Management fee	₱12,577,891	₱12,577,891	₱3,096,486	₱3,458,920
Bhavana	Subsidiary		Advances for working capital	904,000	—	904,000	—
SLDC	Subsidiary		Advances for working capital	—	—	885,585	885,585
CLLC	Subsidiary		Advances for working capital	(768,400)	1,445,580	867,180	1,635,580
Cazneau	Subsidiary		Advances for working capital	—	—	96,400	96,400
						₱5,849,651	₱6,076,485
Dividend Income							
		18					
CLLC	Subsidiary		Dividend income	₱584,500,000	₱—	₱—	₱—
EPMI	Subsidiary		Dividend income	8,750,000	2,000,000	—	—
						₱593,250,000	₱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 advances to CLLC, KHI, Bhavana, Bhavya and Cazneau 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, 2021 and 2020 (see Note 9).

Project Management and Development Fees

In 2021, the Company entered into an agreement with Cazneau, Bhavana and Bhavya, where the former will provide management services for the development and construction of Cazneau's Sevina Park, Bhavana's Lucima Residences and Bhavya's project. Outstanding balances are noninterest-bearing, unsecured and collectible within 30 days and when the pending matters in invoice are resolved.

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, 2021 and 2020 arising from a share purchase agreement between the Company, CPG and AOCH1. 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:

	2021	2020	2019
Salaries and other employee benefits	₱82,773,183	₱89,599,050	₱83,779,871
Retirement benefits expense	27,158,439	16,101,594	15,727,562
	₱109,931,622	₱105,700,644	₱99,507,433

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, amounted to ₱40.4 million and ₱50.9 million as of December 31, 2021 and 2020, respectively (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 14, 2022):

Breakdown of retirement benefits expense is as follows (see Note 15):

	2021	2020	2019
Current service cost	₱21,947,468	₱18,666,937	₱18,130,347
Net interest cost	4,225,297	5,213,760	4,411,614
	₱26,172,765	₱23,880,697	₱22,541,961

The movements of net retirement liability recognized in the separate statements of financial position are as follows:

	2021	2020	2019
Balance at beginning of year	₱101,496,418	₱99,880,460	₱66,088,998
Current service cost	21,947,468	18,666,937	18,130,347
Net interest cost	4,225,297	5,213,760	4,411,614
Contribution to retirement plan assets	—	(30,000,000)	(15,003,669)
Remeasurement losses (gains) on:			
Experience adjustments	(10,859,615)	2,813,918	(5,262,217)
Change in financial assumptions	(2,314,401)	4,427,055	30,887,077
Change in demographic assumptions	(59,273)	—	—
Return on plan assets	1,296,104	494,288	628,310
Balance at end of year	₱115,731,998	₱101,496,418	₱99,880,460

The funded status and amounts recognized in the separate statements of financial position for the net retirement liability as at December 31, 2021 and 2020 are as follows:

	2021	2020
Present value of retirement liability	₱156,176,509	₱152,389,179
Fair value of plan assets	(40,444,511)	(50,892,761)
	₱115,731,998	₱101,496,418

As of December 31, 2021, the plan is underfunded by ₱115.7 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.

Changes in the present value of retirement liability are as follows:

	2021	2020	2019
Balance at beginning of year	₱152,389,179	₱120,206,490	₱71,097,631
Current service cost	21,947,468	18,666,937	18,130,347
Interest cost	6,019,373	6,274,779	5,353,652
Benefits paid from plan assets	(10,946,222)	—	—
Remeasurement losses (gains) on:			
Experience adjustments	(10,859,615)	2,813,918	(5,262,217)
Change in financial assumptions	(2,314,401)	4,427,055	30,887,077
Change in demographic assumptions	(59,273)	—	—
Balance at end of year	₱156,176,509	₱152,389,179	₱120,206,490

Changes in the fair value of plan assets are as follows:

	2021	2020	2019
Balance at beginning of year	₱50,892,761	₱20,326,030	₱5,008,633
Interest income	1,794,076	1,061,019	942,038
Benefits paid from plan assets	(10,946,222)	—	—
Remeasurement loss on return on plan assets	(1,296,104)	(494,288)	(628,310)
Contribution to retirement plan assets	—	30,000,000	15,003,669
Balance at end of year	₱40,444,511	₱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:

	2021		
	Cumulative Remeasurement Gains (Losses)	Deferred Tax (see Note 22)	Net
Balance at beginning of year	(₱8,032,009)	(₱2,409,602)	(₱5,622,407)
Remeasurement gains	11,937,185	2,984,296	8,952,889
Effect of change in tax rates	—	—	(401,600)
Balance at end of year	₱3,905,176	₱574,694	₱2,928,882

	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 (Losses)	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)

The principal assumptions used for the purpose of the actuarial valuation are as follows:

	2021	2020
Discount rate	5.09%	3.95%
Salary projection rate	6.00%	5.00%
Average remaining service years	21.7	24.2

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2021 and 2020 are presented below.

		Effect on Present Value of Retirement Liability	
		Discount Rate	Salary Projection Rate
December 31, 2021	+1%	(₱13,908,844)	₱16,403,042
	-1%	16,730,232	(13,919,729)
December 31, 2020	+1%	(14,901,329)	17,761,066
	-1%	18,147,808	(14,894,844)

The expected future benefit payments within the next ten years are as follows:

Financial Year	Amount
2022	₱67,945,586
2023	802,412
2024-2031	82,100,350

The weighted average duration of the retirement benefit obligation as at December 31, 2021 and 2020 are 9.8 years and 10.8 years, respectively.

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 ₱314.6 million in 2021, ₱354.5 million in 2020 and ₱290.4 million in 2019 (see Note 7). Lease receivables amounted to ₱137.2 million and ₱79.6 million as at December 31, 2021 and 2020, respectively. Accrued rent receivable amounted to ₱62.4 million and ₱86.1 million as at December 31, 2021 and 2020, respectively (see Note 6). Advance rent from tenants amounted to ₱36.6 million and ₱33.4 million as at December 31, 2021 and 2020, respectively. Security deposits, which may be applied to unsettled balances or refunded at the end of the lease term, amounted to ₱79.3 million and ₱77.5 million as at December 31, 2021 and 2020, respectively (see Note 13).

The future minimum lease payments to be received under non-cancellable operating leases as at December 31 are as follows:

	2021	2020
Within one year	₱257,425,321	₱247,423,419
After one year but not more than five years	450,548,394	594,845,352
More than five years	13,221,455	24,261,443
	₱721,195,170	₱866,530,214

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.

The Company's short-term and low value operating leases amounted to ₱0.3 million, ₱0.3 million and ₱0.4 million in 2021, 2020 and 2019, respectively (see Note 16).

22. Income Taxes

The components of provision for income tax are as follows:

	Note	2021	2020	2019
Reported in Profit or Loss				
Current income tax:				
Gross income tax (GIT)		₱5,191,339	₱2,399,074	₱3,678,373
Final taxes		3,957,044	45,707,225	3,476,954
MCIT		3,796,856	6,110,039	5,409,829
		12,945,239	54,216,338	12,565,156
Deferred tax expense (benefit)		(81,060,927)	161,239,720	278,081,121
		(₱68,115,688)	₱215,456,058	₱290,646,277
Reported in OCI				
Deferred tax expense (benefit) related to remeasurement gains or losses on net retirement liability				
	20	₱2,984,296	(₱2,320,578)	(₱7,875,951)

Deferred Tax Assets and Deferred Tax Liabilities

The components of the Company's recognized deferred tax assets and deferred tax liabilities are as follows:

	2021	2020
Deferred tax assets:		
NOLCO	₱191,818,818	₱173,221,101
Retirement liability	28,287,418	30,448,925
MCIT	16,844,234	11,519,868
Advance rent	7,453,623	7,784,720
Allowance for impairment loss	92,073	110,488
Unrealized foreign exchange losses	—	1,912
	244,496,166	223,087,014
Deferred tax liabilities:		
Cumulative gain on change in fair value of investment properties	859,242,629	911,436,264
Depreciation of investment properties	21,438,029	15,934,828
Accrued rent receivable	10,764,239	16,122,171
Transfer of fair value to property and equipment	10,558,107	12,939,297
Capitalized debt issue cost	8,152,056	9,989,503
Unrealized foreign exchange gains	1,124	—
	910,156,184	966,422,063
Net deferred tax liabilities	₱665,660,018	₱743,335,049

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, 2021 and 2020 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	Amount	Additions	Expired	Balance	Valid Until
2021	₱—	₱189,871,601	₱—	₱189,871,601	2026
2020	406,008,689	—	—	406,008,689	2025
2019	171,394,980	—	—	171,394,980	2022
	₱577,403,669	₱189,871,601	₱—	₱767,275,270	

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	Amount	Additions	Expired	Balance	Valid Until
2021	₱—	₱5,324,366	₱—	₱5,324,366	2024
2020	6,110,039	—	—	6,110,039	2023
2019	5,409,829	—	—	5,409,829	2022
	₱11,519,868	₱5,324,366	₱—	₱16,844,234	

The reconciliation between the income tax computed based on statutory income tax rate and the provision for (benefit from) income tax reported in the separate statements of comprehensive income is as follows:

	2021	2020	2019
Income tax computed at statutory tax rate	₱233,256,601	₱283,020,717	₱323,367,543
Impact of changes in tax rates under CREATE Law	(127,079,801)	–	–
Add (deduct) tax effects of:			
Dividend income	(148,312,500)	(600,000)	–
Difference in income and statutory rates	(23,504,522)	(23,921,619)	(28,497,641)
Stock issuance costs	(7,399,841)	–	(3,744,499)
Nondeductible expenses	4,376,140	1,200,762	1,446,574
Unrealized holding losses (gains) on financial assets at FVPL	1,713,914	(3,058,076)	233,538
Realized gain on disposals of financial assets at FVPL subjected to final tax	(1,201,951)	(1,822,913)	(1,427,384)
Stock options outstanding	148,653	1,945,666	–
Interest income subjected to final tax	(112,381)	(808,479)	(731,854)
Net loss (gain) on sale of shares	–	(40,500,000)	–
	(₱68,115,688)	₱215,456,058	₱290,646,277

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”)

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) was approved and signed into law by the country’s President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 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.

The income tax rates, however, 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. Hence, the adjustment to the provision for current and deferred income tax presented under profit or loss as a result of the enactment of CREATE Law amounted to ₱127.1 million in 2021.

For 2021, the Company used RCIT and MCIT rates of 25% and 1%, 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		December 31, 2021
	January 1, 2021	Availments/Additions	Payments	Movements on Debt Issue Cost	
Loans payable	₱4,157,433,803	₱4,170,504,338	(₱2,597,504,338)	₱2,131,333	₱5,732,565,136
Bonds payable	2,958,526,698	-	-	8,067,481	2,966,594,179
Advances from subsidiaries	392,568,926	5,588,755	(112,470,208)	-	285,687,473
Dividends payable	5,559,031	274,009,142	(273,052,780)	-	6,515,393
	₱7,514,088,458	₱4,450,102,235	(₱2,983,027,326)	₱10,198,814	₱8,991,362,181

	Financing Cash Flows		Non-Cash Changes		December 31, 2020
	January 1, 2020	Availments	Payments	Movements on Debt Issue Cost	
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	-	(41,473,302)	2,958,526,698
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)	(₱46,894,481)	₱7,514,088,458

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 statutory payables, advance rent and other 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, 2021 and 2020, 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.

	2021				
	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*	₱952,678,651	₱—	₱—	₱—	₱952,678,651
Financial assets at FVPL	—	—	—	3,878,132,080	3,878,132,080
Receivables**	577,433,360	182,863,087	368,292	—	760,664,739
Advances to subsidiaries	4,928,041,961	—	3,261,249	—	4,931,303,210
Amounts held in escrow	105,679,411	—	—	—	105,679,411
Deposits	38,972,963	—	—	—	38,972,963
	₱6,602,806,346	₱182,863,087	₱3,629,541	₱3,878,132,080	₱10,667,431,054

*Excludes cash on hand amounting to ₱55,000 as at December 31, 2021.

**Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱62.4 million as at December 31, 2021.

	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.

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, 2021 and 2020:

2021						
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	P=	P2,832,723,970	P325,000,000	P1,000,000,000	P1,600,000,000	P5,757,723,970
Bonds payable	-	-	-	-	3,000,000,000	3,000,000,000
Accounts payable and other liabilities*	53,006,597	1,056,096,409	-	-	-	1,109,103,006
Advances from subsidiaries	285,687,473	-	-	-	-	285,687,473
	P338,694,070	P3,888,820,379	P325,000,000	P1,000,000,000	P4,600,000,000	P10,152,514,449

*Excludes statutory payables, advance rent and other payables aggregating to P89.7 million as at December 31, 2021.

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	353,690,001	-	-	-	454,509,983
Advances from subsidiaries	392,568,926	-	-	-	-	392,568,926
	P493,388,908	P1,813,413,971	P300,000,000	P325,000,000	P5,100,000,000	P8,031,802,879

*Excludes statutory payables, advance rent and other payables aggregating to P74.4 million as at December 31, 2020.

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.

Impact of COVID-19

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

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

To date, management is monitoring all the ongoing COVID-19 related developments to assess, anticipate, and develop appropriate business strategies moving forward.

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:

	2021	2020
Total liabilities	₱10,965,019,192	₱8,882,295,645
Total equity	8,083,212,212	6,376,532,729
Debt-to-equity ratio	1.36:1.00	1.39:1.00

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:

2021					
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	R3,878,132,080	R3,878,132,080	R—	R—
Investment properties	7	6,168,286,293	—	182,840,888	5,985,445,405
Asset for which fair value is disclosed -					
Financial assets at amortized cost - Deposits	10	38,972,963	—	—	36,121,963
		R10,085,391,336	R3,878,132,080	R182,840,888	R6,021,567,368
Liability for which fair value is disclosed:					
Loans payable	11	R5,732,565,136	R—	R—	R5,892,367,221
Bonds payable	12	2,966,594,179	—	—	3,003,560,199
		R8,699,159,315	R—	R—	R8,895,927,420
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	R2,807,098,299	R2,807,098,299	R—	R—
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
		R8,615,223,586	R2,807,098,299	R155,885,678	R5,649,388,609
Liability for which fair value is disclosed:					
Loans payable	11	R4,157,433,803	R—	R—	R4,500,970,034
Bonds payable	12	2,958,526,698	—	—	3,540,814,710
		R7,115,960,501	R—	R—	R8,041,784,744

The following methods and assumptions were used in estimating the fair value of the Company's financial assets and liabilities:

Financial Assets at 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, parking lots in Arya Residences and land were determined using discounted cash flow approach and market data approach.

Deposits, Loans and Bonds Payable. The fair value of the Company's deposits, loans and bonds payable were 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 Company whose carrying amounts approximate fair values as at December 31, 2021 and 2020:

	2021	2020
Financial assets:		
Cash and cash equivalents	₱952,733,651	₱497,541,687
Receivables*	760,296,447	307,672,098
Advances to subsidiaries	4,928,041,961	3,814,940,402
Amounts held in escrow	105,679,411	54,468,483
	₱6,746,751,470	₱4,674,622,670
Financial liabilities:		
Accounts payable and other liabilities**	₱1,109,103,006	₱454,509,983
Advances from subsidiaries	285,687,473	392,568,926
	₱1,394,790,479	₱847,078,909

*Excludes accrued rent receivables under straight-line basis of accounting aggregating to ₱62.4 million and ₱86.1 million as at December 31, 2021 and 2020, respectively.

**Excludes advance rent, statutory liabilities and other payables aggregating ₱89.7 million and ₱74.4 million as at December 31, 2021 and 2020, respectively.

26. Classification of Separate Statements of Financial Position Accounts

The Company's current portions of its assets and liabilities as at December 31, 2021 and 2020 are as follows:

	Note	2021	2020
Current Assets			
Cash and cash equivalents	4	₱952,733,651	₱497,541,687
Financial assets at FVPL	5	3,878,132,080	2,807,098,299
Receivables	6	822,701,165	393,733,852
CWT		343,165,774	288,929,356
Advances to subsidiaries	9	4,928,041,961	3,814,940,402
Other assets*	10	413,813,490	230,036,921
		₱11,338,588,121	₱8,032,280,517

*Excludes deposits and deferred input VAT aggregating to ₱44.0 million and ₱43.5 million as at December 31, 2021 and 2020, respectively.

	Note	2021	2020
Current Liabilities			
Current portion of loans payable	11	₱2,832,723,970	₱1,459,723,970
Accounts payable and other liabilities	13	1,198,780,388	528,934,751
Advances from subsidiaries	19	285,687,473	392,568,926
		₱4,317,191,831	₱2,381,227,647

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 D Preferred Shares	January 26, 2022	February 11, 2022	March 3, 2022	₱45,000,000	₱7.5000
Series C Preferred Shares	February 23, 2022	March 10, 2022	March 27, 2022	17,319,000	1.7319

The dividends shall be taken out of the unrestricted earnings of the Company as at December 31, 2021.



**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, 2021 and 2020, on which we have rendered our report dated March 23, 2022.

In compliance with the Revised Securities Regulations Code Rule 68, we are stating that the Company has 1,920 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 April 13, 2024

SEC Accreditation No. 97380-SEC Group A

Issued April 8, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8851710

Issued January 3, 2022, Makati City

March 23, 2022
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 Philippine Standards on Auditing, the separate financial statements of Arthaland Corporation (the Company) as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 and have issued our report thereon dated March 23, 2022. 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 April 13, 2024

SEC Accreditation No. 97380-SEC Group A

Issued April 8, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8851710

Issued January 3, 2022, Makati City

March 23, 2022

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, 2021**

Unappropriated retained earnings, beginning		₱2,366,952,569
Adjustments:		
Cumulative gain on change in fair value of investment properties	(2,156,876,309)	
Unrealized holding gain on financial assets at FVPL	(10,193,586)	
Accumulated depreciation and amortization of investment properties	(65,891,138)	(2,232,961,033)
Unappropriated retained earnings, as adjusted, beginning		133,991,536
 Add: Net income actually earned/realized during the period		
Net income during the year closed to retained earnings	1,001,142,090	
Realized holding gain on financial assets at FVPL	10,193,586	
 Less: Non-actual/unrealized income and realized loss, net of tax		
Gain on change in fair value of investment properties	(299,137,225)	
Depreciation and amortization of investment properties	(39,893,235)	
Unrealized holding loss on financial assets at FVPL	6,855,655	
Depreciation of fair value of property and equipment	673,921	679,834,792
 Cash dividends		(274,009,142)
 Unappropriated retained earnings, as adjusted, ending		₱539,817,186

Romel J. Espinoza

From: eafs@bir.gov.ph
Sent: Monday, April 18, 2022 2:48 PM
To: Romel J. Espinoza
Cc: Romel J. Espinoza
Subject: Your BIR AFS eSubmission uploads were received

Hi ARTHALAND CORPORATION,

Valid files

- EAFS004450721RPTTY122021.pdf
- EAFS004450721AFSTY122021.pdf
- EAFS004450721TCRTY122021-01.pdf
- EAFS004450721ITRTY122021.pdf
- EAFS004450721TCRTY122021-03.pdf
- EAFS004450721TCRTY122021-02.pdf

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Transaction Code: **AFS-0-2XPZTYT102T1ZV2T3NMMWNQN20331Y1234**
Submission Date/Time: **Apr 18, 2022 02:48 PM**
Company TIN: **004-450-721**

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
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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 1634, Philippines
Location of Operations	Taguig City, Cebu City, Laguna
Report Boundary	<p>This Annex reports on the performance of the following developments/projects of Arthaland and its subsidiaries, listed according to their development progress:</p> <p>Fully operational:</p> <ol style="list-style-type: none"> 1. Arthaland Century Pacific Tower (ACPT), owned by Arthaland¹ and managed by Emera Property Management, Inc. (Emera) 2. Arya Residences, managed by Emera 3. Sevina Park, owned by Cazneau, Inc. and to be managed by Emera <ol style="list-style-type: none"> a. Courtyard Hall b. Villa Model Units 138, 162, 182 c. Sales Gallery <p>Under construction:</p> <ol style="list-style-type: none"> 4. Cebu Exchange, owned by Cebu Lavana Land Corp. and to be managed by Emera 5. Savva Financial Center, owned by Savva Land Development Corporation and to be managed by Emera 6. Sevina Park, owned by Cazneau Inc. and to be managed by Emera; and <ol style="list-style-type: none"> a. Villa Turnover Units 138, 162, 182 7. Lucima, owned by Bhavana Properties, Inc. and to be 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/s, composed of residential and commercial buildings, and a neighborhood development.
Reporting Period	January 1 to December 31, 2021
Highest Ranking Person responsible for this report	Jaime C. González Vice Chairman & President

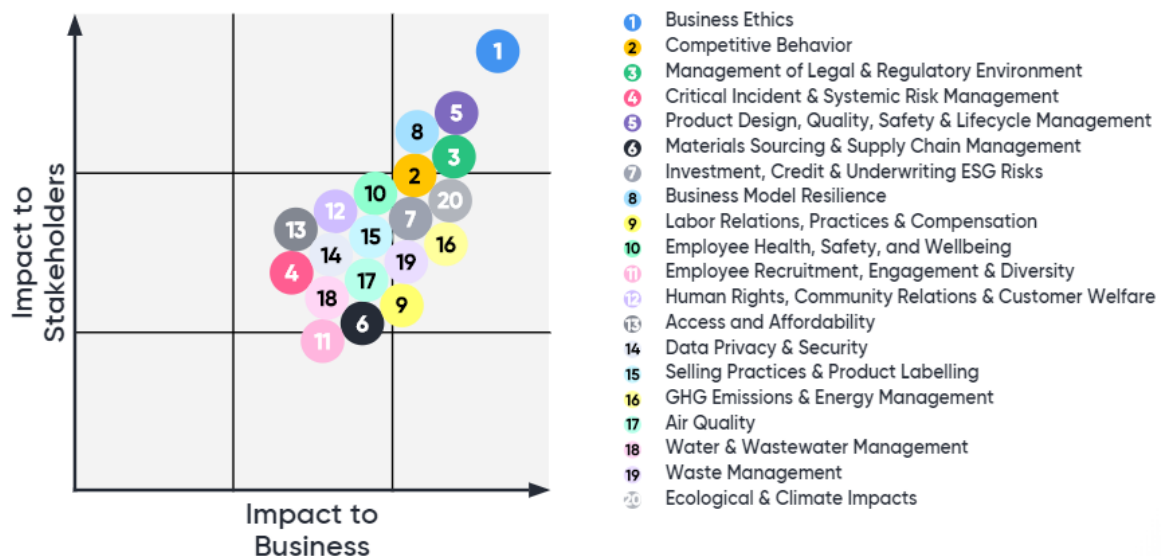
¹ Arthaland retains ownership over 21,089 sqm of ACPT, which represents approximately 66% of its 32,016 sqm net leasable area.

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 Sustainability Report ("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		3,878,914,528	Php
Direct economic value distributed	Operating costs, including payment to suppliers ²	2,237,974,682	Php
	Employee wages & benefits	202,731,197	Php
	Dividends to stockholders and interest payments	549,247,405	Php
	Taxes to government	182,004,088	Php
Direct economic value retained		706,957,156	Php

The direct economic value generated and distributed disclosed in this report includes the performance of Arthaland and its subsidiaries.

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 certified sustainable through nationally and globally recognized rating systems, such as LEED™, BERDE, EDGE, and WELL™ green building rating tools.</p> <p>Arthaland's development 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-Star. 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. Renewed in 2021, the building is awarded WELL Health-Safety Rating. • Cebu Exchange (CebEx) is an office building in Cebu, which now LEED Pre-certified Gold,

² Net of other costs identified (wages, taxes, community investments)

		<p>BERDE Design 5-Star, and with WELL Precertification. The project is on track for EDGE certification.</p> <ul style="list-style-type: none"> • 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 townhouses³ awarded LEED Platinum under LEED Neighborhood Development and LEED Homes. • Lucima is a high-rise residential condominium located in Cebu City pre-certified with LEED Gold and on track for BERDE, EDGE, and WELL certifications.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
All businesses have the risk of implementing their business plans and strategies successfully.	Shareholders, Business and Project Development Department, Technical Services Department, Management and Project Services Department, Strategic Funding and Investment Department, and Strategic Procurement 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 relies 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 and Project Development Department and Strategic Funding and Investment 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	Sustainability is at the heart of every Arthaland development. Our commitment emanates from the clear directives from our major shareholders and our Board of Directors which resonate across the organization, from the Management Team to the most junior staff. Our Management Team planned and executed these directives consistent with the company's mission, vision, and core values.

³ 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.

	Hence, in 2020, we participated as the first Asian real estate company signatory to the Net Zero Carbon Buildings Commitment (NZCBC) of the World Green Building Council (WorldGBC). Our undertaking includes decarbonizing the entire Arthaland development portfolio by 2030.
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 commitment⁴ 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 to 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 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. Arthaland developments have achieved 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, EDGE Zero Carbon, and WELL HSR 2022. • Sevina Park is the first and only LEED Platinum project in Southeast Asia awarded under the LEED v4 for Neighborhood Development. Sevina Park's

⁴ The detailed information about Arthaland's commitment is published in the WorldGBC's website.

	<p>Model Unit Villa-182 has also achieved LEED Platinum under LEED v4 for Single Family Residential.</p> <ul style="list-style-type: none"> • CebEx has achieved LEED pre-certified Gold, BERDE Design 5-Star, WELL pre-certified, WELL HSR 2022, and on track on its EDGE certification. • Savva Financial Center has achieved LEED pre-certified Gold, WELL pre-certified, and on track on its BERDE and EDGE certifications. • Lucima has achieved LEED pre-certified Gold and is on track on its BERDE, EDGE, and WELL certifications.
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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	99.91	%

The local suppliers in this report are defined as organizations or persons that provide a product or service to Arthaland and its subsidiaries and that is based in the Philippines. (GRI Standard 2016 Glossary)

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 include the implementation of the following:</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 always 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 are against the core values. It also exposes the company to substandard service and/or overpricing.	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 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	The procurement practices and related policies are reviewed annually and as often as may be necessary to ensure relevance to the present time.
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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 established a policy on anti-corruption and bribery which categorically states that it has zero-tolerance against bribery and corruption in all its dealings and engagement.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Unethical 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	The Anti-corruption and Bribery Policy and related policies are reviewed annually or as often as may be necessary to ensure relevance to the present time.

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 an 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 manage 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 an internal audit team 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
Non-renewable energy sources	Purchased electricity	4,656,259	kWh
	Liquified petroleum gas	3,131,960	liters
	Diesel	4,533	liters
Renewable energy sources	Purchased electricity	7,088,094	kWh
	On-site generation	3,747	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.

The diesel consumption disclosed refers to the consumption of the generator sets which includes the consumption for preventive maintenance. The renewable and nonrenewable share of the purchased energy from the grid is proportioned according to the total dependable capacity of the Philippines' energy supply based on the data shown in the 2020 Power Situation Report of the Department of Energy.

Reduction of energy consumption

Disclosure		Quantity ⁵	Units
Non-renewable energy sources	Purchased electricity	-145,045	kWh
	Liquified petroleum gas	864,570	liters
	Diesel	-3,533	liters
Renewable energy sources	Purchased electricity	1,022,876	kWh
	On-site generation	-3,748	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 design of the project influences the total energy consumption of the building which has a direct impact to the occupant's utility bills.	Building Occupants (homeowners and tenants)	To reduce the total energy consumption of the buildings, Arthaland designs its projects to be more energy efficient than the ASHRAE 90.1 baseline for sustainable buildings. An energy modeling study is conducted to ensure that the design of the project meets the energy efficiency target of the project.

⁵ The data in the table reflects the consumption reduction compared to the previous year's performance. A positive value means a decrease while a negative value means an increase in consumption.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The amount of energy consumed emits GHG which is the prime factor to climate change and global warming.	Building Occupants and surrounding communities	Arthaland continues 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 that meet the minimum energy capacity under the RCOA and GEOP of DOE can 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 from IFC recognizing it 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	76,078	m ³
Water recycled and reused	0	m ³

The water consumption disclosed include all consumptions from all areas in Arthaland's operational developments such as common areas and its tenanted company-owned 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 pool water, the building maintenance, 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 design of the project influences the total water consumption of the building which has a direct impact to the building user's utility bills.	Building users and surrounding communities	To reduce the total water consumption of the buildings, Arthaland designs its projects to be more water efficient than the baseline specified by the Uniform Plumbing Code and the US Environmental Protection Agency (EPA) Water Budget Standard. A water balance study is conducted to ensure that the design of the project meets the water efficiency target of the project.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The water consumption of buildings and organizations create a	Building Occupants and surrounding communities	Arthaland continues to design buildings that are water efficient to reduce the operational water demand of the building occupants and the

stress in the aquifers such that it may reach a point where there would be scarcity of potable water.		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
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.

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 on 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.

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

		<ul style="list-style-type: none"> 100% of the liquid applied materials (paints, coatings, adhesives, sealants, etc.) per volume must be within the VOC limits of the SCAQMD <p>The compliance is confirmed by Arthaland's third-party consultant and accepted by a globally recognized certifying body, Green Business Certification Inc. (GBCI).</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The higher the demand for new construction materials can deplete the natural resources available.	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
Influence the supply chain to innovate more sustainable materials.	General Contractors, Suppliers and Manufacturers	Arthaland conducts workshops 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 disrupts these areas of their natural habitat.	Surrounding communities	Arthaland avoids building on lands with significant ecosystem and biodiversity value to help in its preservation. This approach includes not building in areas that are agricultural land, habitat for endangered species, waterbodies/wetlands, historical sites, and high hazard risk.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach

⁶ International Union for Conservation of Nature

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	Where possible, Arthaland provides venues for threatened tree species 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 threatened trees such as: <ul style="list-style-type: none"> • Pterocarpus indicus (Narra) • Vitex parviflora (Molave) • Sindora Supa (Supa)
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Plant and grow threatened species in the country to help restore the ecosystem.	Building users and surrounding communities	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 occupants can enjoy.

Environmental Impact Management

GHG Emissions

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	5	tCO ₂ e
Energy indirect (Scope 2) GHG Emissions	2,176	tCO ₂ e
Emissions of ozone-depleting substances (ODS)	Not measured	tonnes

The GHG emissions disclosed include the resulting emissions associated in operating and maintaining Arthaland's developments. Note that the previous year's emissions disclosure included the scope 3 emissions of the tenant and resident in Arthaland's scope 1 and 2.

The GHG emissions, in carbon dioxide equivalence, is calculated according to the methodology of the GHG Protocol. The emissions factor used is the default Emissions Factors from the Cross-Sector Tools, published by the Greenhouse Gas Protocol in March 2017. However, the Scope 2 stationary energy emissions factor is based on the Philippine's Department of Energy 2015-2017 National Grid Emission Factor. Note that the previous year's Scope 2 stationary energy emissions factor was derived from the DOE's Power Situation Report.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Buildings contribute to the GHG emissions through its choice of energy sources and amount used for its operations.	Building Occupants	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 accelerate climate change and worsen global warming.	Building Occupants	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
Source from clean and renewable energy	Building Occupants	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
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 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 Occupants, 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.

		<ul style="list-style-type: none"> 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	<p>While it is not deemed important to measure each of the pollutant's concentration, each project implements a construction indoor air quality management plan. 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:</p> <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 residential building is very low due to the nature of activities.	Building Occupants	<p>While it is not deemed important to measure each of the pollutant's concentration within a building's space, 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, and Standard compliant with the exhaust system in areas that may have high chemical concentration. <p>Moreover, the nature of activities in the building are unlikely to generate significant amounts of pollutants.</p>

Solid and Hazardous Wastes

Solid Wastes

Disclosure	Quantity	Units
Total solid waste generated	1,241,694	kg
a. Recyclable / Reusable / Composted	1,095,406	kg
b. Incinerated	0	Kg
c. Residuals/Landfilled	146,288	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 but it does not specify the disposal method being used. The disclosed records combine the materials 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.	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 • Waste diversion rate target of 50% by weight
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Hazardous wastes are source of source of health hazard.	General Contractor	To ensure that the construction waste management plan is implemented correctly, Arthaland has set up a procedure where a third-party consultant monitors and verifies the waste performance of the General Contractor.
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 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	2,528	kg
Total weight of hazardous waste transported	2,528	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 are not limited to, cans of paint, sealants, damaged lamps, etc. Note that the hazardous wastes are disclosed when the materials are removed from the construction sites.

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 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	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 Material Recovery Facility, which has a dedicated space for hazardous waste, and which is 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 sufficient 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 quality of the wastewater discharged affect the overall quality of the municipal sewers.	Building Occupants	The same approach with Water Consumption is used for effluents. By reducing the operational water demand of a building and the resulting wastewater generated, less waste water needs to be treated.
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 such that wastewater goes through a sewage treatment plant 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 facility, and it has taken the same opportunity to reuse the wastewater for the building's non-potable water demand.
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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 construction of the project can pollute the surroundings without preventive measures.	Surrounding community	The General Contractors of Arthaland are mandated to acquire all necessary permits prior to construction and to comply with all relevant environmental laws and practices during construction.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The construction of the project can pollute the surroundings without preventive measures.	Building users, surrounding community	Arthaland engages experts to assess the impact of the development to the surrounding areas of the site, 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	In all developments of Arthaland, the General Contractors are required to implement an erosion and sedimentation control plan to prevent pollution during construction activities. The approved plan ensures that any body of water and public sewers near and around the construction site are protected.

SOCIAL

Employment Management

Employee Hiring and Benefits: Employee data

Disclosure	Quantity	Units
Total number of employees ⁷	135	#
a. Number of female employees	77	#
b. Number of male employees	58	#
Attrition rate ⁸	15%	rate
Ratio of lowest paid employee against minimum wage	1.6:1.00	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	1%	2%
PhilHealth	Y	8%	7%
Pag-ibig	Y	3%	2%
Parental leaves	Y	5%	0%
Vacation leaves (VL)	Y	71%	55%
Sick leaves (SL)	Y	45%	24%
Medical benefits (aside from PhilHealth)	Y	56%	38%
Housing assistance (aside from Pag-ibig)	N	0%	0%
Retirement fund (aside from SSS)	Y	3%	3%
Further education support ⁹	Y	0%	0%
Telecommuting ¹⁰	Y	100%	100%
Flexible-working Hours	N	0%	0%
Transportation allowance ¹¹	Y	32%	43%

7 The total number of employees include Arthaland and Emera employees.

8 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).

9 Further education support includes formal education, short courses, continuous professional development/education that aim to upgrade skills.

10 The telecommuting benefit was made available during pandemic as part of the business continuity plan of Arthaland.

11 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 to lessen its negative impact through employee engagement and attractive 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 Vacation Leaves, Sick Leaves and 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	631	hrs
a. Female employees	416	hrs
b. Male employees	215	hrs
Average training hours provided to employees	4.7	hrs/e

Disclosure	Quantity	Units
a. Female employees	5.4	hrs/e
b. Male employees	3.7	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 expertise of the employees which shapes the design and quality of the projects.	Arthaland supports the professional growth of its employees by providing training and development assistance through internal and external trainings, seminars, and conferences. Most of the employee's participation are on topics related to sustainability in buildings.
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 has made it a policy for its employees to have continuous training and development with full salary for the duration of the trainings/seminars. The Company also provides its employees scholarships to selected courses which benefits the employees 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. Nevertheless, 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 any 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	To ensure that concerns are addressed properly in due course, Arthaland has established a policy to

poor performance, which may eventually lead to resignation or termination.	enable employees 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	57	%
% of male workers in the workforce	43	%
Number of employees from indigenous communities and/or vulnerable sector ¹²	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 and unbiased opportunity.
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 emulates 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.	The Recruitment and Regularization Policy of the Human Resources Department, including related policies, are reviewed annually to ensure continued improvement and relevance to present time.

¹² 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).

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. This matter 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 reputation of the developer since it is their property.	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: <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. 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.	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: <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

	<ul style="list-style-type: none"> • 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.
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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.	Arthaland is fully compliant with all applicable laws and regulations, including labor laws and human rights, and especially those on the following: <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. Nonetheless, it is recognized that the absence of an explicit statement within its Policies may have an impact in the company's image.	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 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.	The hiring practices and its related policies are reviewed annually 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 requires its counterparties to follow the same approach.

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, and 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 follow 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) ¹³	Youth
Does the particular operation have impacts on indigenous people (IP) (Y/N)?	N

¹³ 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)

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 Erosion and Sedimentation Control measures which are reported to Arthaland monthly.
Employment opportunities	Sevina Park will have a commercial segment where employment opportunities will be open to 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.
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 third-party certified sustainable through green building rating tools such as LEED, BERDE, EDGE, and/or WELL 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 Arthaland's properties. The content of the customer satisfaction survey covers the quality of 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 • 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 more comprehensive feedback.

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety ¹⁴	0	#

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.

Disclosure	Quantity	Units
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 on the health and safety of customers. 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 serious issues such as death, which will expose the company to lawsuits and a negative reputation.	Arthaland conducts regular building inspections and audits to ensure that the building functions and operates as designed.
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 ¹⁵	0	#
No. of complaints addressed	0	#

¹⁵ 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.

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 validated through third-party certification systems that are 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 • "Pre-certified" 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 status. Arthaland is true to its core value, "we work with integrity."

Customer Privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy ¹⁶	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
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¹⁶ 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.

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 can protect their customer's privacy are deemed trustworthy and reliable.	Arthaland has 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 that handles customer data is the Customer Accounts Management 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
Data security of the company dictates the security of the customer's privacy.	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 Customer Accounts Management Department. Data leak or compromise can create customer dissatisfaction, mistrust, and legal actions.	All Arthaland computers and networks are password protected, which passwords are 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	Avoided Negative Impact	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 of its developments 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 can 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	Avoided Negative Impact	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	Avoided Negative Impact	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 occupants to commute instead of driving single occupancy vehicles • Choosing sites where basic needs and services are within walking distance to provide options for the building occupants 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

		<p>priority 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	Avoided Negative Impact	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 materials with recycled content, reused materials, bio-based materials, rapidly renewable materials and/or third-party certified green material.
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.

- Nothing follows. -