# COVER SHEET

## for

## AUDITED SEPARATE FINANCIAL STATEMENTS

SEC Registration Number

A S 9 4 0 0 7 1 6 0

**COMPANY NAME**

ARTHALAND CORPORATION

**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 | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AASFS | CRMD | N/A |

**COMPANY INFORMATION**

| Company's Email Address | Company's Telephone Number/s | Mobile Number |
|---|---|---|
| ALCO@arthaland.com | (02) 8-403-6910 | (+63) 917 509 3413 |

| No. of Stockholders | Annual Meeting (Month / Day) | Calendar Year (Month / Day) |
|---|---|---|
| 1,937 | Last Friday of June | December 31 |

**CONTACT PERSON INFORMATION**

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Ferdinand A. Constantino | faconstantino@arthaland.com | (02) 8-403-6910 | – |

**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.*

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## Company Information

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**SEC Registration No.:** AS94007160
**Company Name:** ARTHALAND CORPORATION
**Industry Classification:** K70120
**Company Type:** Stock Corporation

## Document Information

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**Document ID:** OST10418202283052665
**Document Type:** Financial Statement
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**Period Covered:** December 31, 2021
**Submission Type:** Annual, Parent
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ARTHALAND
BUILDING SUSTAINABLE LEGACIES

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management of **ARTHALAND CORPORATION (the "Corporation")** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **31 December 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 Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless Management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

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

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

Signed this **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*

ARTHALAND CORPORATION
Head Office, 7F Arthaland Century Pacific Tower
5TH Avenue corner 30TH Street, Bonifacio Global City
1634 Taguig City, Philippines

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BDO Towers Valero (formerly Citibank Tower)
8741 Paseo de Roxas
Makati City 1226 Philippines
**Phone** : +632 8 982 9100
**Fax** : +632 8 982 9111
**Website** : www.reyestacandong.com

## 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 | **₱952,733,651** | ₱497,541,687 |
| 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 |
| | | **₱19,048,231,404** | ₱15,258,828,374 |
| **LIABILITIES AND EQUITY** | | | |
| **Liabilities** | | | |
| Loans payable | 11 | **₱5,732,565,136** | ₱4,157,433,803 |
| 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 |
| | | **₱19,048,231,404** | ₱15,258,828,374 |

*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)** | | | | |
| *Not to be reclassified to profit or loss -* | | | | |
| 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)

| | Note | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| | | **Years Ended December 31** | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Net proceeds from: | | | | |
| Loans payable | 11 | **₱4,166,754,338** | ₱3,099,371,197 | ₱1,814,370,307 |
| 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** | | **₱952,733,651** | ₱497,541,687 | ₱31,408,529 |
| **COMPONENTS OF CASH AND CASH EQUIVALENTS** | 4 | | | |
| Cash on hand | | **₱55,000** | ₱45,000 | ₱45,000 |
| Cash in banks | | **48,685,873** | 139,576,157 | 21,107,517 |
| Cash equivalents | | **903,992,778** | 357,920,530 | 10,256,012 |
| | | **₱952,733,651** | ₱497,541,687 | ₱31,408,529 |
| **NONCASH FINANCIAL INFORMATION** | | | | |
| Assignment of shareholder advances and accrued interest from purchase of interests in a subsidiary | 9 | **₱762,340,790** | ₱– | ₱– |
| 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:

| | | | Range | |
|---|---|---|---|---|
| Class of Property | Valuation Technique | Significant Inputs | **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) | **₱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 - 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% |
| Raw land | Market data approach | Price per sqm | **₱1,660** | ₱1,420 |
| | | 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 | **₱155,885,678** | **₱5,613,266,646** | **₱5,769,152,324** |
| 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 | **₱182,840,888** | **₱5,985,445,405** | **₱6,168,286,293** |

| | 2020 | | |
|---|---|---|---|
| | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Balance at beginning of year | ₱147,761,772 | ₱4,702,453,593 | ₱4,850,215,365 |
| Gain on change in fair value | 8,123,906 | 908,735,306 | 916,859,212 |
| Development costs incurred | – | 5,936,974 | 5,936,974 |
| Initial direct leasing costs | – | (3,859,227) | (3,859,227) |
| Balance at end of year | ₱155,885,678 | ₱5,613,266,646 | ₱5,769,152,324 |

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 4th 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.

<u>**Common Shares**</u>
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.

<u>**Common and Preferred Shares Listed with PSE**</u>
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 | Nature of Transaction | 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 2021 | Amount of Transactions 2020 | Outstanding Balance 2021 | Outstanding Balance 2020 |
|---|---|---|---|---|---|---|---|
| **Trade Receivables** | | 6 | | | | | |
| SLDC | Subsidiary | | 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 | |
|---|---|---|---|
| | Change in Assumption | 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 | |
|---|---|---|---|---|---|
| | January 1, 2021 | Availments/Additions | Payments | Movements on Debt Issue Cost | December 31, 2021 |
| 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 | |
|---|---|---|---|---|---|
| | January 1, 2020 | Availments | Payments | Movements on Debt Issue Cost | December 31, 2020 |
| Loans payable | ₱3,290,331,059 | ₱3,112,500,000 | (₱2,239,976,077) | (₱5,421,179) | ₱4,157,433,803 |
| Bonds payable | – | 3,000,000,000 | – | (41,473,302) | 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 | | | | |
| | **12-Month ECL** | **Lifetime ECL - Not Credit Impaired** | **Lifetime ECL - Credit Impaired** | **Financial Assets at FVPL** | **Total** |
| 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 | | | | |
| | 12-Month ECL | Lifetime ECL - Not Credit Impaired | Lifetime ECL - Credit Impaired | Financial Assets at FVPL | Total |
| 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 | ₱– | ₱2,832,723,970 | ₱325,000,000 | ₱1,000,000,000 | ₱1,600,000,000 | ₱5,757,723,970 |
| 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 |
| | ₱338,694,070 | ₱3,888,820,379 | ₱325,000,000 | ₱1,000,000,000 | ₱4,600,000,000 | ₱10,152,514,449 |

**Excludes statutory payables, advance rent and other payables aggregating to ₱89.7 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 | ₱– | ₱1,459,723,970 | ₱300,000,000 | ₱325,000,000 | ₱2,100,000,000 | ₱4,184,723,970 |
| 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 |
| | ₱493,388,908 | ₱1,813,413,971 | ₱300,000,000 | ₱325,000,000 | ₱5,100,000,000 | ₱8,031,802,879 |

**Excludes statutory payables, advance rent and other payables aggregating to ₱74.4 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 | **₱3,878,132,080** | **₱3,878,132,080** | **₱–** | **₱–** |
| 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** |
| | | **₱10,085,391,336** | **₱3,878,132,080** | **₱182,840,888** | **₱6,021,567,368** |
| Liability for which fair value is disclosed: | | | | | |
| Loans payable | 11 | **₱5,732,565,136** | **₱–** | **₱–** | **₱5,892,367,221** |
| Bonds payable | 12 | **2,966,594,179** | **–** | **–** | **3,003,560,199** |
| | | **₱8,699,159,315** | **₱–** | **₱–** | **₱8,895,927,420** |

| | | | 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 | ₱2,807,098,299 | ₱2,807,098,299 | ₱– | ₱– |
| Investment properties | 7 | 5,769,152,324 | – | 155,885,678 | 5,613,266,646 |
| Asset for which fair value is disclosed - | | | | | |
| Financial assets at amortized cost - Deposits | 10 | 38,972,963 | – | – | 36,121,963 |
| | | ₱8,615,223,586 | ₱2,807,098,299 | ₱155,885,678 | ₱5,649,388,609 |
| Liability for which fair value is disclosed: | | | | | |
| Loans payable | 11 | ₱4,157,433,803 | ₱– | ₱– | ₱4,500,970,034 |
| Bonds payable | 12 | 2,958,526,698 | – | – | 3,540,814,710 |
| | | ₱7,115,960,501 | ₱– | ₱– | ₱8,041,784,744 |

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

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 26, 2022

BDO Towers Valero (formerly Citibank Tower)
8741 Paseo de Roxas
Makati City 1226 Philippines
**Phone** : +632 8 982 9100
**Fax** : +632 8 982 9111
**Website** : www.reyestacandong.com

**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 |