

COVER SHEET

for
**AUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

SEC Registration Number

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COMPANY NAME

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

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

7	/	F		A	r	t	h	a	l	a	n	d		C	e	n	t	u	r	y		P	a	c	i	f	i	c		T	o	w	e	r	,		5	t

Form Type

A	A	C	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Group's Email Address

ALCO@arthaland.com

Group's Telephone Number/s

(+632) 8403-6910

Mobile Number

(+63) 917 509 3413

No. of Stockholders

1,937

Annual Meeting (Month / Day)

Last Friday of June

Calendar Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ferdinand A. Constantino

Email Address

faconstantino@arthaland.com

Telephone Number/s

(+632) 8403-6910

Mobile Number

—

CONTACT PERSON'S ADDRESS

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

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

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



SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines

Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph



The following document has been received:

Receiving: RAMON LEGASPI

Receipt Date and Time: April 18, 2022 05:17:58 PM

Company Information

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Industry Classification: K70120

Company Type: Stock Corporation

Document Information

Document ID: OST1041820228305688

Document Type: Financial Statement

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Period Covered: December 31, 2021

Submission Type: Annual, Consolidated

Remarks: None

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

Management of **ARTHALAND CORPORATION** (the “Parent Company”) and its **Subsidiaries** (collectively, the “Group”) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **31 December 2021, 2020 and 2019**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

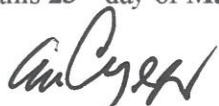
In preparing the financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to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

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

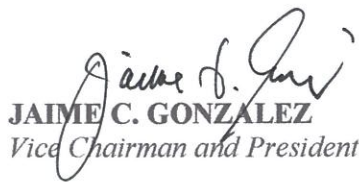
The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

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

Signed this 23rd day of **March 2022**, **Taguig City, Philippines**.



ERNEST K. CUYEGKENG
Chairman of the Board



JAIME C. GONZALEZ
Vice Chairman and President



FERDINAND A. CONSTANTINO
Chief Finance Officer

OATH

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY) SS.

I certify that on this MAR 23 2022, before me, a notary public duly authorized in the city named above to take acknowledgments, personally appeared the following whom I identified through competent evidence of identity to be the same persons described in the foregoing instrument, who acknowledged before me that they voluntarily affixed their signatures on the instrument for the purpose stated therein, and who declared to me that they executed the instrument as their free and voluntary act and deed and that they have the authority to sign on behalf of their principal:

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

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

Doc No. 354
Page No. 72
Book No. 12
Series of 2022

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



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Arthaland Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2021, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2021, 2020 and 2019 in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of financial reporting relief issued and approved by the Philippine Securities and Exchange Commission (SEC) (see Note 2).

Basis of Opinion

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

Key Audit Matters

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



Fair Value Measurement of Investment Properties

The Group's investment properties which are accounted for using the fair value model amounted to ₱9,026.4 million as at December 31, 2021. The fair value measurement is significant to our audit as the investment properties account for 26.0% of the Group's total assets as at December 31, 2021 (see Notes 3 and 10 to the consolidated financial statements).

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

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

Revenue from Real Estate Sales

For the year ended December 31, 2021, the Group recognized revenue of ₱2,628.9 million from real estate sales using the percentage of completion (POC) method. This is significant to our audit as the amount of revenue from real estate sales for the year ended December 31, 2021 is material to the consolidated financial statements (see Notes 3 and 17 to the consolidated financial statements).

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

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

Valuation of Real Estate for Sale

The Group's real estate properties amounted to ₱8,988.8 million as at December 31, 2021, which accounts for 25.9% of the total assets (see Note 9 to the consolidated financial statements). Valuation of real estate for sale is significant to our audit because it involves determination and estimation of project costs at the end of reporting period.

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



Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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



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

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

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

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



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

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

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 97380-SEC Group A

Issued April 8, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8851710

Issued January 3, 2022, Makati City

March 23, 2022

Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	2021	2020	2019
CAPITAL STOCK	16			
Common - at ₱0.18 par value - issued and outstanding		₱957,257,136	₱957,257,136	₱957,257,136
Preferred - at ₱1.00 par value				
Balance at beginning of year		42,500,000	42,500,000	32,500,000
Issuance of preferred shares		6,000,000	—	10,000,000
Balance at end of year		48,500,000	42,500,000	42,500,000
		1,005,757,136	999,757,136	999,757,136
ADDITIONAL PAID-IN CAPITAL	16			
Balance at beginning of year		3,008,959,878	3,008,959,878	2,031,441,541
Issuance of preferred shares		2,994,000,000	—	990,000,000
Stock issuance costs		(29,599,365)	—	(12,481,663)
Balance at end of year		5,973,360,513	3,008,959,878	3,008,959,878
RETAINED EARNINGS	16			
Balance at beginning of year		3,779,054,629	3,161,789,766	2,214,144,875
Net income for the year		899,510,260	887,295,539	1,187,016,033
Dividends declared during the year		(274,009,142)	(274,009,142)	(239,371,142)
Change in non-controlling interest		—	3,978,466	—
Balance at end of year		4,404,555,747	3,779,054,629	3,161,789,766
OTHER EQUITY RESERVES	16			
Balance at beginning of year		230,363,146	(207,724)	18,169,495
Net additions (disposals)		(52,732,743)	230,570,870	(18,377,219)
Balance at end of year		177,630,403	230,363,146	(207,724)
TREASURY STOCK – SERIES B PREFERRED SHARES	16	(2,000,000,000)	—	—
PARENT COMPANY'S PREFERRED SHARES HELD BY A SUBSIDIARY - at cost	16	(12,500,000)	(12,500,000)	(12,500,000)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		₱9,548,803,799	₱8,005,634,789	₱7,157,799,056

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

(Forward)

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information

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

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

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

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

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

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

Composition of the Group

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

Subsidiary	Place of Incorporation	Effective % of Ownership		
		2021	2020	2019
Cazneau, Inc. (Cazneau)	Philippines	100%	100%	100%
Emera Property Management, Inc. (EPMI)	Philippines	100%	100%	100%
Manchesterland Properties, Inc. (MPI)	Philippines	100%	100%	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	100%	100%	100%
Zileya Land Development Corporation (ZLDC)	Philippines	100%	100%	100%
Pradhana Land, Inc. (PLI)	Philippines	100%	100%	100%
Cebu Lavana Land Corp. (CLLC)	Philippines	100%	60%	60%
Bhavana Properties, Inc. (Bhavana)	Philippines	60%	100%	100%
Bhavya Properties, Inc. (Bhavya)	Philippines	60%	100%	100%
Kashtha Holdings, Inc. (KHI)	Philippines	60%	60%	100%
Savya Land Development Corporation (SLDC)	Philippines	59%*	59%*	98%

*indirectly owned through KHI

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

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

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

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

In 2019, the Parent Company subscribed to 100% shares of Bhavana, Bhavya and PLI. In December 2021, the Parent Company sold, transferred and conveyed 10.0 million common shares each of Bhavana and Bhavya representing 40% ownership and voting rights, as well as the Parent Company's shareholder advances, to Narra Properties Investment PTE. LTD (Narra), a corporation duly organized and existing under the laws of Singapore (see Note 4).

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

Major Projects

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

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

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

In 2016, CLLC commenced the development of Cebu Exchange Project (Cebu Exchange), a 38-storey office building in Barangay Lahug, Cebu City. The Cebu Exchange was awarded the LEED Gold precertification and BERDE Design 5-Star. In 2020, the project was awarded WELL precertification by IWBI. Besides being designed to be a world-class workplace, Cebu Exchange is envisioned to be a complete ecosystem, with four retail floors for the convenience of its occupants. With a gross floor area of 108,564 sqm, Cebu Exchange boasts of being the largest multi-certified green and healthy building in the country. The construction of Cebu Exchange commenced in the second quarter of 2018 and is expected to be completed in 2022.

In 2018, Cazneau started the construction of the first phase of Sevina Park, an integrated community project in an eight-hectare property in Laguna. The initial development called Courtyard Hall, covering the first 4,000 sqm of the property, is a campus-type or dormitory-type residential community (see Note 10). This was completed in June 2019. Also, in June 2019, Cazneau launched the Garden Villas at Sevina Park which cater to students and faculty population, and starter families within the area. The entire project, which will include retail spaces, is expected to be completed in from 2022 onward.

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

In December 2018, ZLDC acquired about 47.4% of a 2,018-sqm property located along Antonio Arnaiz Avenue within the Makati Central Business District. On this site, ZLDC, together with the other party which acquired the remaining 52.6% of the total area of the condominium units are still working on getting the property partitioned to enable the Company to have 100% ownership over 47.4% of the land area of the Property, which is equivalent to 957 square meters. Once the partition is completed, the Company plans to develop its portion into a high-end, sustainable, multi-certified residential project.

In February 2019, SLDC launched the development of Savva Financial Center. This project is composed of two office towers with a gross floor area of 59,763 sqm and located in Arca South, Taguig City. The North and South Tower (of the Savva Financial Tower) is expected to be completed in 2022. Savva's North Tower was launched for pre-selling in February 2019. Also in 2019, the project received LEED Gold precertification and in 2021, WELL precertification.

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

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

Approval of the Consolidated Financial Statements

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

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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

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

Measurement Bases

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

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

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

- Note 3 - Significant Judgments, Accounting Estimates and Assumptions
- Note 7 - Financial Assets at Fair Value through Profit or Loss (FVPL)
- Note 10 - Investment Properties
- Note 28 - Fair Value Measurement

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Adoption of PIC Issuances

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

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

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

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

Relevant amended PFRS which are not yet effective and have not been applied in preparing the consolidated financial statements are summarized below.

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

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination. The amendments should be applied prospectively.
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applied the amendments.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle –
 - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments. Earlier application is permitted.

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

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.
- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

Deferred effectivity:

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.
- *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) for the Real Estate Industry* – In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of International Financial Reporting Standards 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

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

The Group availed of the SEC relief with respect to accounting for borrowing costs. Had the Group opted to adopt in full the guidance provided in the IFRIC agenda decision on over time transfer of constructed goods, borrowing costs would have been recognized as expense when incurred.

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

The Group availed of the SEC relief with respect to accounting for significant financing component and exclusion of land in the calculation of POC. Accordingly, revenue from real estate sales is not adjusted for the effect of the time value of money, and the total cost incurred and total estimated cost to complete includes the cost of land.

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

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

Basis of Consolidation

Subsidiaries. Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

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

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

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

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

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

Financial Assets and Liabilities

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

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

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

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

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

As at December 31, 2021 and 2020, the Group does not have financial assets at FVOCI and financial liabilities at FVPL.

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

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

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

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

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

As at December 31, 2021 and 2020, the Group classified its investments in money market fund under this category (see Note 7).

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

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

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

As at December 31, 2021 and 2020, the Group's contract assets, cash in banks, cash equivalents, receivables (excluding accrued rent under straight-line basis of accounting), amounts held in escrow, and deposits are classified under this category (see Notes 5, 6, 8, and 12).

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

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

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

As at December 31, 2021 and 2020, the Group's loans and bonds payable, accounts payable and other liabilities (excluding statutory payables, payable to buyers and advance rent), contract liabilities and due related parties are classified under this category (see Notes 13, 14, 15 and 24).

Reclassification

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

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

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

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

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

Impairment of Financial Assets at Amortized Cost

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

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

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

Offsetting of Financial Assets and Liabilities

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

Classification of Financial Instrument between Liability and Equity

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

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

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

Classification of Assets and Liabilities between Current and Noncurrent

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

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

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

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

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

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

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

Cost to Obtain a Contract with a Customer

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

Contract Balances

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

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

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

Debt Issue Costs

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

Real Estate for Sale

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

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

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

Borrowing Costs

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

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

Investment Properties

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

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

Other Assets

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

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

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

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

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

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

Advances for Asset Purchase. Advances for asset purchase are recognized whenever the Company pays in advance for land. These are measured at transaction price less impairment in value, if any.

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

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

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

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

Impairment of Nonfinancial Assets

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

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

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

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

Payable to Customers

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

Advance Rent

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

Capital Stock

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

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

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

Additional Paid-in Capital

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

Treasury Shares

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

Retained Earnings

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

Other Comprehensive Income

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

Parent Company's Shares Held by a Subsidiary

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

Non-controlling Interests

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

Basic and Diluted Earnings per Share (EPS)

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

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

Revenue Recognition

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

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

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

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

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

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

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

The Group opted to defer the application guidelines of the provisions of the PIC Q&A No. 2018-12 (*as amended by PIC Q&A 2020-05*) with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the computation of POC for a period of three (3) years.

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

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

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

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

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

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

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

Cost and Expenses Recognition

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

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

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

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

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

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

Share-based Compensation

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

Leases

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

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

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

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

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

Employee Benefits

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

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

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

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

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

Remeasurements pertaining to actuarial gains and losses and return on plan assets are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the retirement liability, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

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

Foreign Currency - Denominated Transactions

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

Income Taxes

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

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

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

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

Related Party Transactions

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

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

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

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

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment reporting a strategic business unit that offers different products and serves different markets. Financial information on the Group's business segments is presented in Note 30 to the consolidated financial statements.

Provisions and Contingencies

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including risks and uncertainties associated with the present obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

Events After the Reporting Period

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

3. Significant Judgments, Accounting Estimates and Assumptions

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

Judgments

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

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

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

Determining Control or Joint Control over an Investee Company. Control is presumed to exist when an investor has power over an investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group has determined that by virtue of the Parent Company's majority ownership of voting rights in its subsidiaries as at December 31, 2021, 2020 and 2019, it has the ability to exercise control over these investees.

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

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

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

The Group concluded that revenue from real estate sale of office units and sale of residential units in should be recognized over time. The Group also determined that input method is the appropriate method in measuring the POC. Under POC, the Group satisfies its performance obligation to deliver a portion of the property to the customer over time. The input method is based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred. Changes in estimates may affect the reported amounts of revenue, cost of real estate sales, contract assets and contract liabilities.

Revenue from real estate sales recognized based on POC amounted to ₱2,628.9 million in 2021, ₱2,919.1 million in 2020 and ₱3,515.8 million in 2019. Related cost of real estate sales amounted to ₱1,610.0 million in 2021, ₱1,549.2 million in 2020 and ₱2,038.0 million in 2019 (see Note 9).

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

Real estate for sale amounted to ₱8,988.8 million and ₱6,894.9 million as at December 31, 2021 and 2020, respectively (see Note 9). Investment properties amounted to ₱9,026.4 million and ₱8,315.2 million as at December 31, 2021 and 2020, respectively (see Note 10). Property and equipment amounted to ₱273.2 million and ₱280.2 million as at December 31, 2021 and 2020, respectively (see Note 11).

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

Investment properties amounted to ₱9,026.4 million and ₱8,315.2 million as at December 31, 2021 and 2020, respectively (see Note 10).

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

Revenue from leasing operations recognized from these operating leases amounted to ₱325.5 million in 2021, ₱371.6 million in 2020 and ₱321.9 million in 2019 (see Note 22).

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

Rent expense amounted to ₱2.3 million in 2021, ₱3.0 million in 2020 and ₱1.7 million in 2019 (see Note 22).

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

Accounting Estimates and Assumptions

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

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

Revenue from real estate sales recognized based on POC amounted to ₱2,628.9 million in 2021, ₱2,919.1 million in 2020 and ₱3,515.8 million in 2019. Related cost of real estate sales amounted to ₱1,610.0 million in 2021, ₱1,549.2 million in 2020 and ₱2,038.0 million in 2019.

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

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

Investment properties amounted to ₱9,026.4 million and ₱8,315.2 million as at December 31, 2021 and 2020, respectively (see Note 10).

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

No provision for inventory obsolescence was recognized in 2021, 2020 and 2019. The carrying amount of real estate for sale amounted to ₱8,988.8 million and ₱6,894.9 million as at December 31, 2021 and 2020, respectively (see Note 9).

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

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

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

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

No provision for ECL was recognized in 2021, 2020 and 2019. The Group's trade receivables and contract assets aggregated ₱7,359.3 million and ₱5,684.6 million as at December 31, 2021 and 2020, respectively (see Notes 5 and 8).

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

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

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

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

No provision for ECL was recognized in 2021, 2020 and 2019.

The carrying amounts of financial assets are as follows:

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

*excluding cash on hand

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

The fair value and carrying amount of investment in money market fund amounted to ₱4,378.6 million and ₱3,257.3 million as at December 31, 2021 and 2020, respectively (see Note 7).

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

There were no changes in the estimated useful lives of property and equipment during 2021, 2020 and 2019. The carrying amount of property and equipment amounted to ₱273.2 million and ₱280.2 million as at December 31, 2021 and 2020, respectively (see Note 11).

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

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

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

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

No provision for impairment loss on nonfinancial assets was recognized in 2021, 2020 and 2019.

The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	2021	2020
Accrued rent receivable*	8	₱66,158,150	₱89,557,339
Property and equipment	11	273,213,366	280,192,479
Other assets**	12	2,042,460,737	1,836,481,141

*presented under "Receivables" account.

**excluding deposits and amounts held for escrow aggregating ₱210.3 million and ₱141.1 million as at December 31, 2021 and 2020, respectively.

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

Net retirement liability amounted to ₱118.4 million and ₱101.5 million as at December 31, 2021 and 2020, respectively (see Note 21).

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

The carrying amount of recognized deferred tax assets amounted to ₱311.9 million and ₱241.5 million as at December 31, 2021 and 2020, respectively. Unrecognized deferred tax assets amounted to ₱14.9 million and ₱8.1 million as at December 31, 2021 and 2020, respectively, as management assessed that these may not be realized in the future (see Note 23).

4. Material Non-controlling Interests

The Group's non-controlling interests amounting to ₱1,503.3 million in 2021, ₱1,224.5 million and ₱317.6 million as at December 31, 2021, 2020 and 2019, respectively, pertains to interests in CLLC, KHI and SLDC.

CLLC

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

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

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

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

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

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

SLDC

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

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

Net income of SLDC allocated to non-controlling interests amounted to ₱119.2 million in 2021, ₱53.4 million in 2020 and nil in 2019 which is determined based on the joint venture agreement between ALCO and MEC.

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

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

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

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

KHI

The Group has 40% non-controlling interests in KHI. The net loss of KHI allocated to non-controlling interests amounting to ₱0.1 million in 2021 and 2020 is distributed based on the capital contribution. The total assets of KHI amounted to ₱573.3 million and ₱554.2 million as at December 31, 2021 and 2020, respectively. Net loss amounted to ₱0.2 million in 2021 and 2020 and net cash outflows amounted to ₱0.3 million in 2021 and ₱11.8 million in 2020.

Bhavana and Bhavya

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

Advances from Non-controlling Interests

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

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

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

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

On June 1, 2020, the Parent Company assigned 40% of its advances to KHI amounting to ₱195.0 million, in favor of MEC, and bear interest of 3.5% per annum. Interest expense incurred amounted to ₱6.8 in 2021 and ₱4.0 million in 2020. These are unsecured, unguaranteed, and payable on demand and in cash.

5. Contract Assets and Contract Liabilities

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

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

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

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

6. Cash and Cash Equivalents

This account consists of:

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

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

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

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

7. Financial Assets at FVPL

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

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

Realized gain on disposals of financial assets at FVPL amounted to ₱23.6 million in 2021, ₱19.1 million in 2020 and ₱16.8 million in 2019 (see Note 20).

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

8. Receivables

This account consists of:

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

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

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

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

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

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

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

9. Real Estate for Sale

This account consists of:

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

Movements of this account follow:

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

Raw Land

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

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

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

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

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

Assets under Construction

Assets under construction consist of land and development costs of ongoing real estate projects of the Group. As at December 31, 2021 and 2020, this account includes the land and development costs of Cebu Exchange, Savya Financial Center and Sevina Park (see Note 1).

The land and development costs of Cebu Exchange with carrying amount of ₱2,885.9 million and ₱2,371.6 million as at December 31, 2021 and 2020, respectively, are used as security for the bank loan of CLLC with outstanding balance of ₱1,114.0 million and ₱2,014.0 million as at December 31, 2021 and 2020, respectively (see Note 13).

As at December 31, 2021 and 2020, the carrying amount of land of SLDC amounting to ₱1,434.8 million is used as security for SLDC’s bank loans with outstanding balance of ₱1,431.8 million and ₱1,268.8 million as at December 31, 2021 and 2020, respectively (see Note 13).

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

Condominium Units for Development

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

Borrowing Costs

General and specific borrowings were used to partially finance the Group’s ongoing real estate projects. The related borrowing costs amounting to ₱549.8 million in 2021 and ₱420.8 million in 2020 were capitalized as part of real estate for sale. The capitalization rates used to determine general borrowing costs eligible for capitalization ranges from 4.5% to 7.5% in 2021 and 3.0% to 8.0% in 2020 (see Note 13).

NRV of Real Estate for Sale

As at December 31, 2021 and 2020, real estate for sale is stated at cost which is lower than its NRV. There is no allowance for inventory obsolescence as at December 31, 2021 and 2020.

10. Investment Properties

This account consists of the following completed real estate projects and land which are held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

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

Movements of this account follow:

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

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

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

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

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

ACPT

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

Arya Residences

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

In 2020, the Group sold parking slots with carrying amount of ₱1.8 million and cost of ₱1.0 million for a total consideration of ₱1.3 million which resulted to a loss on disposal of ₱0.5 million (see Note 20).

Land

UPHI's raw land, with fair value amounting to ₱729.9 million and ₱646.9 million as at December 31, 2021 and 2020, respectively, has a total area of 33 hectares and are located at Barangay Gonzalo Bontog, Calamba City and Barangay Calabuso, Tagaytay City. Portion of the UPHI's raw land was the subject of an expropriation proceedings filed by the National Power Corporation (NAPOCOR) with the Regional Trial Court of Calamba City, Laguna. The other parties to the case filed their respective appeals with the Court of Appeals (CA) assailing the amount of just compensation determined by the trial court. The appeal remains pending with the CA. Moreover, a complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property located in Calamba City, Laguna. In June 2020, the case was decided by the trial court in favor of UPHI. The losing defendants in the case filed their respective appeals with the CA and UPHI filed its appellee's brief defending the decision of the trial court. The case remains pending with the CA. As at December 31, 2021 and 2020, the case with NAPOCOR is still ongoing and yet to be resolved by the CA. UPHI intends to amicably settle with the National Transmission Commission (NTC, successor-in-interest of NAPOCOR), since UPHI had already been deprived of effective use and enjoyment of the property. Management assessed that although the potential effect of this case on the Group's consolidated financial statements would not be significant, an amicable settlement with the NTC could allow the UPHI to recoup the cost of the property.

Raw land of the Parent Company has a total area of 10.3 hectares located in Batangas and Tagaytay with fair value aggregating ₱182.8 million and ₱155.9 million as at December 31, 2021 and 2020, respectively.

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

Courtyard Hall

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

Courtyard Hall of Cazneau used for leasing operations was recognized at fair value amounting to ₱326.2 million and ₱186.9 million as at December 31, 2021 and 2020, respectively.

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

Leasing Operations

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

Fair Value Measurement

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

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

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

Discounted Cash Flow Approach

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

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

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

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

Market Data Approach

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

The inputs to fair valuation are as follows:

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

Depreciated Replacement Cost Method

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

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

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

	2020		
	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Balance at beginning of year	₱1,224,609,670	₱6,055,390,597	₱7,280,000,267
Net gain on change in fair value	51,253,834	908,735,306	959,989,140
Construction costs incurred	74,863,439	5,936,974	80,800,413
Initial direct leasing costs	–	(3,859,227)	(3,859,227)
Disposals	–	(1,761,752)	(1,761,752)
Balance at end of year	₱1,350,726,943	₱6,964,441,898	₱8,315,168,841

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

11. Property and Equipment

The balances and movements of this account consist of:

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

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

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

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

Depreciation expense was charged to:

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

12. Other Assets

This account consists of:

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

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

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

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

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

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

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

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

13. Loans Payable

This account consists of outstanding loans with:

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

Movements of this account follow:

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

Movements in debt issue cost are as follows:

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

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

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

Local Bank Loans

These are loans from local banks which are interest-bearing and secured loans obtained to finance the Group's working capital requirements, project development and acquisition of properties. These loans have interest rates ranging from 4.50% to 7.50 % p.a. in 2021 and 5.00% to 8.00% p.a. in 2020.

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

Purpose	Terms and Security	Effective interest rate (p.a.)	2021	2020
Credit facility agreement for financing of receivables from buyers of units and parking slots in Cebu Exchange	Payable in full in 2022; secured by receivables and contract assets from buyer of units and parking slots in Cebu Exchange with carrying amount of ₱3.6 billion as at December 31, 2021 (see Notes 5 and 8)	6.75% to 7.50%	₱2,673,296,992	₱1,365,481,370
Short-term loans for working fund requirements	Unsecured and payable in full within one year	4.50% to 7.00%	2,472,000,000	1,225,000,000
Construction of ACPT	Payable on a quarterly basis starting 4 th quarter of 2020 until July 2025; secured by ACPT building with carrying amount of ₱5,959.3 million and ₱5,586.8 million as at December 31, 2021 and 2020, respectively (see Note 10), and an escrow account amounting to ₱105.7 million and ₱54.5 million as at December 31, 2021 and 2020, respectively (see Note 12)	5.50%	1,712,356,858	1,858,666,538
Construction of Savya Financial Center	Payable on a quarterly basis within three years from the date of initial drawdown until August 29, 2023; secured by unregistered real estate mortgage over raw land of SLDC with carrying amount of ₱1,434.8 million as at December 31, 2021 (see Note 9) and an escrow account ₱30.6 million as at December 31, 2021 (see Note 12)	4.75%	1,431,814,488	—
Short-term loans for construction of Cebu Exchange	Unsecured and payable in full within one (1) year	5.00% to 7.50%	1,251,000,000	500,000,000

(Forward)

Purpose	Terms and Security	Effective interest rate (p.a.)	2021	2020
Construction of Cebu Exchange	Payable on a quarterly basis after two years from the date of initial drawdown until April 14, 2022; secured by the Cebu Exchange property with carrying amount of ₱2,885.9 million and ₱2,371.6 million as at December 31, 2021 and 2020, respectively (see Note 9)	5.77%	1,114,000,000	2,014,000,000
Development of Green Projects	Unsecured and payable in full on February 6, 2025	6.35%	991,234,308	989,043,295
Construction of Sevina Park	Payable on a quarterly basis starting November 2023 until August 2026; secured by raw land with carrying amount of ₱884.2 million as at December 31, 2021 (see Notes 9 and 10), and an escrow account amounting to ₱8.3 million as at December 31, 2021 (see Note 12)	6.25%	₱684,057,581	₱—
Construction of Lucima Residences	Payable on a quarterly basis starting 2024 until 2026; secured by Lucima Residences property with carrying amount of ₱747.3 million as at December 31, 2021 (see Note 9)	6.17%	549,983,272	—
Working fund requirements	Payable on November 25, 2024	6.00%	496,250,000	—
Acquisition of land and construction of Savva Financial Center	Payable on a quarterly basis within three years from the date of initial drawdown until August 29, 2023; secured by unregistered real estate mortgage over raw land of SLDC with carrying amount of ₱1,434.8 million as at December 31, 2020 (see Note 9) and an escrow account of and ₱30.6 million as at December 31, 2020 (see Note 12)	7.15%	—	1,268,778,150
			₱13,375,993,499	₱9,220,969,353

Construction of ACPT

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

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

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

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

As at December 31, 2020, the local bank amended the financial covenants of the OLSA, removing the DSCR requirement and changing it to be current ratio of at least 1.50x and a debt to equity ratio of not more than 2.00x based on the consolidated financial statements of the Group. ALCO has current ratio of 1.81x and debt to equity ratio of 1.48x, based on its consolidated financial statements, which is compliant with the amended financial covenants.

Acquisition of land and construction of Savya Financial Center

In 2018, SLDC entered into a MTL for a credit line of ₱1,440.0 million with a local bank, to partially finance the acquisition and development of its land in Taguig City and to repay advances from shareholders. This loan facility is secured by an unregistered real estate mortgage over a parcel of raw land of SLDC, corporate continuing suretyship of ALCO until the completion of construction of Savya Financial Tower 1 and 100% sale of units therein, and deposits in an escrow account (see Note 12). The loan was fully settled in 2021.

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

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

Construction of Cebu Exchange

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

Construction of Sevina Park

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

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

Construction of Lucima Residences

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

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

Development of Green Projects

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

Private Funders

Outstanding balances of the loans from private funders amounting to ₱60.7 million and ₱84.7 million as at December 31, 2021 and 2020 have interest rate of 3.50% p.a., are unsecured and are for working capital requirements of the Group.

Capitalized Borrowing Costs

Borrowing costs capitalized are as follows:

	Note	2021	2020	2019
Loans payable		₱478,859,663	₱347,998,404	₱186,255,249
Bonds payable	14	73,390,131	72,767,759	–
		₱552,249,794	₱420,766,163	₱186,255,249

The above is distributed as follows:

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

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

Interest Expense

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

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

14. Bonds Payable

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

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

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

	2021	2020
Balance at beginning of year	₱41,473,302	₱—
Additions	—	50,676,693
Amortization	(8,067,481)	(9,203,391)
Balance at end of year	₱33,405,821	₱41,473,302

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

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

The Group is required to maintain debt to equity ratio of not more than 2.00x and current ratio of at least 1.50x based on the consolidated financial statements. As at December 31, 2021, the Group is compliant with these financial ratios.

Capitalized borrowing costs and interest expense incurred on the Bonds amounted to ₱73.4 million and ₱116.6 million, respectively, in 2021 (see Note 13). Capitalized borrowing costs and interest expense incurred on the Bonds amounted to ₱72.8 million and ₱109.0 million, respectively, in 2020 (see Note 13).

15. Accounts Payable and Other Liabilities

This account consists of:

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

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

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

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

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

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

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

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

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

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

16. Equity

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

	2021		2020		2019	
	Preferred	Common	Preferred	Common	Preferred	Common
Authorized	50,000,000	16,368,095,199	50,000,000	16,368,095,199	50,000,000	16,368,095,199
Par value per share	₱1.00	₱0.18	₱1.00	₱0.18	₱1.00	₱0.18
Issued	48,500,000	5,318,095,199	42,500,000	5,318,095,199	42,500,000	5,318,095,199
Outstanding	28,500,000	5,318,095,199	42,500,000	5,318,095,199	42,500,000	5,318,095,199

Preferred Shares

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

	2021		2020		2019	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance at beginning of year	42,500,000	₱42,500,000	42,500,000	₱42,500,000	32,500,000	₱32,500,000
Issuance during the year	6,000,000	6,000,000	—	—	10,000,000	10,000,000
Redemption during the year	(20,000,000)	(20,000,000)	—	—	—	—
Balance at end of year	28,500,000	28,500,000	42,500,000	42,500,000	42,500,000	42,500,000
Parent Company's shares						
held by a subsidiary	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)
	16,000,000	₱16,000,000	30,000,000	₱30,000,000	30,000,000	₱30,000,000

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

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

In June 2019, the Company made a follow-on offering of 10.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the "Series C Preferred Shares) with ₱1.00 par value a share at the issuance price of ₱100 a share. Excess of the proceeds over the total par value amounting to ₱990.0 million and transactions costs of ₱12.5 million were recognized as additional and reduction to additional paid-in capital, respectively.

In 2016, ALCO issued 12.5 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the “Series A Preferred Shares”) with ₱1.00 par value a share to MPI. Also in 2016, the Company made a follow-on offering of 20.0 million cumulative, nonvoting, nonparticipating, and nonconvertible Peso-denominated preferred shares (the “Series B preferred shares”) with ₱1.00 par value a share at the issuance price of ₱100 a share.

Common Shares

As at December 31, 2021 and 2020, the Parent Company has issued and outstanding common shares of 5,318,095,199 with par value of ₱0.18 amounting to ₱957.3 million.

Common and Preferred Shares Listed with PSE

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

Date of SEC Approval	Type of Issuance	No. of Shares Issued (Redeemed)	Issue/Offer Price
1996	Initial public offering	351,000,000	₱1.00
1998	Payment of subscription	256,203,748	1.00
1999	Stock dividends	410,891,451	1.00
2009	Payment of subscription	628,770,000	0.20
2010	Payment of subscription	100,000,000	0.20
2011	Payment of subscription	2,200,000,000	0.20
	Public offering of Series “B”		
2016	preferred shares	20,000,000	100
	Public offering of Series “C”		
2019	preferred shares	10,000,000	100
	Public offering of Series “D”		
2021	preferred shares	6,000,000	500
2021	Redemption of Series “B” preferred shares	(20,000,000)	100

The Parent Company has 1,937 and 1,939 stockholders as at December 31, 2021 and 2020, respectively.

Dividend Declaration

The Parent Company’s BOD and stockholders approved the following cash dividends to preferred and common stockholders:

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
October 20, 2021	December 3, 2021	December 27, 2021	Series C preferred shares	₱17,319,000	₱1.730
October 20, 2021	November 16, 2021	December 6, 2021	Series B preferred shares	35,229,000	1.760
August 4, 2021	September 7, 2021	September 27, 2021	Series C preferred shares	17,319,000	1.730
August 4, 2021	August 20, 2021	September 6, 2021	Series B preferred shares	35,229,000	1.760
June 25, 2021	July 9, 2021	July 30, 2021	Common shares	63,817,142	0.012
May 5, 2021	June 7, 2021	June 27, 2021	Series C preferred shares	17,319,000	1.730
May 5, 2021	May 19, 2021	June 6, 2021	Series B preferred shares	35,229,000	1.760
January 27, 2021	March 8, 2021	March 27, 2021	Series C preferred shares	17,319,000	1.730
January 27, 2021	February 15, 2021	March 6, 2021	Series B preferred shares	35,229,000	1.760
				₱274,009,142	

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
October 21, 2020	December 4, 2020	December 27, 2020	Series C preferred shares	₱17,319,000	₱1.732
October 21, 2020	November 13, 2020	December 6, 2020	Series B preferred shares	35,229,000	1.761
August 5, 2020	September 4, 2020	September 27, 2020	Series C preferred shares	17,319,000	1.732
August 5, 2020	August 19, 2020	September 6, 2020	Series B preferred shares	35,229,000	1.761
June 26, 2020	July 10, 2020	July 31, 2020	Common shares	63,817,142	0.012
May 6, 2020	June 4, 2020	June 27, 2020	Series C preferred shares	17,319,000	1.732
May 6, 2020	May 21, 2020	June 6, 2020	Series B preferred shares	35,229,000	1.761
January 29, 2020	March 6, 2020	March 27, 2020	Series C preferred shares	17,319,000	1.732
January 29, 2020	February 14, 2020	March 6, 2020	Series B preferred shares	35,229,000	1.761
				₱274,009,142	

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
October 23, 2019	November 29, 2019	December 27, 2019	Series C preferred shares	₱17,319,000	₱1.732
October 23, 2019	November 15, 2019	December 6, 2019	Series B preferred shares	35,229,000	1.761
August 7, 2019	September 6, 2019	September 27, 2019	Series C preferred shares	17,319,000	1.732
August 7, 2019	August 22, 2019	September 6, 2019	Series B preferred shares	35,229,000	1.761
June 21, 2019	July 8, 2019	July 31, 2019	Common shares	63,817,142	0.012
May 8, 2019	May 22, 2019	June 6, 2019	Series B preferred shares	35,229,000	1.761
February 21, 2019	March 1, 2019	March 6, 2019	Series B preferred shares	35,229,000	1.761
				₱239,371,142	

Other Equity Reserves

This account consists of:

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

Movements of this account is as follows:

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

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

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

In 2020, excess of proceeds over the cost of disposed interest in a subsidiary pertains to the difference between the amount received by ALCO of ₱275.0 million, net of transaction costs and taxes of ₱40.5 million, for the sale of 40% of KHI's shares sold to MEC (see Note 1).

Stock Options Outstanding

On October 16, 2009, the stockholders approved the 2009 ALCO Stock Option Plan with the objective of providing material incentive to qualified employees of the Group. The total amount of shares which are available and may be issued for this purpose will amount to 10% of ALCO's total outstanding capital stock at any given time. The period during which a Qualified Employee may exercise the option to purchase such number of common shares granted to him/her will be three (3) years commencing after he or she has rendered the mandatory one year service to the Corporation in accordance with the following schedule:

- i. Within the first 12 months from grant date - up to 33.33%
- ii. Within the 13th to the 24th month from grant date - up to 33.33%
- iii. Within the 25th to 36th month from grant date - up to 33.33%

On December 14, 2018, the BOD approved granting options equivalent to not more than 90.0 million common shares to its qualified employees. On June 26, 2020, the number of options granted and issued to qualified employees amounted to ₱55.4 million shares. The total fair value of stock options granted amounted to ₱7.2 million and ₱6.5 million as at December 31, 2021 and 2020, respectively. The fair values of stock options granted are estimated on the date of grant using the Black-Scholes Merton (BSM) Formula taking into the account the terms and conditions upon which the options were granted. The BSM Formula utilized inputs namely; market value of the share, time to maturity, dividend yield, and risk free rate.

Fair value of each option at grant date is ₱0.14. Assumptions used to determine the fair value of the stock options are as follow:

Weighted average share price	₱0.65
Exercise price	₱0.50
Expected volatility	2.40%
Dividend yield	1.32%
Risk-free interest rate	1.35%

As at December 31, 2021 and 2020, none of the qualified employees have exercised their options.

Use of Proceeds

Series D Preferred Shares

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

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

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at 12/31/2021	Balance for Disbursement as at 12/31/2021
Redemption of Series B Preferred Shares	₱2,000.0	₱2,000.0	₱2,000.0	₱—
Savya Financial Center and Cebu Exchange Project	1,000.0	966.7	—	966.7
Total	₱3,000.0	₱2,966.7	₱2,000.0	₱966.7

17. Revenues

The Group's revenues are as follows:

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

Leasing revenue pertains to rent income and CUSA earned from various lease contracts of the Parent Company in ACPT, commercial units of MPI in Arya Residences and dormitory units in Courtyard Hall, in which rent income is recognized on a straight-line basis under PAS 17, *Leases*.

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

18. Operating Expenses

Operating expenses are classified as follows:

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

Details of operating expenses by nature are as follows:

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

Personnel costs consist of:

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

19. Finance Costs

This account consists of:

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

20. Other Income - Net

This account consists of:

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

21. Net Retirement Liability

The Group has a funded and non-contributory defined benefit retirement plan covering all of its qualified employees. The retirement benefits are based on years of service and compensation on the last year of employment as determined by an independent actuary. The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with minimum of five years of credited service or late retirement after age 60, both subject to the approval of the Company's BOD.

The plan is exposed to interest rate risks and changes in the life expectancy of qualified employees. The plan is not exposed to significant concentrations of risk on the plan assets.

There are no unusual or significant risks to which the retirement liability exposes the Group. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Parent Company.

The following tables summarize the components of retirement benefit costs recognized in the consolidated statements of comprehensive income (based on the report of an independent actuary dated January 14, 2022):

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

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

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

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

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

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

As of December 31, 2021, the plan is underfunded by ₱118.4 million based on the latest actuarial valuation. While there are no minimum funding requirements in the country, the size of underfunding may pose a cash flow risk in about ten years' time when a significant number of employees is expected to retire.

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

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

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

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

Plan assets are primarily composed of unit investment trust accounts and do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in operations.

The cumulative remeasurement gains (losses) on net retirement liability recognized in OCI as at December 31 are as follows:

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

	2020		
	Cumulative Remeasurement Losses	Deferred Tax (see Note 23)	Net
Balance at beginning and end of year	(₱296,748)	(₱89,024)	(₱207,724)
Remeasurement loss	(7,735,261)	(2,320,578)	(5,414,683)
Balance at end of year	(₱8,032,009)	(₱2,409,602)	(₱5,622,407)

	2019		
	Cumulative Remeasurement Gains (Losses)	Deferred Tax (see Note 23)	Net
Balance at beginning of year	₱25,956,422	₱7,786,927	₱18,169,495
Remeasurement loss	(26,253,170)	(7,875,951)	(18,377,219)
Balance at end of year	(₱296,748)	(₱89,024)	(₱207,724)

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

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

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

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

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

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

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

22. Commitments

Operating Lease Commitments - Group as Lessor

The Parent Company entered into various lease agreements in ACPT for periods ranging from one (1) year to 10 years. Majority of lease agreements include an escalation clause of 5% every year. The lease contracts do not provide for any contingent rent.

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

Moreover, Cazneau has entered into lease agreements for its dormitory units in Courtyard Hall. The term is renewable every semester.

Leasing revenue recognized from these operating leases amounted to P325.5 million in 2021, P371.6 million in 2020 and P321.9 million in 2019 (see Note 17). Lease receivables amounted to P153.5 million and P88.9 million as at December 31, 2021 and 2020, respectively (see Note 8). Accrued rent receivable amounted to P66.2 million and P89.6 million as at December 31, 2021 and 2020, respectively (see Note 8). Advance rent from tenants amounted to P39.3 million and P36.2 million as at December 31, 2021 and 2020, respectively. Security deposits, which may be applied to unsettled balances or refunded at the end of the lease term, amounted to P83.3 million and P81.1 million as at December 31 2021 and 2020, respectively (see Note 15).

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

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

Operating Lease Commitment - Group as Lessee

The Parent Company is a lessee under non-cancellable operating lease where its office space is situated. In 2018, the Parent Company transferred its office to ACPT. This resulted to the termination of its non-cancellable operating lease. For short-term and low value leases, rent expense recognized amounted to ₱2.3 million in 2021, ₱3.0 million in 2020 and ₱1.7 million in 2019 (see Note 18).

23. Income Taxes

The components of income tax expense are as follows:

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

Deferred Tax Assets and Deferred Tax Liabilities

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

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

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

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

Management has assessed that these may not be realized in the future.

NOLCO and Excess MCIT over RCIT

The details of the Group's NOLCO and excess MCIT over RCIT are as follows:

NOLCO

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

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 to implement Section 4 (4444) of Republic Act No. 11494 (Bayanihan Act to Recover as One Act), allowing the Group's net operating losses for taxable years 2020 and 2021 to be carried over for the next five consecutive taxable years immediately following the year of such loss.

Excess MCIT over RCIT

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2021	₱—	₱6,848,361	₱—	₱—	₱6,848,361	2024
2020	9,901,241	—	—	—	9,901,241	2023
2019	5,619,419	—	—	—	5,619,419	2022
2018	186,560	—	—	186,560	—	2021
	₱15,707,220	₱6,848,361	₱—	₱186,560	₱22,369,021	

The reconciliation between the income tax based on statutory income tax rate and provision for income tax reported in the consolidated statements of comprehensive income is as follows:

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

PEZA Registration

ACPT is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise (see Note 1). The scope of its registered activity is limited to development, operation and maintenance of an economic zone.

Under the PEZA Registration Agreement, ACPT is entitled to:

- 5% GIT, in lieu of all national and local taxes; and
- Tax and duty-free importation of capital equipment required for the technical viability and operation of the registered facilities or activities.

Any income from activities of ACPT outside the PEZA-registered activities is subject to RCIT.

Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Law

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) was approved and signed into law by the country’s President. Under the CREATE, the regular corporate income tax (RCIT) of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the minimum corporate income tax (MCIT) was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

However, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively. The difference amounting to ₱301.2 million arising from the changes in income tax rates was recognized in 2021.

24. Related Party Transactions

The Group, in its regular conduct of business, has transactions with its related parties. The following tables summarize the transactions with the related parties and outstanding balance arising from these transactions.

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

Share Purchase Agreement

The Parent Company has an outstanding receivable from CPG amounting to ₱36.1 million as at December 31, 2021 and 2020 arising from a share purchase agreement between the Parent Company, CPG and AOCH1. Under the claw-back provision of the share purchase agreement, the Parent Company warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by UPHI, which includes, among others, removing all doubt on the ownership of UPHI over the property. In the event the satisfactory evidence is submitted by the Parent Company to CPG, the latter shall pay to the Parent Company the entire claw-back amount or a portion thereof plus interest earned in which the claw-back amount was held in escrow.

Advances for Working Capital

This pertains to expenses advanced by the Group to the related parties. Outstanding balances of advances for working capital are unsecured, unguaranteed, collectible or payable on demand and to be settled in cash. The Group’s allowance for ECL on due from related parties amounted to nil as at December 31, 2021 and 2020.

Management Fee

Management fees are recognized for management consultancy, development and administrative services provided by CPG. Outstanding balances are unsecured, noninterest-bearing, payable on demand and to be settled in cash.

Compensation of Key Management Personnel

The compensation of key management personnel are as follows:

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

Transactions with the Retirement Plan

The Parent Company's retirement fund is administered and managed by a trustee bank. The fair value of plan assets, which are primarily composed of unit investment trust funds, amount to ₱40.4 million and ₱50.9 million as of December 31, 2021 and 2020 (see Note 21).

The retirement fund neither provides any guarantee or surety for any obligation of the Parent Company nor its investments covered by any restrictions or liens. The details of the contributions of the Parent Company and benefits paid out by the plan are presented in Note 21.

25. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes:

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

	Financing Cash Flows			Noncash Transactions			
	January 1, 2020	Availments/ Declaration	Payments	Assignment of advances	Conversion to deposit for future stock subscription	Movement in Debt Issue Cost	December 31, 2020
Loans payable	₱6,925,381,746	₱5,342,426,370	(₱2,958,344,266)	₱—	₱—	(₱3,770,527)	₱9,305,693,323
Bonds payable	—	3,000,000,000	—	—	—	(41,473,302)	2,958,526,698
Advances from non-controlling interests	1,144,586,297	165,000,000	—	195,000,000	(137,000,000)	—	1,367,586,297
Dividends payable	5,943,585	274,009,142	(274,393,696)	—	—	—	5,559,031
	₱8,075,911,628	₱8,781,435,512	(₱3,232,737,962)	₱195,000,000	(₱137,000,000)	(₱45,243,829)	₱13,637,365,349

26. Earnings Per Share

Basic and diluted earnings per share are computed as follows:

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

Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year.

Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

27. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise cash in banks, cash equivalents, financial assets at FVPL, receivables (excluding advances for project development and accrued rent receivable under straight-line basis of accounting), amounts held in escrow, deposits, loans and bonds payable, accounts payable and other liabilities (except statutory liabilities, advance rent and payable to buyers) and advances from non-controlling interests.

It is the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The BOD reviews and approves policies for managing these risks as summarized below.

Foreign Currency Risk

The Group's exposure to foreign currency risk is minimal, as it does not enter into significant transactions in currencies other than its functional currency.

Credit Risk

The Group's exposure to credit risk arises from the failure of a counterparty to fulfill its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of trade receivables and other financial assets at amortized cost. The carrying amounts of financial assets at amortized cost and contract assets represent its maximum credit exposure.

Trade Receivables and Contract Assets

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms, and conditions are offered. The Group's credit policy includes available external ratings, financial statements, credit agency information, industry information and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from upper level of management. The Group limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. Historically, trade receivables are substantially collected within one (1) year and it has no experience of writing-off or impairing its trade receivables due to the effectiveness of its collection. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. Trade receivables from lease are closely monitored on aging of the account. As at December 31, 2021 and 2020, there were no significant credit concentrations. The maximum exposure at the end of the reporting period is the carrying amount of trade receivables and contract assets.

Other Financial Assets at Amortized Cost

The Group's other financial assets at amortized cost are mostly composed of cash in banks, cash equivalents and amounts held in escrow. The Group limits its exposure to credit risk by investing only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

For deposits, credit risk is low since the Group only transacts with reputable companies and individuals with respect to this financial asset.

It is the Group's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

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

Financial Assets at FVPL

The Group is also exposed to credit risk in relation to its investment in money market fund that is measured at FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL.

Assets that are credit-impaired are separately presented.

2021					
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	₱1,949,062,156	₱—	₱—	₱—	₱1,949,062,156
Financial assets at FVPL	—	—	—	4,378,607,744	4,378,607,744
Receivables**	—	1,497,248,576	368,292	—	1,497,616,868
Contract assets	—	6,238,880,086	—	—	6,238,880,086
Deposits	65,599,638	—	—	—	65,599,638
Amounts held in escrow	144,678,088	—	—	—	144,678,088
	₱2,159,339,882	₱7,736,128,662	₱368,292	₱4,378,607,744	₱14,274,444,580

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

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

2020					
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	₱940,924,474	₱—	₱—	₱—	₱940,924,474
Financial assets at FVPL	—	—	—	3,257,288,870	3,257,288,870
Receivables**	—	449,522,428	368,292	—	449,890,720
Contract assets	—	5,341,881,039	—	—	5,341,881,039
Deposits	56,072,105	—	—	—	56,072,105
Amounts held in escrow	85,052,814	—	—	—	85,052,814
	₱1,082,049,393	₱5,791,403,467	₱368,292	₱3,257,288,870	₱10,131,110,022

*Excludes cash on hand amounting to ₱155,000.

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

Liquidity Risk

Liquidity risk is the risk that the Group may not be able to settle its obligations as they fall due.

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31, 2021 and 2020:

2021						
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	₱—	₱8,328,978,932	₱1,414,000,000	₱1,219,000,000	₱2,845,866,000	₱13,807,844,932
Bonds payable	—	—	—	—	3,000,000,000	3,000,000,000
Accounts payable and other liabilities*	492,874,816	1,820,556,044	—	—	—	2,313,430,860
Advances from non-controlling interest	1,102,119,597	—	—	—	—	1,102,119,597
	₱1,594,994,413	₱10,149,534,976	₱1,414,000,000	₱1,219,000,000	₱5,845,866,000	₱20,223,395,389

*Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱1,155.4 million as at December 31, 2021.

2020						
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	₱—	₱4,225,205,340	₱1,414,000,000	₱833,939,200	₱2,866,115,800	₱9,339,260,340
Bonds payable	—	—	—	—	3,000,000,000	3,000,000,000
Accounts payable and other liabilities*	392,975,986	1,370,510,040	—	—	—	1,763,486,026
Advances from non-controlling interest	1,367,586,297	—	—	—	—	1,367,586,297
	₱1,760,562,283	₱5,595,715,380	₱1,414,000,000	₱833,939,200	₱5,866,115,800	₱15,470,332,663

*Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱1,049.0 million as at December 31, 2020.

The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flows from operations.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group's loans payable to local banks are subject to fixed interest rates and are exposed to fair value interest rate risk. The re-pricing of these instruments is done on annual intervals.

The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Group's consolidated net income.

Impact of COVID-19

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

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

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

Capital Management

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

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

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

The Group manages the capital structure and makes adjustments when there are changes in the economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

28. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Group’s assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

	Note	Carrying Amount	2021 Fair Value		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	7	₱4,378,607,744	₱4,378,607,744	₱—	₱—
Investment properties	10	9,026,428,319	—	1,635,060,492	7,391,367,827
Asset for which fair value is disclosed -					
Financial assets at amortized cost - Deposits	12	65,599,638	—	—	65,599,638
		₱13,470,635,701	₱4,378,607,744	₱1,635,060,492	₱7,456,967,465
Liability for which fair value is disclosed -					
Loans payable	13	₱13,436,717,469	₱—	₱—	₱13,375,990,935
Bonds payable	14	2,966,594,179	—	—	3,003,560,199
		₱16,403,311,648	₱—	₱—	₱16,379,551,134

		2020			
		Fair Value			
	Note	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	7	₱3,257,288,870	₱3,257,288,870	₱—	₱—
Investment properties	10	8,315,168,841	—	1,275,863,504	7,039,305,337
Asset for which fair value is disclosed -					
Financial assets at amortized cost - Deposits	12	56,072,105	—	—	56,072,105
		₱11,628,529,816	₱3,257,288,870	₱1,275,863,504	₱7,095,377,442
Liability for which fair value is disclosed -					
Loans payable	13	₱9,305,693,323	₱—	₱—	₱9,220,969,353
Bonds payable	14	2,958,526,698	—	—	3,540,814,710
		₱12,264,220,021	₱—	₱—	₱12,761,784,063

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

Financial Assets and FVPL. The fair value of financial assets at FVPL is classified under Level 1 of the fair value hierarchy using quoted market prices.

Investment Properties. The fair value of investment properties were determined using land development approach, discounted cash flow approach and market data approach.

Deposits, Loans and Bonds Payable. The fair value of the Group's deposits, loans and bonds payable were determined by discounting the sum of all future cash flows using the prevailing market rates of interest for instruments with similar maturities. Interest-bearing loans and bonds payable include accrued interest in the estimation of its fair value.

The table below presents the financial assets and liabilities of the Group whose carrying amounts approximate fair values as at December 31, 2021 and 2020:

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

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

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

Cash and Cash Equivalents, Receivables, Amounts Held in Escrow, Accounts Payable and Other Liabilities and Advances from Non-controlling Interests. The carrying amounts of these financial assets and liabilities approximate their fair values due to the short-term nature of these financial instruments.

29. Classification of Consolidated Statements of Financial Position Accounts

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

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

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

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

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

30. Operating Segment Information

The Group is organized into operating segments based on the type of product or service. The Group's reportable operating segments relates to sale of real estate, leasing and property management services.

All of the assets relating to the Group's operating segments are located in the Philippines. Accordingly, reporting operating segments per geographical business operation is not required.

Segment assets, liabilities and revenue and expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and expenses are consistent with the consolidated statements of comprehensive income. The presentation and classification of segment assets and liabilities are consistent with the consolidated statements of financial position.

The following tables present revenue and expense information and certain assets and liabilities information regarding the different business segments as at and for the years ended December 31, 2021, 2020 and 2019:

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

2020						
	Sale of Real Estate	Leasing	Property Management Services	Corporate	Eliminations	Total
Segment revenue	₱2,919,123,898	₱371,576,866	₱222,815,561	₱-	(₱211,963,269)	₱3,301,553,056
Segment expenses	(1,591,033,907)	(130,770,623)	(86,221,097)	(767,141,354)	211,963,269	(2,363,203,712)
Segment profit	1,328,089,991	240,806,243	136,594,464	(767,141,354)	-	938,349,344
Net gain on change in fair value of investment properties	-	959,989,140	-	-	-	959,989,140
Finance costs	(447,211)	(430,024,418)	-	(14,088,400)	163,376,069	(281,183,960)
Other income - net	-	-	-	42,240,203	-	42,240,203
Income before income tax	1,327,642,780	770,770,965	136,594,464	(738,989,551)	163,376,069	1,659,394,727
Provision for income tax	-	-	-	-	-	(490,270,422)
Net income	-	-	-	-	-	1,169,124,305
Other comprehensive income	-	-	-	-	-	(5,414,683)
Total comprehensive income	-	-	-	-	-	₱1,163,709,622
Assets	₱6,894,906,539	₱8,315,168,841	₱17,028,899	₱18,548,524,200	(₱6,228,425,410)	₱27,547,203,069
Liabilities	(₱5,148,259,520)	(₱4,157,433,803)	₱-	(₱14,634,896,280)	₱5,623,490,990	(₱18,317,098,613)

2019						
	Sale of Real Estate	Leasing	Property Management Services	Corporate	Eliminations	Total
Segment revenue	₱3,515,804,028	₱321,918,256	₱263,259,201	₱-	(₱253,124,061)	₱3,847,857,424
Segment expenses	(2,138,904,072)	(103,619,113)	(77,076,988)	(745,080,287)	253,124,061	(2,811,556,399)
Segment profit	1,376,899,956	218,299,143	186,182,213	(745,080,287)	-	1,036,301,025
Net gain on change in fair value of investment properties	-	1,180,724,811	-	-	-	1,180,724,811
Finance costs	-	(124,552,506)	-	(69,947)	-	(124,622,453)
Other income - net	-	-	-	31,106,679	-	31,106,679
Income before income tax	1,376,899,956	1,274,471,448	186,182,213	(714,043,555)	-	2,123,510,062
Provision for income tax	-	-	-	-	-	(636,145,034)
Net income	-	-	-	-	-	1,487,147,877
Other comprehensive income	-	-	-	-	-	(18,377,219)
Total comprehensive income	-	-	-	-	-	₱1,468,770,658
Assets	₱5,410,062,969	₱7,280,000,267	₱9,661,932	₱11,865,432,294	(₱5,089,325,470)	₱19,475,831,992
Liabilities	(₱3,635,050,687)	(₱3,290,331,059)	₱-	(₱8,971,130,820)	₱3,896,072,460	(₱12,000,440,106)

31. Events After Reporting Period

Declaration of Cash Dividends

The Parent Company's BOD approved and declared the following cash dividends:

Class of shares	Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share
Series D Preferred Shares	January 26, 2022	February 11, 2022	March 3, 2022	₱45,000,000	₱7.5000
Series C Preferred Shares	February 23, 2022	March 10, 2022	March 27, 2022	17,319,000	1.7319

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



**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

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

We have audited the accompanying consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019, on which we have rendered our report dated March 23, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 1,920 stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 97380-SEC Group A

Issued April 8, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8851710

Issued January 3, 2022, Makati City

March 23, 2022

Makati City, Metro Manila



REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 included in this Form 17-A and have issued our report thereon dated March 23, 2022. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedule of Use of Proceeds
- Conglomerate Map

These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, as amended, and are not part of the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

REYES TACANDONG & Co.



MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 97380-SEC Group A

Issued April 8, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8851710

Issued January 3, 2022, Makati City

March 23, 2022
Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES

FINANCIAL RATIOS

DECEMBER 31, 2021

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

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



INDEPENDENT AUDITORS REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years ended December 31, 2021, 2020 and 2019, and have issued our report thereon dated March 23, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years ended December 31, 2021, 2020 and 2019 and no material exceptions were noted.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 97380-SEC Group A

Issued April 8, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8851710

Issued January 3, 2022, Makati City

March 23, 2022
Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II
OF SRC RULE 68, AS AMENDED
DECEMBER 31, 2021

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

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
Cash on hand	₱195,000	₱195,000	₱—	₱—
Cash in Banks:				
Philippine National Bank	323,324,613	323,324,613	—	
Banco De Oro	175,414,022	175,414,022	—	
Unionbank of the Philippines	106,603,772	106,603,772	—	
Bank of the Philippines	67,278,348	67,278,348	—	
Asia United Bank	12,580,818	12,580,818	—	
Others	6,816,317	6,816,317	—	
	692,017,890	692,017,890	—	2,130,550
Short-term Placements:				
Philippine National Bank	800,000,000	800,000,000	800,000,000	
Asia United Bank	391,003,585	391,003,585	391,003,585	
Bank of the Philippines	64,500,069	64,500,069	64,500,069	
Banco De Oro	1,440,576	1,440,576	1,440,576	
Security Bank	100,036	100,036	100,036	
	1,257,044,266	1,257,044,266	1,257,044,266	1,406,696
Deposits	65,599,638	65,599,638	—	—
Unit Investment Trust Fund	4,378,607,744	4,378,607,744	4,378,607,744	17,344,301
Amounts Held in Escrow	144,678,088	144,678,088	—	—
	₱6,538,142,626	₱6,537,987,628	₱3,616,561,165	₱20,881,547

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

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

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

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Deductions		Ending Balance		Balance at end of year
				Amounts written off	Current	Not current		
Advances to subsidiaries:								
Cebu Lavana Land Corp.	₱684,314,667	₱1,579,779,015	(₱27,426,800)	₱—	₱2,236,666,882	₱—		₱2,236,666,882
Bhavya Properties Inc.	807,128,877	246,061,996	(247,000,000)	—	806,190,873	—		806,190,873
Cazneau, Inc.	794,594,833	387,146,753	(485,500,000)	—	421,257,061	274,984,525		696,241,586
Zileya Land Development, Inc.	396,773,854	25,159,449	—	—	421,933,303	—		421,933,303
Bhavana Properties Inc.	766,061,262	426,826,477	(813,168,083)	—	379,719,656	—		379,719,656
Kashtha Holdings Inc.	294,447,741	1,008,057	—	—	295,455,798	—		295,455,798
Urban Property Holdings, Inc. (net of allowance for impairment amounting to ₱3,261,249)	69,204,320	10,755,024	(500,000)	—	79,459,344	—		79,459,344
Manchesterland Properties, Inc.	314	5,447,433	(14,120)	—	5,433,627	—		5,433,627
Savya Land Development Corporation	93,134	3,432,747	(10,313)	—	3,515,568	—		3,515,568
Emera Property Management, Inc.	1,583,581	1,025,084	—	—	2,608,665	—		2,608,665
Pradhana Land Inc.	813,764	2,895	—	—	816,659	—		816,659
	₱3,815,016,347	₱2,686,644,930	(₱1,573,619,316)	₱—	₱4,653,057,436	₱274,984,525		₱4,928,041,961
Advances from subsidiaries:								
Manchesterland Properties, Inc.	₱279,632,299	₱5,000,000	(₱2,525,976)	₱—	₱282,106,323	₱—		₱282,106,323
Cazneau, Inc.	—	527,646	—	—	527,646	—		527,646
Cebu Lavana Land Corp.	112,921,546	—	(112,470,208)	—	451,338	—		451,338
Savya Land Development Corporation	—	61,109	—	—	61,109	—		61,109
	₱392,553,845	₱5,588,755	(₱114,996,184)	₱—	₱283,146,416	₱—		₱283,146,416

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

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" related balance sheet	Amount shown under caption "Long-Term Debt" in related statement of financial position			
			Carrying amount	Interest Rates	Payment Terms	Maturity Dates
Bank Loans:						
Bank 1	₱2,350,000,000	₱1,114,000,000	₱—	5.77%	Quarterly	April 14, 2022
Bank 2	2,000,000,000	300,000,000	1,425,000,000	5.50%	Quarterly	June 30, 2025
Bank 3	1,440,000,000	546,000,000	894,000,000	4.75%	Quarterly	August 29, 2023
Bank 4	1,000,000,000	—	689,000,000	6.25%	Quarterly	August 10, 2026
Bank 5	930,000,000	—	556,866,000	6.17%	Quarterly	October 2026
Bank 6	2,000,000,000	1,673,296,992	—	7.50%	At end of term	April 2022
Bank 7	1,000,000,000	1,000,000,000	—	6.75%	At end of term	December 2022
Bank 8	1,000,000,000	—	1,000,000,000	6.35%	At end of term	February 6, 2025
Bank 9	1,000,000,000	751,000,000	—	6.00%	At end of term	April to May 2022
Bank 10	934,500,000	934,500,000	—	6.00%	At end of term	March 11, 2022
Bank 11	500,000,000	500,000,000	—	4.50%	At end of term	February 4, 2022
Bank 12	500,000,000	500,000,000	—	5.00%	At end of term	March 2022
Bank 13	300,000,000	300,000,000	—	5.25%	At end of term	June 10, 2022
Bank 14	500,000,000	—	500,000,000	6.00%	At end of term	November 25, 2024
Bank 15	187,500,000	187,500,000	—	4.50%	At end of term	August 15, 2022
Bank 16	100,000,000	100,000,000	—	6.25%	At end of term	March 24, 2022
Bank 17	100,000,000	100,000,000	—	7.00%	At end of term	August 29, 2022
Bank 18	100,000,000	100,000,000	—	4.50%	At end of term	January 11, 2022
Bank 19	100,000,000	100,000,000	—	4.75%	At end of term	November 21, 2022
Bank 20	62,500,000	62,500,000	—	4.75%	At end of term	January 11, 2022
Bank 21	50,000,000	50,000,000	—	5.00%	At end of term	March 9, 2022
Bank 22	37,500,000	37,500,000	—	4.75%	At end of term	September 15, 2022
					Renewable on	
Various loans from private funders	60,723,970	60,723,970	—	3.50%	maturity	January 24 and June 15, 2022
	₱16,252,723,970	₱8,417,020,962	₱5,064,866,000			

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

Title of Issue	Number of shares held by					
	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Related parties	Directors, officers and employees	Others
Common shares - ₱0.18 par value per share	16,368,095,199	5,318,095,199	—	3,401,349,910	76,715,159	1,840,030,130
Preferred shares - ₱1.00 par value per share	50,000,000	28,500,000	—	12,500,000	—	16,000,000

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

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

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

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

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

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

CONGLOMERATE MAP

