

COVER SHEET

for AUDITED SEPARATE FINANCIAL STATEMENTS

SEC Registration Number

A S 9 4 0 0 7 1 6 0

COMPANY NAME

A R T H A L A N D C O R P O R A T I O N

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

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

Form Type

A A S F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

ALCO@arthaland.com

Company's Telephone Number/s

(02) 8-403-6910

Mobile Number

(+63) 917 509 3413

No. of Stockholders

1,935

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

Marivic S. Victoria

Email Address

msvictoria@arthaland.com

Telephone Number/s

(02) 8-403-6910

Mobile Number

09175949087

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

SEC Headquarters, 7907 Makati Avenue, Salcedo Village, Barangay Bel-Air, Makati City, 1209, Metro Manila Philippines
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Company Name: ARTHALAND CORPORATION

Industry Classification: K70120

Company Type: Stock Corporation

Document Information

Document ID: OST10417202381015659

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2022

Submission Type: Parent

Remarks: None

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

Management of **ARTHALAND CORPORATION** (the “Corporation”) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **31 December 2022, 2021 and 2020**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

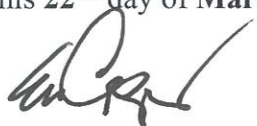
In preparing the financial statements, Management is responsible for assessing the Corporation’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless Management either intends to liquidate the Corporation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

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

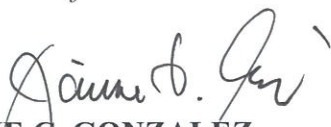
The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

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

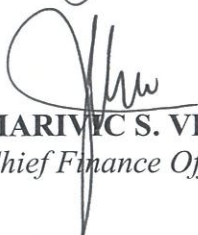
Signed this **22nd** day of **March 2023**, **Taguig City, Philippines**.



ERNEST K. CUYEGKENG
Chairman of the Board



JAIME C. GONZALEZ
Vice Chairman and President



MARIVIC S. VICTORIA
Chief Finance Officer



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying separate financial statements of Arthaland Corporation (the Company), which comprise the separate statements of financial position as at December 31, 2022 and 2021, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2022, 2021 and 2020, and notes to separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2022 and 2021, and its separate financial performance and its separate cash flows for the years ended December 31, 2022, 2021 and 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

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



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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

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



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

REYES TACANDONG & Co.

MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

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

SEC Accreditation No. 97380-SEC Group A

Issued April 8, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-012-2023

Valid until January 24, 2026

PTR No. 9564565

Issued January 3, 2023, Makati City

March 22, 2023

Makati City, Metro Manila

ARTHALAND CORPORATION
SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2022	2021
ASSETS			
Cash and cash equivalents	4	₱3,791,389,815	₱952,733,651
Financial assets at fair value through profit or loss (FVPL)	5	1,423,105,283	3,878,132,080
Receivables	6	1,088,615,780	822,701,165
Real estate for sale	7	253,326,479	–
Investment properties	8	6,425,955,565	6,168,286,293
Property and equipment	9	249,927,520	244,773,936
Investments in and advances to subsidiaries	10	6,801,817,518	6,180,645,988
Creditable withholding taxes		376,059,375	343,165,774
Net retirement asset	21	36,058,483	–
Other assets	11	268,439,830	457,792,517
		₱20,714,695,648	₱19,048,231,404
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and other liabilities	14	₱593,234,279	₱1,198,780,388
Advances from subsidiaries	20	285,825,753	285,687,473
Loans payable	12	5,207,880,438	5,732,565,136
Bonds payable	13	5,925,771,148	2,966,594,179
Net deferred tax liabilities	23	695,914,386	665,660,018
Net retirement liability	21	–	115,731,998
Total Liabilities		12,708,626,004	10,965,019,192
Equity			
Capital stock	15	1,005,757,136	1,005,757,136
Additional paid-in capital		5,973,360,513	5,973,360,513
Retained earnings		2,973,890,309	3,094,085,517
Treasury shares	15	(2,000,000,000)	(2,000,000,000)
Cumulative remeasurement gains on net retirement asset or liability - net of tax	21	45,899,859	2,928,882
Stock options	15	7,161,827	7,080,164
Total Equity		8,006,069,644	8,083,212,212
		₱20,714,695,648	₱19,048,231,404

See accompanying Notes to Separate Financial Statements.

ARTHALAND CORPORATION
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2022	2021	2020
REVENUES				
Leasing operations	8	₱296,902,183	₱314,551,426	₱354,451,034
Project management and development fees	20	252,156,099	455,532,291	198,218,042
		549,058,282	770,083,717	552,669,076
COST OF SERVICES				
Cost of leasing operations	8	105,889,354	97,883,482	113,501,420
Cost of services	16	91,655,228	100,978,536	75,891,355
		197,544,582	198,862,018	189,392,775
GROSS INCOME		351,513,700	571,221,699	363,276,301
OPERATING EXPENSES	17	(363,158,281)	(282,329,191)	(290,711,724)
FINANCE COSTS	18	(497,303,954)	(452,438,712)	(430,024,418)
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	8	254,646,727	398,849,633	916,859,212
OTHER INCOME - Net	19	480,529,885	697,722,973	384,003,018
INCOME BEFORE INCOME TAX		226,228,077	933,026,402	943,402,389
PROVISION FOR (BENEFIT FROM) INCOME TAX	23	33,330,143	(68,115,688)	215,456,058
NET INCOME		192,897,934	1,001,142,090	727,946,331
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Not to be reclassified to profit or loss -</i>				
Remeasurement gains (losses) on net retirement asset or liability	21	57,294,636	11,937,185	(7,735,261)
Income tax benefit (expense) relating to item that will not be reclassified	23	(14,323,659)	(2,984,296)	2,320,578
		42,970,977	8,952,889	(5,414,683)
TOTAL COMPREHENSIVE INCOME		₱235,868,911	₱1,010,094,979	₱722,531,648

See accompanying Notes to Separate Financial Statements.

ARTHALAND CORPORATION
SEPARATE STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31		
		2022	2021	2020
CAPITAL STOCK				
Common - at ₱0.18 par value - issued and outstanding	15	₱957,257,136	₱957,257,136	₱957,257,136
Preferred - at ₱1.00 par value				
Balance at beginning of year		48,500,000	42,500,000	42,500,000
Issuance of preferred shares		-	6,000,000	-
Balance at end of year		48,500,000	48,500,000	42,500,000
		1,005,757,136	1,005,757,136	999,757,136
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year	15	5,973,360,513	3,008,959,878	3,008,959,878
Issuance of preferred shares		-	2,994,000,000	-
Stock issuance costs		-	(29,599,365)	-
Balance at end of year		5,973,360,513	5,973,360,513	3,008,959,878
TREASURY SHARES - redemption of 20.0 million Series B Preferred Shares				
	15	(2,000,000,000)	(2,000,000,000)	-
STOCK OPTIONS				
Balance at beginning of the year	15	7,080,164	6,485,553	-
Fair value of stock options		81,663	594,611	6,485,553
Balance at end of year		7,161,827	7,080,164	6,485,553
RETAINED EARNINGS				
Balance at beginning of year		3,094,085,517	2,366,952,569	1,913,015,380
Net income		192,897,934	1,001,142,090	727,946,331
Dividends declared during the year	15	(313,093,142)	(274,009,142)	(274,009,142)
Balance at end of year		2,973,890,309	3,094,085,517	2,366,952,569
CUMULATIVE REMEASUREMENT GAINS (LOSSES) ON NET RETIREMENT ASSET OR LIABILITY - Net of tax				
Balance at beginning of year	21	2,928,882	(5,622,407)	(207,724)
Remeasurement gains (losses) on net retirement asset or liability		57,294,636	11,937,185	(7,735,261)
Income tax benefit (expense) relating to other comprehensive income for the year	23	(14,323,659)	(2,984,296)	2,320,578
Effect of changes in tax rates		-	(401,600)	-
Balance at end of year		45,899,859	2,928,882	(5,622,407)
		₱8,006,069,644	₱8,083,212,212	₱6,376,532,729

See accompanying Notes to Separate Financial Statements.

ARTHALAND CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31		
		2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱226,228,077	₱933,026,402	₱943,402,389
Adjustments for:				
Interest expense	12	495,835,606	450,402,017	428,242,355
Gain on change in fair value of investment properties	8	(254,646,727)	(398,849,633)	(916,859,212)
Interest income	4	(168,194,085)	(88,277,902)	(83,265,430)
Depreciation and amortization	9	29,817,269	28,131,656	23,197,801
Retirement expense	21	25,504,155	26,172,765	23,880,697
Realized gain on disposals of financial assets at FVPL	5	(17,308,102)	(18,837,880)	(18,043,920)
Net loss (gain) on sale and purchase of investments in subsidiaries	10	11,763,485	895,593	(270,000,000)
Write-off of receivables from non-affiliated entity	6	6,753,978	11,559,066	–
Unrealized foreign exchange losses (gains)		(4,969,773)	(4,496)	5,919
Net amortization of initial direct leasing costs	8	3,834,926	6,590,360	6,838,645
Provision for expected credit loss	6	1,746,790	–	–
Unrealized holding losses (gains) on financial assets at FVPL	5	(1,325,368)	6,855,655	(10,193,586)
Loss (gain) on disposal of property and equipment	9	(369,071)	545,561	73,601
Stock options	15	81,663	594,611	6,485,553
Operating income before working capital changes		354,752,823	958,803,775	133,764,812
Decrease (increase) in:				
Receivables		(130,371,502)	(305,317,605)	(35,140,478)
Real estate for sale		(253,326,479)	–	–
Other assets		189,352,687	(184,270,757)	(67,243,384)
Increase (decrease) in accounts payable and other liabilities		(470,632,951)	673,030,480	(106,820,438)
Net cash generated from (used in) operations		(310,225,422)	1,142,245,893	(75,439,488)
Interest paid		(623,287,848)	(440,594,408)	(385,986,908)
Income tax paid		(50,293,035)	(67,181,657)	(77,506,474)
Interest received on cash and cash equivalents		24,150,204	2,247,625	8,084,793
Contributions to retirement plan assets	21	(120,000,000)	–	(30,000,000)
Net cash provided by (used in) operating activities		(₱1,079,656,101)	₱636,717,453	(₱560,848,077)

(Forward)

		Years Ended December 31		
	Note	2022	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of:				
Financial assets at FVPL		₱7,166,814,890	₱4,763,448,444	₱2,418,043,920
Property and equipment		19,065,260	5,215,796	960,119
Investments in and advances to subsidiaries	10	-	446,800,000	470,000,000
Additions to:				
Financial assets at FVPL	5	(4,693,154,623)	(5,822,500,000)	(4,771,769,114)
Property and equipment	9	(53,667,042)	(24,201,072)	(28,426,297)
Investment properties	8	(6,857,471)	(6,874,696)	(1,208,768)
Increase in investments in and advances to subsidiaries		(621,171,530)	(940,794,069)	(714,295,671)
Purchase of investment in and advances to a subsidiary	10	-	(762,340,790)	-
Interest received from advances to subsidiaries		-	-	9,214,705
Net cash provided by (used in) investing activities		1,811,029,484	(2,341,246,387)	(2,617,481,106)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from:				
Bonds payable	13	2,959,176,969	-	2,949,323,307
Loans payable	12	2,425,000,000	4,166,754,338	3,099,371,197
Payments of loans payable	12	(2,957,723,970)	(2,597,504,338)	(2,239,976,077)
Payment of dividends	24	(312,514,786)	(273,052,780)	(274,393,696)
Proceeds from (payments of) advances from subsidiaries	20	(11,625,205)	(106,881,453)	110,143,529
Issuance of preferred shares	15	-	2,970,400,635	-
Redemption of shares	15	-	(2,000,000,000)	-
Net cash provided by financing activities		2,102,313,008	2,159,716,402	3,644,468,260
NET EFFECT OF EXCHANGE RATE CHANGES TO CASH AND CASH EQUIVALENTS				
		4,969,773	4,496	(5,919)
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,838,656,164	455,191,964	466,133,158
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		952,733,651	497,541,687	31,408,529
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		₱3,791,389,815	₱952,733,651	₱497,541,687
COMPONENTS OF CASH AND CASH EQUIVALENTS				
Cash on hand	4	₱65,000	₱55,000	₱45,000
Cash in banks		182,540,939	48,685,873	139,576,157
Cash equivalents		3,608,783,876	903,992,778	357,920,530
		₱3,791,389,815	₱952,733,651	₱497,541,687
NONCASH FINANCIAL INFORMATION				
Application of advances for asset purchase to real estate for sale	11	₱219,674,259	₱-	₱-
Assignment of shareholder advances and accrued interest from purchase of interests in a subsidiary	10	-	762,340,790	-
Assignment of shareholder advances and accrued interest from sale of interests in subsidiaries	10	-	446,800,000	-

See accompanying Notes to Separate Financial Statements.

ARTHALAND CORPORATION

NOTES TO SEPARATE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2022 AND 2021 AND FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

1. General Information

Corporate Information

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

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

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

Major Projects

The Parent Company's first major development project is the Arya Residences Towers 1 and 2 (Arya Residences) located in Bonifacio Global City (BGC), Taguig City. Arya Residences is the first top-market condominium development in the Philippines to be awarded with Leadership in Energy and Environmental Design™ (LEED™) Gold certification by the US Green Building Council (USGBC) and Building for Ecologically Responsive Design Excellence (BERDE) 4-Star rating by the Philippine Green Building Council (PHILGBC). In 2020, the building earned its Advancing Net Zero 3-Star certification from 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 to its LEED and BERDE certification achieved previously. In 2020 until to-date, ACPT was awarded with the WELL™ Health-Safety Rating seal by the International WELL Building Institute™ (IWBI™) which certifies the building's safe operations even during the global pandemic.

ALCO is negotiating to acquire a property with a gross land area of about 1,000 sqm situated in a prime location along the Makati Central Business District. The property will be developed into a high-rise multi-certified sustainable building catering to the upper-mid to upscale market. The tower will have a gross floor area of approximately 15,800 sqm and is expected to launch in the first quarter of 2024.

ALCO is also evaluating the acquisition of a property with a gross land area of about 3,700 sqm located in a prime central business district in Metro Manila. The project will be positioned to cater to the upscale to luxury market and will carry the same sustainability features as with our other ALCO projects. The property will be developed into a two-tower high-rise residential condominium with a gross floor area of about 44,000 sqm.

ALCO is also evaluating the acquisition of a 5-hectare property in the middle of the most prime city center area in southern Philippines. The acquisition program is expected to be completed between 2024 to 2028 to manage the funding requirements over time. ALCO plans to develop the property over multiple phases from 2024 to 2033 to provide a steady pipeline of projects which will contribute to the revenues of ALCO over the long-term. It is envisioned to be a sustainable, masterplanned development which will have commercial, residential, and retail components.

Approval of the Separate Financial Statements

The separate financial statements of the Company as at December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020 were reviewed and recommended for approval by the Audit Committee on March 22, 2023, and were approved and authorized for issue by the Board of Directors (BOD) on the same date.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

The Company also prepares consolidated financial statements for the same year in accordance with PFRS. The consolidated financial statements are available for public use and can be obtained in the registered office address of the Company and SEC.

Measurement Bases

The separate financial statements are presented in Philippine Peso (Peso), the Company's functional and presentation currency. Functional currency is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest Peso, unless otherwise indicated.

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

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

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

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

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

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

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

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

- Note 3 - Significant Judgments, Accounting Estimates and Assumptions
- Note 5 - Financial Assets at FVPL
- Note 8 - Investment Properties
- Note 26 - Fair Value Measurement

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

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

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

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS:

- 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. There is no transition relief for first-time adopters.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The ‘costs of fulfilling’ a contract comprise the ‘costs that relate directly to the contract’. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). 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.
- 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 amendment.

The adoption of the amended PFRS did not materially affect the separate financial statements of the Company. Additional disclosures were included in the separate financial statements, as applicable.

Amended PFRS in Issue But Not Yet Effective

Relevant amended PFRS which are not yet effective as at December 31, 2022 and have not been applied in preparing the separate financial statements, are summarized below.

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

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - 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 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, *Accounting Policies, Changes in Accounting Estimates and Errors - 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, *Income Taxes - 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. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent* – 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. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Noncurrent Liabilities with Covenants* for that period.
- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the separate financial statements of the Company. Additional disclosures will be included in the separate financial statements, as applicable.

Financial Assets and Liabilities

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

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

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

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

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

As at December 31, 2022 and 2021, the Company does not have financial assets at FVOCI and financial liabilities at FVPL.

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

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

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

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

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

As at December 31, 2022 and 2021, the Company classified its investments in money market fund under this category (see Note 5).

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

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

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

As at December 31, 2022 and 2021, the Company’s cash and cash equivalents, receivables (excluding accrued rent receivable under straight-line basis of accounting), advances to subsidiaries, amounts held in escrow, and deposits are classified under this category (see Notes 4, 6, 10 and 11).

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

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

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

As at December 31, 2022 and 2021, the Company's loans payable, bonds payable, accounts payable and other liabilities (excluding statutory payables, advance rent and other payables) and advances from subsidiaries are classified under this category (see Notes 12, 13, 14 and 20).

Reclassification

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

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

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

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

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

Impairment of Financial Assets at Amortized Cost

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market.

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

Offsetting of Financial Assets and Liabilities

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

Classification of Financial Instrument between Liability and Equity

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

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

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

Classification of Assets and Liabilities between Current and Noncurrent

The Company presents current and noncurrent assets, and current and noncurrent liabilities, as separate classifications in the notes to separate financial statements.

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

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

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

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

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within 12 months after the reporting period; or

- It does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Borrowing Costs

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

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

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.

Creditable Withholding Taxes (CWT)

CWT represents the amount withheld by the Company's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. These are carried at cost less any impairment in value.

Investment Properties

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

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

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

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

Property and Equipment

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

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

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

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

<u>Asset Type</u>	<u>Number of Years</u>
Building and building improvements	50
Transportation equipment	3 to 5
Office equipment	3 to 5
Furniture and fixtures	3

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

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

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

Investment in Subsidiaries

The Company's investment in subsidiaries, entities over which the Company has control, are accounted for under the cost method of accounting in the separate financial statements less any impairment in value. In assessing control, the Company considers if it is exposed, or has right, to variable returns from its investment with the subsidiary and if it has the ability to affect those returns. The Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the subsidiaries arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Other Assets

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

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

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.

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

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

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

Deferred Input VAT. For deferred input VAT recognized prior to January 1, 2022, in accordance with the Revenue Regulations (RR) No. 16-2005, as amended by RR. No. 13-2018, input VAT on purchases or imports of the Company of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter. Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input VAT that are expected to be claimed against output VAT for no more than 12 months after the financial reporting period are classified as current assets. Otherwise these are classified as noncurrent assets.

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

Under the Tax Reform for Acceleration and Inclusion (TRAIN) Law, starting January 1, 2022, all input tax on purchases of capital goods shall already be allowed to be claimed outright upon purchase/payment and shall no longer be subject to amortization. Unutilized input VAT on capital goods purchased or imported prior to January 1, 2022 shall be allowed to be amortized the same as scheduled until fully utilized.

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

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.

Amounts held in escrow and deposits qualify as financial assets.

Impairment of Nonfinancial Assets

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

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

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

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

Advance Rent

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

Debt Issue Costs

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the straight-line method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

Capital Stock

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

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

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

Additional Paid-in Capital

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

Retained Earnings

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

Treasury Shares

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

OCI

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

Revenue Recognition

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

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

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

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

a. Revenue from Contract with Customers

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

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

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

b. Revenue from Other Sources

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

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

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

Cost and Expenses Recognition

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

Cost of Leasing Operations. Cost of leasing operations, which constitute direct cost incurred in relation to the leasing of ACPT, is recognized as expense when incurred.

Cost of Services. Cost of services, which constitute direct costs incurred in relation to project management and development services, is recognized as expense when the related services are rendered.

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

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

Leases

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

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

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

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

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

Employee Benefits

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

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

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

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

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

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

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

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

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

Foreign Currency - Denominated Transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at reporting date. Resulting exchange differences arising on the settlement of or on translating such monetary assets and liabilities are recognized in profit or loss. For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

Income Taxes

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

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

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

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

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

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

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

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

Related Party Transactions and Relationships

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

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

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

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

Provisions and Contingencies

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

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

Events After the Reporting Period

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

3. Significant Judgments, Accounting Estimates and Assumptions

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

Judgments

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

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

Determining Control or Joint Control over an Investee Company. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Company has determined that by the virtue of the Company's majority ownership of voting rights in its subsidiaries as at December 31, 2022 and 2021, it has the ability to exercise control over its investees.

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

Classifying Real Estate for Sale, Investment Properties and Property and Equipment. The Company 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 Company 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 Company.

The carrying amounts of the Company's real estate for sale, investment properties and property and equipment as at December 31, 2022 and 2021 are disclosed in Notes 7, 8 and 9.

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

The carrying amounts of the Company's investment properties as at December 31, 2022 and 2021 are disclosed in Note 8.

Determining Lease Commitments - Company as a Lessor. The Company entered into various lease contracts for its office units in ACPT. The Company has determined that the risks and rewards of ownership related to the leased properties are retained by the Company. Accordingly, the leases were accounted for as operating leases.

Revenue from leasing operations recognized from these operating leases in 2022, 2021 and 2020 are disclosed in Note 22.

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

Accounting Estimates and Assumptions

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

Estimating the Fair Value of Investment Properties. Investment properties are measured at fair values. The Company works closely with external qualified valuers who performed the valuation using appropriate valuation techniques. The appraiser used a valuation technique based on comparable market data adjusted as necessary to reflect the specific assets' location and condition and, estimated expected future cash flows, yields, occupancy rates, and discount rates. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 8 to the separate financial statements.

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

The carrying amounts of investment properties as at December 31, 2022 and 2021 are disclosed in Note 8.

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

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

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

The amounts of provision for ECL recognized in 2022, 2021 and 2020, the amounts of allowance for ECL and the carrying amounts of the Company's trade receivables as at December 31, 2022 and 2021 are disclosed in Note 6.

Assessing the ECL on Other Financial Assets at Amortized Cost. The Company determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses

that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime ECL.

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

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

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

No provision for ECL was recognized in 2022, 2021 and 2020.

The carrying amounts of the Company's financial assets consisting of cash and cash equivalents, interest receivable, dividend receivable from sale of interests in subsidiaries, due from related parties, other receivables, advances to employees, advances to subsidiaries, amounts held in escrow and deposits are disclosed in Notes 4, 6, 10 and 11.

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 Company 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 2022. The carrying amounts of real estate for sale as at December 31, 2022 and 2021 are disclosed in Note 7.

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

The fair values and carrying amounts of investments in money market fund as at December 31, 2022 and 2021 are disclosed in Note 5.

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

There were no changes in the estimated useful lives of property and equipment in 2022, 2021 and 2020. The carrying amounts of property and equipment as at December 31, 2022 and 2021 are disclosed in Note 9.

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

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

Value in use is determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

No provision for impairment loss on nonfinancial assets was recognized in 2022, 2021 and 2020.

The carrying amounts of nonfinancial assets consisting of accrued rent receivable, CWTs, property and equipment, investment in subsidiaries and other assets are disclosed in Notes 6, 9, 10 and 11.

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

The Company's retirement expense in 2022 and 2021, and the net retirement liability (asset) as at December 31, 2022 and 2021 are disclosed in Note 21.

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

As at December 31, 2022 and 2021, the carrying amounts of recognized deferred tax assets and the amount of unrecognized deferred tax assets, which management has assessed may not be realized in the future, are disclosed in Note 23.

4. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand	P65,000	P55,000
Cash in banks	182,540,939	48,685,873
Cash equivalents	3,608,783,876	903,992,778
	P3,791,389,815	P952,733,651

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

Interest income is earned from the following (see Note 19):

	Note	2022	2021	2020
Advances to subsidiaries	20	P144,043,881	P86,030,277	P75,180,637
Cash equivalents		23,310,216	928,626	7,592,359
Cash in banks		839,988	1,318,999	492,434
		P168,194,085	P88,277,902	P83,265,430

5. Financial Assets at FVPL

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

	Note	2022	2021
Balance at beginning of year		P3,878,132,080	P2,807,098,299
Additions		4,693,154,623	5,822,500,000
Disposals		(7,149,506,788)	(4,744,610,564)
Unrealized holding gains (losses)	19	1,325,368	(6,855,655)
Balance at end of year		P1,423,105,283	P3,878,132,080

Realized gain on disposals of financial assets at FVPL amounted to P17.3 million in 2022, P18.8 million in 2021 and P18.0 million in 2020 (see Note 19).

The fair value of financial assets at FVPL is classified under Level 1 of the fair value hierarchy using quoted market prices (see Note 26).

6. Receivables

This account consists of:

	Note	2022	2021
Trade receivables from:			
Leasing	22	₱119,967,731	₱137,154,591
Project management and development	20	40,460,449	45,708,496
Interest receivable on advances to subsidiaries	20	453,497,130	295,073,492
Dividend receivable	20	300,000,000	–
Due from related parties	20	46,409,707	46,409,707
Accrued rent receivable	22	44,637,814	62,404,718
Advances to employees		8,553,562	6,539,323
Receivable from sale of interests in subsidiaries	10	–	208,562,250
Other receivables		76,836,177	21,216,880
		1,090,362,570	823,069,457
Allowance for ECL		(1,746,790)	(368,292)
		₱1,088,615,780	₱822,701,165

Trade receivables from leasing operations are noninterest-bearing, unsecured and generally collectible within seven (7) days. Trade receivables from project management and development are noninterest-bearing, unsecured and generally collectible within 30 days and when the pending matters in invoice are resolved.

Interest receivable includes accrual of interest income from the Company's advances and cash equivalents.

Accrued rent receivable pertains to the difference between rental income recognized using straight-line method of accounting and rental payments based on the terms of the lease contracts.

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

Receivable from non-affiliated entity pertains to cash advances, which is unsecured, noninterest-bearing and collectible on demand. The BOD approved to write-off the balance amounting to ₱6.8 million in 2022 and ₱11.6 million in 2021 (see Note 17).

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

Provision for ECL recognized in 2022 amounted to ₱1.7 million and recorded under "Operating Expenses" in the separate statements of financial position (see Note 17).

7. Real Estate for Sale

This account pertains to parcels of land acquired by the Company for future development projects that are intended for sale.

In 2022, the Company purchased a parcel of land with a total area of 1,271 sqm., located in Taguig, Metro Manila, for ₱253.3 million. The property will be developed into a mixed-use building with condominium units for sale.

NRV of Real Estate for Sale

As at December 31, 2022, 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, 2022.

8. Investment Properties

Investment properties consist of:

	2022	2021
ACPT	₱6,182,841,903	₱5,959,293,911
Land	216,962,168	182,840,888
Arya Residences - parking slots	26,151,494	26,151,494
	₱6,425,955,565	₱6,168,286,293

Movements of this account follow:

	2022	2021	2020
Balance at beginning of year, at cost	₱2,717,380,558	₱2,710,505,862	₱2,704,568,888
Development costs incurred	6,857,471	6,874,696	5,936,974
Balance at end of year, at cost	2,724,238,029	2,717,380,558	2,710,505,862
Cumulative gain on change in fair value	3,691,617,241	3,436,970,514	3,038,120,881
	6,415,855,270	6,154,351,072	5,748,626,743
Unamortized initial direct leasing costs	10,100,295	13,935,221	20,525,581
Balance at end of year, at fair value	₱6,425,955,565	₱6,168,286,293	₱5,769,152,324

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

	2022	2021	2020
Balance at beginning of year	₱3,436,970,514	₱3,038,120,881	₱2,121,261,669
Gain on change in fair value	254,646,727	398,849,633	916,859,212
Balance at end of year	₱3,691,617,241	₱3,436,970,514	₱3,038,120,881

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

	2022	2021
Balance at beginning of year	P13,935,221	P20,525,581
Additions	3,837,760	–
Amortization	(7,672,686)	(6,590,360)
Balance at end of year	P10,100,295	P13,935,221

ACPT

The carrying amount of ACPT includes offices units and parking slots for lease. ACPT is used as collateral for loans payable amounting to P1,420.4 million and P1,712.4 million as at December 31, 2022 and 2021, respectively (see Note 12).

Land

The Company's land has a total area of 10.3 hectares located in Batangas and Tagaytay with fair value aggregating P217.0 million and P182.8 million as at December 31, 2022 and 2021, respectively.

Arya Residences - Parking Slots

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

Leasing Operations

The Company recognized revenue from leasing operations amounting to P296.9 million in 2022, P314.6 million in 2021 and P354.5 million in 2020 (see Note 22) and incurred direct cost of leasing amounting to P105.9 million in 2022, P97.9 million in 2021 and P113.5 million in 2020.

Cost of leasing operations consists of:

	Note	2022	2021	2020
Condominium dues		P54,413,528	P46,690,531	P–
Rentals		30,953,396	27,121,071	23,426,316
Real property taxes		10,598,976	10,598,976	11,877,282
Consultancy fees		3,615,768	1,450,446	8,732,549
Utilities		1,520,278	322,635	19,864,848
Security services		858,795	1,414,026	12,958,232
Janitorial		601,876	1,646,928	7,094,504
Depreciation	9	244,915	1,673,102	2,206,709
Repairs and maintenance		179,787	1,126,955	5,678,723
Others		2,902,035	5,838,812	21,662,257
		P105,889,354	P97,883,482	P113,501,420

Other cost of leasing operations mainly pertain to COVID 19-related costs such as RT-PCR and antigen tests.

Fair Value Measurement

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

Class of Property	Valuation Technique	Significant Inputs	Range	
			2022	2021
ACPT	Discounted cash flow (DCF) approach	Discount rate	9.07%	8.51%
		Rental rate for an office unit per square meter (per sqm)	₱1,717	₱1,500
		Rental rate per slot	₱8,025	₱6,000
		Calculated no. of net leasable area (total sqm)	18,059	18,059
		Vacancy rate	5%	0% - 5%
		Income tax rate	25%	25%
		Arya Residences - Parking slots	DCF approach	Rental rate per slot
	Rent escalation rate p.a.	7%		7%
	Discount rate	9.07%		8.51%
	Vacancy rate	10%		10%
	Income tax rate	25%		25%
Land	Market data approach	Price per sqm	₱2,000	₱1,660
		Value adjustments	-25% to 10%	5% - 20%

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 Batangas and Tagaytay properties to those that are more or less located within the vicinity of the appraised properties and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

The inputs to fair valuation are as follows:

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

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

	2022		Total
	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Balance at beginning of year	₱182,840,888	₱5,985,445,405	₱6,168,286,293
Gain on change in fair value	27,263,809	227,382,918	254,646,727
Development costs incurred	6,857,471	-	6,857,471
Initial direct leasing costs	-	(3,834,926)	(3,834,926)
Balance at end of year	₱216,962,168	₱6,208,993,397	₱6,425,955,565

	2021		Total
	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Balance at beginning of year	₱155,885,678	₱5,613,266,646	₱5,769,152,324
Gain on change in fair value	26,955,210	371,894,423	398,849,633
Development costs incurred	-	6,874,696	6,874,696
Initial direct leasing costs	-	(6,590,360)	(6,590,360)
Balance at end of year	₱182,840,888	₱5,985,445,405	₱6,168,286,293

There are no transfers between the levels of fair value hierarchy in 2022, 2021 and 2020.

9. Property and Equipment

The balances and movements of this account consist of:

	2022				
	Building and Building Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost					
Balance at beginning of year	₱208,111,650	₱69,338,828	₱61,628,577	₱12,759,216	₱351,838,271
Additions	–	32,908,114	19,801,461	957,467	53,667,042
Disposals	–	(22,438,116)	(40,887,698)	–	(63,325,814)
Balance at end of year	208,111,650	79,808,826	40,542,340	13,716,683	342,179,499
Accumulated Depreciation					
Balance at beginning of year	11,005,013	33,758,761	51,518,615	10,781,946	107,064,335
Depreciation	4,170,800	18,981,462	5,602,884	1,062,123	29,817,269
Disposals	–	(17,891,586)	(26,738,039)	–	(44,629,625)
Balance at end of year	15,175,813	34,848,637	30,383,460	11,844,069	92,251,979
Carrying Amount	₱192,935,837	₱44,960,189	₱10,158,880	₱1,872,614	₱249,927,520

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

In 2022, the Company reclassified its software and licenses from “Property and equipment” to “Other assets” in the separate statements of financial position (see Note 11).

As at December 31, 2022 and 2021, fully depreciated property and equipment amounting to ₱35.3 million and ₱56.9 million, respectively, are still being used by the Company.

The Company sold property and equipment with carrying amount of ₱4.5 million in 2022, ₱5.8 million in 2021 and ₱1.0 million in 2020, which resulted to gain on disposal of ₱369,071 in 2022, and loss on disposal of ₱545,561 in 2021 and ₱73,601 in 2020 (see Note 19).

Depreciation and amortization were recognized in the following:

	Note	2022	2021	2020
Operating expense	17	₱29,572,354	₱26,458,554	₱20,991,092
Cost of leasing operations	8	244,915	1,673,102	2,206,709
		₱29,817,269	₱28,131,656	₱23,197,801

10. Investments in and Advances to Subsidiaries

This account consists of:

	Note	2022	2021
Investment in subsidiaries - at cost:			
Manchesterland Properties, Inc. (MPI)		₱900,459,683	₱900,459,683
Cebu Lavana Land Corporation (CLLC)		163,159,210	163,159,210
Urban Property Holdings, Inc. (UPHI)		80,467,361	80,467,361
Zileya Land Development Corporation (ZLDC)		50,000,000	50,000,000
Pradhana Land, Inc. (PLI)		25,000,000	25,000,000
Bhavana Properties, Inc. (Bhavana)		15,000,000	15,000,000
Bhavya Properties, Inc. (Bhavya)		15,000,000	15,000,000
Kashtha Holdings, Inc. (KHI)		7,499,800	7,499,800
Cazneau Inc. (Cazneau)		1,000,000	1,000,000
Emera Property Management, Inc. (EPMI)		250,000	250,000
		1,257,836,054	1,257,836,054
Allowance for impairment		(5,232,027)	(5,232,027)
		1,252,604,027	1,252,604,027
Advances to subsidiaries:			
	20		
CLLC		3,336,778,117	2,236,666,882
Cazneau		742,317,243	696,241,586
ZLDC		432,138,939	421,933,303
Bhavana		331,800,000	379,719,656
Bhavya		314,408,714	806,190,873
KHI		296,760,701	295,455,798
UPHI		88,627,522	82,720,593
MPI		5,857,429	5,433,627
EPMI		2,966,916	2,608,665
PLI		819,159	816,659
Savya Land Development Corporation (SLDC)		–	3,515,568
		5,552,474,740	4,931,303,210
Allowance for ECL		(3,261,249)	(3,261,249)
		5,549,213,491	4,928,041,961
		₱6,801,817,518	₱6,180,645,988

The Company's interest on the following subsidiaries follows:

Subsidiary	Place of Incorporation	Percentage of Ownership	
		2022	2021
Cazneau	Philippines	100%	100%
MPI	Philippines	100%	100%
EPMI	Philippines	100%	100%
UPHI	Philippines	100%	100%
ZLDC	Philippines	100%	100%
PLI	Philippines	100%	100%
CLLC	Philippines	100%	100%
Bhavana	Philippines	60%	60%
Bhavya	Philippines	60%	60%
KHI	Philippines	60%	60%
SLDC	Philippines	59%*	59%*

**indirectly owned through KHI*

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

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

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

In 2020, ALCO transferred all of its shares in SLDC, representing 98% ownership over SLDC, to KHI. Then in June 2020, ALCO sold 5.0 million common shares in KHI with total par value of ₱5.0 million, representing 40% ownership over KHI, to MEC for ₱275.0 million resulting to a gain on sale of an investment in a subsidiary amounting to ₱270.0 million (see Note 19). The transfer of KHI's shares decreased the effective ownership of ALCO over SLDC from 98% to 59%.

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

In December 2021, ALCO sold, transferred and conveyed in favor of Narra Investment Properties Pte. Ltd. ("Narra"), by way of secondary sale, all of its rights, title and interest in and to 40% of the common shares of stock of Bhavana and Bhavya, or 20,000,000 common shares of stock thereof, as well as its shareholder advances and accrued interest receivables aggregating ₱449.4 million in exchange for ₱ 446.8 million, resulting to a loss of ₱2.6 million (see Note 19). The transfer of Bhavana and Bhavya shares decreased the effective ownership of ALCO from 100% to 60%. The Company's receivable arising from the sale of interests in Bhavana and Bhavya amounting to ₱208.6 million as at December 31, 2021 were subsequently collected in 2022 (see Note 6).

In December 2021, the Company purchased 214,351 common and 118,982 preferred shares representing 40% of the ownership and voting rights of CLLC for ₱113.2 million from RSBV, resulting to 100% ownership of the Company in CLLC. Also, RSBV assigned its shareholder advances and accrued interest receivables amounting to ₱764.1 million. The Company's outstanding payable arising from the acquisition in CLLC amounting to ₱762.3 million as at December 31, 2021 were subsequently settled in 2022 (see Note 14).

Subscription Payable

The Company has the following unpaid subscriptions on subsidiaries as at December 31 (see Note 14):

	2022	2021
ZLDC	₱37,500,000	₱37,500,000
PLI	18,750,000	18,750,000
	₱56,250,000	₱56,250,000

11. Other Assets

This account consists of:

	Note	2022	2021
Amounts held in escrow	12	₱128,177,336	₱105,679,411
Deposits		56,875,983	38,972,963
Advances for project development		29,074,654	43,113,585
Prepaid:			
Taxes		22,943,172	38,963,399
Insurance		3,222,069	3,536,580
Others		1,900,942	621,994
Software and licenses		22,297,372	882,353
Deferred input VAT		2,606,393	5,006,064
Materials and supplies		1,341,909	1,341,909
Advances for asset purchase	7	-	219,674,259
		₱268,439,830	₱457,792,517

Amounts held in escrow represents the debt service account required under an existing loan with a certain bank and the amount which is equivalent to a quarterly principal and interest amortization. The outstanding loan balance under OLSA amounted to ₱1,420.4 million and ₱1,712.4 million as at December 31, 2022 and 2021, respectively (see Note 12).

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

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

The carrying amount of software and licenses amounted to ₱22.3 million and ₱0.9 million as at December 31, 2022 and 2021, respectively. Amortization of software and licenses recorded as part of "Depreciation and amortization" account in the statements of comprehensive income amounted to ₱ 0.2 million in 2022 (see Note 17).

Materials and supplies are the excess construction materials and supplies from the construction of Arya Residences.

Advances for asset purchase pertain to advance payment made to a seller of land which was subsequently acquired by the Company and classified as land in 2022 (see Note 7).

12. Loans Payable

This account consists of outstanding loans with:

	2022	2021
Local banks	₱5,207,880,438	₱5,671,841,166
Private funders	–	60,723,970
	₱5,207,880,438	₱5,732,565,136

Movements of this account follow:

	2022	2021
Balance at beginning of year	₱5,757,723,970	₱4,184,723,970
Availments	2,425,000,000	4,170,504,338
Payments	(2,957,723,970)	(2,597,504,338)
Balance at end of year	5,225,000,000	5,757,723,970
Unamortized debt issue cost	(17,119,562)	(25,158,834)
	5,207,880,438	5,732,565,136
Less current portion of loans payable	2,300,000,000	2,832,723,970
Long-term portion of loans payable	₱2,907,880,438	₱2,899,841,166

Movements in debt issue cost follow:

	2022	2021
Balance at beginning of year	₱25,158,834	₱27,290,167
Additions	–	3,750,000
Amortization	(8,039,272)	(5,881,333)
Balance at end of year	₱17,119,562	₱25,158,834

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

	2022	2021
Within one year	₱2,300,000,000	₱2,832,723,970
After one year but not more than three years	2,925,000,000	1,325,000,000
More than three years	–	1,600,000,000
	₱5,225,000,000	₱5,757,723,970

Local Bank Loans

These are loans from local banks which are interest-bearing secured loans obtained to finance the Company's working capital requirements, project development and acquisition of properties. These loans have interest rates ranging from 4.50% to 8.00% p.a. in 2022, 2021 and 2020.

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

Purpose	Terms	Nominal interest rate (p.a.)	2022	2021
Short-term loans for working fund requirements	Unsecured and payable in full within one year	4.50% to 8.00%	₱2,300,000,000	₱2,472,000,000
Construction of ACPT	Payable on a quarterly basis starting 4 th quarter of 2020 until July 2025; secured by ACPT with carrying amount of ₱6,182.8 million and ₱5,959.3 million as at December 31, 2022 and 2021, respectively (see Note 8), and an escrow account amounting to ₱128.2 million and ₱105.7 million as at December 31, 2022 and 2021, respectively (see Note 11)	5.50%	1,420,396,130	1,712,359,422
Development of Green Projects	Unsecured and payable in full on February 6, 2025	6.35%	991,234,308	991,231,744
Long-term loans for working fund requirements	Payable on November 25, 2024	6.00%	496,250,000	496,250,000
			₱5,207,880,438	₱5,671,841,166

Construction of ACPT

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

- Debt service coverage ratio (DSCR) of not more than 1.20x starting 2020 which is one year after the completion of ACPT

- Debt to equity ratio of not more than the following based on the period:

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

In 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. As of December 31, 2022 and 2021, ALCO has current ratio of 2.4x and 1.8x, respectively, and debt to equity ratio of 1.5x and 1.48x, respectively, based on its consolidated financial statements, which is compliant with the amended financial covenants.

Development of Green Projects

On February 14, 2020, ALCO entered into a term loan agreement of ₱1,000.0 million with a local bank to obtain financing for the eligible green projects of the Company and its subsidiaries, including land banking, investments and refinancing in relation to eligible green projects. Drawdown of ₱1,000.0 million has also been made in 2020. ALCO is required to submit a disbursement report to the bank soon after the date the proceeds has been utilized to confirm that the proceeds have been used for the eligible green projects.

The Group is required to maintain a debt-to-equity ratio of not more than 2.0x and current ratio of not less than 1.5x on a consolidated basis. For the years ended December 31, 2022, 2021 and 2020, the Group was fully compliant with these debt covenants.

Private Funders

Outstanding balances of loans from private funders amounting to nil and ₱60.7 million as at December 31, 2022 and 2021, respectively, have interest rate of 3.50% p.a., unsecured and are for working capital requirements of the Company and its subsidiaries.

Capitalized Borrowing Costs

No borrowing costs were capitalized in 2022, 2021 and 2020.

Interest Expense

Total interest expense charged under “Finance costs” consists of the following (see Note 18):

	Note	2022	2021	2020
Interest expense on:				
Loans payable		₱295,274,799	₱251,783,534	₱246,484,445
Bonds payable	13	200,560,807	198,618,483	181,757,910
		₱495,835,606	₱450,402,017	₱428,242,355

13. Bonds Payable

As at December 31, 2022 and 2021, this account consists of:

	2022	2021
Bonds payable	₱6,000,000,000	₱3,000,000,000
Unamortized debt issue cost	(74,228,852)	(33,405,821)
	₱5,925,771,148	₱2,966,594,179

Movements in debt issue costs in 2022 and 2021 are as follows:

	2022	2021
Balance at beginning of year	₱33,405,821	₱41,473,302
Additions	48,963,860	-
Amortization	(8,140,829)	(8,067,481)
Balance at end of year	₱74,228,852	₱33,405,821

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.

In October 2022, the BOD of ALCO approved the remaining second tranche of the Bonds of up to ₱3.0 billion. In December 2022, the SEC approved the offer supplement for the second tranche amounting to ₱2.4 billion with an oversubscription of up to ₱0.6 billion. The Bonds have a term ending five years from the issue date with a fixed interest rate of 8.00% p.a. and early redemption option on the 3rd and 4th year from issue date, and term ending seven years from the issue date with a fixed interest rate of 8.7557% p.a. and early redemption option on the 5th and 6th year from issue date. The proceeds of the Bonds is for the development of eligible green projects and payment of certain outstanding loans of the Group.

The Company is required to maintain debt to equity ratio of not more than 2.00x and current ratio of at least 1.50x based on its consolidated financial statements. As at December 31, 2022 and 2021, the Company is compliant with these financial ratios.

Interest expense incurred on the Bonds amounted to ₱200.6 million in 2022, ₱198.6 million in 2021 and ₱181.8 million in 2020 (see Note 12).

14. Accounts Payable and Other Liabilities

This account consists of:

	Note	2022	2021
Accounts payable:			
Third parties		₱48,879,453	₱15,671,830
Related party	20	15,744,103	5,849,651
Accrued:			
Interest		70,058,848	65,432,666
Personnel costs		21,285,559	19,762,831
Others		77,766,831	23,570,643
Security deposits	22	82,629,969	79,304,172
Advance rent	22	76,327,437	36,562,416
Subscription payable	10	56,250,000	56,250,000
Statutory payables:			
Deferred output VAT		52,466,496	37,501,622
Withholding taxes payable		7,179,150	6,773,108
Output VAT		6,841,034	6,375,966
Construction bonds		30,793,226	21,398,433
Retention payable		25,804,383	53,006,597
Dividends payable		7,093,749	6,515,393
Payable for purchase of interests in a subsidiary	10	–	762,340,790
Others		14,114,041	2,464,270
		₱593,234,279	₱1,198,780,388

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

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

Security deposits pertain to the deposits made by the lessees of the ACPT which may be applied to unsettled balances or refunded at the end of the lease term.

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.

Subscription payable pertains to the unpaid portion of the Company's subscription to its subsidiaries.

Deferred output VAT pertains to the VAT on trade receivables from leasing operations and project management and development fees billed but not yet collected.

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.

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

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

15. Equity

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

	2022		2021		2020	
	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	48,500,000	5,318,095,199	42,500,000	5,318,095,199
Outstanding	28,500,000	5,318,095,199	28,500,000	5,318,095,199	42,500,000	5,318,095,199

Preferred Shares

The Company's preferred shares consisting of Series B, Series C and Series D preferred shares are cumulative, nonvoting, nonparticipating and nonconvertible. The movements and details of the issued and outstanding preferred shares are as follows:

	2022		2021		2020	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance at beginning of year	48,500,000	₱48,500,000	42,500,000	₱42,500,000	42,500,000	₱42,500,000
Issuance during the year	-	-	6,000,000	6,000,000	-	-
Balance at end of year	48,500,000	₱48,500,000	48,500,000	₱48,500,000	42,500,000	₱42,500,000
Treasury shares	(20,000,000)	(₱20,000,000)	(20,000,000)	(₱20,000,000)	-	-
Outstanding	28,500,000	₱28,500,000	28,500,000	₱28,500,000	42,500,000	₱42,500,000

On December 6, 2021, the Company redeemed all of the outstanding 20.0 million Series B Preferred Shares equal to its offer price plus any accrued and unpaid cash dividends due as of date. Treasury shares pertaining to the redemption of 20.0 million Series B Preferred Shares recognized at cost amounted to ₱2,000.0 million as at December 31, 2022 and 2021. On May 4, 2022, the BOD of the Company approved the amendment of the Company's Articles of Incorporation (AOI) to reduce the authorized capital stock by ₱2,000.0 million as a result of the redemption and cancellation of the Series B preferred shares. The application to amend the Company's AOI will be filed with the SEC after our report date.

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

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

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

Common Shares

As at December 31, 2022 and 2021, the Company has issued and outstanding common shares of 5,318,095,199 with par value of ₱0.18 amounting to ₱957.3 million.

Common and Preferred Shares Listed with PSE

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

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

The Company has 1,935 and 1,937 common stockholders as at December 31, 2022 and 2021, respectively.

Dividend Declaration

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

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
October 26, 2022	December 5, 2022	December 27, 2022	Series C preferred shares	₱17,319,000	₱1.7319
October 26, 2022	November 14, 2022	December 3, 2022	Series D preferred shares	45,000,000	7.5000
August 5, 2022	September 1, 2022	September 27, 2022	Series C preferred shares	17,319,000	1.7319
August 5, 2022	August 19, 2022	September 3, 2022	Series D preferred shares	45,000,000	7.5000
June 24, 2022	July 11, 2022	August 4, 2022	Common shares	63,817,142	0.012
May 4, 2022	June 2, 2022	June 27, 2022	Series C preferred shares	17,319,000	1.7319
May 4, 2022	May 19, 2022	June 3, 2022	Series D preferred shares	45,000,000	7.5000
February 23, 2022	March 10, 2022	March 27, 2022	Series C preferred shares	17,319,000	1.7319
January 26, 2022	February 11, 2022	March 3, 2022	Series D preferred shares	45,000,000	7.5000
				₱313,093,142	

Declaration Date	Stockholders of		Share	Dividend per	
	Record Date	Payment Date		Amount	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		Share	Dividend per	
	Record Date	Payment Date		Amount	Share
October 21, 2020	December 4, 2020	December 27, 2020	Series C preferred shares	₱17,319,000	₱1.730
October 21, 2020	November 13, 2020	December 6, 2020	Series B preferred shares	35,229,000	1.760
August 5, 2020	September 4, 2020	September 27, 2020	Series C preferred shares	17,319,000	1.730
August 5, 2020	August 19, 2020	September 6, 2020	Series B preferred shares	35,229,000	1.760
June 26, 2020	July 10, 2020	July 31, 2020	Common shares	63,817,142	0.012
May 6, 2020	June 4, 2020	June 27, 2020	Series C preferred shares	17,319,000	1.730
May 6, 2020	May 21, 2020	June 6, 2020	Series B preferred shares	35,229,000	1.760
January 29, 2020	March 6, 2020	March 27, 2020	Series C preferred shares	17,319,000	1.730
January 29, 2020	February 14, 2020	March 6, 2020	Series B preferred shares	35,229,000	1.760
				₱274,009,142	

Stock Options

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

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

On December 14, 2018, the BOD approved granting options equivalent to not more than 90.0 million common shares to its qualified employees. On June 26, 2020, the number of options granted and issued to qualified employees amounted to 55.4 million shares. The total fair value of stock options granted amounted to ₱7.2 million and ₱7.1 million as at December 31, 2022 and 2021. The fair values of the stock options granted are estimated on the date of grant using the Black-Scholes Merton (BSM) model taking into account the terms and conditions upon which the options were granted. The BSM model utilized inputs namely: market value of the share, time to maturity, dividend yield, and risk-free rate.

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

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

As at December 31, 2022 and 2021, none of the qualified employees exercised their respective options. The Company's stock options have already expired as at December 31, 2022.

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 tables show the breakdown of the use of the proceeds (amounts in millions):

Purpose	Actual Disbursement as at 1/1/2022	Actual Disbursement as at 12/31/2022	Balance for Disbursement as at 12/31/2022
Redemption of Series B Preferred Shares	₱2,000.0	₱2,000.0	₱-
Savya Financial Center and Cebu Exchange Project	-	966.7	-
Total	₱2,000.0	₱2,966.7	₱-

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

Green Bonds – Second Tranche

The estimated gross proceeds from the offer of the second tranche of the Bonds amounted to ₱2,944.7 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱2,951.0 million.

The following tables show the breakdown of the use of the proceeds (amounts in millions):

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at December 31, 2022	Balance for Disbursement as at December 31, 2022
Development of various projects	₱2,550.0	₱2,550.0	₱–	₱2,550.0
Repayments of loans that financed the construction and development of ACPT	394.7	401.0	–	401.0
Total	₱2,944.7	₱2,951.0	₱–	₱2,951.0

16. Cost of Services

This account consists of:

	2022	2021	2020
Personnel costs	₱91,655,228	₱100,978,536	₱50,780,510
Outside services	–	–	25,110,845
	₱91,655,228	₱100,978,536	₱75,891,355

Personnel costs are classified as:

	Note	2022	2021	2020
Cost of services		₱91,655,228	₱100,978,536	₱50,780,510
Operating expenses	17	156,578,371	99,050,089	147,513,804
		₱248,233,599	₱200,028,625	₱198,294,314

Personnel costs consist of:

	Note	2022	2021	2020
Salaries and other employee benefits		₱222,647,781	₱173,261,249	₱167,928,064
Retirement benefits expense	21	25,504,155	26,172,765	23,880,697
Stock options	15	81,663	594,611	6,485,553
		₱248,233,599	₱200,028,625	₱198,294,314

17. Operating Expenses

Operating expenses are classified as follows:

	2022	2021	2020
Administrative	₱342,249,991	₱267,466,446	₱281,347,426
Selling and marketing	20,908,290	14,862,745	9,364,298
	₱363,158,281	₱282,329,191	₱290,711,724

Details of operating expenses by nature are as follows:

	Note	2022	2021	2020
Personnel costs	16	₱156,578,371	₱99,050,089	₱147,513,804
Taxes and licenses		37,142,660	21,828,296	25,223,174
Depreciation and amortization	9	29,572,354	26,458,554	20,991,092
Communication and office expenses		29,017,994	22,807,352	13,246,871
Outside services		22,264,767	28,908,655	19,468,196
Management and professional fees		20,333,323	17,976,560	18,803,626
Insurance		18,749,473	17,092,500	14,231,663
Advertising		13,235,604	8,272,385	2,525,653
Transportation and travel		10,263,707	12,024,859	5,087,405
Write-off of receivables from non-affiliated entity	6	6,753,978	11,559,066	-
Commissions		7,672,686	6,590,360	6,838,645
Repairs and maintenance		5,857,581	4,178,664	3,181,828
Provision for expected credit loss	6	1,746,790	-	-
Utilities		1,197,811	799,435	752,975
Representation		436,655	3,348,997	2,808,617
Rent	22	303,511	299,493	316,678
Others		2,031,016	1,133,926	9,721,497
		₱363,158,281	₱282,329,191	₱290,711,724

18. Finance Costs

This account consists of:

	Note	2022	2021	2020
Interest expense	12	₱495,835,606	₱450,402,017	₱428,242,355
Bank charges		1,468,348	2,036,695	1,782,063
		₱497,303,954	₱452,438,712	₱430,024,418

19. Other Income (Charges) - Net

This account consists of:

	Note	2022	2021	2020
Dividend income	20	₱300,000,000	₱593,250,000	₱2,000,000
Interest income	4	168,194,085	88,277,902	83,265,430
Realized gains on disposals of financial assets at FVPL	5	17,308,102	18,837,880	18,043,920
Net gain (loss) on sale and purchase of investments in subsidiaries	10	(11,763,485)	(895,593)	270,000,000
Foreign exchange gains (losses)		4,969,773	4,496	(6,372)
Unrealized holding gains (losses) on financial assets at FVPL	5	1,325,368	(6,855,655)	10,193,586
Gain (loss) on disposal of property and equipment	9	369,071	(545,561)	(73,601)
Others		126,971	5,649,504	580,055
		₱480,529,885	₱697,722,973	₱384,003,018

20. Related Party Transactions

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

	Nature of Relationship	Note	Nature of Transaction	Amount of Transactions		Outstanding Balance	
				2022	2021	2022	2021
Advances to Subsidiaries							
CLLC	Subsidiary	10	Advances for working capital	₱1,100,111,235	₱1,552,352,215	₱3,336,778,117	₱2,236,666,882
Cazneau	Subsidiary		Advances for working capital	46,075,657	(98,277,302)	742,317,243	696,241,586
ZLDC	Subsidiary		Advances for working capital	10,205,636	25,159,449	432,138,939	421,933,303
Bhavana	Subsidiary		Advances for working capital	(47,919,656)	(386,341,606)	331,800,000	379,719,656
Bhavya	Subsidiary		Advances for working capital	(491,782,159)	(938,004)	314,408,714	806,190,873
KHI	Subsidiary		Advances for working capital	1,304,903	1,008,057	296,760,701	295,455,798
UPHI	Subsidiary		Advances for working capital	5,906,929	10,255,024	88,627,522	82,720,593
MPI	Subsidiary		Advances for working capital	423,802	5,433,313	5,857,429	5,433,627
EPMI	Subsidiary		Advances for working capital	358,251	1,025,084	2,966,916	2,608,665
PLI	Subsidiary		Advances for working capital	2,500	2,895	819,159	816,659
SLDC	Subsidiary		Advances for working capital	(3,515,568)	3,422,434	-	3,515,568
						5,552,474,740	4,931,303,210
Allowance for ECL		10				3,261,249	3,261,249
						₱5,549,213,491	₱4,928,041,961

	Nature of Relationship	Note	Nature of Transaction	Amount of Transactions		Outstanding Balance	
				2022	2021	2022	2021
Interest Receivable							
		6					
CLLC	Subsidiary		Interest on advances for working capital	₱104,984,280	₱24,997,210	₱307,059,440	₱191,576,731
Bhavya	Subsidiary		Interest on advances for working capital	9,988,139	17,750,044	39,955,433	28,968,480
Cazneau	Subsidiary		Interest on advances for working capital	9,624,458	16,201,255	38,232,240	27,645,336
Bhavana	Subsidiary		Interest on advances for working capital	9,298,715	16,844,268	34,681,646	24,575,824
KHI	Subsidiary		Interest on advances for working capital	10,148,289	10,237,500	33,568,371	22,307,121
						₱453,497,130	₱295,073,492
Trade Receivables							
		6					
Cazneau	Subsidiary		Working capital requirements	₱14,558,773	₱13,832,902	₱28,391,675	₱13,832,902
Bhavya	Subsidiary		Working capital requirements	3,316,389	2,450,000	5,766,389	2,450,000
Bhavana	Subsidiary		Working capital requirements	581,123	1,681,683	2,262,806	1,681,683
SLDC	Subsidiary		Working capital requirements	(12,984,671)	15,137,026	2,152,355	15,137,026
			Project management and development fees	(8,814,561)	2,801,988	1,405,542	10,220,103
CLLC	Subsidiary		Working capital requirements	-	481,682	481,682	481,682
EPMI	Subsidiary		Working capital requirements	(1,905,100)	1,905,100	-	1,905,100
						₱40,460,449	₱45,708,496
Due from Related Parties							
		6					
CPG	Principal stockholder		Share purchase agreement	₱-	₱-	₱36,052,873	₱36,052,873
SOPI	Entity under common management		Advances for working capital	-	39,442	5,607,293	5,607,293
Centrobless	Entity under common management		Advances for working capital	-	(11,742,444)	4,749,541	4,749,541
						₱46,409,707	₱46,409,707
Advances from Subsidiaries							
MPI	Subsidiary		Advances for working capital	₱-	₱5,000,000	₱284,632,299	₱284,632,299
Cazneau	Subsidiary		Advances for working capital	138,280	527,646	665,926	527,646
CLLC	Subsidiary		Advances for working capital	-	(112,470,208)	466,419	466,419
SLDC	Subsidiary		Advances for working capital	-	61,109	61,109	61,109
						₱285,825,753	₱285,687,473
Accounts Payable							
		14					
CPG	Principal stockholder		Management fee	₱13,369,869	₱12,577,891	₱10,068,355	₱3,096,486
Bhavya	Subsidiary		Advances for working capital	3,000,000	-	3,000,000	-
SLDC	Subsidiary		Advances for working capital	-	-	885,585	885,585
CLLC	Subsidiary		Advances for working capital	-	(768,400)	867,180	867,180
Bhavana	Subsidiary		Advances for working capital	(160,429)	904,000	743,571	904,000
Cazneau	Subsidiary		Advances for working capital	83,012	-	179,412	96,400
						₱15,744,103	₱5,849,651
Dividend Income							
		19					
KHI	Subsidiary		Dividend income	₱300,000,000	₱-	₱300,000,000	₱-
CLLC	Subsidiary		Dividend income	-	584,500,000	-	-
EPMI	Subsidiary		Dividend income	-	8,750,000	-	-
						₱300,000,000	₱-

Advances for Working Capital

Outstanding balances of advances for working capital are unsecured, unguaranteed, collectible or payable on demand and to be settled in cash. These are noninterest-bearing, except for advances to CLLC, KHI, Bhavana, Bhavya and Cazneau which bears a 3.5% interest rate.

The Company's allowance for ECL on advances to related parties amounted to ₱3.3 million as at December 31, 2022 and 2021 (see Note 10).

Project Management and Development Fees

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

In 2019, the Company entered into an agreement with SLDC, where the former will provide management services for the development and construction of SLDC's Savya Financial Center. Outstanding balances are noninterest-bearing, unsecured and collectible within 30 days and when the pending matters in invoice are resolved.

In 2017, the Company entered into an agreement with CLLC, where the former will provide management services for the development and construction of CLLC's Cebu Exchange Project. Outstanding balances are non-interest bearing, unsecured and collectible within 30 days and when the pending matters in invoice are resolved.

Share Purchase Agreement

The Company has an outstanding receivable from CPG amounting to ₱36.1 million as at December 31, 2022 and 2021 arising from a share purchase agreement between the Company, CPG and AOC1. Under the claw-back provision of the share purchase agreement, the Company warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by UPHI, which includes, among others, removing all doubt on the ownership of UPHI over the property. In the event the satisfactory evidence is submitted by the Company to CPG, the latter shall pay to the Company the entire claw-back amount or a portion thereof plus interest earned in which the claw-back amount was held in escrow.

Management Fee

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

Manpower Fee

The Company entered into an agreement with EPMI for the Company to provide manpower services for EPMI's operations. The Company agreed to pay the salaries of the employees whereas EPMI agreed to refund such expense by the Company. Outstanding balance is unsecured, noninterest-bearing, payable within 30 days and to be settled in cash.

Compensation of Key Management Personnel

The compensation of key management personnel are as follows:

	2022	2021	2020
Salaries and other employee benefits	₱106,570,170	₱82,773,183	₱75,423,700
Retirement benefits expense	26,688,905	27,158,439	24,095,262
	₱133,259,075	₱109,931,622	₱99,518,962

Transactions with the Retirement Plan

The Company's retirement fund is administered and managed by a trustee bank. The fair value of plan assets, which are primarily composed of cash and cash equivalents and unit investment trust funds, amounted to ₱143.3 million and ₱40.4 million as of December 31, 2022 and 2021, respectively (see Note 21).

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

21. Net Retirement Liability (Asset)

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

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

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

The following tables summarize the components of retirement benefit costs recognized in the separate statements of comprehensive income (based on the report of an independent actuary dated January 20, 2023):

Breakdown of retirement benefits expense is as follows (see Note 16):

	2022	2021	2020
Current service cost	₱22,188,161	₱21,947,468	₱18,666,937
Net interest cost	3,315,994	4,225,297	5,213,760
	₱25,504,155	₱26,172,765	₱23,880,697

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

	2022	2021	2020
Balance at beginning of year	P 115,731,998	P101,496,418	P99,880,460
Current service cost	22,188,161	21,947,468	18,666,937
Net interest cost	3,315,994	4,225,297	5,213,760
Contribution to retirement plan assets	(120,000,000)	-	(30,000,000)
Remeasurement losses (gains) on:			
Experience adjustments	(36,478,557)	(10,859,615)	2,813,918
Change in financial assumptions	(27,812,878)	(2,314,401)	4,427,055
Changes in effect of asset ceiling	4,097,693	-	-
Return on plan assets	2,899,106	1,296,104	494,288
Change in demographic assumptions	-	(59,273)	-
Balance at end of year	(P36,058,483)	P115,731,998	P101,496,418

The funded status and amounts recognized in the separate statements of financial position for the net retirement liability (asset) as at December 31, 2022 and 2021 are as follows:

	2022	2021
Present value of retirement liability	P 103,192,114	P156,176,509
Fair value of plan assets	(143,348,290)	(40,444,511)
	(40,156,176)	115,731,998
Effect of asset ceiling	4,097,693	-
	(P36,058,483)	P115,731,998

As of December 31, 2022, the plan is overfunded by P36.1 million based on the latest actuarial valuation.

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

	2022	2021	2020
Balance at beginning of year	P 156,176,509	P152,389,179	P120,206,490
Current service cost	22,188,161	21,947,468	18,666,937
Interest cost	7,949,384	6,019,373	6,274,779
Benefits paid from plan assets	(18,830,505)	(10,946,222)	-
Remeasurement losses (gains) on:			
Experience adjustments	(36,478,557)	(10,859,615)	2,813,918
Change in financial assumptions	(27,812,878)	(2,314,401)	4,427,055
Change in demographic assumptions	-	(59,273)	-
Balance at end of year	P103,192,114	P156,176,509	P152,389,179

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

	2022	2021	2020
Balance at beginning of year	₱40,444,511	₱50,892,761	₱20,326,030
Contribution to retirement plan assets	120,000,000	–	30,000,000
Benefits paid from plan assets	(18,830,505)	(10,946,222)	–
Interest income	4,633,390	1,794,076	1,061,019
Remeasurement loss on return on plan assets	(2,899,106)	(1,296,104)	(494,288)
Balance at end of year	₱143,348,290	₱40,444,511	₱50,892,761

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

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

	2022		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 23)	Net
Balance at beginning of year	₱3,905,176	₱976,294	₱2,928,882
Remeasurement gains	57,294,636	14,323,659	42,970,977
Balance at end of year	₱61,199,812	₱15,299,953	₱45,899,859

	2021		
	Cumulative Remeasurement Gains (Losses)	Deferred Tax (see Note 23)	Net
Balance at beginning of year	(₱8,032,009)	(₱2,409,602)	(₱5,622,407)
Remeasurement gains	11,937,185	2,984,296	8,952,889
Effect of change in tax rates	–	401,600	(401,600)
Balance at end of year	₱3,905,176	₱976,294	₱2,928,882

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

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

	2022	2021
Discount rate	7.22%	5.09%
Salary projection rate	6.00%	6.00%
Average remaining service years	22.0	21.7

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2022 and 2021 are presented below.

	Change in Assumption	Effect on Present Value of Retirement Liability	
		Discount Rate	Salary Projection Rate
December 31, 2022	+1%	(P9,922,241)	P11,790,003
	-1%	11,763,643	(10,114,747)
December 31, 2021	+1%	(P13,908,844)	P16,403,042
	-1%	16,730,232	(13,919,729)

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

Financial Year	Amount
2023	P28,003,822
2024	860,828
2025-2029	16,404,748
2030-2033	93,806,973

The weighted average duration of the retirement benefit obligation as at December 31, 2022 and 2021 are 10.5 years and 9.8 years, respectively.

22. Lease Commitments

Operating Lease Commitments - Company as a Lessor

The Company entered into various non-cancellable lease agreements in ACPT for periods ranging from five (5) years to 10 years. All lease agreements include an escalation clause of 5% every year. The lease contracts do not provide for any contingent rent.

Leasing revenue recognized from these operating leases amounted to P296.9 million in 2022, P314.6 million in 2021 and P354.5 million in 2020 (see Note 8). Lease receivables amounted to P120.0 million and P137.2 million as at December 31, 2022 and 2021, respectively. Accrued rent receivable amounted to P44.6 million and P62.4 million as at December 31, 2022 and 2021, respectively (see Note 6). Advance rent from tenants amounted to P76.3 million and P36.6 million as at December 31, 2022 and 2021, respectively. Security deposits, which may be applied to unsettled balances or refunded at the end of the lease term, amounted to P82.6 million and P79.3 million as at December 31, 2022 and 2021, respectively (see Note 14).

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

	2022	2021
Within one year	P209,947,697	P257,425,321
After one year but not more than five years	257,375,046	450,548,394
More than five years	6,545,550	13,221,455
	P473,868,293	P721,195,170

Operating Lease Commitment - Company as a Lessee

The Company is a lessee under non-cancellable operating lease where its office space is situated. In 2018, the Company transferred its office to ACPT. This resulted to the termination of its non-cancellable operating lease.

The Company's short-term and low value operating leases amounted to ₱0.3 million in 2022, 2021 and 2020 (see Note 17).

23. Income Taxes

The components of provision for income tax are as follows:

	Note	2022	2021	2020
Reported in Profit or Loss				
Current income tax:				
Final taxes		₱8,296,140	₱3,957,044	₱45,707,225
Gross income tax (GIT)		5,120,220	5,191,339	2,399,074
MCIT		3,983,074	3,796,856	6,110,039
		17,399,434	12,945,239	54,216,338
Deferred tax expense (benefit)		15,930,709	(81,060,927)	161,239,720
		₱33,330,143	(₱68,115,688)	₱215,456,058
Reported in OCI				
Deferred tax expense (benefit) related to remeasurement gains or losses on net retirement asset or liability	21	₱14,323,659	₱2,984,296	(₱2,320,578)

Deferred Tax Assets and Deferred Tax Liabilities

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

	2022	2021
Deferred tax assets:		
NOLCO	₱252,557,461	₱191,818,818
Advance rent	17,000,575	7,453,623
Retirement liability	14,714,248	28,287,418
Allowance for impairment loss	436,698	92,073
MCIT	—	16,844,234
	284,708,982	244,496,166
Deferred tax liabilities:		
Cumulative gain on change in fair value of investment properties	922,904,310	859,242,629
Depreciation of investment properties	29,186,894	21,438,029
Transfer of fair value to property and equipment	10,333,467	10,558,107
Accrued rent receivable	8,976,728	10,764,239
Capitalized debt issue cost	7,979,526	8,152,056
Unrealized foreign exchange gains	1,242,443	1,124
	980,623,368	910,156,184
Net deferred tax liabilities	₱695,914,386	₱665,660,018

The Company did not recognize the deferred tax assets on the allowance for ECL on investment in and advances to subsidiaries amounting to ₱2.5 million as at December 31, 2022 and 2021 because management has assessed that these items will not be realized in the future.

Furthermore, as at December 31, 2022, the Company did not recognize deferred tax assets relating to the following:

	2022
Excess MCIT over RCIT	₱13,890,029
NOLCO	8,847,753
	₱22,737,782

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

NOLCO and Excess MCIT over RCIT

Details of the Company's NOLCO are as follows:

Year Incurred	Amount	Additions	Expired	Balance	Valid Until
2022	₱-	₱449,215,054	₱-	₱449,215,054	2025
2021	189,871,601	-	-	189,871,601	2026
2020	406,534,201	-	-	406,536,221	2025
2019	171,394,980	-	171,394,980	-	2022
	₱767,800,782	₱449,215,054	₱171,394,980	₱1,045,622,876	

Under Republic Act No. 11494, also known as "Bayanihan to Recover As One Act" and Revenue Regulations No. 25-2020, NOLCO incurred for the taxable years 2020 and 2021 will be carried over for the next five (5) consecutive taxable years immediately following the year of such loss.

Details of the Company's MCIT over RCIT are as follows:

Year Incurred	Amount	Additions	Expired	Balance	Valid Until
2022	₱-	₱3,983,074	₱-	₱3,983,074	2025
2021	5,324,366	-	-	5,324,366	2024
2020	4,582,589	-	-	4,582,589	2023
2019	5,409,829	-	5,409,829	-	2022
	₱15,316,784	₱3,983,074	₱5,409,829	₱13,890,029	

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

	2022	2021	2020
Income tax computed at statutory tax rate	₱56,557,019	₱233,256,601	₱283,020,717
Add (deduct) tax effects of:			
Dividend income	(75,000,000)	(148,312,500)	(600,000)
Expired NOLCO	42,848,745	-	-
Difference in income and statutory rates	(22,981,242)	(23,504,522)	(23,921,619)
Expired MCIT	5,409,829	-	-
Nondeductible expenses	3,196,502	4,376,140	1,200,762
Net loss (gain) on sale of shares	2,940,871	-	(40,500,000)
Interest income subjected to final tax	(1,207,510)	(112,381)	(808,479)
Realized gain on disposals of financial assets at FVPL subjected to final tax	(860,927)	(1,201,951)	(1,822,913)
Unrealized holding losses (gains) on financial assets at FVPL	(331,342)	1,713,914	(3,058,076)
Stock options outstanding	20,416	148,653	1,945,666
Stock issuance costs	-	(7,399,841)	-
Change in unrecognized deferred tax assets	22,737,782	-	-
Impact of changes in tax rates under CREATE Law	-	(127,079,801)	-
	₱33,330,143	(₱68,115,688)	₱215,456,058

PEZA Registration

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

Under the PEZA Registration Agreement, ACPT is entitled to:

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

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

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

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) was approved and signed into law by the country’s President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years up to June 30, 2023. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

The income tax rates, however, used in preparing the separate financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively. Hence, the adjustment to the provision for current and deferred income tax presented under profit or loss as a result of the enactment of CREATE Law amounted to ₱127.1 million in 2021.

For 2022 and 2021, the Company used RCIT and MCIT rates of 25% and 1%, respectively.

24. Reconciliation of Liabilities Arising from Financing Activities

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

	Financing Cash Flows			Non-Cash Changes	
	January 1, 2022	Availments/Additions	Payments	Movements on Debt Issue Cost	December 31, 2022
Loans payable	₱5,732,565,136	₱2,425,000,000	(₱2,957,723,970)	₱8,039,272	₱5,207,880,438
Bonds payable	2,966,594,179	3,000,000,000	-	(40,823,031)	5,925,771,148
Advances from subsidiaries	285,687,473	138,280	-	-	285,825,753
Dividends payable	6,515,393	313,093,142	(312,514,786)	-	7,093,749
	₱8,991,362,181	₱5,738,231,422	(₱3,270,238,756)	(₱32,783,759)	₱11,426,571,088

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

25. Financial Risk Management Objectives and Policies

The Company's financial instruments comprise cash and equivalents, financial assets at FVPL, receivables (excluding accrued rent receivable under straight-line basis of accounting), advances to and from subsidiaries, amounts held in escrow, deposits, loans and bonds payable and, accounts payable and other liabilities (excluding statutory payables, advance rent and other payables).

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

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

Credit Risk

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

Trade Receivables

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms, and conditions are offered. The Company's credit policy includes available external ratings, financial statements, credit agency information, industry information and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from upper level of management. The Company limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. Historically, trade receivables are substantially collected within one (1) year and it has no experience of writing-off or impairing its trade receivables due to the effectiveness of its collection. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Company. Also, customers are required to deposit postdated checks to the Company covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. Trade receivables from lease are closely monitored on aging of the account. As at December 31, 2022 and 2021, there were no significant credit concentrations. The maximum exposure at the end of the reporting period is the carrying amount of trade receivables.

Other Financial Assets at Amortized Cost

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

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

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

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

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

Financial Assets at FVPL

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

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

Assets that are credit-impaired are separately presented.

	2022				
	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*	₱3,791,324,815	₱-	₱-	₱-	₱3,791,324,815
Financial assets at FVPL	-	-	-	1,423,105,283	1,423,105,283
Receivables**	883,918,078	160,428,180	1,746,790	-	1,046,093,048
Advances to subsidiaries	5,549,213,491	-	3,261,249	-	5,552,474,740
Amounts held in escrow	128,177,336	-	-	-	128,177,336
Deposits	56,875,983	-	-	-	56,875,983
	₱10,409,509,703	₱160,428,180	₱5,008,039	₱1,423,105,283	₱11,998,051,205

*Excludes cash on hand amounting to ₱65,000 as at December 31, 2022.

**Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱44.6 million as at December 31, 2022.

	2021				
	Financial assets at amortized cost			Financial Assets at FVPL	Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	₱952,678,651	₱-	₱-	₱-	₱952,678,651
Financial assets at FVPL	-	-	-	3,878,132,080	3,878,132,080
Receivables**	577,433,360	182,863,087	368,292	-	760,664,739
Advances to subsidiaries	4,928,041,961	-	3,261,249	-	4,931,303,210
Amounts held in escrow	105,679,411	-	-	-	105,679,411
Deposits	38,972,963	-	-	-	38,972,963
	₱6,602,806,346	₱182,863,087	₱3,629,541	₱3,878,132,080	₱10,667,431,054

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

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

Liquidity Risk

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

The table below summarizes the maturity profile of the financial liabilities of the Company based on remaining contractual undiscounted cash flows as at December 31, 2022 and 2021:

	2022					
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	₱-	₱2,300,000,000	₱1,325,000,000	₱1,600,000,000	₱-	₱5,225,000,000
Bonds payable	-	-	-	3,000,000,000	3,000,000,000	6,000,000,000
Accounts payable and other liabilities*	25,804,383	410,501,738	-	-	-	436,306,121
Advances from subsidiaries	285,825,753	-	-	-	-	285,825,753
	₱311,630,136	₱2,710,501,738	₱1,325,000,000	₱4,600,000,000	₱3,000,000,000	₱11,947,131,874

*Excludes statutory payables, advance rent and other payables aggregating to ₱156.9 million as at December 31, 2022.

	2021					
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	₱-	₱2,832,723,970	₱325,000,000	₱1,000,000,000	₱1,600,000,000	₱5,757,723,970
Bonds payable	-	-	-	-	3,000,000,000	3,000,000,000
Accounts payable and other liabilities*	53,006,597	1,056,096,409	-	-	-	1,109,103,006
Advances from subsidiaries	285,687,473	-	-	-	-	285,687,473
	₱338,694,070	₱3,888,820,379	₱325,000,000	₱1,000,000,000	₱4,600,000,000	₱10,152,514,449

*Excludes statutory payables, advance rent and other payables aggregating to ₱89.7 million as at December 31, 2021.

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

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

Interest Rate Risk

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

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

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

Impact of COVID-19

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

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

Capital Management

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

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

	2022	2021
Total liabilities	₱12,708,626,004	₱10,965,019,192
Total equity	8,006,069,644	8,083,212,212
Debt-to-equity ratio	1.59:1:00	1.36:1:00

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

26. Fair Value Measurement

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

	Note	Carrying Amount	2022 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	5	₱1,423,105,283	₱1,423,105,283	₱-	₱-
Investment properties	8	6,425,955,565	-	216,962,168	6,208,993,397
Asset for which fair value is disclosed -					
Financial assets at amortized cost - Deposits	11	56,875,983	-	-	56,875,983
		₱7,905,936,831	₱1,423,105,283	₱216,962,168	₱6,265,869,380
Liability for which fair value is disclosed:					
Loans payable	12	₱5,207,880,438	₱-	₱-	₱5,201,514,874
Bonds payable	13	5,925,771,148	-	-	5,939,331,371
		₱11,133,651,586	₱-	₱-	₱11,140,846,245

		2021			
		Fair Value			
	Note	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	5	₱3,878,132,080	₱3,878,132,080	₱-	₱-
Investment properties	8	6,168,286,293	-	182,840,888	5,985,445,405
Asset for which fair value is disclosed -					
Financial assets at amortized cost - Deposits					
	11	38,972,963	-	-	36,121,963
		₱10,085,391,336	₱3,878,132,080	₱182,840,888	₱6,021,567,368
Liability for which fair value is disclosed:					
Loans payable	12	₱5,732,565,136	₱-	₱-	₱5,892,367,221
Bonds payable	13	2,966,594,179	-	-	3,003,560,199
		₱8,699,159,315	₱-	₱-	₱8,895,927,420

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

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

Investment Properties. The fair value of ACPT, parking lots in Arya Residences and land were determined using discounted cash flow approach and market data approach.

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

The table below presents the financial assets and liabilities of the Company whose carrying amounts approximate fair values as at December 31, 2022 and 2021:

	2022	2021
Financial assets:		
Cash and cash equivalents	₱3,791,389,815	₱952,733,651
Receivables*	1,043,977,966	760,296,447
Advances to subsidiaries	5,549,213,491	4,928,041,961
Amounts held in escrow	128,177,336	105,679,411
	₱10,512,758,608	₱6,746,751,470
Financial liabilities:		
Accounts payable and other liabilities**	₱436,306,121	₱1,109,103,006
Advances from subsidiaries	285,825,753	285,687,473
	₱722,131,874	₱1,394,790,479

*Excludes accrued rent receivables under straight-line basis of accounting aggregating to ₱44.6 million and ₱62.4 million as at December 31, 2022 and 2021, respectively.

**Excludes advance rent, statutory liabilities and other payables aggregating ₱156.9 million and ₱89.7 million as at December 31, 2022 and 2021, respectively.

27. Classification of Separate Statements of Financial Position Accounts

The Company's current portions of its assets and liabilities as at December 31, 2022 and 2021 are as follows:

	Note	2022	2021
Current Assets			
Cash and cash equivalents	4	₱3,791,389,815	₱952,733,651
Financial assets at FVPL	5	1,423,105,283	3,878,132,080
Receivables	6	1,088,615,780	822,701,165
Real estate for sale	7	253,326,479	–
CWT		376,059,375	343,165,774
Advances to subsidiaries	10	5,549,213,491	4,928,041,961
Other assets*	11	208,957,454	413,813,490
		₱12,690,667,677	₱11,338,588,121

*Excludes deposits and deferred input VAT aggregating to ₱59.5 million and ₱44.0 million as at December 31, 2022 and 2021, respectively.

	Note	2022	2021
Current Liabilities			
Current portion of loans payable	12	₱2,300,000,000	₱2,832,723,970
Accounts payable and other liabilities	14	593,234,279	1,198,780,388
Advances from subsidiaries	20	285,825,753	285,687,473
		₱3,179,060,032	₱4,317,191,831

28. Events After Reporting Period

Declaration of Cash Dividends

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

Class of shares	Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share
Series C Preferred Shares	January 25, 2023	March 1, 2023	March 27, 2023	₱17,319,000	₱1.7319
Series D Preferred Shares	January 25, 2023	February 8, 2023	March 3, 2023	45,000,000	7.5000

The dividends shall be taken out of the unrestricted earnings of the Company as at December 31, 2022.



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

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

We have audited the accompanying separate financial statements of Arthaland Corporation (the Company), as at and for the years ended December 31, 2022 and 2021, on which we have rendered our report dated March 22, 2023.

In compliance with the Revised Securities Regulations Code Rule 68, we are stating that the Company has 1,921 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. 08-005144-012-2023

Valid until January 24, 2026

PTR No. 9564565

Issued January 3, 2023, Makati City

March 22, 2023

Makati City, Metro Manila



**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of Arthaland Corporation (the Company) as at December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020 and have issued our report thereon dated March 22, 2023. Our audits were made for the purpose of forming an opinion on the separate financial statements taken as a whole. The accompanying Schedule of Unappropriated Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a part of the separate financial statements. This information has been subjected to the auditing procedures applied in the audits of the separate financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the separate financial statements or to the separate financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the separate financial statements taken as a whole.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

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

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March 22, 2023

Makati City, Metro Manila

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

**SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2022**

Unappropriated retained earnings, beginning		₱3,094,085,517
Adjustments:		
Cumulative gain on change in fair value of investment properties	(2,456,013,533)	
Unrealized holding gain on financial assets at FVPL	6,855,655	(2,449,157,878)
Unappropriated retained earnings, as adjusted, beginning		644,927,639
Add: Net income actually earned/realized during the period		
Net income during the year closed to retained earnings		192,897,934
Less: Non-actual/unrealized income and realized loss, net of tax		
Gain on change in fair value of investment properties	(190,985,045)	
Realized holding loss on financial assets at FVPL	(6,855,655)	
Unrealized holding gain on financial assets at FVPL	<u>(1,325,368)</u>	(199,166,068)
Cash dividends		(313,093,142)
Unappropriated retained earnings, as adjusted, ending		<u>₱325,566,363</u>
