

COVER SHEET

for AUDITED SEPARATE FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

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	Department requiring the report	Secondary License Type, If Applicable												
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A	A	S	F	S										
C	R	M	D											
N	/	A												

COMPANY INFORMATION		
Company's Email Address	Company's Telephone Number/s	Mobile Number
ALCO@arthaland.com	(02) 8-403-6910	(+63) 917 509 3413
No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
1,921	Last Friday of June	December 31

CONTACT PERSON INFORMATION			
The designated contact person <i>MUST</i> be an Officer of the Corporation			
Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Marivic S. Victoria	msvictoria@arthaland.com	(02) 8-403-6910	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

THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
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Company Information

SEC Registration No.: AS94007160

Company Name: ARTHALAND CORPORATION

Industry Classification: K70120

Company Type: Stock Corporation

Document Information

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Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2023

Submission Type: Parent

Remarks: None

Acceptance of this document is subject to review of forms and contents

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Company TIN: **004-450-721**

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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 2023, 2022 and 2021**, 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.

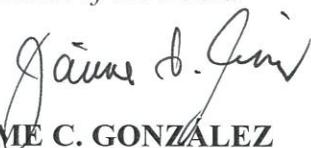
Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Corporation in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of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

Signed this 20th day of **March 2024**, **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, 2023 and 2022, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2023, 2022 and 2021, and notes to separate financial statements, including a summary of material accounting policy information.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2023 and 2022, and its separate financial performance and its separate cash flows for the years ended December 31, 2023, 2022 and 2021 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

BIR Accreditation No. 08-005144-012-2023

Valid until January 24, 2026

PTR No. 10072412

Issued January 2, 2024, Makati City

March 20, 2024

Makati City, Metro Manila

ARTHALAND CORPORATION
SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2023	2022
ASSETS			
Cash and cash equivalents	4	₱4,040,018,465	₱3,791,389,815
Financial assets at fair value through profit or loss (FVPL)	5	294,175,235	1,423,105,283
Receivables	6	1,164,164,934	1,088,615,780
Real estate for sale	7	254,943,999	253,326,479
Investment properties	8	6,737,104,251	6,425,955,565
Property and equipment	9	248,520,256	249,927,520
Investments in and advances to subsidiaries	10	6,925,558,072	6,801,817,518
Creditable withholding taxes		401,248,045	376,059,375
Net retirement asset	21	14,151,768	36,058,483
Other assets	11	255,616,456	268,439,830
		₱20,335,501,481	₱20,714,695,648
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and other liabilities	14	₱643,631,950	₱593,234,279
Advances from subsidiaries	20	285,896,319	285,825,753
Loans payable	12	4,810,948,582	5,207,880,438
Bonds payable	13	5,941,522,413	5,925,771,148
Net deferred tax liabilities	23	551,925,818	695,914,386
Total Liabilities		12,233,925,082	12,708,626,004
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		3,073,358,742	2,973,890,309
Treasury shares	15	(2,000,000,000)	(2,000,000,000)
Cumulative remeasurement gains on net retirement asset - net of tax	21	41,938,181	45,899,859
Stock options	15	7,161,827	7,161,827
Total Equity		8,101,576,399	8,006,069,644
		₱20,335,501,481	₱20,714,695,648

See accompanying Notes to Separate Financial Statements.

ARTHALAND CORPORATION
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2023	2022	2021
REVENUES				
Leasing operations	8	₱329,289,020	₱296,902,183	₱314,551,426
Project management and developer's fees	20	186,365,898	252,156,099	455,532,291
		515,654,918	549,058,282	770,083,717
COST OF SERVICES				
Cost of leasing operations	8	114,793,032	105,889,354	97,883,482
Cost of services	16	97,827,257	91,655,228	100,978,536
		212,620,289	197,544,582	198,862,018
GROSS INCOME		303,034,629	351,513,700	571,221,699
OPERATING EXPENSES	17	(422,887,356)	(363,158,281)	(282,329,191)
FINANCE COSTS	18	(824,636,918)	(497,303,954)	(452,438,712)
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	8	307,152,883	254,646,727	398,849,633
OTHER INCOME - Net	19	968,832,934	480,529,885	697,722,973
INCOME BEFORE INCOME TAX		331,496,172	226,228,077	933,026,402
PROVISION FOR (BENEFIT FROM) INCOME TAX	23	(81,065,403)	33,330,143	(68,115,688)
NET INCOME		412,561,575	192,897,934	1,001,142,090
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Not to be reclassified to profit or loss -</i>				
Remeasurement gains (losses) on net retirement asset	21	(5,282,238)	57,294,636	11,937,185
Income tax benefit (expense) relating to item that will not be reclassified	23	1,320,560	(14,323,659)	(2,984,296)
		(3,961,678)	42,970,977	8,952,889
TOTAL COMPREHENSIVE INCOME		₱408,599,897	₱235,868,911	₱1,010,094,979

See accompanying Notes to Separate Financial Statements.

ARTHALAND CORPORATION
SEPARATE STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	2023	2022	2021
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	48,500,000	42,500,000
Issuance of preferred shares		-	-	6,000,000
Balance at end of year		48,500,000	48,500,000	48,500,000
		1,005,757,136	1,005,757,136	1,005,757,136
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year	15	5,973,360,513	5,973,360,513	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	5,973,360,513
TREASURY SHARES - redemption of 20.0 million Series B Preferred Shares				
	15	(2,000,000,000)	(2,000,000,000)	(2,000,000,000)
STOCK OPTIONS				
Balance at beginning of the year	15	7,161,827	7,080,164	6,485,553
Fair value of stock options		-	81,663	594,611
Balance at end of year		7,161,827	7,161,827	7,080,164
RETAINED EARNINGS				
Balance at beginning of year		2,973,890,309	3,094,085,517	2,366,952,569
Net income		412,561,575	192,897,934	1,001,142,090
Dividends declared during the year	15	(313,093,142)	(313,093,142)	(274,009,142)
Balance at end of year		3,073,358,742	2,973,890,309	3,094,085,517
CUMULATIVE REMEASUREMENT GAINS (LOSSES) ON NET RETIREMENT ASSET - Net of tax				
Balance at beginning of year	21	45,899,859	2,928,882	(5,622,407)
Remeasurement gains (losses) on net retirement asset		(5,282,238)	57,294,636	11,937,185
Income tax benefit (expense) relating to other comprehensive income	23	1,320,560	(14,323,659)	(2,984,296)
Effect of changes in tax rates		-	-	(401,600)
Balance at end of year		41,938,181	45,899,859	2,928,882
		₱8,101,576,399	₱8,006,069,644	₱8,083,212,212

See accompanying Notes to Separate Financial Statements.

ARTHALAND CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱331,496,172	₱226,228,077	₱933,026,402
Adjustments for:				
Interest expense	12	823,187,326	495,835,606	450,402,017
Interest income	4	(382,004,220)	(168,194,085)	(88,277,902)
Gain on change in fair value of investment properties	8	(307,152,883)	(254,646,727)	(398,849,633)
Depreciation and amortization	9	33,776,954	29,817,269	28,131,656
Realized gain on disposals of financial assets at FVPL	5	(26,739,011)	(17,308,102)	(18,837,880)
Retirement expense	21	16,624,477	25,504,155	26,172,765
Unrealized foreign exchange gains		3,761,137	(4,969,773)	(4,496)
Unrealized holding losses (gains) on financial assets at FVPL	5	1,741,646	(1,325,368)	6,855,655
Net amortization of initial direct leasing costs	8	1,357,221	3,834,926	6,590,360
Loss (gain) on disposal of property and equipment	9	857,717	(369,071)	545,561
Net loss on sale and purchase of investments in subsidiaries	10	–	11,763,485	895,593
Write-off of receivables from non-affiliated entity	6	–	6,753,978	11,559,066
Provision for expected credit loss	6	–	1,746,790	–
Stock options	15	–	81,663	594,611
Operating income before working capital changes		496,906,536	354,752,823	958,803,775
Decrease (increase) in:				
Receivables		78,364,675	(130,371,502)	(305,317,605)
Real estate for sale		(1,617,520)	(253,326,479)	–
Other assets		19,098,430	189,352,687	(184,270,757)
Increase (decrease) in accounts payable and other liabilities		170,955,055	(470,632,951)	673,030,480
Net cash generated from (used in) operations		763,707,176	(310,225,422)	1,142,245,893
Interest paid		(918,517,729)	(623,287,848)	(440,594,408)
Interest received on cash and cash equivalents		228,090,391	24,150,204	2,247,625
Income tax paid		(86,791,275)	(50,293,035)	(67,181,657)
Contributions to retirement plan assets	21	–	(120,000,000)	–
Net cash provided by (used in) operating activities		(₱13,511,437)	(1,079,656,101)	₱636,717,453

(Forward)

		Years Ended December 31		
	Note	2023	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of:				
Financial assets at FVPL		₱6,499,259,561	₱7,166,814,890	₱4,763,448,444
Property and equipment		3,327,270	19,065,260	5,215,796
Investments in and advances to subsidiaries	10	-	-	446,800,000
Additions to:				
Financial assets at FVPL	5	(5,345,332,148)	(4,693,154,623)	(5,822,500,000)
Property and equipment	9	(34,226,996)	(53,667,042)	(24,201,072)
Software and licenses	11	(8,602,737)	-	-
Investment properties	8	(5,353,024)	(6,857,471)	(6,874,696)
Increase in investments in and advances to subsidiaries		(123,740,554)	(621,171,530)	(940,794,069)
Purchase of investment in and advances to a subsidiary	10	-	-	(762,340,790)
Net cash provided by (used in) investing activities		985,331,372	1,811,029,484	(2,341,246,387)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of loans payable	12	(3,330,000,000)	(2,957,723,970)	(2,597,504,338)
Net proceeds from:				
Loans payable	12	2,925,000,000	2,425,000,000	4,166,754,338
Bonds payable	13	-	2,959,176,969	-
Payment of dividends	24	(314,500,714)	(312,514,786)	(273,052,780)
Proceeds from (payments of) advances from subsidiaries	20	70,566	(11,625,205)	(106,881,453)
Issuance of preferred shares	15	-	-	2,970,400,635
Redemption of shares	15	-	-	(2,000,000,000)
Net cash provided by (used in) financing activities		(719,430,148)	2,102,313,008	2,159,716,402
NET EFFECT OF EXCHANGE RATE CHANGES TO CASH AND CASH EQUIVALENTS				
		(3,761,137)	4,969,773	4,496
NET INCREASE IN CASH AND CASH EQUIVALENTS		248,628,650	2,838,656,164	455,191,964
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		3,791,389,815	952,733,651	497,541,687
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		₱4,040,018,465	₱3,791,389,815	₱952,733,651
COMPONENTS OF CASH AND CASH EQUIVALENTS				
Cash on hand	4	₱65,000	₱65,000	₱55,000
Cash in banks		575,880,335	182,540,939	48,685,873
Cash equivalents		3,464,073,130	3,608,783,876	903,992,778
		₱4,040,018,465	₱3,791,389,815	₱952,733,651

(Forward)

		Years Ended December 31		
	Note	2023	2022	2021
(NONCASH FINANCIAL INFORMATION)				
Reclassification of investment to advances	10	₱65,800,000	₱-	₱-
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, 2023 AND 2022 AND FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

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 37.94% owned by CPG Holdings, Inc. (CPG), a holding company incorporated in the Philippines, and 26.02% 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

ALCO's first major development project is the Arya Residences Towers 1 and 2 (Arya Residences) located in BGC, Taguig City, completed on December 31, 2016. Arya Residences is the first top-market residential condominium development in the Philippines to be awarded with Leadership in Energy and Environmental Design™ (LEED™) Gold certification by the US Green Building Council (USGBC) and Building for Ecologically Responsive Design Excellence (BERDE) 4-Star rating by the Philippine Green Building Council (PHILGBC). In 2020, the building earned another certification from PHILGBC, Advancing Net Zero/PH 3-Star.

In 2014, the Company started the construction of Arthaland Century Pacific Tower (ACPT) in BGC, ALCO's flagship office project. Completed in 2019, 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 became the first office building in the Philippines to secure the dual certification of the highest rating, USGBC's LEED Platinum and PHILGBC's BERDE as 5-Star in 2018. It is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise (see Note 23).

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 Excellence in Design for Greater Efficiencies (EDGE) green building rating system. This recognition is in addition to its LEED and BERDE certifications achieved previously. Since 2020, ACPT has been awarded the WELL™ Health-Safety Rating by the International WELL Building Institute™ (IWBI™), certifying buildings with operational standards that address critical health and safety issues.

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, master planned development which will have commercial, residential, and retail components.

ALCO is in the final phase of the acquisition of a property with a gross land area of 3.6 hectares located at the entry of one of the most prime CBDs in Metro Manila. The general area of the property is expected to benefit substantially from upcoming public infrastructure. The property is expected to result in 2.6 hectares of land, net of road lots. ALCO intends to complete the acquisition in phases which will allow it to manage funding requirements over time. ALCO plans to develop the property into a boutique master planned mixed-use community. The development is envisioned to have quadruple certification from LEED, BERDE, EDGE and WELL certification programs of the USGBC, PGBC, IFC and Well Institute. Based on initial plans, the Project will feature twelve residential towers that will cater to both the upscale and midscale markets as well as some retail or commercial segment to support the residents of the area. This project is expected to support ALCO's objective of maintaining a continuous pipeline of projects by scheduling the launch of the twelve residential towers in phases from 2025 to 2040. Completion will likewise be done in phases between 2029 to 2043.

Approval of the Separate Financial Statements

The separate financial statements of the Company as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 were approved and authorized for issue by the BOD on March 20, 2024, as reviewed and recommended for approval by the Audit Committee on the same date.

2. Summary of Material Accounting Policy Information

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 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.

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 Amendments to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS which the Company adopted 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.
- 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.
- 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.
- Amendments to PAS 1, *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 adoption of the amendments to PFRS did not materially affect the separate financial statements of the Company. Additional disclosures were included in the notes to separate financial statements, as applicable.

Amendments to PFRS Already Issued But Not Yet Effective

Relevant amendments to PFRS which are not yet effective as at December 31, 2023 and have not been applied in preparing the separate financial statements, are summarized below.

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

- 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 amendments to 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.

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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.

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, 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 to 5

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, software and licenses, deferred input value-added tax (VAT) and materials and supplies.

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.

Software and Licenses. Software and licenses are stated at cost less accumulated amortization and any impairment losses. Software and licenses are being amortized on a straight-line basis over ten (10) years and amortization is recognized in profit or loss. Amortization period and amortization method is reviewed at each reporting date. Any change in the useful life of the asset or the expected pattern of consumption of the future economic benefits embodied in the asset is recognized prospectively.

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

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

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

Amounts held in escrow and deposits qualify as financial assets.

Impairment of Nonfinancial Assets

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

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

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

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

Advance Rent

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

Debt Issue Costs

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

Capital Stock

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

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

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

Additional Paid-in Capital

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

Retained Earnings

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

Treasury Shares

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

OCI

Other components of equity comprise of items of income and expense that are not recognized in profit or loss for the year. OCI pertains to cumulative remeasurement gains (losses) on net retirement 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 Developer's 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 contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified asset 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, 2023 and 2022, 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, 2023 and 2022 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, 2023 and 2022 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 2023, 2022 and 2021 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, 2023 and 2022 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 2023, 2022 and 2021, the amounts of allowance for ECL and the carrying amounts of the Company's trade receivables as at December 31, 2023 and 2022 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 2023, 2022 and 2021.

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 2023. The carrying amounts of real estate for sale as at December 31, 2023 and 2022 are disclosed in Note 7.

Determining the 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, 2023 and 2022 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 2023, 2022 and 2021. The carrying amounts of property and equipment as at December 31, 2023 and 2022 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 2023, 2022 and 2021.

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 the 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 2023 and 2022, and the net retirement asset as at December 31, 2023 and 2022 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, a portion of deferred tax assets was not recognized.

As at December 31, 2023 and 2022, 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:

	2023	2022
Cash on hand	₱65,000	₱65,000
Cash in banks	575,880,335	182,540,939
Cash equivalents	3,464,073,130	3,608,783,876
	₱4,040,018,465	₱3,791,389,815

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	2023	2022	2021
Cash in banks		₱2,435,175	₱839,988	₱1,318,999
Cash equivalents		225,655,216	23,310,216	928,626
Advances to subsidiaries	20	153,913,829	144,043,881	86,030,277
		₱382,004,220	₱168,194,085	₱88,277,902

5. Financial Assets at FVPL

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

	Note	2023	2022
Balance at beginning of year		₱1,423,105,283	₱3,878,132,080
Additions		5,345,332,148	4,693,154,623
Disposals		(6,472,520,550)	(7,149,506,788)
Unrealized holding gains (losses)	19	(1,741,646)	1,325,368
Balance at end of year		₱294,175,235	₱1,423,105,283

Realized gain on disposals of financial assets at FVPL amounted to ₱26.7 million in 2023, ₱17.3 million in 2022 and ₱18.8 million in 2021 (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	2023	2022
Trade receivables from:			
Leasing	22	₱157,561,132	₱119,967,731
Project management and development	20	90,357,461	40,460,449
Interest receivable on advances to subsidiaries	20	622,802,342	453,497,130
Dividend receivable	20	150,000,000	300,000,000
Due from related parties	20	43,082,172	41,735,930
Accrued rent receivable	22	20,594,158	44,637,814
Advances to employees		12,674,107	8,553,562
Other receivables		68,840,352	81,509,954
		1,165,911,724	1,090,362,570
Allowance for ECL		(1,746,790)	(1,746,790)
		₱1,164,164,934	₱1,088,615,780

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.

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

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.

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

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).

Provision for ECL amounted to ₱1.7 million in 2022. This is 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 amounting to ₱254.9 million and ₱253.3 million as at December 31, 2023 and 2022, respectively.

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 (see Note 1).

NRV of Real Estate for Sale

As at December 31, 2023, 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, 2023.

8. Investment Properties

Investment properties consist of:

	2023	2022
ACPT	₱6,493,588,037	₱6,182,841,903
Land	216,962,168	216,962,168
Arya Residences - parking slots	26,554,046	26,151,494
	₱6,737,104,251	₱6,425,955,565

Movements of this account follow:

	2023	2022	2021
Balance at beginning of year, at cost	₱2,724,238,029	₱2,717,380,558	₱2,710,505,862
Development costs incurred	5,353,024	6,857,471	6,874,696
Balance at end of year, at cost	2,729,591,053	2,724,238,029	2,717,380,558
Cumulative gain on change in fair value	6,728,361,177	6,415,855,270	6,154,351,072
Unamortized initial direct leasing costs	8,743,074	10,100,295	13,935,221
Balance at end of year, at fair value	₱6,737,104,251	₱6,425,955,565	₱6,168,286,293

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

	2023	2022	2021
Balance at beginning of year	₱3,691,617,241	₱3,436,970,514	₱3,038,120,881
Gain on change in fair value	307,152,883	254,646,727	398,849,633
Balance at end of year	₱3,998,770,124	₱3,691,617,241	₱3,436,970,514

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

	2023	2022
Balance at beginning of year	₱10,100,295	₱13,935,221
Additions	3,788,837	3,837,760
Amortization	(5,146,058)	(7,672,686)
Balance at end of year	₱8,743,074	₱10,100,295

ACPT

The carrying amount of ACPT includes offices units and parking slots for lease. ACPT is used as collateral for loans payable amounting to ₱1,094.7 million and ₱1,420.4 million as at December 31, 2023 and 2022, 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 ₱217.0 million as at December 31, 2023 and 2022.

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 ₱329.3 million in 2023, ₱296.9 million in 2022 and ₱314.6 million in 2021 (see Note 22) and incurred direct cost of leasing amounting to ₱114.8 million in 2023, ₱105.9 million in 2022 and ₱97.9 million in 2021.

Cost of leasing operations consists of:

	Note	2023	2022	2021
Condominium dues		₱55,440,636	₱54,413,528	₱46,690,531
Rentals	20	32,749,566	30,953,396	27,121,071
Real property taxes		10,598,976	10,598,976	10,598,976
Utilities		1,129,670	1,520,278	322,635
Consultancy fees		995,731	3,615,768	1,450,446
Security services		943,120	858,795	1,414,026
Janitorial		694,778	601,876	1,646,928
Repairs and maintenance		310,737	179,787	1,126,955
Depreciation	9	137,608	244,915	1,673,102
Others		11,792,210	2,902,035	5,838,812
		₱114,793,032	₱105,889,354	₱97,883,482

Other cost of leasing operations postal and communication and various miscellaneous expenses.

Fair Value Measurement

Details of the valuation techniques used in measuring fair values of investment properties, as appraised by an SEC-accredited and independent appraiser in its report as at December 31, 2023, are classified under Levels 2 and 3 of the fair value hierarchy as follows:

Class of Property	Valuation Technique	Significant Inputs	Range	
			2023	2022
ACPT	Discounted cash flow (DCF) approach	Discount rate	8.97%	9.07%
		Rental rate for an office unit per square meter (per sqm)	₱1,800	₱1,717
		Rental rate per slot	₱8,250	₱8,025
		Calculated no. of net leasable area (total sqm)	18,059	18,059
		Vacancy rate	–	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	8.97%		9.07%
	Vacancy rate	10%		10%
Land	Market data approach	Income tax rate	25%	25%
		Price per sqm	₱2,000	₱2,000
		Value adjustments	-30% to -5%	-25% to 10%

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

Discounted Cash Flow Approach

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

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

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

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

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:

	2023		Total
	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Balance at beginning of year	₱216,962,168	₱6,208,993,397	₱6,425,955,565
Gain on change in fair value	–	307,152,883	307,152,883
Development costs incurred		5,353,024	5,353,024
Net initial direct leasing costs	–	(1,357,221)	(1,357,221)
Balance at end of year	₱216,962,168	₱6,520,142,083	₱6,737,104,251

	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
Net 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

There are no transfers between the levels of fair value hierarchy in 2023, 2022 and 2021.

9. Property and Equipment

The balances and movements of this account consist of:

2023					
	Building and Building Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost					
Balance at beginning of year	₱208,111,650	₱79,808,826	₱40,542,340	₱13,716,683	₱342,179,499
Additions	6,615,722	19,989,289	6,641,107	980,878	34,226,996
Disposals	-	(25,669,642)	-	-	(25,669,642)
Balance at end of year	214,727,372	74,128,473	47,183,447	14,697,561	350,736,853
Accumulated Depreciation					
Balance at beginning of year	15,175,813	34,848,637	30,383,460	11,844,069	92,251,979
Depreciation	4,170,799	19,652,250	6,585,134	1,041,090	31,449,273
Disposals	-	(21,484,655)	-	-	(21,484,655)
Balance at end of year	19,346,612	33,016,232	36,968,594	12,885,159	102,216,597
Carrying Amount	₱195,380,760	₱41,112,241	₱10,214,853	₱1,812,402	₱248,520,256

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

As at December 31, 2023 and 2022, fully depreciated property and equipment amounting to ₱45.9 million and ₱35.3 million, respectively, are still being used by the Company.

The Company sold property and equipment with carrying amount of ₱4.2 million in 2023, ₱4.5 million in 2022 and ₱5.8 million in 2021, which resulted to loss on disposal of ₱857,717 in 2023, gain on disposal of ₱369,071 in 2022, and loss on disposal of ₱545,561 in 2021 (see Note 19).

Depreciation and amortization, which includes depreciation of property and equipment and amortization of software and licenses, were recognized in the following:

	Note	2023	2022	2021
Operating expense	17	₱33,639,346	₱29,572,354	₱26,458,554
Cost of leasing operations	8	137,608	244,915	1,673,102
		₱33,776,954	₱29,817,269	₱28,131,656

10. Investments in and Advances to Subsidiaries

This account consists of:

	Note	2023	2022
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
Bhavya Properties, Inc. (Bhavya)		81,300,000	15,000,000
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
Urban Property Holdings, Inc. (UPHI)		14,667,361	80,467,361
Kashtha Holdings, Inc. (KHI)		7,499,800	7,499,800
Arthaland Property Prestige Solutions, Inc. (APPS)		7,000,000	250,000
Cazneau Inc. (Cazneau)		1,000,000	1,000,000
		1,265,086,054	1,257,836,054
Allowance for impairment		(5,232,027)	(5,232,027)
		1,259,854,027	1,252,604,027
Advances to subsidiaries:			
	20		
CLLC		3,336,796,699	3,336,778,117
Cazneau		785,834,002	742,317,243
ZLDC		432,140,985	432,138,939
Bhavana		331,800,000	331,800,000
Bhavya		314,408,714	314,408,714
KHI		296,767,527	296,760,701
UPHI		160,928,427	88,627,522
MPI		6,221,503	5,857,429
APPS		3,247,353	2,966,916
PLI		820,084	819,159
		5,668,965,294	5,552,474,740
Allowance for ECL		(3,261,249)	(3,261,249)
		5,665,704,045	5,549,213,491
		₱6,925,558,072	₱6,801,817,518

On October 26, 2023, the Parent Company's BOD approved the subscription to 663,000 preferred shares of Bhavya with par value of ₱1.0 per share for ₱66.3 million. On the same date, the BOD also approved the subscription to 67,500 common shares of APPS (formerly Emera Property Management, Inc.) at ₱100.0 per share or a total of ₱6.8 million.

In March 2023, the BOD of UPHI approved the reclassification of deposit for future subscription of the Company into advances amounting to ₱65.8 million.

The Company's interest on the following subsidiaries follows:

Subsidiary	Place of Incorporation	Percentage of Ownership	
		2023	2022
Cazneau	Philippines	100%	100%
MPI	Philippines	100%	100%
APPS	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%
Savya Land Development Corporation (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 APPS 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.

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.

Subscription Payable

The Company has the following unpaid subscriptions on subsidiaries as at December 31, 2023 and 2022 (see Note 14):

ZLDC	₱37,500,000
PLI	18,750,000
	<u>₱56,250,000</u>

11. Other Assets

This account consists of:

	Note	2023	2022
Amounts held in escrow	12	₱128,154,209	₱128,177,336
Deposits		58,242,651	56,875,983
Advances for project development		33,586,522	29,074,654
Software and licenses		27,999,409	22,297,372
Prepaid:			
Insurance		3,448,861	3,222,069
Taxes		1,095,165	22,943,172
Others		295,278	1,900,942
Deferred input VAT		1,452,452	2,606,393
Materials and supplies		1,341,909	1,341,909
		₱255,616,456	₱268,439,830

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 ₱1,094.7 million and ₱1,420.4 million as at December 31, 2023 and 2022, 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 ₱28.0 million and ₱22.3 million as at December 31, 2023 and 2022, respectively. Additions to software and licenses amounted to ₱8.6 million in 2023. Amortization of software and licenses recorded as part of "Depreciation and amortization" account in the statements of comprehensive income amounted to ₱2.9 million and ₱0.5 million in 2023 and 2022, respectively (see Note 9).

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

12. Loans Payable

This account consists of outstanding loans with local banks amounting to ₱4,810.9 million and ₱5,207.9 million as at December 31, 2023 and 2022, respectively.

Movements of this account follow:

	2023	2022
Balance at beginning of year	₱5,225,000,000	₱5,757,723,970
Availments	2,925,000,000	2,425,000,000
Payments	(3,330,000,000)	(2,957,723,970)
Balance at end of year	4,820,000,000	5,225,000,000
Unamortized debt issue cost	(9,051,418)	(17,119,562)
	4,810,948,582	5,207,880,438
Less current portion of loans payable	1,907,500,000	2,300,000,000
Long-term portion of loans payable	₱2,903,448,582	₱2,907,880,438

Movements in debt issue cost follow:

	2023	2022
Balance at beginning of year	₱17,119,562	₱25,158,834
Amortization	(8,068,144)	(8,039,272)
Balance at end of year	₱9,051,418	₱17,119,562

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

	2023	2022
Within one year	₱1,907,500,000	₱2,300,000,000
After one year but not more than three years	2,912,500,000	2,925,000,000
	₱4,820,000,000	₱5,225,000,000

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 5.50% to 8.50% per annum (p.a.) in 2023 and 4.50% to 8.00% p.a. in 2022.

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

Purpose	Terms	Nominal interest rate (p.a.)	2023	2022
Short-term loans for working fund requirements	Unsecured and payable in full within one year	6.75% to 8.50%	₱1,907,500,000	₱2,300,000,000
Construction of ACPT	Payable on a quarterly basis starting 4 th quarter of 2020 until July 2025; secured by ACPT with carrying amount of ₱6,493.6 million and ₱6,182.8 million as at December 31, 2023 and 2022, respectively (see Note 8), and an escrow account amounting to ₱128.2 million as at December 31, 2023 and 2022 (see Note 11)	5.50%	1,094,737,497	1,420,396,130
Development of Green Projects	Unsecured and payable in full on February 6, 2025	6.35%	996,672,989	991,234,308
Long-term loans for working fund requirements	Payable on May 22, 2026	7.53%	437,500,000	–
Long-term loans for working fund requirements	Payable on November 25, 2024	6.00%	374,538,096	496,250,000
			₱4,810,948,582	₱5,207,880,438

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, 2023 and 2022, ALCO has current ratio of 2.3x and 2.4x, respectively, and debt to equity ratio of 1.4x and 1.5x, 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, 2023, 2022 and 2021, the Group was fully compliant with these debt covenants.

Capitalized Borrowing Costs

No borrowing costs were capitalized in 2023, 2022 and 2021.

Interest Expense

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

	Note	2023	2022	2021
Interest expense on:				
Bonds payable	13	₱465,794,610	₱200,560,807	₱198,618,483
Loans payable		357,392,716	295,274,799	251,783,534
		₱823,187,326	₱495,835,606	₱450,402,017

13. Bonds Payable

As at December 31, 2023 and 2022, this account consists of:

	2023	2022
Bonds payable	₱6,000,000,000	₱6,000,000,000
Unamortized debt issue cost	(58,477,587)	(74,228,852)
	₱5,941,522,413	₱5,925,771,148

Movements in debt issue costs in 2023 and 2022 are as follows:

	2023	2022
Balance at beginning of year	₱74,228,852	₱33,405,821
Additions	–	48,963,860
Amortization	(15,751,265)	(8,140,829)
Balance at end of year	₱58,477,587	₱74,228,852

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, 2023 and 2022, the Company is compliant with these financial ratios.

Interest expense incurred on the Bonds amounted to ₱465.8 million in 2023, ₱200.6 million in 2022 and ₱198.6 million in 2021 (see Note 12).

14. Accounts Payable and Other Liabilities

This account consists of:

	Note	2023	2022
Accounts payable:			
Third parties		₱45,535,209	₱48,879,453
Related party	20	18,872,818	15,744,103
Accrued:			
Interest		49,090,964	70,058,848
Personnel costs		25,841,745	21,285,559
Others		56,967,915	77,766,831
Statutory payables:			
Deferred output VAT		78,784,845	52,466,496
Withholding taxes payable		17,912,793	7,179,150
Output VAT		8,110,112	6,841,034
Security deposits	22	101,681,713	82,629,969
Advance rent	22	61,163,314	76,327,437
Subscription payable	10	56,250,000	56,250,000
Construction bonds		39,082,585	30,793,226
Retention payable		25,041,981	25,804,383
Dividends payable		5,686,177	7,093,749
Others		53,609,779	14,114,041
		₱643,631,950	₱593,234,279

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.

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

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.

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, as well as payables to certain buyers as at cutoff date.

15. Equity

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

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

	2023		2022		2021	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance at beginning of year	48,500,000	₱48,500,000	48,500,000	₱48,500,000	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	48,500,000	48,500,000
Treasury shares	(20,000,000)	(20,000,000)	(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	28,500,000	₱28,500,000

On December 13, 2023, the BOD of the Company approved the amendment of Company's Articles of Incorporation (AOI) increasing its authorized capital stock by ₱50.0 million. The application to amend the Company's AOI is pending as at our report date.

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, 2023 and 2022. 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.

Moreover, around the same period, the Company redeemed all 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. Thus, on June 24, 2022, the stockholders of the Company approved the amendment of its Articles of Incorporation for purposes of decreasing the authorized capital stock by ₱20.0 with the cancellation of the 20.0 million Series B preferred shares (see Note 28).

In December 2023, the BOD of the Company approved the amendment of the Articles of Incorporation to increase its authorized capital stock by ₱50.0 million and endorsed the same for approval by the stockholders during the Special Stockholders' Meeting convened on January 31, 2024 (see Note 28).

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, 2023 and 2022, the Company has issued and outstanding common shares of 5,318,095,199 at ₱0.18 par value equivalent 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 1,921 and 1,935 common stockholders as at December 31, 2023 and 2022, respectively.

Dividend Declaration

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

Declaration Date	Stockholders of		Share	Dividend per	
	Record Date	Payment Date		Amount	Share
October 25, 2023	November 29, 2023	December 27, 2023	Series C preferred shares	₱17,319,000	₱1.7319
October 25, 2023	November 13, 2023	December 4, 2023	Series D preferred shares	45,000,000	7.5000
August 2, 2023	September 4, 2023	September 28, 2023	Series C preferred shares	17,319,000	1.7319
August 2, 2023	August 16, 2023	September 4, 2023	Series D preferred shares	45,000,000	7.5000
June 30, 2023	July 17, 2023	August 10, 2023	Common Shares	63,817,142	0.012
May 3, 2023	June 1, 2023	June 27, 2023	Series C preferred shares	17,319,000	1.7319
May 3, 2023	May 17, 2023	June 5, 2023	Series D preferred shares	45,000,000	7.5000
January 25, 2023	March 1, 2023	March 27, 2023	Series C preferred shares	17,319,000	1.7319
January 25, 2023	February 8, 2023	March 3, 2023	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 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	

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 as at December 31, 2023 and 2022. 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%

On March 22, 2023, the BOD, during the joint Board and Stock Option and Compensation Committee meeting, approved the proposed amendments to the 2020 Stock Option Plan where the percentage of shares to be allocated as option shares is reduced from 10% to 5% of the outstanding capital stock, provided that ALCO reserves its right to subsequently increase the allocated number of option shares in accordance with the Securities Regulation Code.

An application was filed with the SEC anew for exemption from registration of the option shares to be allocated under the 2020 Stock Option Plan and is pending resolution.

As at December 31, 2023 and 2022, none of the qualified employees have exercised their options. The Group's stock options have already expired as at December 31, 2023 and 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 table shows the breakdown of the use of the proceeds which have been fully utilized as at December 31, 2023 and 2022:

Purpose	Actual Disbursements (amounts in millions)
Redemption of Series B Preferred Shares	₱2,000.0
Savya Financial Center and Cebu Exchange Project	966.7
Total	₱2,966.7

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 ₱2,949.0 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, 2023	Balance for Disbursement as at December 31, 2023
Development of various projects	₱2,550.0	₱2,550.0	₱–	₱2,550.0
Repayments of loans that financed the construction and development of ACPT	450.0	399.0	225.0	174.0
Total	₱3,000.0	₱2,949.0	₱225.0	₱2,724.0

On February 21, 2024, the BOD approved the reallocation of the use of proceeds of the Bonds effective March 22, 2024, as follows (amounts in millions):

Green Bonds - Tranche 1

Project	Actual Net Proceeds	Proposed Reallocation
Savya Financial Center or other Eligible Green Projects	₱1,500.0	₱1,351.0
Manila Long-Term Project	1,140.0	1,289.0
Arthaland Century Pacific Tower	309.0	309.0
Total	₱2,949.0	₱2,949.0

Green Bonds - Tranche 2

Project	Actual Net Proceeds	Proposed Reallocation
Makati CBD Residential Project 1	₱600.0	₱226.0
Makati CBD Residential Project 3	450.0	–
Project JL	500.0	–
Project Midtown	1,000.0	1,120.0
ACPT Loan and Others	399.0	225.0
Project Olive	–	1,378.0
Total	₱2,949.0	₱2,949.0

16. Cost of Services

Cost of services amounted to ₱97.8 million, ₱91.7 million and ₱101.0 million in 2023, 2022 and 2021, respectively.

Personnel costs are classified as:

	Note	2023	2022	2021
Cost of services		₱97,827,257	₱91,655,228	₱100,978,536
Operating expenses	17	189,681,301	156,578,371	99,050,089
		₱287,508,558	₱248,233,599	₱200,028,625

Personnel costs consist of:

	Note	2023	2022	2021
Salaries and other employee benefits		₱270,884,081	₱222,647,781	₱173,261,249
Retirement benefits expense	21	16,624,477	25,504,155	26,172,765
Stock options	15	–	81,663	594,611
		₱287,508,558	₱248,233,599	₱200,028,625

17. Operating Expenses

Operating expenses are classified as follows:

	2023	2022	2021
Administrative	₱404,520,079	₱342,249,991	₱267,466,446
Selling and marketing	18,367,277	20,908,290	14,862,745
	₱422,887,356	₱363,158,281	₱282,329,191

Details of operating expenses by nature are as follows:

	Note	2023	2022	2021
Personnel costs	16	₱189,681,301	₱156,578,371	₱99,050,089
Taxes and licenses		72,974,746	37,142,660	21,828,296
Communication and office expenses		37,730,388	29,017,994	22,807,352
Depreciation and amortization	9	33,639,346	29,572,354	26,458,554
Transportation and travel		17,523,130	10,263,707	12,024,859
Management and professional fees		17,212,676	20,333,323	17,976,560
Insurance		14,485,495	18,749,473	17,092,500
Advertising		13,221,219	13,235,604	8,272,385
Outside services		11,128,205	22,264,767	28,908,655
Repairs and maintenance		6,737,493	5,857,581	4,178,664
Commissions		5,146,058	7,672,686	6,590,360
Utilities		1,632,727	1,197,811	799,435
Representation		481,328	436,655	3,348,997
Rent	22	340,269	303,511	299,493
Write-off of receivables from non-affiliated entity	6	–	6,753,978	11,559,066
Provision for expected credit loss	6	–	1,746,790	–
Others		952,975	2,031,016	1,133,926
		₱422,887,356	₱363,158,281	₱282,329,191

18. Finance Costs

This account consists of:

	Note	2023	2022	2021
Interest expense	12	₱823,187,326	₱495,835,606	₱450,402,017
Bank charges		1,449,592	1,468,348	2,036,695
		₱824,636,918	₱497,303,954	₱452,438,712

19. Other Income (Charges) - Net

This account consists of:

	Note	2023	2022	2021
Dividend income	20	₱556,414,000	₱300,000,000	₱593,250,000
Interest income	4	382,004,220	168,194,085	88,277,902
Realized gains on disposals of financial assets at FVPL	5	26,739,011	17,308,102	18,837,880
Foreign exchange gains		3,761,137	4,969,773	4,496
Unrealized holding gains (losses) on financial assets at FVPL	5	(1,741,646)	1,325,368	(6,855,655)
Gain (loss) on disposal of property and equipment	9	(857,717)	369,071	(545,561)
Net loss on sale and purchase of investments in subsidiaries	10	–	(11,763,485)	(895,593)
Others		2,513,929	126,971	5,649,504
		₱968,832,934	₱480,529,885	₱697,722,973

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	
				2023	2022	2023	2022
Advances to Subsidiaries							
		10					
CLLC	Subsidiary		Advances for working capital	₱18,582	₱1,100,111,235	₱3,336,796,699	₱3,336,778,117
Cazneau	Subsidiary		Advances for working capital	43,516,759	46,075,657	785,834,002	742,317,243
ZLDC	Subsidiary		Advances for working capital	2,046	10,205,636	432,140,985	432,138,939
Bhavana	Subsidiary		Advances for working capital	–	(47,919,656)	331,800,000	331,800,000
Bhavya	Subsidiary		Advances for working capital	–	(491,782,159)	314,408,714	314,408,714
KHI	Subsidiary		Advances for working capital	6,826	1,304,903	296,767,527	296,760,701
UPHI	Subsidiary		Reclassification from investment (see Note 10)	65,800,000	–		
			Advances for working capital	6,500,905	5,906,929	160,928,427	88,627,522
MPI	Subsidiary		Advances for working capital	364,074	423,802	6,221,503	5,857,429
APPS	Subsidiary		Advances for working capital	280,437	358,251	3,247,353	2,966,916
PLI	Subsidiary		Advances for working capital	925	2,500	820,084	819,159
SLDC	Subsidiary		Advances for working capital	–	(3,515,568)	–	–
						5,668,965,294	5,552,474,740
Allowance for ECL		10				3,261,249	3,261,249
						₱5,665,704,045	₱5,549,213,491
Interest Receivable							
		6					
CLLC	Subsidiary		Interest on advances for working capital	₱114,889,760	₱104,984,280	₱433,438,175	₱307,059,440
Bhavya	Subsidiary		Interest on advances for working capital	9,975,000	9,988,139	50,927,933	39,955,433
Cazneau	Subsidiary		Interest on advances for working capital	9,624,458	9,624,458	48,819,144	38,232,240
KHI	Subsidiary		Interest on advances for working capital	10,237,500	10,148,289	44,829,621	33,568,371
Bhavana	Subsidiary		Interest on advances for working capital	9,187,111	9,298,715	44,787,469	34,681,646
						₱622,802,342	₱453,497,130

	Nature of Relationship	Note	Nature of Transaction	Amount of Transactions		Outstanding Balance	
				2023	2022	2023	2022
Trade Receivables							
		6					
Cazneau	Subsidiary		Working capital requirements	₱19,642,625	₱14,558,773	₱48,034,300	₱28,391,675
SLDC	Subsidiary		Working capital requirements	15,589,903	(12,984,671)	17,742,258	2,152,355
			Project management and developer's fees	(1,405,542)	(8,814,561)	–	1,405,542
Bhavya	Subsidiary		Working capital requirements	9,158,491	3,316,389	14,924,880	5,766,389
Bhavana	Subsidiary		Working capital requirements	4,822,222	581,123	7,085,028	2,262,806
CLLC	Subsidiary		Working capital requirements	2,040,938	–	2,522,620	481,682
APPS	Subsidiary		Working capital requirements	48,375	(1,905,100)	48,375	–
						₱90,357,461	₱40,460,449
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	39,442	5,722,499	5,683,056
Centrobless	Entity under common management		Advances for working capital	1,306,800	(638,087)	1,306,800	–
						₱43,082,172	₱41,735,929
Advances from Subsidiaries							
MPI	Subsidiary		Advances for working capital	₱–	₱–	₱284,632,299	₱284,632,299
Cazneau	Subsidiary		Advances for working capital	(11,715)	138,280	654,211	665,926
CLLC	Subsidiary		Advances for working capital	82,281	–	548,700	466,419
SLDC	Subsidiary		Advances for working capital	–	–	61,109	61,109
						₱285,896,319	₱285,825,753
Accounts Payable							
		14					
CLLC	Subsidiary		Customer payments collected by ALCO on behalf of the Company	₱10,386,633	₱–	₱10,386,633	₱–
	Subsidiary		Advances for working capital	433	–	867,613	867,180
CPG	Principal stockholder		Management fee	3,349,798	13,369,869	3,349,798	10,068,355
Cazneau	Subsidiary		Advances for working capital	1,723,445	83,012	1,902,857	179,412
SLDC	Subsidiary		Advances for working capital	–	–	885,585	885,585
Bhavya	Subsidiary		Advances for working capital	(2,227,636)	3,000,000	772,364	3,000,000
Bhavana	Subsidiary		Advances for working capital	(36,803)	(160,429)	706,768	743,571
APPS	Subsidiary		Advances for working capital	1,200	–	1,200	–
						₱18,872,818	₱15,744,103
Dividend Income							
		19					
CI	Subsidiary		Dividend income	₱150,000,000	₱–	₱150,000,000	₱–
KHI	Subsidiary		Dividend income	318,000,000	300,000,000	–	300,000,000
BHPI	Subsidiary		Dividend income	78,000,000	–	–	–
APPS	Subsidiary		Dividend income	10,414,000	–	–	–
						₱150,000,000	₱300,000,000
Cost of leasing							
Centrobless	Entity under common management		Rent expense	₱32,749,566	₱30,953,396	₱–	₱–

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, 2023 and 2022 (see Note 10).

Project Management and Developer's 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 any 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, 2023 and 2022 arising from a share purchase agreement between the Company, CPG and AOCH1. Under the claw-back provision of the share purchase agreement, the Company warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by UPHI, which includes, among others, removing all doubt on the ownership of UPHI over the property. In the event the satisfactory evidence is submitted by the Company to CPG, the latter shall pay to the Company the entire claw-back amount or a portion thereof plus interest earned in which the claw-back amount was held in escrow.

Management Fee

Management fee is 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 APPS for the Company to provide manpower services for APPS's operations. The Company agreed to pay the salaries of the employees whereas APPS 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:

	2023	2022	2021
Salaries and other employee benefits	₱127,231,751	₱106,570,170	₱82,773,183
Retirement benefits expense	16,366,953	26,688,905	27,158,439
	₱143,598,704	₱133,259,075	₱109,931,622

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 ₱143.7 million and ₱143.3 million as of December 31, 2023 and 2022, 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 for the year ended December 31, 2023 (based on the report of an independent actuary dated January 12, 2024):

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

	2023	2022	2021
Current service cost	₱18,970,377	₱22,188,161	₱21,947,468
Net interest cost (income)	(2,641,753)	3,315,994	4,225,297
Interest on the effect of the asset ceiling	295,853	-	-
	₱16,624,477	₱25,504,155	₱26,172,765

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

	2023	2022	2021
Balance at beginning of year	(P36,058,483)	P115,731,998	P101,496,418
Current service cost	18,970,377	22,188,161	21,947,468
Net interest cost (income)	(2,345,900)	3,315,994	4,225,297
Contribution to retirement plan assets	-	(120,000,000)	-
Remeasurement losses (gains) on:			
Change in financial assumptions	13,486,231	(27,812,878)	(2,314,401)
Experience adjustments	(7,298,446)	(36,478,557)	(10,859,615)
Changes in effect of asset ceiling	(3,531,703)	4,097,693	-
Return on plan assets	2,626,156	2,899,106	1,296,104
Change in demographic assumptions	-	-	(59,273)
Balance at end of year	(P14,151,768)	(P36,058,483)	P115,731,998

The funded status and amounts recognized in the separate statements of financial position for the net retirement liability (asset) as at December 31, 2023 and 2022 are as follows:

	2023	2022
Present value of retirement liability	P128,667,171	P103,192,114
Fair value of plan assets	(143,680,782)	(143,348,290)
	(15,013,611)	(40,156,176)
Effect of asset ceiling	861,843	4,097,693
	(P14,151,768)	(P36,058,483)

As of December 31, 2023 and 2022, the plan is overfunded by P14.2 million and P36.1 million based on the latest actuarial valuation.

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

	2023	2022	2021
Balance at beginning of year	P103,192,114	P156,176,509	P152,389,179
Current service cost	18,970,377	22,188,161	21,947,468
Interest cost	7,450,471	7,949,384	6,019,373
Benefits paid from plan assets	(7,133,576)	(18,830,505)	(10,946,222)
Remeasurement losses (gains) on:			
Change in financial assumptions	13,486,231	(27,812,878)	(2,314,401)
Experience adjustments	(7,298,446)	(36,478,557)	(10,859,615)
Change in demographic assumptions	-	-	(59,273)
Balance at end of year	P128,667,171	P103,192,114	P156,176,509

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

	2023	2022	2021
Balance at beginning of year	P 143,348,290	P40,444,511	P50,892,761
Contribution to retirement plan assets	-	120,000,000	-
Benefits paid from plan assets	(7,133,576)	(18,830,505)	(10,946,222)
Interest income	10,092,224	4,633,390	1,794,076
Remeasurement loss on return on plan assets	(2,626,156)	(2,899,106)	(1,296,104)
Balance at end of year	P143,680,782	P143,348,290	P40,444,511

Plan assets are primarily composed of cash 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:

	2023		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 23)	Net
Balance at beginning of year	P 61,199,812	P 15,299,953	P 45,899,859
Remeasurement gains	(5,282,238)	(1,320,560)	(3,961,678)
Balance at end of year	P55,917,574	P 13,979,393	P 41,938,181

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

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

	2023	2022
Discount rate	6.09%	7.22%
Salary projection rate	6.00%	6.00%
Average remaining service years	21.4	22.0

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2023 and 2022 are presented below.

	Change in Assumption	Effect on Present Value of Retirement Liability	
		Discount Rate	Salary Projection Rate
December 31, 2023	+1%	(P12,061,291)	P14,194,547
	-1%	14,327,368	(12,176,204)
December 31, 2022	+1%	(P9,922,241)	P11,790,003
	-1%	11,763,643	(10,114,747)

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

Financial Year	Amount
2024	P33,730,314
2025	852,486
2026-2030	18,099,256
2031-2034	103,088,968

The weighted average duration of the retirement benefit obligation as at December 31, 2023 and 2022 are 10.3 years and 10.5 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 P329.3 million in 2023, P296.9 million in 2022 and P314.6 million in 2021 (see Note 8). Lease receivables amounted to P157.6 million and P120.0 million as at December 31, 2023 and 2022, respectively. Accrued rent receivable amounted to P20.6 million and P44.6 million as at December 31, 2023 and 2022, respectively (see Note 6). Advance rent from tenants amounted to P61.2 million and P76.3 million as at December 31, 2023 and 2022, respectively. Security deposits, which may be applied to unsettled balances or refunded at the end of the lease term, amounted to P101.7 million and P82.6 million as at December 31, 2023 and 2022, respectively (see Note 14).

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

	2023	2022
Within one year	P185,057,535	P209,947,697
After one year but not more than five years	285,332,829	257,375,046
More than five years	—	6,545,550
	P470,390,364	P473,868,293

Operating Lease Commitment - Company as a Lessee

The Company's short-term and low value operating leases amounted to ₱0.3 million in 2023, 2022 and 2021 (see Note 17).

23. Income Taxes

The components of provision for income tax are as follows:

	Note	2023	2022	2021
Reported in Profit or Loss				
Current income tax:				
Final taxes		₱50,828,138	₱8,296,140	₱3,957,044
Gross income tax (GIT)		5,487,544	5,120,220	5,191,339
MCIT		5,286,924	3,983,074	3,796,856
		61,602,606	17,399,434	12,945,239
Deferred tax expense (benefit)		(142,668,009)	15,930,709	(81,060,927)
		(₱81,065,403)	₱33,330,143	(₱68,115,688)
Reported in OCI				
Deferred tax expense (benefit) related to remeasurement gains or losses on net retirement asset				
	21	(₱1,320,560)	₱14,323,659	₱2,984,296

Deferred Tax Assets and Deferred Tax Liabilities

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

	2023	2022
Deferred tax assets:		
NOLCO	₱469,031,184	₱252,557,461
Retirement liability	17,182,949	14,714,248
Advance rent	12,751,558	17,000,575
MCIT	9,269,998	–
Allowance for impairment loss	436,698	436,698
	508,672,387	284,708,982
Deferred tax liabilities:		
Cumulative gain on change in fair value of investment properties	999,692,531	922,904,310
Depreciation of investment properties	36,935,759	29,186,894
Transfer of fair value to property and equipment	10,108,826	10,333,467
Capitalized debt issue cost	7,806,996	7,979,526
Accrued rent receivable	5,113,809	8,976,728
Unrealized foreign exchange gains	940,284	1,242,443
	1,060,598,205	980,623,368
Net deferred tax liabilities	₱551,925,818	₱695,914,386

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, 2023 and 2022 because management has assessed that these items will not be realized in the future.

Furthermore, as at December 31, 2023 and 2022, the Company did not recognize deferred tax assets relating to the following:

	2023	2022
Excess MCIT over RCIT	₱5,324,366	₱13,890,029
NOLCO	-	8,847,753
	₱5,324,366	₱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
2023	₱-	₱830,503,878	₱-	₱830,503,878	2026
2022	449,215,054	-	-	449,215,054	2025
2021	189,871,601	-	-	189,871,601	2026
2020	406,534,201	-	-	406,534,201	2025
	₱1,045,620,856	₱830,503,878	₱-	₱1,876,124,734	

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
2023	₱-	₱5,286,924	₱-	₱5,286,924	2026
2022	3,983,074	-	-	3,983,074	2025
2021	5,324,366	-	-	5,324,366	2024
2020	4,582,589	-	(4,582,589)	-	2023
	₱13,890,029	₱5,286,924	(₱4,582,589)	₱14,594,364	

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:

	2023	2022	2021
Income tax computed at statutory tax rate	₱82,874,043	₱56,557,019	₱233,256,601
Add (deduct) tax effects of:			
Dividend income	(139,103,500)	(75,000,000)	(148,312,500)
Difference in income and statutory rates	(24,893,077)	(22,981,242)	(23,504,522)
Nondeductible expenses	15,068,921	3,196,502	4,376,140
Interest income subjected to final tax	(11,404,520)	(1,207,510)	(112,381)
Taxable rent	10,262,838	-	-
Realized gain on disposals of financial assets at FVPL subjected to final tax	(1,474,693)	(860,927)	(1,201,951)
Unrealized holding losses (gains) on financial assets at FVPL	435,412	(331,342)	1,713,914
Expired NOLCO	-	42,848,745	-
Expired MCIT	-	5,409,829	-
Net gain on sale of shares	-	2,940,871	-
Stock options outstanding	-	20,416	148,653
Stock issuance costs	-	-	(7,399,841)
Change in unrecognized deferred tax assets	(12,830,827)	22,737,782	-
Impact of changes in tax rates under CREATE Law	-	-	(127,079,801)
	(₱81,065,403)	₱33,330,143	(₱68,115,688)

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, the Company used RCIT and MCIT rates of 25% and 1%, respectively. For 2023, the Company used RCIT rate of 25% and MCIT rate of 1% from January 1 to June 30, 2023 and MCIT rate of 2% starting July 1 to December 31, 2023.

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:

	January 1, 2023	Financing Cash Flows		Non-Cash Changes	December 31, 2023
		Availments/Additions	Payments	Movements on Debt Issue Cost	
Loans payable	₱5,207,880,438	₱2,925,000,000	(₱3,330,000,000)	₱8,068,144	₱4,810,948,582
Bonds payable	5,925,771,148	-	-	15,751,265	5,941,522,413
Advances from subsidiaries	285,825,753	70,566	-	-	285,896,319
Dividends payable	7,093,749	313,093,142	(314,500,714)	-	5,686,177
	₱11,426,571,088	₱3,238,163,708	(₱3,644,500,714)	₱23,819,409	₱11,044,053,491

	January 1, 2022	Financing Cash Flows		Non-Cash Changes	December 31, 2022
		Availments/Additions	Payments	Movements on Debt Issue Cost	
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

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, 2023 and 2022, 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.

	2023				
	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*	₱4,039,953,465	₱-	₱-	₱-	₱4,039,953,465
Financial assets at FVPL	-	-	-	294,175,235	294,175,235
Receivables**	895,652,183	247,918,593	1,746,790	-	1,145,317,566
Advances to subsidiaries	5,665,704,045	-	3,261,249	-	5,668,965,294
Amounts held in escrow	128,154,209	-	-	-	128,154,209
Deposits	58,242,651	-	-	-	58,242,651
	₱10,787,706,553	₱247,918,593	₱5,008,039	₱294,175,235	₱11,334,808,420

*Excludes cash on hand amounting to ₱65,000 as at December 31, 2023.

**Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱20.6 million as at December 31, 2023.

	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**	883,549,786	160,428,180	1,746,790	-	1,045,724,756
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
	₱10,409,141,411	₱160,428,180	₱5,008,039	₱1,423,105,283	₱11,997,682,913

*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.

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, 2023 and 2022:

	2023					
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	₱-	₱1,907,500,000	₱2,412,500,000	₱500,000,000	₱-	₱4,820,000,000
Bonds payable	-	-	3,000,000,000	-	3,000,000,000	6,000,000,000
Accounts payable and other liabilities*	25,041,981	385,272,695	-	-	-	410,314,676
Advances from subsidiaries	285,896,319	-	-	-	-	285,896,319
	₱310,938,300	₱2,292,772,695	₱5,412,500,000	₱500,000,000	₱3,000,000,000	₱11,516,210,995

*Excludes statutory payables, advance rent and other payables aggregating to ₱233.2 million as at December 31, 2023.

	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.

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.

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:

	2023	2022
Total liabilities	₱12,233,925,082	₱12,708,626,004
Total equity	8,101,576,399	8,006,069,644
Debt-to-equity ratio	1.51:1.00	1.59:1.00

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	2023		
			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	₱294,175,235	₱294,175,235	₱-	₱-
Investment properties	8	6,737,104,251	-	216,962,168	6,520,142,083
Asset for which fair value is disclosed -					
Financial assets at amortized cost - Deposits	11	58,242,651	-	-	58,242,651
		₱7,089,522,137	₱294,175,235	₱216,962,168	₱6,578,384,734
Liability for which fair value is disclosed:					
Loans payable	12	₱4,810,948,582	₱-	₱	₱4,810,948,582
Bonds payable	13	5,941,522,413	-	-	5,941,522,413
		₱10,752,470,995	₱-	₱-	₱10,752,470,995

		2022			
		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	₱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

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, 2023 and 2022:

	2023	2022
Financial assets:		
Cash and cash equivalents	₱4,040,018,465	₱3,791,389,815
Receivables*	1,143,570,776	1,043,977,966
Advances to subsidiaries	5,665,704,045	5,549,213,491
Amounts held in escrow	128,154,209	128,177,336
	₱10,977,447,495	₱10,512,758,608
Financial liabilities:		
Accounts payable and other liabilities**	₱410,314,676	₱436,306,121
Advances from subsidiaries	285,896,319	285,825,753
	₱696,210,995	₱722,131,874

*Excludes accrued rent receivables under straight-line basis of accounting aggregating ₱20.6 million and ₱44.6 million as at December 31, 2023 and 2022, respectively.

**Excludes advance rent, statutory liabilities and other payables aggregating ₱233.2 million and ₱156.9 million as at December 31, 2023 and 2022, respectively.

27. Classification of Separate Statements of Financial Position Accounts

The Company's current portions of its assets and liabilities as at December 31, 2023 and 2022 are as follows:

	Note	2023	2022
Current Assets			
Cash and cash equivalents	4	₱4,040,018,465	₱3,791,389,815
Financial assets at FVPL	5	294,175,235	1,423,105,283
Receivables	6	1,164,164,934	1,088,615,780
Real estate for sale	7	254,943,999	253,326,479
CWT		401,248,045	376,059,375
Advances to subsidiaries	10	5,665,704,045	5,549,213,491
Other assets*	11	195,921,353	208,957,454
		₱12,016,176,076	₱12,690,667,677

*Excludes deposits and deferred input VAT aggregating to ₱59.7 million and ₱59.5 million as at December 31, 2023 and 2022, respectively.

	Note	2023	2022
Current Liabilities			
Current portion of loans payable	12	₱1,907,500,000	₱2,300,000,000
Accounts payable and other liabilities	14	643,631,950	593,234,279
Advances from subsidiaries	20	285,896,319	285,825,753
		₱2,837,028,269	₱3,179,060,032

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 31, 2024	March 1, 2024	March 27, 2024	₱17,319,000	₱1.7319
Series D Preferred Shares	January 31, 2024	February 5, 2024	March 4, 2024	45,000,000	7.5000

The dividends shall be taken out of the unrestricted earnings of the Company as at December 31, 2023.

Amendments to the Articles of Incorporation

During a special stockholders' meeting held on January 31, 2024, the stockholders approved the proposal to amend Article Seventh of the Articles of Incorporation by increasing the Parent Company's authorized capital stock by ₱50.0 million with the creation of 50.0 million preferred shares with a par value of ₱1.0 per share.

It was recalled in the same special stockholders' meeting that the stockholders approved during the annual stockholders' meeting held on June 24, 2022 the amendment of Article Seventh of the Articles of Incorporation for purposes of decreasing the Parent Company's authorized capital stock by ₱20.0 million to cancel the 20.0 million Preferred Shares Series B that had been redeemed in December 2021 from the holders thereof. The approval granted on June 24, 2022 has not been revoked and remains valid, and the stockholders confirmed and ratified the said approval.

Issuance of Preferred Shares Series E

On January 31, 2024, the BOD approved the issuance of 14.0 million cumulative, non-voting, non-participating, non-convertible Peso-denominated Preferred Shares Series E at an offer price of ₱1.0 per share, where 1.5 million preferred shares will be issued from the authorized capital stock of the Parent Company and 12.5 million preferred shares will be coming from the increase of 50.0 million preferred shares as approved by the stockholders.

The BOD also approved the subscription by MPI to the Preferred Shares Series E equivalent to 14.0 million at the price of ₱1.0 per share.

Reallocation of Use of Proceeds of Green Bonds

On February 21, 2024, the BOD approved the reallocation of the use of proceeds of the Bonds effective March 22, 2024 (see Note 15).

ALCO's Subscription to Preferred Shares of a Subsidiary

On March 20, 2024, the BOD approved the subscription to 450,000 preferred shares of Bhavya at the price of ₱100.00 per share, or a total of ₱45.0 million.



**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, 2023 and 2022, on which we have rendered our report dated March 20, 2024.

In compliance with the Revised Securities Regulations Code Rule 68, we are stating that the Company has 1,914 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

BIR Accreditation No. 08-005144-012-2023

Valid until January 24, 2026

PTR No. 10072412

Issued January 2, 2024, Makati City

March 20, 2024

Makati City, Metro Manila

**PARENT COMPANY'S RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2023**

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

	Amount
Retained earnings available for dividend declaration as at the beginning of reporting period	₱325,566,363
Less: <u>Category B</u> : Items that are directly debited to unappropriated retained earnings	
Cash dividends	(313,093,142)
Retained earnings available for dividend declaration, as adjusted	12,473,221
Add: Net income for the current year	412,561,575
Less: <u>Category C.1</u> : Unrealized income recognized in the profit or loss during the reporting period - net of tax	
Gain on change in fair value of investment properties	(230,364,662)
Add: <u>Category C.2</u> : Unrealized income recognized in profit or loss in prior periods but realized in the current reporting period - net of tax	
Realized holding gain on financial assets at FVPL	1,325,368
Add: <u>Category D</u> : Non-actual losses recognized in profit or loss during the reporting period	
Unrealized holding loss on financial assets at FVPL	1,741,646
Adjusted net income	185,263,927
Retained earnings available for dividend declaration as at the end of reporting period	₱197,737,148