COVER SHEET
for
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEC Registration Number

A	S	9	4	0	0	7	1	6	0

COMPANY NAME

ARTHALAND CORPORATION AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Group's Email Address	Group's Telephone Number/s	Mobile Number
ALCO@arthaland.com	(+632) 8403-6910	(+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 ***MUST*** be an Officer of the Corporation.

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Marivic S. Victoria	msvictoria@arthaland.com	(+632) 8403-6910	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.*

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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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ARTHALAND
BUILDING SUSTAINABLE LEGACIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

Signed this **20th** day of **March 2024, Taguig City, Philippines**.

ERNEST K. CUYEGKENG
Chairman of the Board

JAIME C. GONZÁLEZ
Vice Chairman and President

MARIVIC S. VICTORIA
Chief Finance Officer

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

(+632) 8 403 6910 | www.arthaland.com

OATH

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY) SS.

I certify that on this MAR 20 2024, before me, a notary public duly authorized in the city named above to take acknowledgments, personally appeared the following whom I identified through competent evidence of identity to be the same persons described in the foregoing instrument, who acknowledged before me that they voluntarily affixed their signatures on the instrument for the purpose stated therein, and who declared to me that they executed the instrument as their free and voluntary act and deed and that they have the authority to sign on behalf of their principal:

Name	Type of ID	Date/Place of Issue
Ernest K. Cuyegkeng	Passport No. P7236847A	19 May 2018/NCR South
Jaime C. González	Passport No. P5521740A	05 January 2018/Manila
Marivic S. Victoria	Passport No. P6226193B	04 February 2021/Manila

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

GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
Until Dec. 31,2024
PTR # A-6123305 Jan. 2, 2024, Taguig City
IBP No. 326534 / 12/11/23 RSM (FOR YR. 2024)
ROLL No. 41969
MCLE COMP. NO. VII No. 0028557
APRIL 19, 2023
APP. No. 61 (2023- 2024)

Doc No. 327;
Page No. 67;
Book No. 15;
Series of **2024**.

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Arthaland Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2023, 2022 and 2021, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2023, 2022 and 2021 in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of financial reporting relief issued and approved by the Philippine Securities and Exchange Commission (SEC) (see Note 2).

Basis of Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which describes the basis of accounting that has been used in the preparation of the consolidated financial statements. The accompanying consolidated financial statements have been prepared in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the Philippine SEC in response to the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

Reyes Tacandong & Co. is a member of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, and practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

Key Audit Matters

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

Fair Value Measurement of Investment Properties

The Group's investment properties which are accounted for using the fair value model amounted to ₱13,175.6 million as at December 31, 2023. The fair value measurement is significant to our audit as the investment properties account for 35.4% of the Group's total assets as at December 31, 2023 (see Notes 3 and 10 to the consolidated financial statements).

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

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

Revenue from Real Estate Sales

For the year ended December 31, 2023, the Group recognized revenue of ₱5,777.5 million from real estate sales using the percentage of completion (POC) method. This is significant to our audit as the amount of revenue from real estate sales for the year ended December 31, 2023 is material to the consolidated financial statements (see Notes 3 and 17 to the consolidated financial statements).

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

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

Valuation of Real Estate for Sale

The Group's real estate properties amounted to ₱7,548.8 million as at December 31, 2023, which accounts for 20.3% of the total assets (see Note 9 to the consolidated financial statements). Valuation of real estate for sale is significant to our audit because it involves determination and estimation of project costs at the end of reporting period.

We obtained an understanding of the Group's processes and controls relating to the inventory cost accumulation and allocation. We also assessed the assumptions used by management in estimating the incurred project costs and costs to complete of the projects. We corroborated the management's estimate by an ocular inspection of the projects and examination of the contractors' billings and progress reports. We also validated the inputs and assessed the reasonableness of the assumptions used by management in determining the lower of cost or net realizable value of real estate for sale.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

REYES TACANDONG & CO.

MICHELLE R. MENDOZA-CRUZ
Partner
CPA Certificate No. 97380
Tax Identification No. 201-892-183-000
BOA Accreditation No. 4782; Valid until April 13, 2024
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 AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2023**	2022
ASSETS			
Cash and cash equivalents	6	**₱5,605,296,553**	₱4,796,293,662
Financial assets at fair value through profit or loss (FVPL)	7	**877,853,288**	2,246,039,822
Receivables	8	**2,211,302,746**	2,380,054,645
Contract assets	5	**5,608,780,240**	3,920,367,468
Real estate for sale	9	**7,548,831,703**	9,381,383,586
Investment properties	10	**13,175,632,447**	11,273,784,260
Property and equipment	11	**315,768,669**	333,940,003
Net retirement asset	21	**14,151,768**	36,058,483
Other assets	12	**1,906,428,476**	2,024,785,160
		₱37,264,045,890	₱36,392,707,089
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and other liabilities	15	**₱3,621,061,114**	₱3,382,198,303
Loans payable	13	**11,186,817,196**	11,764,154,679
Bonds payable	14	**5,941,522,413**	5,925,771,148
Contract liabilities	5	**198,350,664**	231,469,884
Advances from non-controlling interests	4	**1,102,119,597**	1,102,119,597
Net retirement liability	21	**5,145,894**	2,545,060
Net deferred tax liabilities	23	**2,092,857,227**	1,924,137,488
Total Liabilities		**24,147,874,105**	24,332,396,159
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	16	**1,005,757,136**	1,005,757,136
Additional paid-in capital	16	**5,973,360,513**	5,973,360,513
Treasury stock - at cost	16	**(2,000,000,000)**	(2,000,000,000)
Parent Company's preferred shares held by a subsidiary - at cost	16	**(12,500,000)**	(12,500,000)
Retained earnings	16	**5,547,760,292**	4,912,544,253
Other equity reserves	16	**216,566,831**	221,696,435
		10,730,944,772	10,100,858,337
Non-controlling Interests	4	**2,385,227,013**	1,959,452,593
Total Equity		**13,116,171,785**	12,060,310,930
		₱37,264,045,890	₱36,392,707,089

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2023**	2022	2021
REVENUES				
Real estate sales	17	**₱6,251,574,060**	₱2,595,989,838	₱2,628,943,563
Leasing operations	17	**366,299,089**	308,367,000	325,500,935
Property management fees	17	**21,050,433**	18,334,356	17,754,758
		6,638,923,582	2,922,691,194	2,972,199,256
COST AND EXPENSES				
Cost of real estate sales	9	**3,730,711,385**	1,657,941,172	1,610,033,648
Cost of leasing operations	10	**143,250,410**	118,657,712	107,071,759
Cost of services		**50,751,878**	27,462,527	11,738,197
		3,924,713,673	1,804,061,411	1,728,843,604
GROSS INCOME		**2,714,209,909**	1,118,629,783	1,243,355,652
OPERATING EXPENSES	18	**(1,350,555,496)**	(871,996,764)	(738,458,799)
FINANCE COSTS	19	**(1,020,350,432)**	(500,672,464)	(277,828,945)
NET GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	10	**974,092,333**	1,435,889,906	872,263,700
OTHER INCOME - Net	20	**521,253,473**	68,051,894	27,647,106
INCOME BEFORE INCOME TAX		**1,838,649,787**	1,249,902,355	1,126,978,714
PROVISION FOR INCOME TAX	23	**449,666,103**	376,837,638	11,895,600
NET INCOME		**1,388,983,684**	873,064,717	1,115,083,114
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss -				
Remeasurement gains (losses) on net retirement asset or liability	21	**(6,839,472)**	58,645,826	10,211,359
Income tax benefit (expense) on remeasurement gains or losses	23	**1,709,868**	(14,661,457)	(2,639,131)
		(5,129,604)	43,984,369	7,572,228
TOTAL COMPREHENSIVE INCOME		**₱1,383,854,080**	₱917,049,086	₱1,122,655,342
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**₱948,309,181**	₱821,081,648	₱899,510,260
Non-controlling interests	4	**440,674,503**	51,983,069	215,572,854
		₱1,388,983,684	₱873,064,717	₱1,115,083,114
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**₱943,179,577**	₱865,066,017	₱907,082,488
Non-controlling interests	4	**440,674,503**	51,983,069	215,572,854
		₱1,383,854,080	₱917,049,086	₱1,122,655,342
EARNINGS PER SHARE	26			
Basic		**₱0.1314**	₱0.1075	₱0.1296
Diluted		**₱0.1314**	₱0.1075	₱0.1283

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2023**	2022	2021
CAPITAL STOCK	16			
Common - at ₱0.18 par value - issued and outstanding		**₱957,257,136**	₱957,257,136	₱957,257,136
Preferred - at ₱1.00 par value				
Balance at beginning of year		**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	16			
Balance at beginning of year		**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 STOCK - SERIES B PREFERRED SHARES - at cost	16	**(2,000,000,000)**	(2,000,000,000)	(2,000,000,000)
PARENT COMPANY'S PREFERRED SHARES HELD BY A SUBSIDIARY - at cost	16	**(12,500,000)**	(12,500,000)	(12,500,000)
RETAINED EARNINGS	16			
Balance at beginning of year		**4,912,544,253**	4,404,555,747	3,779,054,629
Net income		**948,309,181**	821,081,648	899,510,260
Dividends declared		**(313,093,142)**	(313,093,142)	(274,009,142)
Balance at end of year		**5,547,760,292**	4,912,544,253	4,404,555,747
OTHER EQUITY RESERVES	16			
Balance at beginning of year		**221,696,435**	177,630,403	230,363,146
Net increase (decrease)		**(5,129,604)**	44,066,032	(52,732,743)
Balance at end of year		**216,566,831**	221,696,435	177,630,403
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**₱10,730,944,772**	₱10,100,858,337	₱9,548,803,799
NON-CONTROLLING INTERESTS	4			
Balance at beginning of year		**₱1,959,452,593**	₱1,503,333,114	₱1,224,469,667
Acquisition of shares of subsidiaries		**2,158,740,700**	–	20,000,000
Increase (decrease) in deposit for future stock subscription		**(1,909,640,783)**	604,136,410	681,477,836
Share in net income		**440,674,503**	51,983,069	215,572,854
Dividends attributable to non-controlling interests		**(264,000,000)**	(200,000,000)	–
Acquisition of non-controlling interest of a subsidiary		**–**	–	(638,187,243)
Balance at end of year		**2,385,227,013**	1,959,452,593	1,503,333,114
		₱13,116,171,785	₱12,060,310,930	₱11,052,136,913

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2023**	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱1,838,649,787**	₱1,249,902,355	₱1,126,978,714
Adjustments for:				
Interest expense	13	**1,016,185,458**	497,872,467	275,238,263
Net gain on change in fair value of investment properties	10	**(974,092,333)**	(1,435,889,906)	(872,263,700)
Interest income	6	**(293,392,563)**	(28,605,128)	(3,537,246)
Gain on repossession of real estate for sale	9	**(96,979,144)**	(5,398,638)	–
Realized gain on disposals of financial assets at FVPL	7	**(73,157,830)**	(30,063,000)	(23,603,206)
Depreciation and amortization	11	**62,752,127**	43,918,252	33,366,121
Retirement expense	21	**17,668,077**	26,688,905	27,158,439
Foreign exchange gains	20	**(4,437,686)**	(8,540,438)	(368,205)
Amortization of initial direct leasing costs	10	**1,357,221**	3,834,926	6,590,360
Gain on sale of investment properties	10	**(1,198,576)**	–	–
Unrealized holding losses (gains) on financial assets at FVPL	7	**(858,794)**	(2,215,632)	6,258,905
Loss (gain) on sale of property and equipment	11	**857,717**	(369,071)	545,561
Provision for expected credit loss	8	**–**	1,746,790	–
Stock options	16	**–**	81,663	594,611
Operating income before working capital changes		**1,493,353,461**	312,963,545	576,958,617
Decrease (increase) in:				
Receivables		**168,751,899**	(1,022,787,846)	(1,262,564,709)
Contract assets		**(1,688,412,772)**	2,318,512,618	(896,999,047)
Real estate for sale		**1,360,093,722**	(733,875,012)	(1,357,622,441)
Other assets		**211,256,410**	228,927,073	(193,186,049)
Increase (decrease) in:				
Accounts payable and other liabilities		**563,352,565**	(299,658,726)	1,110,028,187
Contract liabilities		**(33,119,220)**	169,315,788	34,730,704
Net cash generated from (used for) operations		**2,075,276,065**	973,397,440	(1,988,654,738)
Interest paid		**(1,590,273,466)**	(884,285,361)	(1,061,384,897)
Interest received		**293,392,563**	28,605,128	3,537,246
Income taxes paid		**(279,150,204)**	(181,660,400)	(146,012,416)
Contribution to retirement plan assets	21	**–**	(120,000,000)	–
Net cash provided by (used in) operating activities		**₱499,244,958**	(₱183,943,193)	(₱3,192,514,805)

(Forward)

	Note	2023	2022	2021
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of:				
Financial assets at FVPL		**₱14,476,907,911**	₱10,130,898,572	₱5,655,025,427
Investment properties		**26,777,400**	–	–
Property and equipment		**3,327,270**	369,071	5,215,796
Additions to:				
Financial assets at FVPL	7	**(13,034,704,753)**	(7,966,052,018)	(6,759,000,000)
Property and equipment	11	**(47,655,856)**	(105,618,659)	(32,148,365)
Investment properties	10	**(15,505,405)**	(12,126,466)	(29,562,351)
Net cash provided by (used in) investing activities		**1,409,146,567**	2,047,470,500	(1,160,469,493)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Loans payable	13	**(7,552,224,045)**	(8,827,047,186)	(6,302,985,708)
Dividends	25	**(758,500,714)**	(332,514,786)	(273,052,780)
Debt issue cost		**(4,925,394)**	(64,020,434)	(27,929,588)
Advances from non-controlling interests		**–**	–	(265,466,700)
Proceeds from:				
Loans payable	13	**6,962,723,916**	7,152,362,410	10,445,612,330
Deposit for future stock subscription from non-controlling interest	4	**249,099,917**	604,136,410	681,477,836
Bonds payable	14	**–**	3,000,000,000	–
Sale of interests in subsidiaries	4	**–**	204,393,137	258,237,750
Issuance of preferred shares	16	**–**	–	2,970,400,635
Purchase of additional shares in a subsidiary	4	**–**	(762,340,790)	(125,500,000)
Redemption of preferred shares	16	**–**	–	(2,000,000,000)
Net cash provided by (used in) financing activities		**(1,103,826,320)**	974,968,761	5,360,793,775
NET EFFECT OF EXCHANGE RATE CHANGES TO CASH AND CASH EQUIVALENTS		**4,437,686**	8,540,438	368,205
NET INCREASE IN CASH AND CASH EQUIVALENTS		**809,002,891**	2,847,036,506	1,008,177,682
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**4,796,293,662**	1,949,257,156	941,079,474
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**₱5,605,296,553**	₱4,796,293,662	₱1,949,257,156

(Forward)

	Note	Years Ended December 31 **2023**	2022	2021
COMPONENTS OF CASH AND CASH EQUIVALENTS	6			
Cash on hand		**₱185,000**	₱175,000	₱195,000
Cash in banks		**1,672,414,790**	1,087,334,786	692,017,890
Cash equivalents		**3,932,696,763**	3,708,783,876	1,257,044,266
		₱5,605,296,553	₱4,796,293,662	₱1,949,257,156
NONCASH FINANCIAL INFORMATION:				
Application of deposit for future stock subscription from non-controlling interest to preferred shares of a subsidiary	4	**₱1,909,640,783**	₱–	₱–
Transfer of assets under construction from "Real estate for sale" account to "Investment properties" account	9	**939,186,494**	843,811,580	–
Repossession of real estate for sale	9	**303,422,533**	27,257,983	–
Capitalized borrowing costs	13	**66,326,656**	146,903,254	552,249,794
Application of advances for asset purchase to real estate for sale	12	**–**	209,361,707	–
Transfer of assets under construction and land from "Investment properties" account to "Real estate for sale" account	10	**–**	40,637,085	186,463,663
Transfer of assets under construction from "Real estate for sale" account to "Property and equipment" account	9	**–**	18,195,071	–
Assignment of shareholder advances and accrued interest from purchase of interests in a subsidiary	4	**–**	–	762,340,790
Assignment of shareholder advances and accrued interest from sale of interests in subsidiaries	4	**–**	–	446,800,000

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2023 AND 2022 AND FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

1. **General Information**

<u>Corporate Information</u>

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

The Parent Company is currently 37.94% owned by CPG Holdings, Inc. (CPG) and 26.02% owned by AO Capital Holdings 1, Inc. (AOCH1), both holding companies incorporated in the Philippines.

In January 2020, the SEC approved the registration of ALCO’s ASEAN Green Bonds (the Bonds) and the initial tranche of ₱2.0 billion, with an oversubscription option of ₱1.0 billion. Hence, the first tranche of the Bonds under the Company’s ASEAN Green Bond Program had an aggregate principal amount of ₱3.0 billion and were issued on February 6, 2020. 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 (see Note 14).

In December 2021, the Parent Company made a follow-on offering of 6.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated Series D preferred shares at ₱1.00 par value at the issuance price of ₱500 a share (see Note 16).

Moreover, around the same period, the Parent 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 Parent 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 31).

In December 2023, the Board of Directors of the Parent 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 31).

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

Composition of the Group

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

Subsidiary	Place of Incorporation	Effective Percentage of Ownership
Cazneau, Inc. (Cazneau)	Philippines	100%
Cebu Lavana Land Corp. (CLLC)	Philippines	100%
Manchesterland Properties, Inc. (MPI)	Philippines	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	100%
Zileya Land Development Corporation (ZLDC)	Philippines	100%
Pradhana Land, Inc. (PLI)	Philippines	100%
Arthaland Property Prestige Solutions, Inc. (APPS)*	Philippines	100%
Bhavana Properties, Inc. (Bhavana)	Philippines	60%
Bhavya Properties, Inc. (Bhavya)	Philippines	60%
Kashtha Holdings, Inc. (KHI)	Philippines	60%
Savya Land Development Corporation (SLDC)	Philippines	59%**

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

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

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

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

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

In November 2023, the Parent Company and Narra subscribed to preferred shares of Bhavya equivalent to 663,000 and 442,000, respectively, at the subscription price of ₱100.00 per share (see Note 4).

The Parent Company also subscribed during the same period to an additional 7,500 common shares of APPS from its unissued authorized capital stock and to 60,000 common shares from the increase of its authorized capital stock of 240,000 common shares, or a total of 67,500 common shares, at a subscription price of ₱100.00 per share.

Major Projects

ALCO's first major development project is the Arya Residences Towers 1 and 2 (Arya Residences) located in BGC, Taguig City. Completed in 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 Parent 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.

In 2016, CLLC commenced the development of Cebu Exchange (Cebu Exchange), a 38-storey office building in Barangay Lahug, Cebu City. Its construction commenced in the second quarter of 2018. Completed in 2023, Cebu Exchange was awarded LEED Gold, EDGE Advanced, and BERDE 5-Star. The project was awarded WELL precertification by IWBI™ in 2020 and is on track for its EDGE Zero Carbon certification. Besides being designed to be a world-class workplace, Cebu Exchange is envisioned to be a complete ecosystem with four retail floors for the convenience of its occupants. With a gross floor area of 108,564 sqm, Cebu Exchange boasts of being the largest multi-certified green and healthy building in the country.

In 2018, Cazneau started the construction of the first phase of Sevina Park, an integrated community project in an eight-hectare property in Laguna. Courtyard Hall is a campus-type or dormitory-type residential community (see Note 10) covering 4,000 sqm of the property, completed in June 2019. Also, in June 2019, Cazneau launched the Sevina Park Villas at Sevina Park, which caters to students, faculty, and starting families within the area. The entire project, including the future vertical residential and commercial developments, is expected to be completed in phases from 2022 onwards.

Sevina Park is recognized as the first and only real estate development in the Philippines to have received the LEED Platinum under the LEED for Neighborhood Development (LEED ND) and under LEED for Homes rating systems. In 2022, PHILGBC certified the project BERDE 5-Star under its BERDE for District green building rating tool. Likewise, Sevina Park Villas turnover units are on track for EDGE and the remaining Villa-182 turnover units are vying for LEED certifications.

In December 2018, ZLDC acquired about 47.4% of a 2,018-sqm property located along Antonio Arnaiz Avenue within the Makati Central Business District. On this site, ZLDC, together with the other party which acquired the remaining 52.6% of the total area of the condominium units are still working on getting the property partitioned to enable the Company to have 100% ownership of approximately 957 sqm of the current lot area. Once the partition is completed, the Company plans to develop a high-rise luxury, multi-certified sustainable residential property. The project, which is hereinafter referred to as Makati CBD Residential Project 1, is expected to be launched by the second quarter of 2025.

In February 2019, SLDC launched the development of Savya Financial Center. This project comprises two office towers with a gross floor area of 59,763 sqm in Arca South, Taguig City. The North and South Tower (of the Savya Financial Center) were substantially completed in 2023. Savya Financial Center's North Tower was launched for pre-selling in February 2019. The project received LEED Gold precertification in 2019 and the WELL precertification in 2021. It is on-track to achieve BERDE and EDGE Zero Carbon certifications.

In August 2019, Bhavya acquired a prime property in the Makati Central Business District. Bhavya intends to develop a pioneer residential project named Eluria with a total gross floor area of approximately 14,600 sqm. Eluria was formally launched in 2002 and will be a low-density, multi-certified, sustainable, ultra-luxury development offering 37 large, limited-edition designer residences. Once completed, its future residents will enjoy exceptional white glove butler services. The project was precertified LEED Gold in 2020 and is on track for its EDGE, WELL, and BERDE certifications. It is expected to be completed by 2025.

In July 2021, Bhavana launched the development of Lucima. The property will be developed into the first and only premiere, multi-certified, sustainable high-rise development located in Cebu Business Park at the corner of Samar Loop Road and Ayala, Hipodromo, Cebu City. It has a lot area of 2,245 sqm, is expected to be developed into approximately 28,000 sqm of GFA, and will offer 265 residential units. The project was awarded LEED Gold precertification in 2020 and is on-track to achieve BERDE, EDGE, and WELL certifications. It is expected to be completed by the fourth quarter of 2024.

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 Consolidated Financial Statements

The consolidated financial statements of the Group 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.

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2. Summary of Material Accounting Policy Information

Basis of Preparation

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

On December 15, 2020, the SEC issued Memorandum Circular (MC) No. 34, Series of 2020, which further extended the deferral of application of the provision of Philippine Interpretations Committee (PIC) Question & Answer (Q&A) No. 2018-12 with respect to accounting for significant financing component and exclusion of land in the calculation of percentage of completion (POC) and IFRIC Agenda Discussion on over time transfers of construction goods under PAS 23, *Borrowing Costs*, for another period of three years or until 2023.

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

Measurement Bases
The consolidated financial statements are presented in Philippine Peso (Peso), the Group's functional and presentation currency. All values are stated in absolute amounts, unless otherwise indicated.

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

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

- in the principal market for the asset or liability; or

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

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

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

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

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

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

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Adoption of 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 Group 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 consolidated financial statements of the Group. Additional disclosures were included in the notes to consolidated financial statements, as applicable.

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

Relevant amendments to PFRS and PIC issuances, which are not yet effective or adopted as at December 31, 2023 and have not been applied in preparing the consolidated 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.

- *IFRIC Agenda Decision Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) for the Real Estate Industry* – In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of International Financial Reporting Standards 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

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

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

- PIC Q&A 2018-12-D, *PFRS 15, Implementing Issues Affecting the Real Estate Industry (as amended by PIC Q&A 2020-4)* – On December 15, 2020, the SEC issued SEC MC No. 34-2020 which provided relief to the real estate industry by deferring the application of "assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (with an addendum in PIC Q&A 2020-04)" until December 31, 2023.

The Group availed of the SEC relief with respect to accounting for significant financing component. Had the Group opted to adopt PIC Q&A 2018-12-D as amended by PIC Q&A 2020-4, the Group may have to recognize interest expense (income) if the buyers' payments are higher (lower) than the POC rate.

- PIC Q&A 2018-12-E, *Treatment of Land in the Determination of the POC* – The PIC Q&A clarified that the cost of the land should be excluded in measuring the POC of performance obligation and should be accounted for as fulfillment cost.

  On December 15, 2020, the SEC issued SEC MC No. 34-2020 which provided relief to the real estate industry by deferring the application of "exclusion of land in calculation of POC as discussed in PIC Q&A 2018-12-E" until December 31, 2023.

  The Group availed of the SEC relief with respect to accounting treatment of land in the determination of the POC. Had the Group opted to adopt PIC Q&A 2018-12-E, there would have been a decrease in revenue from real estate sales because of a lower POC rate.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

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

Basis of Consolidation

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

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

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

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

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

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

Financial Assets and Liabilities

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

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

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

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

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

As at December 31, 2023 and 2022, the Group does not have financial assets at FVOCI and financial liabilities at FVPL.

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

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

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

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

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

As at December 31, 2023 and 2022, the Group classified its investments in money market fund under this category (see Note 7).

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

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

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

As at December 31, 2023 and 2022, the Group's contract assets, cash in banks, cash equivalents, receivables (excluding accrued rent under straight-line basis of accounting), amounts held in escrow, amounts held in trust and deposits are classified under this category (see Notes 5, 6, 8, and 12).

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

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

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

As at December 31, 2023 and 2022, the Group's loans and bonds payable, accounts payable and other liabilities (excluding statutory payables, payable to customers and advance rent) and contract liabilities are classified under this category (see Notes 5, 13, 14 and 15).

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

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

- the right to receive cash flows from the asset has expired;

- the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

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

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

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

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

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

Classification of Assets and Liabilities between Current and Noncurrent
The Group presents current and noncurrent assets, and current and noncurrent liabilities, as separate classifications in the notes to consolidated financial statements (see Note 29).

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

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

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

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

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

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

Cost to Obtain a Contract with a Customer

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

Contract Balances

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

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

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

Debt Issue Costs

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

Real Estate for Sale

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV). In few cases of buyer defaults, the Group can repossess the properties and hold it for sale in the ordinary course of business at the prevailing market price. The repossessed properties are included in the "Real estate for sale" account in the consolidated statements of financial position.

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

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

As allowed under PIC Q&A No. 2020-05, repossessed assets are recorded at fair value less cost to repossess and are held for sale in the ordinary course of business. Prior to repossession, the Group updates its impairment assessment on the related receivable from its sale of real estate. Upon repossession, the difference between the carrying amount of the receivable to be derecognized and the fair value of the repossessed property less repossession cost is recognized in profit or loss.

Borrowing Costs

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

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

Investment Properties

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

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

Other Assets

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

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

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- where receivables and payables that are stated with the amount of VAT included.

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

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

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

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

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

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million or if the purchase was made on or after January 1, 2022, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

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.

Impairment of Nonfinancial Assets

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

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

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

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

Capital Stock

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

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

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

Additional Paid-in Capital

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

Treasury Stock

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group opted to defer the application guidelines of the provisions of the PIC Q&A No. 2018-12-D *(as amended by PIC Q&A 2020-04)* and PIC Q&A No. 2018-12-E with respect to the accounting for significant financing component and the exclusion of land in the computation of POC for another three (3) years.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ii. the right to direct the use of the identified asset.

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

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

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

Employee Benefits

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

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

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

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

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

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

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

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

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

Foreign Currency - Denominated Transactions

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

Income Taxes

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

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

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

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

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

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

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

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

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

Related Party Transactions

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

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

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

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

Segment Reporting

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

Provisions and Contingencies

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

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

Events After the Reporting Period

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

3. Significant Judgments, Accounting Estimates and Assumptions

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

Judgments

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

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

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

Determining Control or Joint Control over an Investee Company. Control is presumed to exist when an investor has power over an investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group has determined that by virtue of the Parent Company's majority ownership of voting rights in its subsidiaries as at December 31, 2023, 2022 and 2021, it has the ability to exercise control over these investees.

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

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

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

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

The amount of revenue from real estate sales recognized based on POC in 2023, 2022 and 2021 are disclosed in Note 17. The related cost of real estate sales in 2023, 2022 and 2021 are disclosed in Note 9.

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

The carrying amounts of real estate for sale, investment properties and property and equipment as at December 31, 2023 and 2022 are disclosed in Notes 9, 10 and 11, respectively.

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

The carrying amounts of investment properties as at December 31, 2023 and 2022 are disclosed in Note 10.

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

The amount of revenue from leasing operations recognized from these operating leases in 2023, 2022 and 2021 are disclosed in Note 22.

Accounting Estimates and Assumptions

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

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

The amount of revenue from real estate sales recognized based on POC and the related cost of real estate sales incurred in 2023, 2022 and 2021 are disclosed in Notes 17 and 9, respectively.

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

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

The carrying amounts of investment properties as at December 31, 2023 and 2022 are disclosed in Note 10.

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

No provision for inventory obsolescence was recognized in 2023, 2022 and 2021. The carrying amounts of real estate for sale as at December 31, 2023 and 2022 are disclosed in Note 9.

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

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

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

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

The amount of provision for ECL and the carrying amount of the Group’s contract assets and trade receivables as at and for the years ended December 31, 2023 and 2022 are disclosed in Notes 5 and 8, respectively.

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

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

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

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

No provision for ECL was recognized in 2023, 2022 and 2021.

The carrying amounts of financial assets which consists of cash in banks and cash equivalents, receivable from sale of interests in subsidiaries, due from related parties, interest receivable, advances to employees, other receivables, amounts held in escrow, amounts held in trust, and deposits are disclosed in Notes 6, 8 and 12.

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

There were no changes in the estimated useful lives of property and equipment in 2023, 2022 and 2021. The carrying amounts of property and equipment as at December 31, 2023 and 2022 are disclosed in Note 11.

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

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

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

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

No provision for impairment loss on nonfinancial assets was recognized in 2023, 2022 and 2021.

The carrying amounts of nonfinancial assets which consists of accrued rent receivable, property and equipment and other assets (excluding deposits and amounts held for escrow) are disclosed in Notes 8, 11 and 12.

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

The carrying amounts of net retirement liability (asset) as at December 31, 2023 and 2022 are disclosed in Note 21.

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

The Group's non-controlling interests amounting to ₱2,385.2 million, ₱1,959.5 million and ₱1,503.3 million as at December 31, 2023, 2022 and 2021, respectively, pertains to interests in SLDC, KHI, Bhavana and Bhavya.

SLDC
Non-controlling interests over SLDC is 41% as at December 31, 2023, 2022 and 2021.

On March 17 and December 17, 2023, the BOD approved the subscription of convertible preferred shares by Help Holdings Inc. (HHI) to 19,096,407 and 2,049,000, respectively, shares at a subscription price of ₱100 per share or total amount of ₱2,114.5 million. The subscription was fully paid through the conversion of HHI's prior deposit for future stock subscription of the same amount.

Additional paid-in capital arising from the subscription of convertible preferred shares aggregated to ₱2,093 million.

Net income of SLDC allocated to non-controlling interests amounted to ₱23.7 million in 2023, ₱24.4 million in 2022 and ₱119.2 million in 2021, which were determined based on the agreement between ALCO and MEC.

On August 25, 2023, the BOD approved the declaration of cash dividends amounting to ₱530.0 million or ₱1,060 per share to all Common Shares Class A stockholders of record on September 11, 2023. Dividends attributable to non-controlling interests amounted to ₱212.0 million and were paid out beginning September 13, 2023.

The summarized financial information of SLDC, before intercompany eliminations, as at and for the years ended December 31, 2023, 2022 and 2021 is as follows:

	2023	2022	2021
Current assets	**₱5,381,802,617**	₱6,167,275,482	₱5,819,094,589
Noncurrent assets	**587,782,533**	33,176,544	33,078,020
Current liabilities	**(2,821,444,146)**	(3,616,295,729)	(2,609,864,079)
Noncurrent liabilities	**(526,773,954)**	(400,885,058)	(1,210,540,368)
Net assets	**₱2,621,367,050**	₱2,183,271,239	₱2,031,768,162

	2023	2022	2021
Revenue	**₱2,392,608,813**	₱435,347,696	₱975,128,529
Expenses	**(1,346,462,251)**	(318,327,624)	(584,200,793)
Income before income tax	**1,046,146,562**	117,020,072	390,927,736
Finance cost	**(130,048,494)**	(42,038,972)	–
Other income – net	**100,760,291**	6,403,512	3,052,303
Provision for income tax	**(253,662,465)**	(20,617,945)	(79,039,840)
Total comprehensive income	**₱763,195,894**	₱60,766,667	₱314,940,199

	2023	2022	2021
Cash flows from (used in):			
Operating activities	**₱1,026,911,397**	(₱588,143,491)	(₱534,721,590)
Investing activities	**188,716,135**	(86,661,983)	(149,278,306)
Financing activities	**(1,013,845,574)**	672,954,393	849,994,159
Net increase (decrease) in cash and cash equivalents	**201,781,958**	(1,851,081)	165,994,263
Cash and cash equivalents at beginning of year	**314,937,428**	316,788,509	150,794,246
Cash and cash equivalents at end of year	**₱516,719,386**	₱314,937,428	₱316,788,509

KHI

The Group has 40% non-controlling interests in KHI. The net income (loss) of KHI allocated to non-controlling interests amounting to ₱295.8 million in 2023, (₱3.5 million) in 2022 and (₱0.1 million) in 2021 were distributed based on the capital contribution. The total assets of KHI amounted to ₱624.2 million and ₱1,106.1 million as at December 31, 2023 and 2022, respectively. Net income before intercompany eliminations amounted to ₱530.0 million and ₱513.2 million in 2023 and 2022, respectively, and net cash inflows amounted to ₱2.5 million in 2023 and ₱0.3 million in 2022.

On December 19, 2022, the BOD approved the declaration of cash dividends amounting to ₱500.0 million or ₱40 per share to all stockholders of record on January 12, 2023. The dividends were paid on January 30, 2023.

On August 25, 2023, the BOD approved the declaration of cash dividends amounting to ₱530.0 million or ₱42.40 per share to all stockholders of record on September 11, 2023. The cash dividends were paid on September 18, 2023.

Bhavana and Bhavya

In December 2021, ALCO sold, transferred and conveyed in favor of Narra Investment Properties Pte. Ltd. (“Narra”), by way of secondary sale, all of its rights, title and interest in and to 40% of the common shares of stock of Bhavana and Bhavya, or 20,000,000 common shares of stock thereof, as well as its shareholder advances and accrued interest receivables aggregating ₱449.4 million in exchange for ₱446.8 million. The transfer of Bhavana and Bhavya shares decreased the effective ownership of ALCO from 100% to 60%.

In 2023, Narra also subscribed to 442,000 preferred shares of Bhavya for a total subscription amount of ₱44.2 million.

In 2023, net income of Bhavana and Bhavya allocated to non-controlling interests amounted to ₱78.3 million and ₱42.9 million, respectively, which were distributed based on capital contribution. In 2022, net income (loss) of Bhavana and Bhavya allocated to non-controlling interests amounted to ₱43.4 million and (₱12.3 million), respectively.

On February 16, 2023, the BOD approved the appropriation of ₱110.0 million to provide additional reserves for the ongoing construction of project Lucima.

On October 23, 2023, the BOD approved the declaration of cash dividends amounting to ₱130.0 million or ₱5.2 per share to stockholders of record as at November 9, 2023, payable beginning November 10, 2023. The cash dividends were already paid in 2023.

The summarized financial information of Bhavana, before intercompany eliminations, as at and for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Current assets	**₱3,025,412,720**	₱2,228,405,343
Noncurrent assets	**53,303,805**	57,675,852
Current liabilities	**(1,758,715,743)**	(1,164,268,334)
Noncurrent liabilities	**(1,093,930,267)**	(961,554,270)
Net assets	**₱226,070,515**	₱160,258,591

	2023	2022
Revenue	**₱1,512,300,615**	₱917,746,872
Expenses	**(1,257,960,075)**	(774,234,244)
Income before income tax	**254,340,540**	143,512,628
Other income – net	**6,632,700**	2,138,751
Provision for income tax	**(65,161,316)**	(37,087,175)
Total comprehensive income	**₱195,811,924**	₱108,564,204

	2023	2022
Cash flows from (used in):		
Operating activities	**(₱142,388,675)**	(₱487,745,492)
Investing activities	**(27,067,756)**	58,530,740
Financing activities	**177,775,984**	466,053,587
Net increase in cash and cash equivalents	**8,319,553**	36,838,835
Cash and cash equivalents at beginning of year	**53,843,079**	17,004,244
Cash and cash equivalents at end of year	**₱62,162,632**	₱53,843,079

The summarized financial information of Bhavya, before intercompany eliminations, as at and for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Current assets	**₱1,899,254,095**	₱1,224,777,766
Noncurrent assets	**185,698,815**	125,066,854
Current liabilities	**(985,025,718)**	(691,300,061)
Noncurrent liabilities	**(925,874,631)**	(702,134,489)
Net assets	**₱174,052,561**	(₱43,589,930)

	2023	2022
Revenue	**₱565,910,408**	₱–
Expenses	**(426,187,267)**	(53,383,762)
Income (loss) before income tax	**139,723,141**	(53,383,762)
Other income – net	**3,185,506**	588,051
Income tax benefit (expense)	**(35,766,156)**	22,062,594
Total comprehensive income (loss)	**₱107,142,491**	(₱30,733,117)

	2023	2022
Cash flows from (used in):		
Operating activities	**(₱516,113,541)**	(₱184,069,149)
Investing activities	**(35,429,738)**	(16,763,910)
Financing activities	**541,591,897**	221,728,841
Net increase (decrease) in cash and cash equivalents	**(9,951,382)**	20,895,782
Cash and cash equivalents at beginning of year	**48,123,948**	27,228,166
Cash and cash equivalents at end of year	**₱38,172,566**	₱48,123,948

Advances from Non-controlling Interests
The Group has the following transactions with the non-controlling interests:

	Amount of Transactions		Outstanding Balance	
	2023	2022	**2023**	2022
Advances for Project Development				
HHI	**₱–**	₱–	**₱495,919,597**	₱495,919,597
Narra	**–**	–	**411,200,000**	411,200,000
MEC	**–**	–	**195,000,000**	195,000,000
			₱1,102,119,597	₱1,102,119,597
Interest Expense				
MEC	**₱6,825,000**	₱6,825,000	**₱22,019,016**	₱15,876,516
Narra	**14,392,000**	14,392,000	**57,239,941**	45,726,341
			₱79,258,957	₱61,602,857

SLDC, KHI, Bhavana and Bhavya received advances from related parties. All outstanding balances are unsecured, noninterest-bearing, and payable on demand and in cash.

On June 1, 2020, the Parent Company assigned 40% of its advances to KHI amounting to ₱195.0 million, in favor of MEC, and bear interest at 3.5% per annum. Interest expense incurred amounted to ₱6.8 million in 2023 and 2022. These are unsecured, unguaranteed, and payable on demand and in cash.

5. Contract Assets and Contract Liabilities

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

	2023	2022
Contract assets	**₱5,608,780,240**	₱3,920,367,468
Contract liabilities	**198,350,664**	231,469,884
Net contract assets	**₱5,410,429,576**	₱3,688,897,584

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

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

6. **Cash and Cash Equivalents**

This account consists of:

	2023	2022
Cash on hand	**₱185,000**	₱175,000
Cash in banks	**1,672,414,790**	1,087,334,786
Cash equivalents	**3,932,696,763**	3,708,783,876
	₱5,605,296,553	₱4,796,293,662

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

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

	2023	2022	2021
Cash in banks	**₱4,275,164**	₱2,432,535	₱2,130,550
Cash equivalents	**289,117,399**	26,172,593	1,406,696
	₱293,392,563	₱28,605,128	₱3,537,246

7. **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		**₱2,246,039,822**	₱4,378,607,744
Additions		**13,034,704,753**	7,966,052,018
Disposals		**(14,403,750,081)**	(10,100,835,572)
Unrealized holding gains	20	**858,794**	2,215,632
Balance at end of year		**₱877,853,288**	₱2,246,039,822

Realized gain on disposals of financial assets at FVPL amounted to ₱73.2 million in 2023, ₱30.1 million in 2022 and ₱23.6 million in 2021 (see Note 20).

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

8. Receivables

This account consists of:

	Note	2023	2022
Trade receivables from:			
Sale of real estate		**₱1,516,515,928**	₱1,975,808,602
Leasing	22	**170,407,706**	123,938,918
Interest receivable		**68,050,847**	49,851,949
Accrued rent receivable	22	**39,399,432**	46,903,720
Due from related parties	24	**43,082,172**	41,735,930
Advances to employees		**13,817,499**	9,014,053
Receivable from sale of interests in subsidiaries	4	**–**	4,169,113
Other receivables		**361,775,952**	130,379,150
		2,213,049,536	2,381,801,435
Allowance for ECL		**(1,746,790)**	(1,746,790)
		₱2,211,302,746	₱2,380,054,645

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

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

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

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

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

Provision for ECL amounting to ₱1.7 million was recognized in 2022 and recorded as part of “Others” under “Operating expenses” in the consolidated statements of comprehensive income.

9. Real Estate for Sale

This account consists of:

	2023	2022
Land	**₱4,657,482,900**	₱5,215,140,797
Assets under construction	**1,610,620,833**	3,793,976,402
Office units for sale	**1,280,727,970**	–
Condominium units for development	**–**	372,266,387
	₱7,548,831,703	₱9,381,383,586

Movements of this account follow:

	Note	**2023**	2022	2021
Balance at beginning of year		**₱9,381,383,586**	₱8,988,754,987	₱6,894,906,539
Construction costs incurred		**2,465,893,254**	2,367,086,823	2,967,656,089
Cost of real estate sold		**(3,730,711,385)**	(1,657,941,172)	(1,610,033,648)
Transfers to investment properties	10	**(939,186,494)**	(843,811,580)	–
Repossessions		**303,422,533**	27,257,983	–
Capitalized borrowing costs	13	**66,326,656**	144,446,120	549,762,344
Transfers from:				
Property and equipment	11	**1,703,553**	–	–
Investment properties	10	**–**	40,637,085	186,463,663
Acquisition of:				
Raw land		**–**	300,563,278	–
Condominium units for development		**–**	32,585,133	–
Transfers to property and equipment	11	**–**	(18,195,071)	–
Balance at end of year		**₱7,548,831,703**	₱9,381,383,586	₱8,988,754,987

Repossessions arising from cancellation of sales due to buyer's default in payments represent previously sold units which were recorded back as "Real estate for sale". These are recorded at fair value less cost to sell and cost to complete at the time of transfer and are held for sale in the ordinary course of business. Gain on repossession amounted to ₱97.0 million in 2023 and ₱5.4 million in 2022 recorded under "Other Income - net" account in the consolidated statements of comprehensive income (see Note 20).

Land

Land pertains to parcels of land acquired by the Group for future development projects that are intended for sale. This account also includes payments made to a seller of land in 2021 which were classified as advances for asset purchase as at December 31, 2021 and was subsequently acquired by the Group in 2022 (see Note 12).

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

The land of Sevina Park with carrying amount of ₱386.2 million as at December 31, 2023 was used as security for the bank loan of Cazneau with outstanding balance of ₱921.3 million as at December 31, 2023 (see Note 13).

Assets under Construction

Assets under construction consist of land and development costs of ongoing real estate projects of the Group. As at December 31, 2023 and 2022, this account includes the land and development costs of Savya Financial Center, Sevina Park, Lucima Residences and Eluria (see Note 1).

In December 2023, the BOD of SLDC, in line with management objective to increase SLDC's recurring income, approved to keep 4,197.33 sqm of Savya Financial Center office units with 50 appurtenant parking slots as leasing assets of SLDC. This was reclassified from "Real estate for sale" account to "Investment properties" account aggregating ₱485.4 million (see Note 10).

In June 2022, the BOD of CLLC, in line with management objective to increase CLLC's recurring income, approved to keep 8,059 sqm of Cebu Exchange office units with 72 appurtenant parking slots, 2,628 sqm of retail units and an additional of 36 non-appurtenant parking slots as leasing assets of CLLC. This was reclassified from "Real estate for sale" account to "Investment properties" account aggregating ₱843.8 million.

In 2023, the BOD of CLLC approved to reclassify additional Cebu Exchange office units with parking slots as leasing assets of CLLC to further increase CLLC's recurring income. This was reclassified from "Real estate for sale" account to "Investment properties" account aggregating ₱453.8 million. Consequently, CLLC's leasing assets to date consists of 16,003 sqm of office and retail units together with 118 appurtenant and 36 non-appurtenant parking slots.

Condominium Certificates of Title and assignment of Contract-to-Sell receivables of CLLC with recourse of the assigned accounts were used as collateral for loans payable with outstanding balance amounting to ₱807.0 million as at December 31, 2022 (see Note 13). This was fully settled as at December 31, 2023.

As at December 31, 2023 and 2022, the carrying amount of land of SLDC amounting to ₱1,434.8 million is used as security for SLDC's bank loans with outstanding balance of ₱891.7 million as at December 31, 2022. In 2023, the foregoing loan was fully settled (see Note 13).

In 2022 and 2021, Cazneau transferred portion of its assets under construction from "Investment properties" account to "Real estate for sale" account aggregating ₱40.6 million and ₱186.5 million, respectively, because of the change in the intended use of the property as approved by the BOD (see Note 10).

In 2022, Bhavya transferred assets under construction pertaining to cost of model unit from "Real estate for sale" account to "Property and equipment" account aggregating ₱18.2 million because of the change in the intended use of the property as approved by the BOD (see Note 11).

The land of Lucima Residences with carrying amount of ₱794.5 million as at December 31, 2023 are used as security for the bank loan of Bhavana with outstanding balance of ₱925.4 million and ₱924.2 million as at December 31, 2023 and 2022, respectively (see Note 13).

Office Units for Sale

The carrying amount of these assets were transferred from the cost of Land and Assets under construction to Office units for sale following the completion of the property in 2023.

Condominium Units for Development

These pertain to the Group's condominium units for development in Makati City which are intended for future development and for sale. The carrying amount of these assets were transferred to the cost of Land and Assets under construction following the ongoing redevelopments to new condominium in the projects.

Borrowing Costs

General and specific borrowings were used to partially finance the Group's ongoing real estate projects. The related borrowing costs amounting to ₱66.3 million in 2023, ₱144.4 million in 2022 and ₱549.8 million in 2021, were capitalized as part of real estate for sale. The capitalization rates used to determine general borrowing costs eligible for capitalization ranges from 4.5% to 7.5% in 2023, 2022 and 2021 (see Note 13).

NRV of Real Estate for Sale

As at December 31, 2023 and 2022, real estate for sale is stated at cost which is lower than its NRV. There is no allowance for inventory obsolescence as at December 31, 2023 and 2022.

10. Investment Properties

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

	2023	2022
Arthaland Century Pacific Tower (ACPT)	**₱6,493,588,314**	₱6,182,842,179
Cebu Exchange	**2,831,538,845**	1,797,996,536
Arya Residences:		
Retail units	**1,292,328,999**	1,265,254,657
Parking slots	**184,531,620**	181,740,596
Land:		
UPHI's Laguna and Tagaytay properties	**829,421,708**	829,421,708
Cazneau's retail lots	**445,547,740**	438,702,090
ALCO's Batangas and Tagaytay properties	**216,961,878**	216,961,878
Savya Financial Center	**517,000,000**	–
Courtyard Hall	**364,713,343**	360,864,616
	₱13,175,632,447	₱11,273,784,260

Movements of this account follow:

	Note	**2023**	2022	2021
Balance at beginning of year, at cost		**₱4,238,512,850**	₱3,423,211,889	₱3,577,625,751
Transfers from real estate for sale	9	**939,186,494**	843,811,580	–
Reclassification		**108,006,348**	–	–
Development costs incurred		**15,505,405**	9,669,332	29,562,351
Disposal		**(13,910,406)**	–	–
Transfers to real estate for sale	9	**–**	(40,637,085)	(186,463,663)
Capitalized borrowing costs	13	**–**	2,457,134	2,487,450
Balance at end of year, at cost		**5,287,300,691**	4,238,512,850	3,423,211,889
Cumulative gain on change in fair value		**7,879,588,682**	7,025,171,115	5,589,281,209
		13,166,889,373	11,263,683,965	9,012,493,098
Unamortized initial direct leasing costs		**8,743,074**	10,100,295	13,935,221
Balance at end of year, at fair value		**₱13,175,632,447**	₱11,273,784,260	₱9,026,428,319

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

	2023	2022	2021
Balance at beginning of year	**₱7,025,171,115**	₱5,589,281,209	₱4,717,017,509
Net gain on change in fair value	**974,092,333**	1,435,889,906	872,263,700
Reclassification	**(108,006,348)**	–	–
Fair value gain of sold investment properties	**(11,668,418)**	–	–
Balance at end of year	**₱7,879,588,682**	₱7,025,171,115	₱5,589,281,209

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

	2023	2022
Balance at beginning of year	**₱10,100,295**	₱13,935,221
Amortization	**(1,357,221)**	(3,834,926)
Balance at end of year	**₱8,743,074**	₱10,100,295

ACPT

The carrying amount of ACPT includes office 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 13).

Cebu Exchange

The carrying amount of Cebu Exchange includes office units and parking slots for lease. In 2023 and 2022, CLLC transferred portion of investment properties amounting to ₱453.8 million and ₱843.8 million, respectively, from "Real estate for sale" account to "Investment properties" account due to change of intention in the use of the property as approved by the BOD (see Note 9). The Company also sold investment properties resulting to a gain on sale amounting to ₱1.2 million in 2023 (see Note 20).

Arya Residences

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

Land

UPHI's raw land, with fair value amounting to ₱829.4 million as at December 31, 2023 and 2022, respectively, has a total area of 33 hectares and are located at Barangay Gonzalo Bontog, Calamba City and Barangay Calabuso, Tagaytay City. Portion of the UPHI's raw land was the subject of an expropriation proceedings filed by the National Power Corporation (NAPOCOR) with the Regional Trial Court of Calamba City, Laguna. The other parties to the case filed their respective appeals with the Court of Appeals (CA) assailing the amount of just compensation determined by the trial court. However, UPHI intends to amicably settle with the National Transmission Commission (NTC, successor-in-interest of NAPOCOR), since UPHI had already been deprived of effective use and enjoyment of the property. Management assessed that although the potential effect of this case on the Group's consolidated financial statements would not be significant, an amicable settlement with the NTC could allow the UPHI to recoup the cost of the property.

Moreover, a complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property located in Calamba City, Laguna. In June 2020, the case was decided by the trial court in favor of UPHI. The losing defendants in the case filed their respective appeals with the CA. In a Resolution dated July 31, 2023, the CA found that the trial court did not err in its decision and denied the appeals of the City of Tagaytay and the lone individual appellant. Further, on February 15, 2024, their respective Motions for Reconsideration were likewise denied.

Raw land of the Parent Company 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, respectively.

In 2022 and 2021, Cazneau transferred portion of its asset under construction amounting to ₱40.6 million and ₱186.5 million, respectively, from "Investment properties" account to "Real estate for sale" account due to change of intention in the use of the properties as approved by the BOD (see Note 9).

Savya Financial Center
The carrying amount of Savya Financial Center includes office units and parking slots for lease. In 2023, SLDC transferred portion of investment properties amounting to ₱485.4 million from "Real estate for sale" account to "Investment properties" account due to change of intention in the use of the property as approved by the BOD (see Note 9).

Courtyard Hall
Cazneau's Courtyard Hall used for leasing operations was recognized at fair value amounting to ₱360.9 million as at December 31, 2023 and 2022. The land attributable to Cazneau's retail spaces and Courtyard Hall with a carrying amount of ₱581.0 million as at December 31, 2023 was used as collateral for a long-term loan facility of Cazneau with an outstanding balance of ₱921.3 million as at December 31, 2023 (see Note 13).

In 2023, Cazneau reclassified portion of cumulative fair value gain to cost of investment properties as a result of management's annual reassessment of the fair valuation of the properties. Since the reassessment only resulted to reclassification adjustments, this did not result to any change in the fair value of investment properties as at December 31, 2023 and 2022 nor did it affect net income for the years ended December 31, 2023, 2022 and 2021.

Leasing Operations
The Group recognized revenue from leasing operations amounting to ₱366.3 million in 2023, ₱308.4 million in 2022 and ₱325.5 million in 2021 (see Note 22) and incurred direct cost of leasing amounting to ₱143.3 million in 2023 , ₱118.7 million in 2022 and ₱107.1 million in 2021.

Fair Value Measurement

Details of the valuation techniques used in measuring fair values of investment properties, as appraised by a 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:

			Range	
Class of Property	Valuation Technique	Significant Inputs	**2023**	2022
ACPT	Discounted cash flow (DCF) approach	Discount rate	**8.97%**	9.07%
		Rental rate for an office unit per sqm	**₱1,800**	₱1,717
		Rental rate per parking slot	**₱8,250**	₱8,025
		Calculated no. of net leasable area (sqm)	**18,059**	18,059
		Vacancy rate	**–**	5%
		Income tax rate	**25%**	25%
Cebu Exchange:				
Retail units	DCF approach	Rental rate per sqm	**₱1,323**	₱1,200
		Rent escalation rate per annum (p.a.)	**5%**	5%
		Discount rate	**8.97%**	8.37%
		Vacancy rate	**50%**	50%
		Income tax rate	**25%**	25%
Office units	DCF approach	Rental rate per sqm	**₱772**	₱700
		Rent escalation rate per annum (p.a.)	**5%**	5%
		Discount rate	**8.97%**	8.37%
		Vacancy rate	**25%**	50%
		Income tax rate	**25%**	25%
Parking slots	DCF approach	Rental rate per sqm	**₱5,250**	₱3,000
		Rent escalation rate per annum (p.a.)	**5%**	5%
		Discount rate	**8.97%**	8.37%
		Vacancy rate	**50%**	50%
		Income tax rate	**25%**	25%
Arya Residences:				
Retail units	DCF approach	Rental rate per sqm	**₱3,400**	₱3,350
		Rent escalation rate per annum (p.a.)	**7%**	7%
		Discount rate	**8.97%**	9.07%
		Vacancy rate	**5%**	5%
		Income tax rate	**25%**	25%
Parking slots	DCF approach	Rental rate per slot	**₱8,000**	₱7,900
		Rent escalation rate p.a.	**7%**	7%
		Discount rate	**8.97%**	9.07%
		Vacancy rate	**10%**	10%
		Income tax rate	**25%**	25%
Land:				
UPHI's Laguna and Tagaytay properties	Market data approach	Price per sqm	**₱2,500**	₱2,500
		Value adjustments	**5% - 10%**	5% - 10%
Cazneau's Laguna properties	Market data approach	Price per sqm	**₱70,000**	₱70,000
		Value adjustments	**5% - 10%**	5% - 10%
ALCO's Batangas and Tagaytay properties	Market data approach	Price per sqm	**₱2,000**	₱2,000
		Value adjustments	**-30% - 5%**	-25% - 10%
Savya Financial Center				
Retail units	DCF approach	Rental rate per sqm	**₱800**	₱–
		Rent escalation rate per annum (p.a.)	**0% - 5%**	–
		Discount rate	**9.30%**	–
		Vacancy rate	**–**	–
		Income tax rate	**25%**	–
Parking slots	DCF approach	Rental rate per slot	**₱5,000**	–
		Rent escalation rate p.a.	**0% - 5%**	–
		Discount rate	**9.30%**	–
		Vacancy rate	**–**	–
		Income tax rate	**25%**	–
Cazneau's Courtyard Hall	Depreciated replacement cost method	Estimated replacement cost	**₱147,352,000**	₱143,117,000
		Remaining economic life	**33 years**	34 years

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

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

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

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

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

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

The inputs to fair valuation are as follows:

- *Price per sqm* - estimated value prevailing in the real estate market depending on the location, area, shape and time element.

- *Value adjustments* - adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size and architectural features among others.

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

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

	2023		
	Significant Observable Inputs (Level 2)	**Significant Unobservable Inputs (Level 3)**	**Total**
Balance at beginning of year	**₱1,845,950,292**	**₱9,427,833,968**	**₱11,273,784,260**
Construction costs incurred	**10,152,377**	**5,353,028**	**15,505,405**
Net gain on change in fair value	**542,000**	**973,550,333**	**974,092,333**
Transfers from real estate for sale	**–**	**939,186,494**	**939,186,494**
Disposals	**–**	**(25,578,824)**	**(25,578,824)**
Initial direct leasing costs	**–**	**(1,357,221)**	**(1,357,221)**
Balance at end of year	**₱1,856,644,669**	**₱11,318,987,778**	**₱13,175,632,447**

	2022		
	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Balance at beginning of year	₱1,635,060,492	₱7,391,367,827	₱9,026,428,319
Net gain on change in fair value	239,846,835	1,196,043,071	1,435,889,906
Net transfers from real estate for sale	(40,637,085)	843,811,580	803,174,495
Construction costs incurred	11,680,050	446,416	12,126,466
Initial direct leasing costs	–	(3,834,926)	(3,834,926)
Balance at end of year	₱1,845,950,292	₱9,427,833,968	₱11,273,784,260

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

11. Property and Equipment

The balances and movements of this account consist of:

	2023					
	Building and Building Improvements	**Transportation Equipment**	**Office Equipment**	**Furniture and Fixtures**	**Leasehold Improvements**	**Total**
Cost						
Balance at beginning of year	**₱246,302,891**	**₱95,710,788**	**₱48,386,884**	**₱95,370,038**	**₱78,500**	**₱485,849,101**
Additions	**7,096,640**	**22,730,359**	**8,860,544**	**8,968,313**	**–**	**47,655,856**
Disposals	**–**	**(25,669,642)**	**–**	**–**	**–**	**(25,669,642)**
Reclassification	**–**	**–**	**–**	**(1,703,553)**	**–**	**(1,703,553)**
Balance at end of year	**253,399,531**	**92,771,505**	**57,247,428**	**104,338,351**	**78,500**	**506,131,762**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**40,685,343**	**43,921,876**	**36,825,221**	**30,398,158**	**78,500**	**151,909,098**
Depreciation and amortization	**4,567,715**	**20,269,214**	**9,698,796**	**25,402,925**	**–**	**59,938,650**
Disposals	**–**	**(21,484,655)**	**–**	**–**	**–**	**(21,484,655)**
Balance at end of year	**45,253,058**	**42,706,435**	**46,524,017**	**55,801,083**	**78,500**	**190,363,093**
Carrying Amount	**₱208,146,473**	**₱50,065,070**	**₱10,723,411**	**₱46,833,715**	**₱–**	**₱315,768,669**

	2022					
	Building and Building Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost						
Balance at beginning of year	₱246,302,891	₱85,240,790	₱68,877,590	₱24,861,413	₱78,500	₱425,361,184
Additions	–	32,908,114	20,396,991	52,313,554	–	105,618,659
Disposals	–	(22,438,116)	–	–	–	(22,438,116)
Transfers	–	–	(40,887,697)	18,195,071	–	(22,692,626)
Balance at end of year	246,302,891	95,710,788	48,386,884	95,370,038	78,500	485,849,101
Accumulated Depreciation and Amortization						
Balance at beginning of year	35,771,010	42,483,571	54,370,174	19,444,563	78,500	152,147,818
Depreciation and amortization	4,914,333	19,329,891	8,720,433	10,953,595	–	43,918,252
Disposals	–	(17,891,586)	–	–	–	(17,891,586)
Transfers	–	–	(26,265,386)	–	–	(26,265,386)
Balance at end of year	40,685,343	43,921,876	36,825,221	30,398,158	78,500	151,909,098
Carrying Amount	₱205,617,548	₱51,788,912	₱11,561,663	₱64,971,880	₱–	₱333,940,003

In 2022, Bhavya transferred assets under construction pertaining to cost of model unit from “Real estate for sale” account to “Property and equipment” account aggregating ₱18.2 million because of the change in the intended use of the property as approved by the BOD (see Note 9).

Also, in 2022, the Parent Company reclassified its software and licenses with carrying amount of ₱14.6 million from “Property and equipment” to “Software and licenses” account under “Other assets” in the consolidated statements of financial position.

As at December 31, 2023 and 2022, fully depreciated property and equipment amounting to ₱81.3 million and ₱35.3 million, respectively, are still being used by the Company.

The Parent 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 gain (loss) on disposal of (₱857,717) in 2023, ₱369,071 in 2022 and (₱545,561) in 2021 (see Note 20).

Depreciation and amortization expense were charged to:

	Note	**2023**	2022	2021
Operating expenses	18	**₱62,614,519**	₱43,445,740	₱31,605,519
Cost of services		**137,608**	472,512	1,760,602
		₱62,752,127	₱43,918,252	₱33,366,121

12. **Other Assets**

This account consists of:

	2023	2022
CWT	**₱694,539,965**	₱564,485,238
Input VAT	**326,399,657**	636,714,373
Advances for project development	**264,675,320**	338,189,625
Amounts held in escrow	**221,594,852**	185,727,421
Deposits	**93,566,878**	93,309,077
Amounts held in trust	**36,752,025**	58,415,285
Prepaid:		
Taxes	**117,147,010**	27,366,609
Commissions	**67,031,285**	39,277,600
Insurance	**3,858,035**	3,325,762
Others	**3,261,084**	10,474,528
Deferred input VAT	**43,986,281**	39,111,784
Software and licenses	**32,274,175**	27,045,949
Materials and supplies	**1,341,909**	1,341,909
	₱1,906,428,476	₱2,024,785,160

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

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

	2023	2022
ALCO's OLSA	**₱128,154,209**	₱128,177,336
Bhavya's OLSA	**54,295,257**	20,224,690
Bhavana's loan	**21,087,265**	20,237,264
Cazneau's OLSA	**18,058,121**	17,088,131
	₱221,594,852	₱185,727,421

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

Amounts held in trust represent cash in bank held under trust pursuant to Bhavana and Bhavya's applications for socialized housing with the Department of Human Settlements and Urban Development in relation to its projects.

Prepaid commissions pertain to the commission costs incurred to obtain contracts with customer. Amortization of commissions amounted to ₱39.3 million in 2023 and ₱77.8 million in 2022.

The carrying amount of software and licenses amounted to ₱32.3 million and ₱27.0 million as at December 31, 2023 and 2022, respectively. Amortization of software and licenses recorded as part of "Depreciation and amortization" account in the consolidated statements of comprehensive income amounted to ₱2.7 million in 2023 and ₱0.6 million in 2022 (see Note 18).

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

Advances for asset purchase pertain to advance payments made to a seller of land which was subsequently acquired by the Group and classified as raw land in 2022 amounting to ₱209.4 million (see Note 9).

13. Loans Payable

This account consists of outstanding loans with:

	2023	2022
Local banks	**₱11,133,593,226**	₱11,708,430,709
Private funders	**53,223,970**	55,723,970
	₱11,186,817,196	₱11,764,154,679

Movements of this account follow:

	2023	2022
Balance at beginning of year	**₱11,807,202,186**	₱13,481,886,962
Availments	**6,962,723,916**	7,152,362,410
Payments	**(7,552,224,045)**	(8,827,047,186)
Balance at end of year	**11,217,702,057**	11,807,202,186
Unamortized debt issue cost	**(30,884,861)**	(43,047,507)
	11,186,817,196	11,764,154,679
Less current portion of loans payable	**5,246,912,260**	5,361,980,186
Long term portion of loans payable	**₱5,939,904,936**	₱6,402,174,493

Movements in debt issue cost are as follows:

	2023	2022
Balance at beginning of year	**₱43,047,507**	₱45,169,493
Additions	**4,925,394**	15,056,574
Amortization	**(17,088,040)**	(17,178,560)
Balance at end of year	**₱30,884,861**	₱43,047,507

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

	2023	2022
Within one year	**₱5,471,788,859**	₱5,555,006,410
After one year but not more than three years	**5,477,499,378**	1,200,973,776
More than three years	**268,413,820**	5,051,222,000
	₱11,217,702,057	₱11,807,202,186

Local Bank Loans

These are loans from local banks which are interest-bearing and secured loans obtained to finance the Group's working capital requirements, project development and acquisition of properties. These loans have interest rates ranging from 5.50% to 9.10% in 2023, and 4.50% to 7.50 % p.a. in 2022 and 2021.

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

Purpose	Terms and Security	Effective 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
Short-term loans for construction of Cebu Exchange	Unsecured and payable in full within one (1) year	8.50%	**1,381,000,000**	1,480,800,000
Construction of ACPT	Payable on a quarterly basis starting 4th quarter of 2020 until July 2025; secured by ACPT building with carrying amount of ₱6,493.6 million and ₱6,182.8 million as at December 31, 2023 and 2022, respectively (see Note 10), and an escrow account amounting to ₱128.2 million as at December 31, 2023 and 2022 (see Note 12)	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
Construction of Lucima Residences	Payable on a quarterly basis starting 2024 until 2026; secured by Lucima Residences property with carrying amount of ₱794.5 million as at December 31, 2023 and 2022 (see Note 9), and an escrow account amounting to ₱21.1 million and ₱20.2 million as at December 31, 2023 and 2022, respectively (see Note 12)	6.17% to 8.78%	**925,375,927**	924,208,963
Construction of Sevina Park	Payable on a quarterly basis starting November 2023 until August 2026; secured by raw land with carrying amount of ₱386.2 million as at December 31, 2023 and 2022 (see Note 9), and an escrow account amounting to ₱18.1 million and ₱17.1 million as at December 31, 2023 and 2022, respectively (see Note 12)	6.25% to 8.49%	**921,282,129**	983,413,024
Construction of Eluria	Payable on January 5, 2027	6.37% to 9.10%	**889,381,190**	700,370,977
Short-term loan for working fund requirement of Savya	Unsecured and payable in full within one year	7.50% to 8.50%	**709,475,244**	–
Credit facility agreement for financing of receivables from buyers of units and parking slots in Savya Financial Center	Payable in full in 2024 and 2025; secured by receivables and contract assets from buyer of units and parking slots in Savya Financial Center with carrying amount of ₱618.5 million as at December 31, 2023	6.50% to 8.25%	**620,514,316**	613,843,820
Long-term loans for working fund requirements	Payable on May 22, 2026	7.53%	**437,500,000**	–
Short-term loans for working fund requirements	Payable on November 25, 2024	6.00%	**374,538,096**	496,250,000
Short-term loan of Lucima	Payable on September 16, 2024	7.16% to 7.50%	**363,863,454**	99,267,354
Short-term loan of Eluria	Payable on October 18, 2024	7.50%	**247,500,000**	–
Credit facility agreement for financing of receivables from buyers of units in Cazneau	Payable in full within one year	7.00%	**218,002,497**	–
Long-term loan of Lucima	Payable on March 25, 2025	7.16%	**46,249,887**	–
Construction of Savya Financial Center	Payable on a quarterly basis within three years from the date of initial drawdown until August 29, 2023; secured by unregistered real estate mortgage over raw land of SLDC with carrying amount of ₱1,434.8 million as at December 31, 2022	4.75%	**–**	891,672,357
Credit facility agreement for financing of receivables from buyers of units and parking slots in Cebu Exchange	Payable in full in 2023; secured by receivables and contract assets from buyer of units and parking slots in Cebu Exchange with carrying amount of ₱3.5 billion as at December 31, 2022	6.75% to 8.00%	**–**	806,973,776
			₱11,133,593,226	₱11,708,430,709

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

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

- Debt to equity ratio of:

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

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 1.5, respectively, based on its consolidated financial statements, which is compliant with the amended financial covenants.

Acquisition of land and construction of Savya Financial Center
In 2021, SLDC entered into a loan facility of ₱1,440.0 million with a local bank. The ₱1,440.0 million was fully drawn and was used to repay the ₱1.440.0 million outstanding loan under the MTL. The outstanding loan balance is secured by real estate mortgage over raw land property (see Note 9). SLDC is required to maintain a current ratio of at least 1.5x and a debt to equity ratio not exceeding 2.0x. The loan was fully settled in 2023.

Construction of Cebu Exchange
In 2017, CLLC entered into an OLSA for a credit line of ₱2,350.0 million with a local bank, to partially finance the development and construction of Cebu Exchange. Loan proceeds were received in several drawdowns within a period of three years after initial drawdown. The outstanding loan balance is secured by Cebu Exchange property and pledge of shares of ALCO and a non-controlling interest in CLLC (see Note 9). The loan was fully settled in 2022.

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

The debt to equity and current ratio of Cazneau as at December 31, 2023 based on its financial statements is 0.9x and 1.6x, respectively, which are compliant with the requirements of the term loan.

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

The debt to equity ratio, current ratio and project debt to equity ratio of Bhavana as at December 31, 2023 based on its financial statements is 1.6x, 1.7x and 0.5x, respectively, which are compliant with the requirements of the term loan.

Construction of Eluria
In 2022, Bhavya entered into a term loan facility with a local bank to partially finance the construction of Eluria. Loan proceeds are available in multiple tranches from the date of initial drawdown. The outstanding loan balance is secured by real estate mortgage on the land of Bhavya. Moreover, Bhavya is required to maintain debt to equity ratio of not more than 2.0x, current ratio of not less than 1.5x and project debt to equity ratio not exceeding 0.5x.

The debt to equity ratio, current ratio and project debt to equity ratio of Bhavya as at December 31, 2023 based on its financial statements is 1.5x, 1.9x and 0.5x, respectively, which are compliant with the requirements of the term loan.

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

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.

Private Funders
Outstanding balances of the loans from private funders amounting to ₱53.2 million and ₱55.7 million as at December 31, 2023 and 2022, respectively, have interest rates of 4.13% p.a. to 5.30% p.a. in 2023 and 3.50% p.a. to 4.13% p.a. in 2022, and are unsecured and are for working capital requirements of the Group.

Capitalized Borrowing Costs
Borrowing costs capitalized are as follows:

	Note	**2023**	2022	2021
Loans payable		**₱66,326,656**	₱66,322,461	₱478,859,663
Bonds payable	14	**–**	80,580,793	73,390,131
		₱66,326,656	₱146,903,254	₱552,249,794

The above is distributed as follows:

	Note	**2023**	2022	2021
Real estate for sale	9	**₱66,326,656**	₱144,446,120	₱549,762,344
Investment properties	10	**–**	2,457,134	2,487,450
		₱66,326,656	₱146,903,254	₱552,249,794

The capitalization rates used to determine general borrowing costs eligible for capitalization ranges from 3.00% to 7.50% in 2023, 2022 and 2021.

Interest Expense

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

	Note	**2023**	2022	2021
Interest expense on:				
Loans payable and advances from non-controlling interests		**₱550,390,848**	₱399,341,397	₱158,599,452
Bonds payable	14	**465,794,610**	98,531,070	116,638,811
		₱1,016,185,458	₱497,872,467	₱275,238,263

14. **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

Movement in debt issue cost 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. The proceeds of the initial tranche is for the development of eligible green projects and payment of certain outstanding loans of the Group.

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.

ALCO shall maintain the following financial ratios, with testing to be done on an annual basis, for as long as any of the ASEAN Green Bonds remain outstanding:

(a) Debt-to-Equity Ratio of not more than 2:1; and

(b) Current Ratio of not less than 1.5:1.

For the avoidance of doubt, any relevant Indebtedness to be incurred to refinance, in the same currency or its equivalent amount, an existing relevant Indebtedness outstanding on the Issue Date or any testing date, shall not be counted for purposes of computing additional relevant Indebtedness provided that such relevant Indebtedness outstanding on the Issue Date or the relevant testing date is settled within ninety (90) calendar days from incurrence of such additional relevant Indebtedness.

In the determination of any particular amount of Indebtedness in connection with these financial covenants, guarantees, security interests or obligations with respect to letters of credit supporting the relevant Indebtedness otherwise included in the determination of such particular amount shall not be included.

Testing of both financial covenants shall be done on April 30 of each year, using the December 31 audited consolidated financial statements of the Group.

As at December 31, 2023 and 2022, the Group is compliant with these financial ratios.
Capitalized borrowing costs and interest expense incurred on the Bonds amounted to nil and ₱465.8 million, respectively, in 2023. Capitalized borrowing costs and interest expense incurred on the Bonds amounted to ₱80.6 million and ₱98.5 million, respectively, in 2022 (see Note 13).

15. **Accounts Payable and Other Liabilities**

This account consists of:

	Note	**2023**	2022
Accounts payable:			
Third parties		**₱247,494,311**	₱317,446,631
Related party	24	**3,349,798**	10,068,355
Accrued:			
Construction costs		**641,526,880**	385,603,143
Interest		**280,805,743**	259,794,914
Personnel costs		**39,014,439**	156,430,810
Others		**170,377,249**	24,117,038
Deferred output VAT		**850,087,182**	769,967,164
Retention payable		**604,158,754**	635,086,197
Payable to customers		**395,652,973**	347,405,421
Security deposits	22	**109,163,602**	127,791,142
Advance rent	22	**66,048,657**	79,069,176
Withholding taxes payable		**39,510,742**	41,075,896
Construction bonds		**39,082,585**	22,020,484
Dividend payable		**5,686,177**	187,093,749
Income tax payable		**–**	838,178
Others		**129,102,022**	18,390,005
		₱3,621,061,114	₱3,382,198,303

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

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

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

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

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

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

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

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

Other payables include statutory liabilities to SSS, PhilHealth and HDMF, as well as payables to certain buyers as at cutoff date.

16. Equity

The details of the Parent Company's number of common and preferred shares as at December 31, 2023, 2022 and 2021 are as follows:

	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 Parent 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)
Parent Company's shares held by a subsidiary	**(12,500,000)**	**(12,500,000)**	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)
Outstanding	**16,000,000**	**₱16,000,000**	16,000,000	₱16,000,000	16,000,000	₱16,000,000

On December 6, 2021, the Parent 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. Treasury stock pertaining to the redemption of 20.0 million Series B preferred shares recognized at cost amounted to ₱2,000.0 million as at December 31, 2021. On May 4, 2022, the BOD of the Parent Company approved the amendment of the Parent 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 Parent Company's AOI is pending as at our report date.

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

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

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

Common Shares

As at December 31, 2023 and 2022, the Parent 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 movements 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 Parent Company has 1,921 and 1,935 stockholders as at December 31, 2023 and 2022, respectively.

Dividend Declaration

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

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

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

Other Equity Reserves

This account consists of:

	Note	**2023**	2022	2021
Effect of changes in the Parent Company's ownership interest in subsidiaries		**₱169,002,018**	₱169,002,018	₱169,002,018
Cumulative remeasurement gains on net retirement asset or liability - net of tax	21	**40,402,986**	45,532,590	1,548,221
Stock options		**7,161,827**	7,161,827	7,080,164
		₱216,566,831	₱221,696,435	₱177,630,403

Movements of this account is as follows:

	Note	**2023**	2022	2021
Balance at beginning of year		**₱221,696,435**	₱177,630,403	₱230,363,146
Remeasurement gain (loss) on net retirement liability - net of tax and effect of CREATE Law in 2021	21	**(5,129,604)**	43,984,369	7,170,628
Stock options granted and fair value changes	18	**–**	81,663	594,611
Excess of acquisition cost over the non-controlling interest acquired in a subsidiary	4	**–**	–	(60,497,982)
Balance at end of year		**₱216,566,831**	₱221,696,435	₱177,630,403

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

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

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

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

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

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

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 Projects	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

17. **Revenues**

The Group's revenues are as follows:

	Note	**2023**	2022	2021
Real estate sales of:				
Savya Financial Center		**₱2,392,608,813**	₱435,347,696	₱975,128,529
Lucima Residences		**1,512,300,615**	917,746,872	–
Cebu Exchange		**986,256,059**	520,354,368	1,354,517,333
Sevina Park		**794,498,165**	722,540,902	299,297,701
Eluria		**565,910,408**	–	–
		6,251,574,060	2,595,989,838	2,628,943,563
Leasing revenue	22	**366,299,089**	308,367,000	325,500,935
Property management fees		**21,050,433**	18,334,356	17,754,758
		₱6,638,923,582	₱2,922,691,194	₱2,972,199,256

Revenue recognized over time amounted to ₱6,164.8 million in 2023, ₱2,444.0 million in 2022 and ₱2,972.2 million in 2021. Revenue recognized at a point in time consisting of lots sold amounted to ₱474.1 million in 2023, ₱478.7 million in 2022 and nil in 2021. Real estate sales recognized using the POC method amounted to ₱5,777.5 million in 2023, ₱2,117.3 million in 2022 and ₱2,628.9 million in 2021.

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

Property management fees pertain to services rendered by APPS in the management and maintenance of all common areas of Arya Residences, Arthaland Century Pacific Tower, and Cebu Exchange. The service contract with Arya Residences Condominium Corporation had an initial term of seven (7) years from December 1, 2014 and the engagement was renewed for another five (5) years commencing on December 1, 2021. The terms of the service contracts with Arthaland Century Pacific Tower Condominium Corporation and Cebu Exchange Condominium Corporation are seven (7) years from August 1, 2018 and five (5) years from September 1, 2023, respectively.

18. **Operating Expenses**

Operating expenses are classified as follows:

	2023	2022	2021
Administrative	**₱821,439,823**	₱616,716,251	₱438,756,665
Selling and marketing	**529,115,673**	255,280,513	299,702,134
	₱1,350,555,496	₱871,996,764	₱738,458,799

Details of operating expenses by nature are as follows:

	Note	**2023**	2022	2021
Personnel costs		**₱276,523,524**	₱243,066,638	₱202,731,197
Advertising		**265,716,476**	169,818,432	163,666,488
Commissions		**263,399,197**	85,462,081	136,035,646
Taxes and licenses		**174,634,585**	108,814,035	35,991,672
Communication and office expenses		**111,166,961**	61,225,843	38,445,777
Depreciation and amortization	11	**62,614,519**	43,445,740	31,605,519
Transportation and travel		**60,516,180**	38,230,621	18,742,075
Management and professional fees		**42,641,046**	54,585,146	62,353,498
Utilities		**36,331,964**	10,713,419	2,423,146
Insurance		**24,912,851**	20,840,024	18,531,639
Repairs and maintenance		**10,565,940**	11,361,198	4,797,950
Rent	22	**6,133,894**	3,601,857	2,313,138
Representation		**1,280,730**	1,204,856	3,503,647
Write-off of receivables from non-affiliated entity		**–**	8,699,911	11,559,066
Others		**14,117,629**	10,926,963	5,758,341
		₱1,350,555,496	₱871,996,764	₱738,458,799

Personnel costs consist of:

	Note	**2023**	2022	2021
Salaries and other employee benefits		**₱258,855,447**	₱216,296,070	₱174,978,147
Retirement expense	21	**17,668,077**	26,688,905	27,158,439
Stock options granted and fair value changes	16	**–**	81,663	594,611
		₱276,523,524	₱243,066,638	₱202,731,197

19. **Finance Costs**

This account consists of:

	Note	**2023**	2022	2021
Interest expense	13	**₱1,016,185,458**	₱497,872,467	₱275,238,263
Bank charges		**4,164,974**	2,799,997	2,590,682
		₱1,020,350,432	₱500,672,464	₱277,828,945

20. **Other Income** - Net

This account consists of:

	Note	**2023**	2022	2021
Interest income	6	**₱293,392,563**	₱28,605,128	₱3,537,246
Gain on repossession	9	**96,979,144**	5,398,638	–
Realized gain on disposals of financial assets at FVPL	7	**73,157,830**	30,063,000	23,603,206
Foreign exchange gains		**4,437,686**	8,540,438	368,205
Gain on sale of investment properties	10	**1,198,576**	–	–
Unrealized holding gains (losses) on financial assets at FVPL	7	**858,794**	2,215,632	(6,258,905)
Gain (loss) on disposal of property and equipment	11	**(857,717)**	369,071	(545,561)
Others		**52,086,597**	(7,140,013)	6,942,915
		₱521,253,473	₱68,051,894	₱27,647,106

21. **Net Retirement Liability (Asset)**

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

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

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

The following tables summarize the components of retirement benefit costs recognized in the consolidated statements of comprehensive income for the year ended December 31, 2023 (based on the report of an independent actuary dated January 12, 2024).

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

	2023	2022	2021
Current service cost	**₱19,830,224**	₱23,235,167	₱22,933,142
Net interest cost	**(2,162,147)**	3,453,738	4,225,297
	₱17,668,077	₱26,688,905	₱27,158,439

Net retirement asset and net retirement liability presented in the consolidated statements of financial position as at December 31, 2023 and 2022 are as follows:

	2023	2022
Net retirement liability	**₱5,145,894**	₱2,545,060
Net retirement asset	**(14,151,768)**	(36,058,483)
	(₱9,005,874)	(₱33,513,423)

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

	2023	2022	2021
Balance at beginning of year	**(₱33,513,423)**	₱118,443,498	₱101,496,418
Current service cost	**19,830,224**	23,235,167	22,933,142
Net interest cost	**(2,162,147)**	3,453,738	4,225,297
Contributions to retirement plan assets	**–**	(120,000,000)	–
Remeasurement losses (gains) on:			
Change in financial assumptions	**14,700,839**	(29,691,134)	(2,314,401)
Experience adjustments	**(6,955,820)**	(35,951,491)	(9,133,789)
Return on plan assets	**2,626,156**	2,899,106	1,296,104
Change in demographic assumptions	**–**	–	(59,273)
Effect of asset ceiling	**(3,531,703)**	4,097,693	–
Balance at end of year	**(₱9,005,874)**	(₱33,513,423)	₱118,443,498

The funded status and amounts recognized in the consolidated 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	**₱133,813,065**	₱105,737,174
Fair value of plan assets	**(143,680,782)**	(143,348,290)
	(9,867,717)	(37,611,116)
Effect of asset ceiling	**861,843**	4,097,693
	(₱9,005,874)	(₱33,513,423)

While there are no minimum funding requirements in the country, any size of underfunding may pose a cash flow risk in about ten years' time when a significant number of employees is expected to retire.

As of December 31, 2023 and 2022, the plan is overfunded by ₱9.9 million and ₱37.6 million based on the latest actuarial valuation.

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

	2023	2022	2021
Balance at beginning of year	**₱105,737,174**	₱158,888,009	₱152,389,179
Current service cost	**19,830,224**	23,235,167	22,933,142
Interest cost	**7,634,224**	8,087,128	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	**14,700,839**	(29,691,134)	(2,314,401)
Experience adjustments	**(6,955,820)**	(35,951,491)	(9,133,789)
Change in demographic assumptions	**–**	–	(59,273)
Balance at end of year	**₱133,813,065**	₱105,737,174	₱158,888,009

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

	2023	2022	2021
Balance at beginning of year	**₱143,348,290**	₱40,444,511	₱50,892,761
Interest income	**10,092,224**	4,633,390	1,794,076
Benefits paid from plan assets	**(7,133,576)**	(18,830,505)	(10,946,222)
Remeasurement loss on return on plan assets	**(2,626,156)**	(2,899,106)	(1,296,104)
Contribution to retirement plan assets	**–**	120,000,000	–
Balance at end of year	**₱143,680,782**	₱143,348,290	₱40,444,511

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

The cumulative remeasurement gains (losses) on net retirement liability/asset 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	**₱60,825,176**	**₱15,292,586**	**₱45,532,590**
Remeasurement loss	**(6,839,472)**	**(1,709,868)**	**(5,129,604)**
Balance at end of year	**₱53,985,704**	**₱13,582,718**	**₱40,402,986**

	2022		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 23)	Net
Balance at beginning of year	₱2,179,350	₱631,129	₱1,548,221
Remeasurement gain	58,645,826	14,661,457	43,984,369
Balance at end of year	₱60,825,176	₱15,292,586	₱45,532,590

	2021		
	Cumulative Remeasurement Gains (Losses)	Deferred Tax (see Note 23)	Net
Balance at beginning of year	(₱8,032,009)	(₱2,409,602)	(₱5,622,407)
Remeasurement gain	10,211,359	2,639,131	7,572,228
Effect of changes in tax rates due to CREATE Law	–	401,600	(401,600)
Balance at end of year	₱2,179,350	₱631,129	₱1,548,221

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

	2023	2022
Discount rate	**6.09% - 6.12%**	7.22%
Salary projection rate	**6.00%**	6.00%
Average remaining service years	**21.4 to 31.5**	20.0 to 33.1

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

		Effect on Present Value of Retirement Liability	
	Change in Assumption	Discount Rate	Salary Projection Rate
December 31, 2023	**+1%**	**(₱12,061,291)**	**₱14,194,547**
	-1%	**14,327,368**	**(12,176,204)**
December 31, 2022	+1%	(₱9,922,241)	₱11,790,003
	-1%	11,763,643	(10,114,747)

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

Financial Year	Amount
2024	₱33,737,380
2025	882,987
2026-2030	18,305,527
2031-2034	104,457,796

The weighted average duration of the retirement benefit obligation as at December 31, 2023 and 2022 are 10.3 years to 25.2 years and 10.5 years to 25.3 years, respectively.

22. Commitments

Operating Lease Commitments - Group as Lessor

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

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

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

Leasing revenue recognized from these operating leases amounted to ₱366.3 million in 2023, ₱308.4 million in 2022 and ₱325.5 million in 2021 (see Note 17). Lease receivables amounted to ₱170.4 million and ₱123.9 million as at December 31, 2023 and 2022, respectively (see Note 8). Accrued rent receivable amounted to ₱39.4 million and ₱46.9 million as at December 31, 2023 and 2022, respectively (see Note 8). Advance rent from tenants amounted to ₱66.0 million and ₱79.1 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 ₱109.2 million and ₱127.8 million as at December 31, 2023 and 2022, respectively (see Note 15).

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	**₱186,081,037**	₱215,610,156
After one year but not more than five years	**274,949,803**	261,900,555
More than five years	**–**	6,545,550
	₱461,030,840	₱484,056,261

<u>Operating Lease Commitment - Group as Lessee</u>

The Parent Company is a lessee under non-cancellable operating leases. For short-term and low value leases, rent expense recognized amounted to ₱6.1 million in 2023, ₱3.6 million in 2022 and ₱2.3 million in 2021 (see Note 18).

23. **Income Taxes**

The components of income tax expense are as follows:

	Note	**2023**	2022	2021
Reported in Profit or Loss				
Current:				
RCIT		**₱180,158,033**	₱157,618,212	₱50,194,798
Final taxes		**72,764,819**	11,670,436	4,916,752
MCIT		**21,550,545**	7,117,905	6,848,361
Gross income tax (GIT)		**5,487,544**	5,120,220	5,191,339
		279,960,941	181,526,773	67,151,250
Deferred		**169,705,162**	195,310,865	(55,255,650)
		₱449,666,103	₱376,837,638	₱11,895,600
Reported in OCI				
Deferred tax related to remeasurement gains on net retirement asset or liability	21	**₱1,709,868**	(₱14,661,457)	(₱2,639,131)

Deferred Tax Assets and Deferred Tax Liabilities

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

	2023	2022
Deferred tax assets:		
NOLCO	**₱489,288,250**	₱325,083,921
Retirement liability	**31,162,343**	19,118,697
Advance rent	**13,972,895**	17,686,010
Excess MCIT over RCIT	**10,758,826**	3,517,773
Excess of commission expense over commissions paid	**8,172,757**	–
Allowance for impairment losses	**436,698**	528,771
Unrealized foreign exchange loss	**10,367**	4,111
	553,802,136	365,939,283
Deferred tax liabilities:		
Cumulative gain on change in fair value of investment properties	**1,965,361,360**	1,758,663,966
Excess of financial over taxable gross profit	**586,111,764**	457,850,213
Depreciation of investment properties	**52,373,261**	42,365,389
Actuarial gain or loss	**13,979,394**	–
Transfer of fair value to property and equipment	**10,108,826**	10,333,467
Accrued rent receivable	**9,340,072**	9,326,793
Capitalized debt issue costs	**7,806,996**	7,979,526
Unrealized foreign exchange gain	**1,577,690**	2,230,079
Gain on repossession of real estate for sale	**–**	1,327,338
	2,646,659,363	2,290,076,771
Net deferred tax liabilities	**₱2,092,857,227**	₱1,924,137,488

As at December 31, 2023 and 2022, the Group did not recognize deferred tax assets relating to the following:

	2023	2022
Excess MCIT over RCIT	**₱5,324,366**	₱13,890,029
NOLCO	**–**	11,520,581
	₱5,324,366	₱25,410,610

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

NOLCO and Excess MCIT over RCIT

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

NOLCO

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2023	₱–	₱844,756,975	₱–	₱–	₱844,756,975	2026
2022	551,063,214	–	76,771,499	–	474,291,715	2025
2021	439,172,305	–	237,391,501	–	201,780,804	2026
2020	441,070,429	–	15,966,229	–	425,104,200	2025
	₱1,431,305,948	₱844,756,975	₱330,129,229	₱–	₱1,945,933,694	

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

Excess MCIT over RCIT

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2023	₱–	₱7,031,690	₱–	₱–	₱7,031,690	2026
2022	7,117,905	–	341,505	–	6,776,400	2025
2021	5,606,289	–	1,377,300	–	4,228,989	2024
2020	7,507,979	–	–	7,507,979	–	2023
	₱20,232,173	₱7,031,690	₱1,718,805	₱7,507,979	₱18,037,079	

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

	2023	2022	2021
Income tax computed at statutory tax rate	**₱606,220,259**	₱321,601,048	₱331,646,283
Add (deduct) tax effect of:			
Dividend income from subsidiaries	**(132,500,000)**	–	–
Income subject to GIT	**(24,637,139)**	(22,981,242)	(23,504,522)
Nondeductible expenses and nontaxable income	**19,648,403**	7,924,811	4,483,199
Interest income subjected to final tax	**(14,963,627)**	(1,428,899)	(491,564)
Change in unrecognized deferred tax assets	**(10,767,904)**	14,858,740	6,986,414
Taxable rent	**10,262,838**		
Realized gain on disposals of financial assets at FVPL subjected to final tax	**(4,107,194)**	(1,510,820)	(1,535,568)
Loss on property and equipment	**395,233**	–	–
Unrealized holding loss (gains) on financial assets at FVPL	**115,234**	(604,950)	1,536,300
Expired NOLCO	**–**	49,716,484	1,147,774
Expired MCIT	**–**	5,606,716	187,580
Applied MCIT	**–**	3,635,334	–
Stock issuance costs	**–**	20,416	(7,399,841)
Effect of CREATE Law	**–**	–	(301,160,455)
	₱449,666,103	₱376,837,638	₱11,895,600

PEZA Registration

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

Under the PEZA Registration Agreement, ACPT is entitled to:

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

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

Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Law

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

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

24. Related Party Transactions

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

	Nature of Relationship	Note	Nature of Transaction	Amount of Transactions		Outstanding Balance	
				2023	2022	**2023**	2022
Due from Related Parties		8					
Centrobless	Entity under common management		Advances for working capital	**₱1,306,800**	(₱636,087)	**₱1,306,800**	₱–
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**	5,683,057
						₱43,082,172	₱41,735,930
Accounts Payable							
CPG	Principal stockholder	15	Management fee	**₱3,349,798**	₱13,369,869	**₱3,349,798**	₱10,068,355

Share Purchase Agreement

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

Advances for Working Capital

This pertains to expenses advanced by the Group to the related parties. Outstanding balances of advances for working capital are unsecured, unguaranteed, collectible or payable on demand and to be settled in cash. The Group's allowance for ECL on due from related parties amounted to nil as at December 31, 2023 and 2022.

Management Fee

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

Compensation of Key Management Personnel

The compensation of key management personnel are as follows:

	2023	2022	2021
Salaries and other employee benefits	**₱127,231,751**	₱106,570,170	₱82,773,183
Retirement 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 Parent Company's retirement fund is administered and managed by a trustee bank. The fair value of plan assets, which are primarily composed of unit investment trust funds, amount to ₱143.7 million and ₱143.3 million as at December 31, 2023 and 2022, respectively (see Note 21).

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

25. Reconciliation of Liabilities Arising from Financing Activities

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

		Financing Cash Flows		**Noncash Transactions**	
	January 1, 2023	**Availments/ Declaration**	**Payments**	**Movement in Debt Issue Cost**	**December 31, 2023**
Loans payable	**₱11,764,154,679**	**₱6,962,723,916**	**(₱7,552,224,045)**	**₱12,162,646**	**₱11,186,817,196**
Bonds payable	**5,925,771,148**	**–**	**–**	**15,751,265**	**5,941,522,413**
Advances from non-controlling interests	**1,102,119,597**	**–**	**–**	**–**	**1,102,119,597**
Dividends payable	**187,093,749**	**577,093,142**	**(758,500,714)**	**–**	**5,686,177**
	₱18,979,139,173	**₱7,539,817,058**	**(₱8,310,724,759)**	**₱27,913,911**	**₱18,236,145,383**

		Financing Cash Flows		Noncash Transactions	
	January 1, 2022	Availments/ Declaration	Payments	Movement in Debt Issue Cost	December 31, 2022
Loans payable	₱13,436,717,469	₱7,152,362,410	(₱8,827,047,186)	₱2,121,986	₱11,764,154,679
Bonds payable	2,966,594,179	3,000,000,000	(48,963,860)	8,140,829	5,925,771,148
Advances from non-controlling interests	1,102,119,597	–	–	–	1,102,119,597
Dividends payable	6,515,393	513,093,142	(332,514,786)	–	187,093,749
	₱17,511,946,638	₱10,665,455,552	(₱9,208,525,832)	₱10,262,815	₱18,979,139,173

26. Earnings Per Share

Basic and diluted earnings per share are computed as follows:

	2023	2022	2021
Net income attributable to equity holders of the Parent Company	**₱948,309,181**	₱821,081,648	₱899,510,260
Less share of Series C and D preferred shares in 2023 and 2022 and Series B and C preferred shares in 2021	**(249,276,000)**	(249,276,000)	(210,192,000)
Net income attributable to equity holders of the Parent Company for basic and diluted earnings per share	**₱699,033,181**	₱571,805,648	₱689,318,260
Weighted average number of outstanding common shares for basic EPS	**5,318,095,199**	5,318,095,199	5,318,095,199
Add dilutive shares arising from stock options	**–**	–	55,400,000
Adjusted weighted average number of common shares for diluted EPS	**5,318,095,199**	5,318,095,199	5,373,495,199
Basic EPS	**₱0.1314**	₱0.1075	₱0.1296
Diluted EPS	**₱0.1314**	₱0.1075	₱0.1283

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

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

27. Financial Risk Management Objectives and Policies

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

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

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

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

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

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

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

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

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

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

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

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

Assets that are credit-impaired are separately presented.

	2023				
	Financial Assets at Amortized Cost				
	12-Month ECL	**Lifetime ECL - Not Credit Impaired**	**Lifetime ECL - Credit Impaired**	**Financial Assets at FVPL**	**Total**
Cash and cash equivalents*	**₱5,605,111,553**	**₱–**	**₱–**	**₱–**	**₱5,605,111,553**
Financial assets at FVPL	**–**	**–**	**–**	**877,853,288**	**877,853,288**
Receivables**	**–**	**2,171,903,314**	**1,746,790**	**–**	**2,173,650,104**
Contract assets	**–**	**5,608,780,240**	**–**	**–**	**5,608,780,240**
Deposits	**93,566,878**	**–**	**–**	**–**	**93,566,878**
Amounts held in escrow	**221,594,852**	**–**	**–**	**–**	**221,594,852**
Amounts held in trust	**36,752,025**	**–**	**–**	**–**	**36,752,025**
	₱5,957,025,308	**₱7,780,683,554**	**₱1,746,790**	**₱877,853,288**	**₱14,617,308,940**

**Excludes cash on hand amounting to ₱185,000.*
***Excludes accrued rent receivable under straight-line basis of accounting aggregating ₱39.4 million as at December 31, 2023.*

	2022				
	Financial Assets at Amortized Cost				
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired	Financial Assets at FVPL	Total
Cash and cash equivalents*	₱4,796,118,662	₱–	₱–	₱–	₱4,796,118,662
Financial assets at FVPL	–	–	–	2,246,039,822	2,246,039,822
Receivables**	–	2,333,150,925	1,746,790	–	2,334,897,715
Contract assets	–	3,920,367,468	–	–	3,920,367,468
Deposits	93,309,077	–	–	–	93,309,077
Amounts held in escrow	185,727,421	–	–	–	185,727,421
Amounts held in trust	58,415,285	–	–	–	58,415,285
	₱5,133,570,445	₱6,253,518,393	₱1,746,790	₱2,246,039,822	₱13,634,875,450

**Excludes cash on hand amounting to ₱175,000.*
***Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱46.9 million as at December 31, 2022.*

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

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31, 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	**₱–**	**₱5,471,788,859**	**₱2,995,187,898**	**₱2,482,311,480**	**₱268,413,820**	**₱11,217,702,057**
Bonds payable	**–**	**–**	**3,000,000,000**	**–**	**3,000,000,000**	**6,000,000,000**
Accounts payable and other liabilities*	**604,158,754**	**1,665,602,806**	**–**	**–**	**–**	**2,269,761,560**
Advances from non-controlling interest	**1,102,119,597**	**–**	**–**	**–**	**–**	**1,102,119,597**
	₱1,706,278,351	**₱7,137,391,665**	**₱5,995,187,898**	**₱2,482,311,480**	**₱3,268,413,820**	**₱20,589,583,214**

**Excludes payable to customers, advance rent and statutory liabilities aggregating to ₱1,351.3 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	₱–	₱5,555,006,410	₱1,200,973,776	₱–	₱5,051,222,000	₱11,807,202,186
Bonds payable	–	–	–	3,000,000,000	3,000,000,000	6,000,000,000
Accounts payable and other liabilities*	635,086,197	1,508,756,271	–	–	–	2,143,842,468
Advances from non-controlling interest	1,102,119,597	–	–	–	–	1,102,119,597
	₱1,737,205,794	₱7,063,762,681	₱1,200,973,776	₱3,000,000,000	₱8,051,222,000	₱21,053,164,251

**Excludes payable to customers, advance rent and statutory liabilities aggregating to ₱1,238.4 million as at December 31, 2022.*

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

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

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

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

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

Capital Management

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

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

	2023	2022
Total liabilities	**₱24,147,874,105**	₱24,332,396,159
Total equity	**13,116,171,785**	12,060,310,930
Debt-to-equity ratio	**1.84:1.00**	2.02:1.00

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

Financial Ratios

The Group maintains and monitors certain financial ratios specifically those that measure its performance in terms of profitability, liquidity, and solvency on a regular basis. In terms of profitability, the usual metrics used is the Net Profit Margin, which measures whether a project is keeping up to the planned margins estimated during project planning and conceptualization given certain assumptions. For liquidity, the Group keeps an eye on its Current or Acid Test Ratio to determine its ability to meet its current or short-term obligations. The long-term financial well-being of the Group on the other hand is monitored and measured in Solvency Ratios specifically Debt (bonds and loans payable, amount payable for purchase of interest in a subsidiary and advances from non-controlling interest) to Equity Ratio for Loan Covenant. The Group's top five key performance indicators, namely: (a) Current Ratio; (b) Debt to Equity Ratio; (c) Debt (bonds and loans payable, amount payable for purchase of interest in a subsidiary and advances from non-controlling interest) to Equity Ratio for Loan Covenant; (d) Interest Coverage Ratio; and (e) Net Profit Margin.

Financial reports are presented regularly to the Company's Finance Committee every month including the above-mentioned financial ratios. While they may fluctuate and vary from time to time given the nature of the business, reasons for the variations between reporting periods and trends are discussed to determine any measures that need to be undertaken prospectively. Other than being used as barometers for the company's levels of performance from one period to another, these financial ratios are also monitored to ensure the company's compliance to some financial covenants with some banks with respect to credit facilities these financing institutions have extended or provided. To date, the Group has been compliant with all these covenants.

28. **Fair Value Measurement**

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

			2023		
			Fair Value		
	Note	**Carrying Amount**	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets measured at fair value:					
Financial assets at FVPL	7	**₱877,853,288**	**₱877,853,288**	**₱–**	**₱–**
Investment properties	10	**13,175,632,447**	**–**	**1,856,644,669**	**11,318,987,778**
Asset for which fair value is disclosed -					
Financial assets at amortized cost - Deposits	12	**93,566,878**	**–**	**–**	**93,566,878**
		₱14,147,052,613	**₱877,853,288**	**₱1,856,644,669**	**₱11,412,554,656**
Liability for which fair value is disclosed -					
Loans payable	13	**₱11,186,817,196**	**₱–**	**₱–**	**₱11,186,817,196**
Bonds payable	14	**5,941,522,413**	**–**	**–**	**5,941,522,413**
		₱17,128,339,609	**₱–**	**₱–**	**₱17,128,339,609**

			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	7	₱2,246,039,822	₱2,246,039,822	₱–	₱–
Investment properties	10	11,273,784,260	–	1,845,950,292	9,427,833,968
Asset for which fair value is disclosed -					
Financial assets at amortized cost - Deposits	12	93,309,077	–	–	93,309,077
		₱13,613,133,159	₱2,246,039,822	₱1,845,950,292	₱9,521,143,045
Liability for which fair value is disclosed -					
Loans payable	13	₱11,764,154,679	₱–	₱–	₱11,764,154,679
Bonds payable	14	5,925,771,148	–	–	5,925,771,148
		₱17,689,925,827	₱–	₱–	₱17,689,925,827

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

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

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

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

The table below presents the financial assets and liabilities of the Group whose carrying amounts approximate fair values as at December 31, 2023 and 2022:

	2023	2022
Financial assets:		
Cash and cash equivalents	**₱5,605,296,553**	₱4,796,293,662
Receivables*	**2,171,903,314**	2,333,150,925
Contract assets	**5,608,780,240**	3,920,367,468
Amounts held in escrow	**221,594,852**	185,727,421
Amounts held in trust	**36,752,025**	58,415,285
	₱13,644,326,984	₱11,293,954,761
Financial liabilities:		
Accounts payable and other liabilities**	**₱2,269,761,560**	₱2,143,842,468
Advances from non-controlling interests	**1,102,119,597**	1,102,119,597
	₱3,371,881,157	₱3,245,962,065

**Excludes accrued rent receivable under straight-line basis of accounting aggregating ₱39.4 million and ₱46.9 million as at December 31, 2023 and 2022, respectively.*
***Excludes payable to customers, advance rent and statutory liabilities aggregating ₱1,351.3 million and ₱1,238.4 million as at December 31, 2023 and 2022, respectively.*

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

29. Classification of Consolidated Statements of Financial Position Accounts

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

	Note	**2023**	2022
Current Assets			
Cash and cash equivalents	6	**₱5,605,296,553**	₱4,796,293,662
Financial assets at FVPL	7	**877,853,288**	2,246,039,822
Receivables	8	**2,211,302,746**	2,380,054,645
Contract assets	5	**5,608,780,240**	3,920,367,468
Real estate for sale	9	**7,548,831,703**	9,381,383,586
Other assets*	12	**1,768,875,317**	1,836,051,933
		₱23,620,939,847	₱24,560,191,116

**Excludes non-current portion of deposits and deferred input VAT amounting to ₱137.6 million and ₱188.7 million as at December 31, 2023 and 2022, respectively.*

	Note	**2023**	2022
Current Liabilities			
Current portion of loans payable**	13	**₱5,246,912,260**	₱5,361,980,186
Accounts payable and other liabilities	15	**3,621,061,114**	3,382,198,303
Contract liabilities	5	**198,350,664**	231,469,884
Advances from non-controlling interests	4	**1,102,119,597**	1,102,119,597
		₱10,168,443,635	₱10,077,767,970

***Excludes long term portion of loans payable aggregating to ₱5,939.9 million and ₱6,402.2 million as at December 31, 2023 and 2022, respectively.*

30. **Operating Segment Information**

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

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

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

The following tables present revenue and expense information and certain assets and liabilities information regarding the different business segments as at and for the years ended December 31, 2023 and 2022:

	2023					
	Sale of Real Estate	**Leasing**	**Property Management and Other Services**	**Corporate**	**Eliminations**	**Total**
Segment revenue	**₱6,251,574,060**	**₱366,299,089**	**₱228,620,468**	**₱–**	**(₱207,570,035)**	**₱6,638,923,582**
Segment expenses	**(3,684,000,551)**	**(143,250,409)**	**(137,397,407)**	**(1,424,254,541)**	**113,633,739**	**(5,275,269,169)**
Segment profit	**2,567,573,509**	**223,048,680**	**91,223,061**	**(1,424,254,541)**	**(93,936,296)**	**1,363,654,413**
Net gain on change in fair value of investment properties	**–**	**974,092,333**	**–**	**–**	**–**	**974,092,333**
Finance costs	**(208,516,416)**	**–**	**–**	**(1,020,350,432)**	**208,516,416**	**(1,020,350,432)**
Other income - net	**–**	**–**	**–**	**521,253,473**	**–**	**521,253,473**
Income before income tax	**2,312,346,258**	**1,197,141,012**	**91,223,086**	**(1,923,351,498)**	**161,290,951**	**1,838,649,787**
Provision for income tax						**(449,666,103)**
Net income						**1,388,983,684**
Other comprehensive loss						**(5,129,604)**
Total comprehensive income						**₱1,383,854,080**
Assets	**₱8,017,297,137**	**₱13,168,863,171**	**₱101,378,769**	**₱25,311,040,703**	**(₱9,334,533,890)**	**₱37,264,045,890**
Liabilities	**(₱4,498,162,517)**	**(₱1,750,203,148)**	**₱–**	**(₱25,713,337,186)**	**₱7,813,828,746**	**(₱24,147,874,105)**

	2022					
	Sale of Real Estate	Leasing	Property Management and Other Services	Corporate	Eliminations	Total
Segment revenue	₱2,595,989,838	₱308,367,000	₱287,539,419	₱–	(₱269,205,063)	₱2,922,691,194
Segment expenses	(1,714,041,387)	(118,369,626)	(114,827,072)	(879,780,228)	150,960,138	(2,676,058,175)
Segment profit	881,948,451	189,997,374	172,712,347	(879,780,228)	(118,244,925)	246,633,019
Net gain on change in fair value of investment properties	–	1,435,889,906	–	–	–	1,435,889,906
Finance costs	(242,859,908)	–	–	(500,672,464)	242,859,908	(500,672,464)
Other income - net	–	–	–	68,051,894	–	68,051,894
Income before income tax	639,088,543	1,625,887,280	172,712,347	(1,312,400,798)	124,614,983	1,249,902,355
Provision for income tax						(376,837,638)
Net income						873,064,717
Other comprehensive income						43,984,369
Total comprehensive income						₱917,049,086
Assets	₱9,746,531,596	₱11,277,167,365	₱24,644,541	₱24,702,238,191	(₱9,357,874,604)	₱36,392,707,089
Liabilities	(₱4,685,204,776)	(₱1,425,000,000)	₱–	(₱26,004,371,346)	₱7,782,179,963	(₱24,332,396,159)

31. Events After Reporting Period

Declaration of Cash Dividends

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

Class of shares	Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share
Series 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 Parent Company as at December 31, 2023.

On February 23, 2024, the BOD of SLDC approved the declaration of cash dividends amounting to ₱390.0 million or ₱780 per share to all stockholders of record on March 12, 2024. The dividends will be paid on March 20, 2024.

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 16).

Parent Company's Subscription to Preferred Shares of a Subsidiary

On March 20, 2024, the BOD of the Parent Company 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
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 included in this Form 17-A and have issued our report thereon dated March 20, 2024. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Schedules required by Part II of the Revised Securities Regulation Code (SRC) Rule 68
- Reconciliation of the Parent Company's Retained Earnings Available for Dividend Declaration
- Schedule of Use of Proceeds
- Conglomerate Map

These schedules are presented for purposes of complying with the Revised SRC Rule 68, and are not part of the consolidated financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

MICHELLE R. MENDOZA-CRUZ
Partner
CPA Certificate No. 97380
Tax Identification No. 201-892-183-000
BOA Accreditation No. 4782; Valid until April 13, 2024
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

Reyes Tacandong & Co. is a member of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, and practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

ARTHALAND CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II
OF REVISED SRC RULE 68
DECEMBER 31, 2023

Table of Contents

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2023

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Consolidated Statements of Financial Position	Value based on Market Quotation at End of Reporting Period	Income Received and Accrued
Financial assets at FVPL for which the amounts are not more than two percent (2%) of total assets	₱877,853,288	₱877,853,288	₱877,853,288	₱858,794

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2023

				Deductions		Ending Balance	
Name and designation of debtor	**Balance at beginning of year**	**Additions**	**Amounts collected**	**Amounts written off**	**Current**	**Not current**	**Balance at end of year**
Due from Related Parties -							
CPG Holdings, Inc.	₱36,052,873	₱–	₱–	₱–	₱–	₱–	₱36,052,873
Signature Office Property, Inc.	5,683,057	39,442	–	–	–	–	5,722,499
Centrobless	–	1,306,800	–	–	–	–	1,306,800
	₱41,735,930	₱1,346,242	₱–	₱–	₱0	₱–	₱43,082,172

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023

				Deductions		Ending Balance	
Name and designation of debtor	**Balance at beginning of year**	**Additions**	**Amounts collected**	**Amounts written off**	**Current**	**Not current**	**Balance at end of year**
Advances to subsidiaries:							
Cebu Lavana Land Corp.	**₱3,336,778,117**	₱18,582	₱–	₱–	₱–	₱–	**₱3,336,796,699**
Cazneau, Inc.	**742,317,243**	43,516,759	–	–	–	–	**785,834,002**
Zileya Land Development, Inc.	**432,138,939**	2,046	–	–	–	–	**432,140,985**
Bhavana Properties Inc.	**331,800,000**	–	–	–	–	–	**331,800,000**
Bhavya Properties Inc.	**314,408,714**	–	–	–	–	–	**314,408,714**
Kashtha Holdings Inc.	**296,760,701**	6,826	–	–	–	–	**296,767,527**
Urban Property Holdings, Inc. (net of allowance for impairment amounting to ₱3,261,249)	**85,366,273**	72,300,905	–	–	–	–	**157,667,178**
Manchesterland Properties, Inc.	**5,857,429**	364,074	–	–	–	–	**6,221,503**
Arthaland Property Prestige Solutions, Inc.	**2,966,916**	280,437	–	–	–	–	**3,247,353**
Pradhana Land Inc.	**819,159**	925	–	–	–	–	**820,084**
	₱5,549,213,491	₱116,490,554	₱–	₱–	₱–	₱–	**₱5,665,704,045**
Advances from subsidiaries:							
Manchesterland Properties, Inc.	**₱284,632,299**	₱–	₱–	₱–	₱–	₱–	**₱284,632,299**
Cazneau, Inc.	**665,926**	–	(11,715)	–	–	–	**654,211**
Cebu Lavana Land Corp.	**466,419**	82,281	–	–	–	–	**548,700**
Savya Land Development Corporation	**61,109**	–	–	–	–	–	**61,109**
	₱285,825,753	₱82,281	(₱11,715)	₱–	₱–	₱–	**₱285,896,319**

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2023

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" related balance sheet	Amount shown under caption "Long-Term Debt" in related statement of financial position			
			Carrying amount	Interest Rates	Payment Terms	Maturity Dates
Bank Loans:						
Bank 1	₱500,000,000	₱495,173,740	₱–	8.25%	At end of term	January 29, 2024
Bank 2	2,000,000,000	–	1,094,737,497	5.50%	Quarterly	July 8, 2025
Bank 3	350,000,000	350,000,000	–	7.63% - 7.75%	At end of term	March 28, 2024 and July 29, 2024
Bank 4	400,000,000	89,175,853	254,167,221	6.50% - 7.00%	At end of term	May 3, 2024 to January 27, 2025
Bank 5	1,000,000,000	–	996,672,989	6.35%	At end of term	February 6, 2025
Bank 6	1,200,000,000	300,000,000	–	7.25% - 7.50%	At end of term	March 31, 2024 to December 12, 2024
Bank 7	1,860,000,000	–	1,814,757,117	6.17% - 9.10%	Quarterly	November 27, 2026 and January 5, 2027
Bank 8	500,000,000	297,136,096	–	7.25% - 7.50%	At end of term	February 2, 2024 to April 18, 2024
Bank 9	200,000,000	99,260,479	–	7.50%	At end of term	May 24, 2024 to October 18, 2024
Bank 10	400,000,000	400,000,000	–	6.75%	At end of term	June 26, 2024
Bank 11	1,000,000,000	–	812,038,096	7.52%	Quarterly	November 25, 2024 and May 22, 2026
Bank 12	1,000,000,000	–	921,282,128	6.25% - 8.49%	Quarterly	August 10, 2026
Bank 13	500,000,000	437,500,000	–	8.25%	At end of term	March 28, 2024 and April 5, 2024
Bank 14	100,000,000	100,000,000	–	8.50%	At end of term	June 11, 2024
Bank 15	1,986,000,000	1,986,000,000	–	8.50%	At end of term	February 12, 2024 to March 25, 2024
Bank 16	1,950,000,000	575,578,668	–	8.00% - 8.50%	At end of term	January 18, 2024 to June 25, 2024
Bank 17	1,200,000,000	63,863,454	46,249,888	7.16%	At end of term	September 1, 2024 to March 25, 2025
Various loans from private funders	53,223,970	53,223,970	–	4.13% - 5.30%	Renewable on maturity	January 18, 2024 to June 11, 2024
	₱16,199,223,970	₱5,246,912,260	₱5,939,904,936			

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2023

				Number of shares held by		
Title of Issue	**Number of shares authorized**	**Number of shares issued and outstanding as shown under the related balance sheet caption**	**Number of shares reserved for options, warrants, conversion and other rights**	**Related parties**	**Directors, officers and employees**	**Others**
Common shares - ₱0.18 par value per share	16,368,095,199	5,318,095,199	–	3,650,954,906	76,715,159	1,590,425,134
Preferred shares - ₱1.00 par value per share	50,000,000	28,500,000	–	12,500,000	–	16,000,000

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: Category B: 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: Category C.1: 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: Category C.2: 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: Category D: Non-actual losses recognized in profit or loss during the reporting period		
Unrealized holding gain 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**

ARTHALAND CORPORATION

SCHEDULE OF USE OF PROCEEDS
DECEMBER 31, 2023

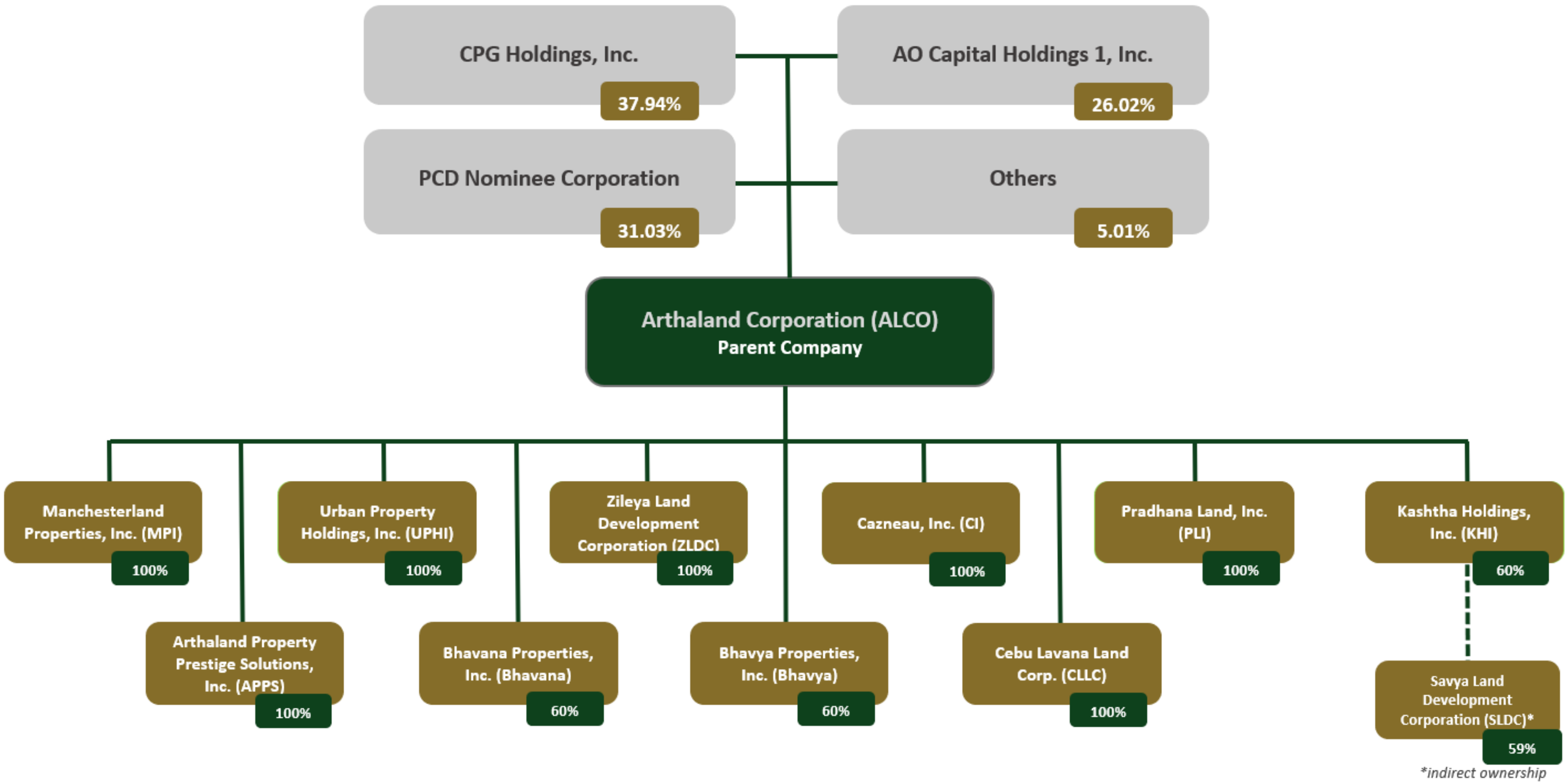
Green Bonds – Second Tranche

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

CONGLOMERATE MAP



INDEPENDENT AUDITORS' REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries (the Group) as at December 31, 2023 and 2022 and for each of the three years ended December 31, 2023, 2022 and 2021, and have issued our report thereon dated March 20, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years ended December 31, 2023, 2022 and 2021 and no material exceptions were noted.

REYES TACANDONG & CO.

MICHELLE R. MENDOZA-CRUZ
Partner
CPA Certificate No. 97380
Tax Identification No. 201-892-183-000
BOA Accreditation No. 4782; Valid until April 13, 2024
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Valid until January 24, 2026
PTR No. 10072412
Issued January 2, 2024, Makati City

March 20, 2024
Makati City, Metro Manila

Reyes Tacandong & Co. is a member of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, and practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

ARTHALAND CORPORATION AND SUBSIDIARIES

FINANCIAL RATIOS

DECEMBER 31, 2023

Below is a schedule showing financial soundness indicators in the years 2023, 2022 and 2021.

	2023	2022	2021
Current/Liquidity Ratio	**2.32**	2.44	1.81
Current assets	**₱23,620,939,847**	₱24,560,191,116	₱24,984,461,968
Divided by: Current liabilities	**10,168,443,635**	10,077,767,970	13,800,116,957
Acid Test Ratio	**0.86**	0.93	0.57
Quick assets (Cash and cash equivalents, financial assets at FVPL and receivables)	**8,694,452,587**	9,422,388,129	7,891,271,626
Divided by: Current liabilities	**10,168,443,635**	10,077,767,970	13,800,116,957
Solvency Ratio	**0.06**	0.04	0.05
Net income before depreciation	**1,451,735,811**	916,755,372	1,148,449,235
Divided by: Total liabilities	**24,147,874,105**	24,332,396,159	23,619,149,934
Debt-to-Equity Ratio	**1.84**	2.02	2.14
Total liabilities	**24,147,874,105**	24,332,396,159	23,619,149,934
Divided by: Total equity	**13,116,171,785**	12,060,310,930	11,052,136,913
Debt-to-Equity Ratio for Loan Covenant	**1.39**	1.56	1.65
Total Debt (Bonds and loans payable, amount payable for purchase of interest in a subsidiary and advances from non-controlling interest)	**18,230,459,206**	18,792,045,424	18,255,431,245
Total Equity	**13,116,171,785**	12,060,310,930	11,052,136,913
Asset-to-Equity Ratio	**2.84**	3.02	3.14
Total assets	**37,264,045,890**	36,392,707,089	34,671,286,847
Divided by: Total equity	**13,116,171,785**	12,060,310,930	11,052,136,913
Interest Rate Coverage Ratio	**2.81**	3.51	5.09
Pretax income before interest	**2,854,835,245**	1,747,774,822	1,402,216,977
Divided by: Interest expense	**1,016,185,458**	497,872,467	275,238,263
Return on Assets Ratio	**0.04**	0.02	0.03
Net income	**1,388,983,684**	873,064,717	1,115,083,114
Divided by: Total assets	**37,264,045,890**	36,392,707,089	34,671,286,847
Return on Equity Ratio	**0.11**	0.07	0.10
Net income	**1,388,983,684**	873,064,717	1,115,083,114
Divided by: Total equity	**13,116,171,785**	12,060,310,930	11,052,136,913