

Daisy D. Cruz

From: ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
Sent: Monday, 14 November 2022 4:08 pm
To: Daisy D. Cruz
Subject: Re: ARTHALAND CORPORATION_SEC Form 17Q_Q3 2022_14Nov2022

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FOR MC28, please go to SEC website:

<https://apps010.sec.gov.ph>

For your information and guidance.

Thank you and keep safe.

From: PDEX Disclosure <pdex.disclosure@pds.com.ph>
Sent: Monday, November 14, 2022 4:32 PM
To: Margeline C. Hidalgo <mchidalgo@arthaland.com>
Cc: Riva Khristine Maala <rvmaala@arthaland.com>
Subject: Re: [EXTERNAL] Arthaland Corporation - SEC Form 17Q Quarterly Report Q3 2022

Gentlemen,

This is to acknowledge receipt of the disclosure.

Regards,

Issuer Compliance & Disclosure Department

Philippine Dealing & Exchange Corp.

29/F, BDO Equitable Tower,

8751 Paseo de Roxas, Makati City

DL: (632) 8884-4415; 4433

E-mail: pdex.disclosure@pds.com.ph

COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

7	F		A	R	T	H	A	L	A	N	D		C	E	N	T	U	R	Y		P	A	C	I	F	I	C		T	O	W	E	R
5	T	H		A	V	E	N	U	E		C	O	R	N	E	R		3	0	T	H		S	T	R	E	E	T					
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T	A	G	U	I	G		C	I	T	Y																							

(Business Address: No. Street City/Town/Province)

MARIVIC S. VICTORIA

(Contact Person)

(+632) 8403-6910

(Company Telephone Number)

1	2
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Month

3	1
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Day

(Fiscal Year)

1	7	-	Q	
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(Form Type)

0	6
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Month

2	4
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Day

(Annual Meeting)

N.A.

(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles
Number/Section

1,932

Total No. of Stockholders

Total Amount of Borrowings

--

Domestic

--

Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document ID

Cashier

(Company's Full Name)

Bonifacio Global City, Taguig City

(Company's Address)

(Telephone Number)

(Fiscal year ending)

(month & day)

(Annual Meeting)

(Annual Meeting)

(Form Type)

Amendment Designation (If applicable)

(Period Ended Date)

(Secondary License Type & File Number)

LCU

(Cashier)

DTU

(SEC Number)

Central Receiving Unit

File Number

Document I.D.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 11 OF THE
REVISED SECURITIES ACT AND RSA RULE 11(a)-1 (b)(2) THEREUNDER

1. For the quarterly period ended September 30, 2022

2. Commission Identification No. ASO-94-007160

3. BIR TIN 004-450-721-0000

4. Exact name of registrant as specified in its character

ARTHALAND CORPORATION

5. Incorporated in Metro Manila, Philippines on August 10, 1994.

6. Industry Classification Code _____ (SEC Use Only).

7. Address of registrant's principal office Postal Code
7/F ArthaLand Century Pacific Tower, 5th Avenue corner 30th Street,
Bonifacio Global City, Taguig City **1634**

8. Registrant's Telephone Number : 8403-6910

9. Former name, former address and former fiscal year, if changed since last report: Not Applicable

10. Securities registered pursuant to Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares Outstanding</u>	<u>Amount of Debt Outstanding</u>
Common Shares	5,318,095,199 (₱0.18 par value)	None
Preferred Shares – Series A	12,500,000 (₱1.00 par value)	None
Preferred Shares – Series B	20,000,000 (₱1.00 par value)	None
Preferred Shares – Series C	10,000,000 (₱1.00 par value)	None
Preferred Shares – Series D	6,000,000 (₱1.00 par value)	None
ASEAN Green Bonds	None	₱3,000,000,000

11. Are any or all of the securities listed on the Philippine Stock Exchange?

YES [X]

NO []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange – ALL Outstanding Common Shares and Preferred Shares Series C and D ONLY.

12. Indicate by check mark whether the registrant :

(a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports).

YES [X]

NO []

(b) has been subject to such filing requirements for the past 90 days.

YES [X]

NO []

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

See attached.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

See attached.

PART II - OTHER INFORMATION

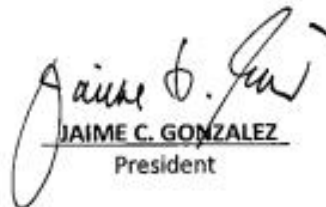
There are no other information for the period not previously reported in SEC Form 17-C.

SIGNATURES

Pursuant to the requirements of the Revised Securities Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer : **ARTHALAND CORPORATION**

Signature and Title :


JAIME C. GONZALEZ
President

Signature and Title :


MARIY C. S. VICTORIA
Chief Finance Officer

Date : October 26, 2022

ITEM 1. Financial Statements Required under SRC RULE 68.1

1. Basic and Diluted Earnings per Share (See attached Income Statement).
2. The accompanying consolidated interim financial statements of **Arthaland Corporation (ALCO)** were prepared in accordance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS).
3. Notes to Financial Statements:
 - a. The accompanying consolidated interim financial statements of **ALCO** were prepared in accordance with PFRS. The financial statements have been prepared using the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values, and net retirement liability which is carried at the present value of the defined benefit obligation at the end of the reporting period. The consolidated interim financial statements are presented in Philippine Pesos.
 - b. There is no significant seasonality or cycle of interim operations.
 - c. There are no material events subsequent to the end of the interim period not previously reported in SEC form 17-C.
 - d. Except as otherwise disclosed separately and mentioned in the general information in this Report, there are no changes in the composition of the issuer during the interim period including business combinations, acquisition of subsidiaries and long-term investments, restructurings and discontinuing operations.
 - e. There are no material changes in the contingent liabilities or contingent assets since the last annual balance sheet date.
 - f. There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.
 - g. Except as otherwise disclosed separately and excluding those projects already in ALCO's pipeline as outlined in this Report, there are no other material commitments for capital expenditures since the last annual balance sheet date.
 - h. Except as otherwise disclosed separately and mentioned in the analysis of financial risks in this Report, there are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There is no foreseen event that will cause a material change in the relationship between costs and revenues.
 - i. There are no material off-balance sheet transactions, arrangements, obligations and other relationship of the company with unconsolidated entities or other persons created during the reporting period.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2022 AND DECEMBER 31, 2021

	Note	SEPTEMBER 30, 2022 (UNAUDITED)	DECEMBER 31, 2021 (AUDITED)
ASSETS			
Cash and cash equivalents	4	₱2,136,326,481	₱1,949,257,156
Financial assets at fair value through profit or loss (FVPL)	5	1,209,970,742	4,378,607,744
Receivables	6	2,032,671,639	1,563,406,726
Contract assets	7	3,700,920,943	6,238,880,086
Real estate for sale	8	9,527,109,424	8,988,754,987
Investment properties	9	11,012,976,320	9,026,428,319
Property and equipment	10	320,932,655	273,213,366
Other assets	11	2,051,424,041	2,252,738,463
		₱31,992,332,245	₱34,671,286,847
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	12	₱10,685,301,435	₱13,436,717,469
Bonds payable	13	2,974,017,173	2,966,594,179
Accounts payable and other liabilities	14	3,209,555,905	4,218,822,302
Contract liabilities	7	212,787,728	62,154,096
Advances from non-controlling interests	15	1,102,119,597	1,102,119,597
Net retirement liability	22	139,443,498	118,443,498
Net deferred tax liabilities	23	1,734,060,836	1,714,298,793
Total Liabilities		20,057,286,172	23,619,149,934
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
Retained earnings	16	4,784,356,277	4,404,555,747
Other equity reserves	16	177,630,403	177,630,403
Treasury shares	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)
		9,928,604,329	9,548,803,799
Non-controlling Interests		2,006,441,744	1,503,333,114
Total Equity		11,935,046,073	11,052,136,913
		₱31,992,332,245	₱34,671,286,847

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2022 AND 2021

	Note	SEPTEMBER 30, 2022 (UNAUDITED)	SEPTEMBER 30, 2021 (UNAUDITED)
REVENUES	17	₱1,515,835,369	₱1,928,903,576
COST AND EXPENSES	18	900,087,256	1,066,676,763
GROSS INCOME		615,748,113	862,226,813
OPERATING EXPENSES	19	603,047,759	540,313,054
INCOME FROM OPERATIONS		12,700,354	321,913,759
NET GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES		1,144,992,711	507,318,725
FINANCE COSTS	20	(327,440,821)	(215,248,521)
OTHER INCOME – Net	21	47,588,031	26,625,592
INCOME BEFORE INCOME TAX		877,840,275	640,609,555
PROVISION FOR (BENEFIT FROM) INCOME TAX	23	219,183,261	(108,026,061)
NET INCOME		658,657,014	748,635,616
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		₱658,657,014	₱748,635,616
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		₱630,574,672	₱567,819,131
Non-controlling interests		28,082,342	180,816,485
		₱658,657,014	₱748,635,616
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		₱630,574,672	₱567,819,131
Non-controlling interests		28,082,342	180,816,485
		₱658,657,014	₱748,635,616
EARNINGS PER SHARE			
Basic	26	₱0.0834	₱0.0771
Diluted		₱0.0826	₱0.0763

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	JULY 1 to SEPTEMBER 30, 2022 (UNAUDITED)	JULY 1 to SEPTEMBER 30, 2021 (UNAUDITED)
REVENUES	₱403,554,236	₱683,924,747
COST AND EXPENSES	246,728,739	361,462,638
GROSS INCOME	156,825,497	322,462,109
OPERATING EXPENSES	220,870,339	193,741,299
INCOME (LOSS) FROM OPERATIONS	(64,044,842)	128,720,810
NET GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	-	-
FINANCE COSTS	(149,554,547)	(75,571,928)
OTHER INCOME – Net	23,865,616	4,105,264
INCOME (LOSS) BEFORE INCOME TAX	(189,733,773)	57,254,146
PROVISION FOR (BENEFIT FROM) INCOME TAX	(52,055,681)	30,078,023
NET INCOME (LOSS)	(137,678,092)	27,176,123
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱137,678,092)	₱27,176,123
NET INCOME (LOSS) ATTRIBUTABLE TO:		
Equity holders of the Parent Company	(₱127,059,714)	(₱29,028,348)
Non-controlling interests	(10,618,378)	56,204,471
	(₱137,678,092)	₱27,176,123
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:		
Equity holders of the Parent Company	(₱127,059,714)	(₱29,028,348)
Non-controlling interests	(10,618,378)	56,204,471
	(₱137,678,092)	₱27,176,123
EARNINGS PER SHARE		
Basic	₱0.0650	₱0.0679
Diluted	₱0.0650	₱0.0679

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED SEPTEMBER 30, 2022 AND 2021

		SEPTEMBER 30, 2022	SEPTEMBER 30, 2021
	Note	(UNAUDITED)	(UNAUDITED)
CAPITAL STOCK	16		
Common - at ₱0.18 par value			
Issued and outstanding		₱957,257,136	₱957,257,136
Preferred - at ₱1.00 par value			
Issued and subscribed		48,500,000	42,500,000
Balance at beginning and end of period		1,005,757,136	999,757,136
ADDITIONAL PAID-IN CAPITAL	16		
Balance at beginning and end of period		5,973,360,513	3,008,959,878
RETAINED EARNINGS	16		
Balance at beginning of period		4,404,555,747	3,779,054,629
Net income for the period		630,574,672	567,819,131
Dividends declared during the period		(250,774,142)	(386,461,892)
Balance at end of period		4,784,356,277	3,960,411,868
OTHER EQUITY RESERVES	16		
Balance at beginning and end of period		177,630,403	230,363,146
TREASURY STOCK – SERIES B PREFERRED SHARES	16	(2,000,000,000)	–
PARENT COMPANY’S PREFERRED SHARES HELD BY A SUBSIDIARY - at cost	16	(12,500,000)	(12,500,000)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		₱9,928,604,329	₱8,186,992,028
NON-CONTROLLING INTERESTS			
Balance at beginning of period		1,503,333,114	1,224,469,667
Share in net income during the period		28,082,342	180,816,485
Deposit for future stock subscription for the period		475,026,288	534,553,916
Balance at end of period		2,006,441,744	1,939,840,068
		₱11,935,046,073	₱10,126,832,096

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED SEPTEMBER 30, 2022 AND 2021

		SEPTEMBER 30, 2022	SEPTEMBER 30, 2021
	Note	(UNAUDITED)	(UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱877,840,275	₱640,609,555
Adjustments for:			
Gain on change in FV of investment properties	9	(1,144,992,711)	(507,318,725)
Interest expense	20	312,834,867	213,547,181
Depreciation and amortization	19	26,539,110	24,889,697
Retirement expense	22	21,000,000	22,541,984
Realized holding gains	21	(22,638,025)	(16,775,021)
Interest income	21	(6,515,046)	(2,366,669)
Amortization of initial direct leasing costs		3,295,180	4,942,770
Foreign exchange gains	21	(10,740,660)	(13,987)
Unrealized holding (gains) loss	21	84,760	(22,398)
Gain on sale of property and equipment	21	(54,515)	-
Operating income before working capital changes		58,300,825	380,034,387
Decrease (Increase) in:			
Receivables		(469,264,913)	(175,283,489)
Contract assets		2,537,959,143	(1,077,390,204)
Real estate for sale		(1,144,994,332)	(1,302,768,597)
Other assets		46,876,306	(225,731,665)
Increase (decrease) in:			
Accounts payable and other liabilities		(1,078,786,768)	420,529,312
Contract liabilities		150,633,632	11,812,504
Net cash provided by (used in) operations		100,723,893	(1,968,797,752)
Interest paid		(301,036,691)	(202,261,650)
Interest received		6,515,046	2,366,670
Income taxes paid		(44,983,102)	(13,706,543)
Net cash used in operating activities		(238,780,854)	(2,182,399,275)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal (acquisitions) of Financial assets at FVPL – net		3,191,190,267	546,742,970
Additions to Property and equipment	10	(74,203,884)	(21,539,876)
Additions to Investment properties		(2,686,480)	(4,447,747)
Net cash generated from investing activities		3,114,299,903	520,755,347
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from (payment of) Loans payable		(2,755,791,216)	1,538,590,977
Payment of dividends		(181,253,771)	(214,943,141)
Advances from non-controlling interest		475,026,288	534,553,916
Net cash generated from (used in) financing activities		(2,462,018,699)	1,858,201,752
NET EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS			
		10,740,660	13,987
NET INCREASE IN CASH & CASH EQUIVALENTS		187,069,325	196,571,811
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		1,949,257,156	941,079,474
CASH AND CASH EQUIVALENTS AT END OF PERIOD		₱2,136,326,481	₱1,137,651,285

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Corporate Information

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

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

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

In January 2020, the SEC approved the registration of ALCO's ASEAN Green Bonds and the initial tranche of ₱2.0 billion bonds with an offer subscription of ₱1.0 billion (see Note 13).

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

In May 2022, the Board of Directors of the Parent Company approved the amendment of Article Seventh of the Corporation's Articles of Incorporation by reducing the authorized capital stock by 20.0 million. The amendment is the result of the cancellation of 20.0 million preferred shares given the redemption of Preferred Shares Series B. In September 2022, during the annual stockholders' meeting, ALCO's stockholders representing at least sixty-seven percent (67%) of the Corporation's outstanding common and preferred shares also approved the amendment of Article Seventh of the Articles of Incorporation by reducing the authorized capital stock by 20.0 million.

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

Composition of the Group

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

Subsidiary	Place of Incorporation	Effective % of Ownership		
		2021	2020	2019
Cazneau, Inc. (Cazneau)	Philippines	100%	100%	100%
Manchesterland Properties, Inc. (MPI)	Philippines	100%	100%	100%
Emera Property Management, Inc. (EPMI)	Philippines	100%	100%	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	100%	100%	100%
Zileya Land Development Corporation (ZLDC)	Philippines	100%	100%	100%
Pradhana Land, Inc. (Pradhana)	Philippines	100%	100%	100%

Subsidiary	Place of Incorporation	Effective % of Ownership		
		2021	2020	2019
Cebu Lavana Land Corp. (CLLC)	Philippines	100%	60%	60%
Bhavana Properties, Inc. (Bhavana)	Philippines	60%	100%	100%
Bhavya Properties, Inc. (Bhavya)	Philippines	60%	100%	100%
Kashtha Holdings, Inc. (KHI)	Philippines	60%	60%	100%
Savya Land Development Corporation (SLDC)	Philippines	59%*	59%*	98%

**Indirectly owned thru KHI*

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

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

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

In 2020, ALCO transferred all of its shares in SLDC, representing 98.5% ownership over SLDC, to KHI. Then in June 2020, ALCO sold 5 million common shares in KHI with total par value of ₱5.0 million, representing 40% ownership over KHI, to MEC for ₱275.0 million (see Note 15). 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 15).

Also in December 2021, the Parent Company purchased 214,351 common and 118,982 preferred shares representing 40% of the ownership and voting rights of CLLC for ₱113.2 million from Rock and Salt B.V. (RSBV) resulting to 100% ownership in CLLC (see Note 15).

Major Projects

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

In 2014, the Parent Company started the construction of Arthaland Century Pacific Tower (ACPT) in BGC, ALCO's flagship office project. ACPT is a 30-storey AAA-grade office building designed by

Skidmore, Owings & Merrill (SOM), the same group that penned the One World Trade Center and Burj Khalifa in Dubai. ACP T secured the LEED Platinum and BERDE 5-star certification in 2018. ACP T became the first office building in the Philippines to secure the dual certification of the highest rating from USGBC LEED as Platinum and PHILGBC's BERDE as 5-star rated. It is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise (see Note 23) and was completed in the 1st quarter of 2019.

In 2019, the International Finance Corporation, a member of the World Bank Group, recognized ACP T as the world's first net zero certified building under its EDGE green building rating system. This recognition is in addition its LEED and BERDE certification achieved previously. In 2020 until to-date, ACP T was awarded with the WELL Health-Safety Rating seal by the International WELL Building Institute (IWBI) which certifies the building's safe operations even during the COVID-19 pandemic.

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

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

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

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

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

In August 2019, Bhavya started acquiring a prime property located inside the Makati Central Business District. Bhavya intends to develop therein a pioneer residential project which will be a low-density, multi-certified, ultra-luxury development that will offer large, limited edition designer residences. Once completed, its future residents will enjoy exceptional white glove butler services. This project

which will be called “Eluria” offers only 37 residential units and will have a total gross floor area of approximately 14,600 sqm. It will be formally launched in 2022.

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

Approval of the Interim Consolidated Financial Statements

The interim consolidated financial statements of the Group as at and for the nine (9) months ended September 30, 2022 were approved and authorized for issue by the Board of Directors (BOD) on October 26, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The interim consolidated financial statements as of September 30, 2022 and December 31, 2021 and for the six months ended September 30, 2022 and 2021 have been prepared in compliance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. They do not include all of the information and disclosures required in the annual audited consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended December 31, 2021.

Measurement Bases

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

The interim consolidated financial statements of the Group have been prepared on a historical cost basis, except for fair value through profit or loss (FVPL) and investment properties that are carried at fair values and net retirement liability which is carried at the present value of the defined benefit obligation at the end of the reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for assets and fair value 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 or 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 non-financial 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 Accounting Judgments, Estimates and Assumptions
- Note 5 - Financial Assets at FVPL
- Note 9 - Investment Properties
- Note 27 - Fair Value Measurement

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

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

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

Adoption of PIC Issuances

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

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

revenues and related costs. The approach selected shall be applied consistently.

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

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

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

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

- ☐ Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination. The amendments should be applied prospectively.
- ☐ Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applied the amendments.
- ☐ Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.
- ☐ Annual Improvements to PFRS 2018 to 2020 Cycle –
 - ☐ Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments. Earlier application is permitted.

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

- ☐ Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments

clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.
- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

Deferred effectivity:

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

Financial Reporting Standards 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

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

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

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

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

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

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

Basis of Consolidation

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

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

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

The financial statements of the subsidiaries are prepared using the same reporting period of the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and

transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

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

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

Financial Assets and Liabilities

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

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

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

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

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

As at September 30, 2022 and December 31, 2021, 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 September 30, 2022 and December 31, 2021, the Group classified its investments in money market fund under this category (see Note 5).

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

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

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

As at September 30, 2022 and December 31, 2021, the Group’s contract assets, cash in banks, cash equivalents, receivables (excluding accrued rent under straight-line basis of accounting), amounts held in escrow, and deposits are classified under this category (see Notes 4, 6, 7, and 11).

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

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the 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 September 30, 2022 and December 31, 2021, the Group's loans and bonds payable, accounts payable and other liabilities (excluding statutory payables, payable to buyers and advance rent), contract liabilities and advances from non-controlling interests are classified under this category (see Notes 7, 12, 13, 14, 15 and 27).

Reclassification

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

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

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

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

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

Impairment of Financial Assets at Amortized Cost

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

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

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

Offsetting of Financial Assets and Liabilities

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

Classification of Financial Instrument between Liability and Equity

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

- Deliver cash or another financial asset to another entity;

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

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

Classification of Assets and Liabilities between Current and Noncurrent

The Group presents current and noncurrent assets, and current and noncurrent liabilities, as separate classifications in the notes to consolidated financial statements (See Note 28).

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.

Real Estate for Sale

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

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

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

Borrowing Costs

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

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

Investment Properties

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

The Group uses fair value model for the accounting of its investment properties. Under this method,

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

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

Other Assets

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

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

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

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

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

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

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

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

Deferred Input VAT. In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding

₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter. Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input VAT that are expected to be claimed against output VAT for no more than 12 months after the financial reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

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

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

Impairment of Nonfinancial Assets

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

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

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

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

Payable to Customers

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

Advance Rent

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

Capital Stock

Preferred Stock. The Group's preferred stocks are cumulative, nonvoting, nonparticipating and

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

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

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

Additional Paid-in Capital

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

Treasury Shares

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

Retained Earnings

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

Other Comprehensive Income

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

Parent Company's Shares Held by a Subsidiary

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

Non-controlling Interests

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

Basic and Diluted Earnings Per Share (EPS)

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

subscribed common shares during the period, with retroactive adjustment for any stock dividends declared.

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

Revenue Recognition

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

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

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

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

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

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

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

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

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

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

Leasing Revenue. Leasing revenue consists of rent income and common use service area (CUSA) fees. Rent income arising from operating leases on investment properties is recognized on a

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

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

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

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

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

Cost and Expenses Recognition

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

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

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

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

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

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

Share-based Compensation

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

Leases

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

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

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

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

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

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

Employee Benefits

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

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

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

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

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

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

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

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

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

Foreign Currency - Denominated Transactions

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

Income Taxes

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

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

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

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

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

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

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax

expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

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

Related Party Transactions

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

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

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

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

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment reporting a strategic business unit that offers different products and serves different markets. Financial information on the Group's business segments is presented in Note 29 to the interim 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 ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgments

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

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

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

Determining Control or Joint Control over an Investee Company. Control is presumed to exist when an investor 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 September 30, 2022 and December 31, 2021, it has the ability to exercise control over these investees.

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

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

- The customer simultaneously receives and consumes the benefits provided by the Group performance as the entity performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group concluded that revenue from real estate sale of office units of Cebu Exchange and Savva Financial Center and sale of residential units in Sevina Park is recognized over time. The Group also determined that input method is the appropriate method in measuring the POC of Cebu Exchange, Savva Financial Center and Sevina Park. 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.

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.

Determining 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.

Determining Lease Commitments - Group as Lessor. 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.

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

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

Accounting Estimates and Assumptions

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty 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 of Cebu Exchange, Savva Financial Center and Sevina Park 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.

Estimating Fair Value of Investment Properties. Investment properties are measured at fair values. The Group works closely with external qualified valuers who performed the valuation using appropriate valuation techniques. The appraiser used a valuation technique based on comparable market data adjusted as necessary to reflect the specific assets' location and condition and, estimated expected future cash flows, yields, occupancy rates, discount rates, replacement costs and remaining economic life. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 9 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.

Determining 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.

Assessing ECL on Trade Receivables and Contract Assets. The Group initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a receivable is past due. The 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.

Assessing 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; and

- 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.

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

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.

Assessing 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.

Estimating Retirement Expense. The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 22 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.

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

4. CASH AND CASH EQUIVALENTS

This account consists of:

	September 2022	December 2021
Cash on hand	196,433	195,000
Cash in bank	790,426,555	692,017,890
Cash equivalents	1,345,703,493	1,257,044,266
	2,136,326,481	1,949,257,156

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

5. FINANCIAL ASSETS AT FVPL

Financial assets at FVPL amounting to ₱1,210.0 million and ₱4,378.6 million as at September 30, 2022 and December 31, 2021, respectively, represent units of participation in money market fund-

Financial assets at FVPL include unrealized gains (loss) amounting to (₱0.08) million and ₱0.02 million for the nine months ended September 30, 2022 and 2021, respectively, and included as part of "Other income" account in the interim consolidated statements of comprehensive income. Realized gain on disposals of financial assets at FVPL amounted to ₱22.64 million and ₱16.78 million for the nine months ended September 30, 2022 and 2021, respectively (see Note 21).

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

6. RECEIVABLES

This account consists of:

	September 2022	December 2021
Trade receivables from:		
Sale of real estate	1,551,507,412	966,882,625
Leasing	150,151,107	153,511,167
Due from related parties	105,681,260	46,409,707
Accrued rent receivables	52,695,738	66,158,150
Interest receivable	45,907,665	36,910,585
Advances to employees	11,949,551	29,646,160
Receivable from sale of interests in subsidiaries (Note 15)	-	208,562,250
Other receivables	115,147,198	55,694,374

	September 2022	December 2021
	2,033,039,931	1,563,775,018
Allowance for impairment losses	(368,292)	(368,292)
	2,032,671,639	1,563,406,726

The aging analysis of receivables are shown below:

	Neither Past Due nor Impaired	Past Due but Not Impaired			Past due and impaired	TOTAL
		Within 6 months	7 months to 1 year	More than 1 year		
Receivables	332,883,325	1,110,800,486	349,155,342	239,464,194	368,292	2,032,671,639

Trade receivables from sale of real estate pertain to receivables from sale of condominium units and residential townhouses that were already billed. These receivables are noninterest-bearing and generally collectible within sixty (60) days. 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 thirty (30) days.

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

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

Receivable from non-affiliated entity pertains to cash advances to non-affiliated entity, which is unsecured, noninterest-bearing and collectible on demand.

Receivable from sale of interests in subsidiaries pertains to Parent Company's receivable arising from the sale of interests in Bhavana and Bhavya, which is noninterest-bearing and collectible on demand.

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.

7. CONTRACT ASSETS AND CONTRACT LIABILITIES

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

	September 2022	December 2021
Contract assets	3,700,920,943	6,238,880,086
Contract liabilities	212,787,728	62,154,096
Net contract assets	3,488,133,215	6,176,725,990

Contract assets pertain to receivables from the sale of condominium 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.

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 at September 30, 2022 and December 31, 2021.

8. REAL ESTATE FOR SALE

This account consists of:

	September 2022	December 2021
Raw land	623,413,516	386,241,830
Assets under construction	8,504,915,089	8,217,419,103
Condominium units for development	398,780,819	385,094,054
	9,527,109,424	8,988,754,987

Raw Land

Raw land pertains to parcels of land acquired by the Group for future development projects that are intended for sale. In 2022, advances for asset purchase under “Other Assets” aggregating ₱209 million was transferred to “Real estate for sale”.

Assets under Construction

Assets under construction consist of land and development costs of ongoing real estate projects of the Group. As at September 30, 2022, this account includes the land and development costs of Cebu Exchange, Savya Financial Center, Sevina Park, Lucima and Eluria (see Note 1).

In June 2022, the Board of Directors of CLLC, in line with management objective to increase the corporation'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 valued at ₱ 843.8 million to Investment properties (see Note 9).

Condominium Units for Development

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

NRV of Real Estate for Sale

Real estate for sale is stated at cost which is lower than its NRV and there is no allowance for inventory obsolescence as at September 30, 2022 and December 31, 2021.

9. INVESTMENT PROPERTIES

This account consists of:

	September 2022	December 2021
Arthaland Century Pacific Tower	6,145,159,188	5,959,294,200
Cebu Exchange	1,797,996,536	-
Arya Residences:		
Commercial units	1,250,963,436	1,250,517,007
Parking slots	181,556,620	181,556,620
Land:		
UPHI's Laguna and Tagaytay properties	729,891,103	729,891,103

	September 2022	December 2021
Cazneau's commercial lots	396,134,175	396,134,175
ALCO's Batangas and Tagaytay properties	185,080,646	182,840,598
Courtyard Hall	326,194,616	326,194,616
	11,012,976,320	9,026,428,319

ACPT

Carrying amount of ACPT includes office units and parking slots for lease. ACPT is used as collateral for loans payable amounting to ₱1,490.1 million and ₱1,712.4 million as at September 30, 2022 and December 31, 2021, respectively (see Note 12).

Cebu Exchange

In 2022, CLLC transferred some of its Cebu Exchange inventory with cost of ₱843.8 million from "Real estate for sale" account to "Investment properties" account because of the change in the intended use of the property as approved by the BOD (see Note 8). Carrying amount of Cebu Exchange includes office and retail units and parking slots for lease and was subsequently remeasured at fair value of ₱1,798.0 million, as at September 30, 2022 (see Note 8).

Arya Residences' Commercial Units and Parking Slots

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

Land

UPHI's raw land, with fair value amounting to ₱729.9 million as at September 30, 2022 and December 31, 2021, 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 Transmission Commission (NTC, successor-in-interest of National Power Corporation) with the Regional Trial Court of Calamba City, Laguna. The other parties to the case filed their respective appeals with the Court of Appeals (CA) assailing the amount of just compensation determined by the trial court. The appeal remains pending with the CA.

Moreover, a complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property located in Calamba City, Laguna. In June 2020, the case was decided by the trial court in favor of UPHI. The losing defendants in the case filed their respective appeals with the CA and UPHI filed its appellee's brief defending the decision of the trial court. The case remains pending with the CA.

As at September 30, 2022, the case with NTC is still ongoing and yet to be resolved by the CA. The Company intends to amicably settle with the NTC, since the Company had already been deprived of effective use and enjoyment of the property. Management assessed that although the potential effect of this case on the Company's financial statements would not be significant, an amicable settlement with the NTC could allow the Company to recoup the cost of the expropriated portion of the property.

Raw land of the Parent Company has a total area of 10.3 hectares located in Batangas and Tagaytay with fair value aggregating to ₱185.1 million and ₱182.8 million as at September 30, 2022 and December 31, 2021, respectively.

Courtyard Hall

Courtyard Hall of Cazneau used for leasing operations were recognized at fair value amounting to ₱326.2 million as at September 30, 2022 and December 31, 2021.

Fair Value Measurement

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

Class of Property	Valuation Technique	Significant Inputs	September 2022	December 2021
ACPT	Discounted cash flow approach (DCF)	Rental rate for an office unit per square meter (sqm)	₱1,605	₱1,500
		Rental rate per parking slot	₱7,500	₱6,000
		Discount rate	8.72%	8.51%
		Vacancy rate	0%-5%	0%-5%
		Calculated no. of net leasable area (total sqm)	18,059	18,059
		Income tax rate	25%	25%
Cebu Exchange: Commercial units	Discounted cash flow approach	Rental rate per square meter (sqm)	₱1,200	-
		Rent escalation rate per annum (p.a.)	5%	-
		Discount rate	8.37%	-
		Vacancy rate	50%	-
		Income tax rate	25%	-
Office units	Discounted cash flow approach	Rental rate per square meter (sqm)	₱700	-
		Rent escalation rate per annum (p.a.)	5%	-
		Discount rate	8.37%	-
		Vacancy rate	50%	-
		Income tax rate	8.37%	-
Parking slots	Discounted cash flow approach	Rental rate per slot	₱3,000	-
		Rent escalation rate p.a.	5%	-
		Discount rate	8.37%	-
		Vacancy rate	50%	-
		Income tax rate	8.37%	-
Arya Residences:				
Commercial units	Discounted cash flow approach	Rental rate per square meter (sqm)	₱3,000	₱3,000
		Rent escalation rate per annum (p.a.)	7%	7%
		Discount rate	8.51%	8.51%
		Vacancy rate	5%	5%
		Income tax rate	25%	25%
Parking slots	Discounted cash flow approach	Rental rate per slot	₱7,000	₱7,000
		Rent escalation rate p.a.	7%	7%
		Discount rate	8.51%	8.51%
		Vacancy rate	10%	10%
		Income tax rate	25%	25%
Land:				
UPHI's Laguna and Tagaytay properties	Market data approach	Price per sqm	₱2,200	₱2,200
		Value adjustments	5% - 10%	5% - 10%
Cazneau's Laguna Properties	Market data approach	Price per sqm	₱55,000	₱55,000
		Value adjustments	5% - 20%	5% - 20%
ALCO's Batangas and Tagaytay properties	Market data approach	Price per sqm	₱1,660	₱1,660
		Value adjustments	5% - 20%	5% - 20%
Courtyard Hall	Depreciated replacement	Estimated replacement cost	₱143,117,000	₱143,117,000

Class of Property	Valuation Technique	Significant Inputs	September 2022	December 2021
			36 years	36 years

Details of the valuation techniques used in measuring fair values of investment properties 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 sq.m. 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 Courtyard Hall by computing for the replacement cost of the assets and applying appropriate adjustments for physical deterioration and functional and economic obsolescence.

10. PROPERTY AND EQUIPMENT

The balances and movements of this account consist of:

September 2022							Total
Building and Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Construction in Progress	Leasehold Improvements		

Cost							
Balance at beginning of year	246,302,891	85,240,790	68,877,590	24,861,413		78,500	425,361,184
Additions	(32,118)	21,128,393	11,333,415	4,496,056	38,303,194	-	75,228,940
Disposals	-	(2,862,045)	-	-		-	(2,862,045)
Reclassification	-	-	-	-		-	-
Balance at end of year	246,270,773	103,507,138	80,211,005	29,345,081	38,303,194	78,500	497,715,691
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	3,789,102	13,420,563	6,880,329	2,449,116	-	-	26,539,110
Disposals	-	(1,903,892)	-	-	-	-	(1,903,892)
Balance at end of year	39,560,112	54,000,242	61,250,503	21,893,679	-	78,500	176,783,036
Carrying Amount	206,710,661	49,506,896	18,960,502	7,451,402	38,303,194	-	320,932,655

	December 2021						
	Building and Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Construction in Progress	Leasehold Improvements	Total
Cost							
Balance at beginning of year	245,553,426	81,884,580	61,863,122	25,272,784	-	78,500	414,652,412
Additions	-	21,295,803	10,791,447	61,115	-	-	-
Disposals	-	(17,939,593)	(3,500,000)	-	-	-	-
Reclassification	749,465	-	(276,979)	(472,486)	-	-	-
Balance at end of year					-	78,500	
Accumulated Depreciation and Amortization							
Balance at beginning of year	31,001,486	38,464,741	48,234,946	16,704,245	-	54,515	134,459,933
Depreciation and amortization	4,478,614	19,697,066	6,135,228	3,031,228	-	23,985	
Disposals	-	(15,678,236)	-	-	-	-	-
Reclassification	290,910	-	-	(290,910)	-	-	-
Balance at end of year					-		
Carrying Amount					-	-	

Depreciation and amortization on property and equipment were included as part of “Operating expenses” and “Cost of services” account in the interim consolidated statements of comprehensive income. In 2022, Construction in Progress pertains to cost of construction of project’s model units.

11. OTHER ASSETS

This account consists of:

	September 2022	December 2021
Input VAT	677,809,041	709,781,681
CWT	482,924,245	465,091,403
Advances for project development	402,098,911	519,328,038
Advances for asset purchase	-	209,361,707
Amounts held in escrow	256,126,444	144,678,088
Prepayments	110,704,702	104,025,180
Deposits	97,966,918	65,599,638
Deferred input VAT	22,451,871	33,530,819
Materials and supplies	1,341,909	1,341,909
	2,051,424,041	2,252,738,463

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

Advances for asset purchase pertain to advance payment made for land to be acquired by the Group and other land costs. In 2022, this was transferred to Real Estate for Sale.

Amounts held in escrow represents the debt service account required under existing loans with certain banks and the amount of which is equivalent to a quarterly principal and interest amortization.

Prepayments consist of rent, taxes, insurance and other expenses which are amortized over a year, and of prepaid commissions, amortized over the lease term for leasing and based on percentage of completion for selling.

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

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

12. LOANS PAYABLE

This account consists of:

	September 2022	December 2021
Local banks	10,629,577,465	13,375,993,499
Private funders	55,723,970	60,723,970
	10,685,301,435	13,436,717,469

Local bank loans

Loans from local banks consist of interest-bearing secured and unsecured loans obtained to finance project development and working capital requirements of the Group and carries interest rates ranging from 4.85% to 8.71% p.a. and 4.50% to 7.50% p.a. in September 30, 2022 and December 31, 2021, respectively.

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 was 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. The loan was fully settled as at September 30, 2022.

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. As of September 30, 2022 and December 31, 2021, ALCO is required to maintain a current ratio of at least 1.50x and a debt-to-equity ratio of not more than 2.00x based on the annual consolidated financial statements of the Group. ALCO has current ratio of 2.02x and 1.81x and debt to equity ratio of 1.14x and 1.48x, based on its consolidated financial statements as at September 30, 2022 and December 31, 2021, respectively,

which is compliant with the financial covenants.

Acquisition of land and construction of Savya Financial Center

In 2018, SLDC entered into a MTL for a credit line of ₱1,440.0 million with a local bank, to partially finance the acquisition and development of its land in Taguig City and to repay advances from shareholders. This loan facility is secured by an unregistered real estate mortgage over a parcel of raw land of SLDC, corporate continuing suretyship of ALCO until the completion of construction of Savya Financial Tower 1 and 100% sale of units therein, and deposits in an escrow account (see Note 11). The loan was fully settled in 2021.

In 2021, SLDC entered into a new loan facility of ₱1,440.0 million with a local bank. The ₱1,440.0 million was fully drawn and was used to repay the ₱1,440.0 million outstanding loan under the MTL. The outstanding loan balance is secured by real estate mortgage over raw land property (see Note 9). SLDC is required to debt service coverage ratio of 1.25x beginning 2021 and shall not fall below 1.5x to declare dividends and maintain a debt-to-equity ratio not exceeding 2.0x and a current ratio of at least 1.5x. As at September 30, 2022 and December 31, 2021, SLDC is compliant with the requirements of the term loan.

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. As at September 30, 2022 and December 31, 2021, the company is 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. As at September 30, 2022 and December 31, 2021, the company is compliant with the requirements of the term loan.

Development of Green Projects

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

Private Funders

Outstanding balances of the loans from private funders amounting to ₱55.7 million and ₱60.7 million as at September 30, 2022 and December 31, 2021 have interest rate of 4.13% and 3.50% p.a., respectively, are unsecured and are for working capital requirements of the Group.

13. BONDS PAYABLE

Details of this account is as follows:

	September 2022	December 2021
Balance at beginning of the year	3,000,000,000	3,000,000,000
Unamortized debt issue cost	(25,982,827)	(33,405,821)
	2,974,017,173	2,966,594,179

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

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

The Group is required to maintain debt to equity ratio of not more than 2.00x and current ratio of at least 1.50x based on the audited consolidated financial statements. As at September 30, 2022 and December 31, 2021, the Group is compliant with these financial ratios.

14. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	September 2022	December 2021
Accounts payable	326,077,163	366,617,650
Accrued expenses	812,213,194	1,310,576,520
Deferred output VAT	687,368,956	748,221,837
Payable for the purchase of interests in a subsidiary (Note 15)	-	762,340,790
Retention payable	627,551,700	492,874,816
Payable to buyers	447,974,806	298,088,488
Security deposits	93,812,478	83,257,815
Dividends payable	69,520,371	6,515,393
Advance rent	58,570,665	39,262,391
Withholding taxes payable	18,808,453	61,619,568
Construction bonds	22,560,557	21,398,433
Income tax payable	6,275,703	8,199,158
Others	38,821,859	19,849,443
	3,209,555,905	4,218,822,302

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

Accrued expenses are expected to be settled within the next 12 months which pertains to construction costs, interest, management and professional fees, utilities, commissions, advertising and other expenses.

Deferred output VAT pertains to VAT from sales of property on installments. 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 buyers include reservation fees and collections received from prospective lessees or buyers, which are and to be applied as security deposits upon execution of lease contracts or against the total contract price of the real estate sale.

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

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

Construction bonds represent noninterest-bearing deposits made by the lessees before the start of construction or fit out of their leased or rented units in ACPT and refundable upon fulfillment of contract provisions.

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

15. RELATED PARTY TRANSACTIONS

The company engages, in the normal course of business, in various transactions with its related parties which include entities under common control, key management and others.

Share Purchase Agreement

The Parent Company has an outstanding receivable from CPG amounting to ₱36.1 million as at September 30, 2022 and December 31, 2021 arising from a share purchase agreement between the Parent Company, CPG and AOC1. 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 September 30, 2022 and December 31, 2021.

Management Fee

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

Compensation of Key Management Personnel

The compensation of key management personnel are as follows:

	September 2022 (Nine Months)	December 2021 (Twelve Months)
Salaries and other employee benefits	76,856,384	82,773,183
Retirement benefits expense	-	27,158,439
	76,856,384	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 ₱39.8 million and ₱40.5 million as at September 30, 2022 and December 31, 2021, respectively.

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.

Material Non-controlling Interests

CLLC

In addition to the advances from the Parent Company, CLLC obtained from Rock & Salt B.V. for its real estate projects. All outstanding balances are unguaranteed, unsecured, bearing interest at 3.5% per annum and payable on demand and in cash.

In December 2021, the Parent Company purchased 214,351 common and 118,982 preferred shares representing 40% of the ownership and voting rights of CLLC for ₱113.2 million from RSBV, resulting to 100% ownership of the Parent Company in CLLC. The difference between the acquisition cost and book value amounting to ₱60.5 million was recorded as reduction to equity reserves. Also, RSBV assigned its shareholder advances and accrued interest receivables amounting to ₱764.1 million. The Parent Company's outstanding payable arising from the purchase of common shares and preferred shares in CLLC amounted to nil and ₱762.3 million as at September 30, 2022 and December 31, 2021, respectively. The balance was fully settled in 2022.

SLDC

Non-controlling interests over SLDC is 41% as at September 30, 2022 and December 31, 2021. SLDC received deposits amounting to ₱196.2 million in 2022 and ₱681.5 million in 2021 for future stock subscription from HHI. These will be applied against future subscription on preferred shares where SEC approve SLDC's application for the change in the par value of authorized preferred shares. As at December 31, 2021, SLDC has already submitted the requirements for the conversion of deposits for future stock subscription to preferred shares pending approval with the SEC.

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

KHI

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

Bhavana and Bhavya

In December 2021, ALCO sold, transferred and conveyed in favor of Narra Investment Properties Pte. Ltd. ("Narra"), by way of secondary sale, all of its rights, title and interest in and to 40% of the common

shares of stock of Bhavana and Bhavya, or 20,000,000 common shares of stock thereof, as well as its shareholder advances and accrued interest receivables aggregating ₱449.4 million in exchange for ₱446.8 million. The transfer of Bhavana and Bhavya shares decreased the effective ownership of ALCO from 100% to 60%. The Parent Company's receivable arising from the sale of interests in Bhavana and Bhavya amounted to nil and ₱208.6 million as at September 30, 2022 and December 31, 2021, respectively (see Note 6).

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

Nature of Transaction	Amount of Transactions		Outstanding Balance	
	September 2022	December 2021	September 2022	December 2021
Advances from non-controlling interests				
HHI Advances for project development	-	-	495,919,597	495,919,597
RSBV Advances for project development	-	(676,666,700)	-	-
Narra Advances for project development	-	411,200,000	411,200,000	411,200,000
MEC Advances for project development	-	-	195,000,000	195,000,000
			1,102,119,597	1,102,119,597

16. EQUITY

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

	September 2022		December 2021	
	Preferred	Common	Preferred	Common
Authorized	50,000,000	16,368,095,199	50,000,000	16,368,095,199
Par value per share	₱1.00	₱0.18	₱1.00	₱0.18
Issued	48,500,000	5,318,095,199	48,500,000	5,318,095,199
Outstanding	28,500,000	5,318,095,199	28,500,000	5,318,095,199

Preferred Shares

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

	September 2022		December 2021	
	Number of shares	Amount	Number of shares	Amount
Issued and outstanding				
Balance at beginning of period	28,500,000	₱28,500,000	42,500,000	₱42,500,000
Issuance during the period	-	-	6,000,000	6,000,000
Redemption during the period	-	-	(20,000,000)	(20,000,000)
Balance at end of period	28,500,000	28,500,000	28,500,000	28,500,000
Parent Company's preferred shares held by a subsidiary				
	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)
	16,000,000	₱16,000,000	16,000,000	₱16,000,000

ALCO issued 12.5 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the "Series A" preferred shares) to MPI and 30.0 million preferred shares (the "Series B" and "Series C" preferred shares) which are likewise cumulative, nonvoting, nonparticipating, and nonconvertible Peso-denominated, among other conditions, to the

public at the issuance price of ₱100 a share at ₱1.00 par value a share. MPI acquired the 12.5 million Series A preferred shares at a ₱1.00 par value a share.

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

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

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

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

Common Shares

As at September 30, 2022 and December 31, 2021, the Parent Company has issued and outstanding common shares of 5,318,095,199 with par value of ₱0.18 amounting to ₱957.3 million.

Dividend Declaration

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

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
August 5, 2022	September 01, 2022	September 27, 2022	Series C preferred shares	₱17,319,000	₱1.7319
August 5, 2022	August 19, 2022	September 05, 2022	Series D preferred shares	45,000,000	7.5000
June 24, 2022	July 11, 2022	August 01, 2022	Common shares	63,817,142	0.012
May 4, 2022	June 02, 2022	June 27, 2022	Series C preferred shares	17,319,000	1.7319
May 4, 2022	May 19, 2022	June 03, 2022	Series D preferred shares	45,000,000	7.5000
February 23, 2022	March 10, 2022	March 28, 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
				₱250,774,142	

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

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
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:

	September 2022	December 2021
Effect of changes in the Parent Company's ownership interest in subsidiaries	169,002,018	169,002,018
Stock options outstanding	7,080,164	7,080,164
Cumulative remeasurement gains (losses) on net retirement liability - net of tax	1,548,221	1,548,221
	177,630,403	177,630,403

Effect of Change 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 15).

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

Stock Options Outstanding

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

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

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

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

Weighted average share price

₱0.65

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

As at September 30, 2022 and December 31, 2021, none of the qualified employees have exercised their options.

Use of Proceeds

Series D Preferred Shares

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

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

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursements as of 9/30/22	Balance for Disbursement as of 9/30/22
Redemption of Series B Preferred Shares	2,000.0	2,000.0	2,966.7	-
Savya Financial Center and Cebu Exchange Project	1,000.0	966.7	-	-
TOTAL	3,000.0	2,966.7	2,966.7	-

17. REVENUES

The account consists of:

	September 2022 (Nine Months)	September 2021 (Nine Months)
Real estate sales of:		
Cebu Exchange	347,251,240	977,479,269
Savya Financial Center	356,536,112	466,564,127
Sevina Park	141,249,785	226,341,700
Lucima	433,164,134	-
	1,278,201,271	1,670,385,096
Leasing revenue	224,108,883	245,215,696
Property Management fees	13,525,215	13,302,784
	1,515,835,369	1,928,903,576

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

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

18. COST AND EXPENSES

The account consists of:

	September 2022 (Nine Months)	September 2021 (Nine Months)
Cost of real estate sales	812,255,466	977,454,901
Cost of leasing operations	71,844,524	80,512,746
Cost of services	15,987,266	8,709,116
	900,087,256	1,066,676,763

19. OPERATING EXPENSES

Details of operating expenses by nature are as follows:

	September 2022 (Nine Months)	September 2021 (Nine Months)
Personnel costs	178,625,622	154,574,766
Advertising	123,560,834	121,983,212
Taxes and licenses	79,945,896	27,579,612
Commissions	66,014,705	92,586,246
Communication and office expenses	48,104,451	39,976,084
Depreciation and amortization	26,539,110	24,889,697
Management and professional fees	25,291,501	33,318,100
Insurance	16,512,640	14,211,720
Transportation and travel	15,405,684	8,491,768
Utilities	6,924,054	1,691,016
Repairs and maintenance	4,302,145	3,460,375
Rental	2,221,859	1,485,110
Representation	1,125,610	741,440
Others	8,473,648	15,323,908
	603,047,759	540,313,054

20. FINANCE COSTS

Finance costs relate to the following:

	September 2022 (Nine Months)	September 2021 (Nine Months)
Interest expense	312,834,867	213,547,181
Bank charges	14,605,954	1,701,340
	327,440,821	215,248,521

21. OTHER INCOME – NET

This account consists of:

	September 2022 (Nine Months)	September 2021 (Nine Months)
Realized gain on disposals of financial assets at FVPL	22,638,025	16,775,021
Interest income	6,515,046	2,455,955
Forfeited collections	3,048,655	5,623,135
Foreign exchange gains	10,740,660	13,987
Unrealized holding gains (losses) on financial assets at FVPL	(84,760)	22,398
Gain on disposal of property and equipment	54,515	-
Others	4,675,890	1,735,096
	47,588,031	26,625,592

22. NET RETIREMENT LIABILITY

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

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

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

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

	September 2022	December 2021
Balance at beginning of period	118,443,498	101,496,418
Retirement expense:		
Current service cost	21,000,000	22,933,142
Interest cost	-	4,225,297
Remeasurement loss (gains)	-	(10,211,359)
Balance at end of period	139,443,498	118,443,498

23. INCOME TAXES

The components of provision for (benefit from) income tax are as follows:

	September 2022	September 2021
Reported in Profit or Loss		
Current income tax expense:		
RCIT	186,553,654	4,295,033
MCIT	3,214,620	2,598,056

	September 2022	September 2021
Final taxes	5,823,740	3,779,198
Gross income tax (GIT)	3,829,751	3,034,251
	199,421,765	13,706,538
Deferred	19,761,496	(121,732,599)
	219,183,261	(108,026,061)

Reported in OCI

Deferred tax benefit related to remeasurement losses on
net retirement liability

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Deferred Tax Assets and Deferred Tax Liabilities

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

	September 2022	December 2021
Deferred tax assets:		
NOLCO	337,920,323	253,843,493
Retirement liability	34,079,718	28,829,718
Advance rent	12,951,936	8,128,617
Excess MCIT over RCIT	24,263,704	21,049,084
Unrealized foreign exchange loss	(237,419)	-
Allowance for impairment losses	92,073	92,073
	409,070,334	311,942,985
Deferred tax liabilities:		
Cumulative gain on change in fair value of investment properties	1,680,305,825	1,394,057,646
Excess of financial over taxable gross profit	394,743,712	569,320,155
Accrued rent receivable	9,712,487	11,702,598
Depreciation of investment properties	39,864,880	32,359,232
Transfer of fair value to property and equipment	10,389,626	10,558,107
Capitalized debt issue costs	8,022,658	8,152,056
Unrealized foreign exchange gains	91,984	91,984
	2,143,131,170	2,026,241,778
Net deferred tax liabilities	1,734,060,836	1,714,298,793

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

	September 2022	September 2021
Income tax computed at statutory tax rate	228,643,869	240,264,821
Effect of CREATE Law	-	-
Add (deduct) tax effects of:		
Nondeductible expenses and nontaxable income	1,162,995	(39,110,530)
Income subject to GIT	(18,101,423)	(14,398,796)
Change in unrecognized deferred tax assets	8,964,265	6,951,011
Expired NOLCO	-	-
Income subject to final tax	(1,486,445)	(1,011,568)
Stock issuance costs	-	-
Expired MCIT	-	-

	September 2022	September 2021
Benefit from change in tax rates	-	(300,720,999)
	219,183,261	(108,026,061)

PEZA Registration

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

Under the PEZA Registration Agreement, ACPT is entitled to:

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

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

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

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

However, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively. The difference amounting to ₱301.2 million arising from the changes in income tax rates was recognized in 2021. Accordingly, the income tax rates used in preparing the interim consolidated financial statements as at September 30, 2022 are 25% and 1% for RCIT and MCIT, respectively.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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 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, contract assets and

other financial assets at amortized cost. The carrying amounts of financial assets at amortized cost 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 September 30, 2022 and December 31, 2021, 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, amounts held in escrow and investment in time deposits. 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 investments in money market fund that is measured at FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

Liquidity Risk

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

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

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

Impact of COVID-19

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

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

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

25. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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 statements of financial position. Capital for the reporting periods under review is summarized as follows:

	September 2022	December 2021
Total liabilities	20,057,286,172	23,619,149,934
Total equity	11,935,046,073	11,052,136,913

	September 2022	December 2021
Debt-to-equity ratio	1.68:1	2.14:1

The Group manages the capital structure and makes adjustments to it in the light of changes in 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.

26. EARNINGS PER SHARE (EPS)

Basic and diluted earnings per share are computed as follows:

	September 2022	September 2021
Net income attributable to equity holders of the Parent Company	630,574,672	567,819,131
Less share of Series B and C Preferred Shares	(186,957,000)	(157,644,750)
	443,617,672	410,174,381
Divided by weighted average number of outstanding common shares	5,318,095,199	5,318,095,199
Basic EPS	0.0834	0.0771
Add dilutive shares arising from stock options	55,400,000	55,400,000
Adjusted weighted average number of common shares for diluted EPS	5,373,495,199	5,373,495,199
Diluted EPS	0.0826	0.0763

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. 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:

		September 2022		
		Fair Value		
	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	1,209,970,742	1,209,970,742	-	-

		September 2022		
		Fair Value		
	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment properties	11,012,976,320	-	2,478,872,075	7,582,175,582
Financial assets at amortized cost - Deposits	97,966,918	-	-	97,966,918
	12,320,913,980	1,209,970,742	2,478,872,075	7,680,142,500
Liability for which fair value is disclosed -				
Loans payable	10,685,301,435	-	-	10,629,577,465
Bonds payable	2,974,017,173	-	-	2,974,017,173
	13,659,318,608	-	-	13,603,594,638

		December 2021		
		Fair Value		
	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	4,378,607,744	4,378,607,744	-	-
Investment properties	9,026,428,319	-	1,635,060,492	7,391,367,827
Asset for which fair value is disclosed -				
Financial assets at amortized cost - Deposits	65,599,638	-	-	65,599,638
	13,470,635,701	4,378,607,744	1,635,060,492	7,456,967,465
Liability for which fair value is disclosed -				
Loans payable	13,436,717,469	-	-	13,375,990,935
Bonds payable	2,966,594,179	-	-	3,003,560,199
	16,403,311,648	-	-	16,379,551,134

The table below presents the financial assets and liabilities of the Group whose carrying amounts approximate fair values as at September 30, 2022 and December 31, 2021:

	September 2022	December 2021
Financial assets:		
Cash and cash equivalents	2,136,326,481	1,949,257,156
Receivables*	1,979,975,901	1,497,248,576
Contract assets	3,700,920,943	6,238,880,086
Amounts held in escrow	256,126,444	144,678,088
	8,073,349,769	9,830,063,906
Financial liabilities:		
Accounts payable and other liabilities**	1,990,557,322	2,313,818,280
Advances from non-controlling Interests	1,102,119,597	1,102,119,597
	3,092,676,919	3,415,937,877

*Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱52.3 million and ₱66.2 million as at September 30, 2022 and December 31, 2021, respectively.

**Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱1,219.0 million and ₱1,155.4 million as at September 30, 2022 and December 31, 2021, respectively.

28. CLASSIFICATION OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ACCOUNTS

The Group's current portions of its assets and liabilities are as follows:

	September 2022	December 2021
Current Assets		
Cash and cash equivalents	2,136,326,481	1,949,257,156
Financial asset at fair value through profit or loss		
	1,209,970,742	4,378,607,744
Receivables	2,032,671,639	1,563,406,726
Contract assets	3,700,920,943	6,238,880,086
Real estate for sale	9,527,109,424	8,988,754,987
Other assets*	1,772,845,726	1,865,555,269
	20,379,844,955	24,984,461,968

*Excludes non-current portion of deposits and deferred input VAT amounting to ₱278.6 million and ₱178.2 million as at September 30, 2022 and December 31, 2021, respectively.

Current Liabilities		
Current portion of loans payable	5,574,697,746	8,417,020,962
Accounts payable and other liabilities	3,209,555,905	4,218,822,302
Contract liabilities	212,787,728	62,154,096
Advances from non-controlling interests	1,102,119,597	1,102,119,597
	10,099,160,976	13,800,116,957

29. 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 period ended September 30, 2022, December 31, 2021 and September 30, 2021:

	September 2022					
	Sale of Real Estate	Leasing	Property Management Services	Corporate	Eliminations	Total
Segment revenue	1,278,201,270	224,108,883	214,820,539	-	(201,295,323)	1,515,835,369
Segment expenses	(844,973,914)	(71,844,524)	(81,541,711)	(706,070,189)	201,295,323	(1,503,135,015)
Segment profit	433,227,356	152,264,359	133,278,828	(706,070,189)	-	12,700,354
Net gain on change in fair value of investment properties	-	1,144,992,711	-	-	-	1,144,992,711
Finance cost	(128,273,511)	(376,527,016)	-	(12,925,704)	190,285,410	(327,440,821)
Other income - net	-	-	-	47,588,031	-	47,588,031

September 2022						
	Property Management Services					
	Sale of Real Estate	Leasing	Services	Corporate	Eliminations	Total
Income before income tax	304,953,845	920,730,054	133,278,828	(671,407,862)	190,285,410	877,840,275
Provision for income tax						219,183,261
Net income						658,657,014
Other comprehensive income						-
Total comprehensive income						658,657,014
Assets	9,527,109,424	11,012,976,320	20,483,941	20,124,709,520	(8,692,946,960)	31,992,332,245
Liabilities	(4,228,519,226)	(4,830,872,452)	-	-18,125,473,365	7,127,578,871	(20,057,286,172)

December 2021						
	Property Management Services					
	Sale of Real Estate	Leasing	Services	Corporate	Eliminations	Total
Segment revenue	2,628,943,563	325,500,935	478,856,970	-	(461,102,212)	
Segment expenses	(1,668,922,051)	(106,984,259)	(116,486,671)	(847,984,974)	273,075,552	
Segment profit				(847,984,974)	(188,026,660)	
Net gain on change in fair value of investment properties	-	872,263,700	-	-	-	872,263,700
Finance cost	(192,226,329)	-	-	(277,828,945)	(192,226,329)	(277,828,945)
Other income - net	-	-	-	27,647,106	-	27,647,106
Income before income tax					4,199,669	
Provision for income tax						(11,895,600)
Net income						
Other comprehensive income (loss)						7,572,228
Total comprehensive income						
Assets	8,988,754,987	9,026,428,319	15,858,139	24,417,005,366	(7,776,759,964)	34,671,286,847
Liabilities	(13,411,648,011)	(1,712,356,858)	-	(14,732,477,103)	6,237,332,038	(23,619,149,934)

September 2021						
	Property Management Services					
	Sale of Real Estate	Leasing	Services	Corporate	Eliminations	Total
Segment revenue	1,670,385,096	245,215,696	370,233,914	-	(356,931,130)	1,928,903,576
Segment expenses	(1,011,563,531)	(82,065,658)	(71,430,428)	(798,861,330)	356,931,130	(1,606,989,817)
Segment profit	658,821,565	163,150,038	298,803,486	(798,861,330)	-	321,913,759
Net gain on change in fair value of investment properties	-	507,318,725	-	-	-	507,318,725
Finance cost	(8,265,387)	(354,800,660)	-	(12,761,815)	160,579,341	(215,248,521)
Other income - net	-	-	-	26,625,592	-	26,625,592
Income before income tax	650,556,178	315,668,103	298,803,486	(784,997,553)	160,579,341	640,609,555
Provision for income tax						(108,026,061)
Net income						748,635,616
Other comprehensive income						-
Total comprehensive income						748,635,616
Assets	8,197,675,136	8,821,992,543	13,770,315	20,305,786,928	(6,827,912,861)	30,511,312,061
Liabilities	(6,536,163,784)	(4,313,757,021)	-	(16,147,359,553)	6,612,800,393	(20,384,479,965)

30. FINANCIAL RATIOS

Below is a schedule showing financial soundness indicators for the period ended September 30, 2022, December 31, 2021 and September 30, 2021:

RATIO	FORMULA	SEP 2022	DEC 2021	SEP 2021
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	2.02:1	1.81:1	2.01:1
Acid Test Ratio	$\frac{\text{Quick Assets}}{\text{Current Liabilities}}$	0.90:1	0.57:1	1.04:1
Solvency Ratios	$\frac{\text{Net Income before depreciation}}{\text{Total liabilities}}$	0.03:1	0.05:1	0.04:1
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	1.68:1	2.14:1	2.01:1
Interest-Bearing Debt-to-Equity Ratio	$\frac{\text{Total Interest-Bearing Liabilities}}{\text{Total Equity}}$	1.14:1	1.48:1	1.36:1
Asset-to-Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	2.68:1	3.14:1	3.01:1
Interest Rate Coverage Ratio	$\frac{\text{Pretax Income before Interest}}{\text{Interest expense}}$	3.81:1	5.09:1	4:1
Return on Equity	$\frac{\text{Net Income}}{\text{Average Equity excluding Preferred Shares}}$	8.70%	10%	12.07%
Return on Assets	$\frac{\text{Net Income}}{\text{Average Total assets}}$	2.11%	3%	2.63%
Net Profit Margin	$\frac{\text{Net Income}}{\text{Revenue}}$	43%	38%	39%
Basic Earnings per Share	$\frac{\text{Net income less dividends declared}}{\text{Outstanding common shares}}$	0.0834	0.1296	0.0771
Price to Earnings Ratio	$\frac{\text{Market Price per share}}{\text{Earnings per share}}$	6.35:1	4.94:1	8.3:1
Dividend Yield	$\frac{\text{Dividends per share}}{\text{Market price per share}}$	2.26%	1.88%	1.88%

December 2021 ratio is based on full year income while September 2022 and September 2021 ratios are based on nine-month income.

31. EVENTS AFTER THE 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	October 26, 2022	December 5, 2022	December 27, 2022	₱17,319,000	₱1.731
Series D preferred shares	October 26, 2022	November 14, 2022	December 3/5, 2022	₱45,000,000	₱7.500

The dividends shall be taken out of the unrestricted earnings of the Parent Company as at September 30, 2022.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL POSITION

September 2022 vs December 2021

	SEP 30, 2022	DEC 31, 2021	% Change
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Cash and cash equivalents	₱2,136,326,481	₱1,949,257,156	10%
Financial assets at fair value through profit or loss (FVPL)	1,209,970,742	4,378,607,744	-72%
Receivables	2,032,671,639	1,563,406,726	30%
Contract assets	3,700,920,943	6,238,880,086	-41%
Real estate for sale	9,527,109,424	8,988,754,987	6%
Investment properties	11,012,976,320	9,026,428,319	22%
Property and equipment	320,932,655	273,213,366	17%
Other assets	2,051,424,041	2,252,738,463	-9%
Total Assets	31,992,332,245	34,671,286,847	-8%
Loans payable	10,685,301,435	13,436,717,469	-20%
Bonds payable	2,974,017,173	2,966,594,179	0%
Accounts payable and other liabilities	3,209,555,905	4,218,822,302	-24%
Contract liabilities	212,787,728	62,154,096	242%
Advances from non-controlling interests	1,102,119,597	1,102,119,597	0%
Net retirement liability	139,443,498	118,443,498	18%
Net deferred tax liabilities	1,734,060,836	1,714,298,793	1%
Total Liabilities	20,057,286,172	23,619,149,934	-15%
Equity attributable to equity holders of the Parent Company			
Capital stock	1,005,757,136	1,005,757,136	0%
Additional paid-in capital	5,973,360,513	5,973,360,513	0%
Retained earnings	4,784,356,277	4,404,555,747	9%
Other equity reserves	177,630,403	177,630,403	0%
Treasury shares	(2,000,000,000)	(2,000,000,000)	0%
Parent Company's preferred shares held by a subsidiary – at cost	(12,500,000)	(12,500,000)	0%
	9,928,604,329	9,548,803,799	4%
Non-controlling interests	2,006,441,744	1,503,333,114	33%
Total Equity	11,935,046,073	11,052,136,913	8%
Total Liabilities and Equity	₱31,992,332,245	₱34,671,286,847	-8%

The Group's total resources declined by 8% from ₱34.7 billion to ₱32.0 billion as of December 31, 2021 and September 30, 2022, respectively, due to the following:

10% Increase in Cash and Cash Equivalents

The increase in cash is mainly due to proceeds from disposal of money market funds, collections of turnover balance from buyers of CLLC's Cebu Exchange and proceeds from sale of interest in subsidiaries net of capital expenditures for the period.

72% Decrease in Financial assets at FVPL

The decline was due to partial termination of money market placements for loan repayments and project development costs.

30% Increase in Receivables

The increase is mainly due to recognition of turnover balance from buyers of Cebu Exchange, as well as the receivables arising from the initial revenue recognition from Lucima project.

41% Decrease in Contract Assets

The decline is largely due to maturities of contract assets which were subsequently accounted for as billed receivables in CLLC.

6% Increase in Real Estate for Sale

The increase is mainly due to projects' development costs incurred for Cebu Exchange, Savva Financial Center and Sevina Villas, offset by the reclassification of CLLC units mentioned under Investment Properties.

22% Increase in Investment Properties

The increase is mainly due to the decision made by management to keep 8,059 square meters of office units with 72 appurtenant parking slots, 2,628 square meters of retail units and an additional 36 non-appurtenant parking slots at Cebu Exchange. This resulted in the exclusion of the said units and parking slots from Cebu Exchange's sale inventory and inclusion to its investment properties for lease. The said properties were initially measured at cost amounting to ₱844 million but are subsequently remeasured at fair value of ₱1.8 billion as of reporting date, in accordance with Philippine Accounting Standards.

17% Increase in Property and Equipment

The increase is largely attributable to cost of ongoing construction of projects' model units.

9% Decrease in Other Assets

The decline is primarily due to the reclassification of a real estate property previously recognized as other asset. but was reclassified to Real estate for sale.

Total liabilities decreased by 15% from ₱23.6 billion on December 31, 2021 to ₱20.1 billion as of September 30, 2022, due to the following:

20% Decrease in Loans Payable

The decline is primarily due to CLLC's repayments of its term loan and CTS loans.

24% Decrease in Accounts Payable and Other Liabilities

The decline is due to settlement of the remaining balance of the purchase price arising from the Assignment of Advances to CLLC by Rock and Salt B.V to ALCO.

242% Increase in Contract Liabilities

The increase mainly pertains to collections received from unit buyers of Lucima from which the related revenue is not yet recognized as of the period.

18% Increase in Retirement Liability

The change represents provision of retirement expense for the period.

Total equity grew by 8% from ₱11.1 billion as of December 31, 2021 to ₱11.9 billion as of September 30, 2022 due to the following:

9% Increase in Retained Earnings

The increase is due to net income for the period, net of dividends.

33% Increase in Non-Controlling Interests

The net increase is attributable to the recognition of NCI's share in the net income (loss) of KHI, Bhavana and Bhavya and additional deposit for future stock subscription from SLDC shareholder.

FINANCIAL RATIOS

September 2022 vs December 2021

RATIO	FORMULA	SEP 2022	DEC 2021	% Change
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	2.02:1	1.81:1	12%
Acid Test Ratio	$\frac{\text{Quick Assets}}{\text{Current Liabilities}}$	0.90:1	0.57:1	58%
Solvency Ratios	$\frac{\text{Net Income before depreciation}}{\text{Total liabilities}}$	0.03:1	0.05:1	-40%
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	1.68:1	2.14:1	-21%
Interest-Bearing Debt-to-Equity Ratio	$\frac{\text{Total Interest-Bearing Liabilities}}{\text{Total Equity}}$	1.14:1	1.48:1	-23%
Asset-to-Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	2.68:1	3.14:1	-15%
Interest Rate Coverage Ratio	$\frac{\text{Pretax Income before Interest}}{\text{Interest expense}}$	3.81:1	5.09:1	-25%
Return on Equity	$\frac{\text{Net Income}}{\text{Average Equity excluding Preferred Shares}}$	8.70%	10%	-13%
Return on Assets	$\frac{\text{Net Income}}{\text{Average Total assets}}$	2.11%	3%	-30%
Net Profit Margin	$\frac{\text{Net Income}}{\text{Revenue}}$	43%	38%	13%
Basic Earnings per Share	$\frac{\text{Net income less dividends declared}}{\text{Outstanding common shares}}$	0.0834	0.1296	-36%
Price to Earnings Ratio	$\frac{\text{Market Price per share}}{\text{Earnings per share}}$	6.35:1	4.94:1	29%
Dividend Yield	$\frac{\text{Dividends per share}}{\text{Market price per share}}$	2.26%	1.88%	20%

FINANCIAL RATIOS

September 2022 vs September 2021

Ratio	Formula	SEP 2022	SEP 2021	% Change
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	2.02:1	2.01:1	0%
Acid Test Ratio	$\frac{\text{Quick Assets}}{\text{Current Liabilities}}$	0.90:1	1.04:1	-13%
Solvency Ratios	$\frac{\text{Net Income before depreciation}}{\text{Total liabilities}}$	0.03:1	0.04:1	-25%
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	1.68:1	2.01:1	-16%
Interest-Bearing Debt-to-Equity Ratio	$\frac{\text{Total Interest-Bearing Liabilities}}{\text{Total Equity}}$	1.14:1	1.36:1	-16%
Asset-to-Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	2.68:1	3.01:1	-11%

Ratio	Formula	SEP 2022	SEP 2021	% Change
Interest Rate Coverage Ratio	$\frac{\text{Pretax Income before Interest}}{\text{Interest expense}}$	3.81:1	4:1	-5%
Return on Equity	$\frac{\text{Net Income}}{\text{Average Equity excluding Preferred Shares}}$	8.70%	12.07%	-28%
Return on Assets	$\frac{\text{Net Income}}{\text{Average Total assets}}$	2.11%	2.63%	-20%
Net Profit Margin	$\frac{\text{Net Income}}{\text{Revenue}}$	43%	39%	10%
Basic Earnings per Share	$\frac{\text{Net income less dividends declared}}{\text{Outstanding common shares}}$	0.0834	0.0771	8%
Price to Earnings Ratio	$\frac{\text{Market Price per share}}{\text{Earnings per share}}$	6.35:1	8.3:1	-23%
Dividend Yield	$\frac{\text{Dividends per share}}{\text{Market price per share}}$	2.26%	1.88%	53%

RESULTS OF OPERATIONS

September 2022 vs September 2021

	SEP 30, 2022	SEP 30, 2021	% Change
Revenues	₱1,515,835,369	₱1,928,903,576	-21%
Cost and Expenses	900,087,256	1,066,676,763	-16%
GROSS INCOME	615,748,113	862,226,813	-29%
Administrative expenses	413,472,220	325,743,596	27%
Selling & marketing expenses	189,575,539	214,569,458	-12%
OPERATING EXPENSES	603,047,759	540,313,054	12%
INCOME FROM OPERATIONS	12,700,354	321,913,759	-96%
OTHER OPERATING INCOME (EXPENSES)			
Finance costs	(327,440,821)	(215,248,521)	52%
Net gain on change in fair value of investment properties	1,144,992,711	507,318,725	126%
Other income – net	47,588,031	26,625,592	79%
INCOME BEFORE INCOME TAX	877,840,275	640,609,555	37%
Provision for (benefit from) income tax	219,183,261	(108,026,061)	303%
NET INCOME	₱658,657,014	₱748,635,616	-12%
NET INCOME ATTRIBUTABLE TO:			
Equity holders of Parent Company	630,574,672	567,819,131	11%
Non-controlling interests	28,082,342	180,816,485	-84%
	₱658,657,014	₱748,635,616	-12%

The Group posted a consolidated net income after tax at ₱658.7 million for the period ended Sep 30, 2022, lower by 12% from same period last year of ₱748.6 million. NIAT to Parent is at ₱630.6 million, 11% higher from same period last year of ₱567.8 million.

21% Decrease in Revenues

Revenues' decline is mainly attributed to lower incremental change in POC of CLLC's Cebu Exchange due to its substantial completion in the first half of 2022 as compared to same period last year, offset by the first-time revenue recognition of Bhavana's Lucima bookings starting Q2 2022.

16% Decrease in Cost and Expenses

The decrease in Cost of Sales is related to the decline in revenues of CLLC, as discussed in Revenues.

27% Increase in Administrative Expenses

Administrative expenses increased by 27% due to the real estate taxes recorded for Cebu Exchange and noted increase in personnel cost..

12% Decrease in Selling & Marketing Expenses

The decline is mainly due to lower commission expense for Cebu Exchange, as compared to the same period last year.

52% Increase in Finance Costs

The increase is mainly attributed to the cessation of capitalized borrowing cost starting Q2 2022 for Cebu Exchange, owing to its substantial completion.

126% Increase in Net Gain on Change in Fair Value of Investment Properties

The increase is largely due to gain recognized from revaluation of ACPT units and the initial recognition of the fair market value of Cebex office/retail units and parking slots reclassified from Real estate for sale to Investment properties for lease, as previously discussed. The said properties were initially measured at cost of ₱844 million, but were subsequently remeasured at fair value of ₱1.8 billion as of reporting date, in accordance with Philippine accounting standards.

79% Increase in Other Income - net

The increase is due to higher gains from forex as value of US dollar continues to appreciate and higher interest income in the first 3 quarters of 2022 as compared to the same period in 2021.

303% Increase in Provision for Income Tax

Increase in this account is largely due to the gain on change in fair value of investment properties recognized for the nine-month period ended 2022, as against benefit from income tax for the same period in 2021 due to the effect of CREATE law.

RESULTS OF OPERATIONS

July - September 2022 vs July - September 2021

	JULY 1 - SEPTEMBER 30, 2022	JULY 1 - SEPTEMBER 30, 2021	% Change
Revenues	₱ 403,554,236	₱ 683,924,747	-41%
Cost and expenses	246,728,739	361,462,638	-32%
GROSS INCOME	156,825,497	322,462,109	-51%
Administrative expenses	142,249,851	106,954,347	33%
Selling and marketing expenses	78,620,488	86,786,952	-9%
OPERATING EXPENSES	220,870,339	193,741,299	14%

	JULY 1 - SEPTEMBER 30, 2022	JULY 1 - SEPTEMBER 30, 2021	% Change
OPERATING INCOME (LOSS)	(64,044,842)	128,720,810	-150%
OTHER OPERATING INCOME (EXPENSES)			
Finance costs	(149,554,547)	(75,571,928)	98%
Net Gain on change in FV of investment properties	-	-	0%
Other income – net	23,865,616	4,105,264	481%
	(125,688,931)	(71,466,664)	76%
INCOME (LOSS) BEFORE INCOME TAX	(189,733,773)	57,254,146	-431%
Provision for (Benefit from) income tax	(52,055,681)	30,078,023	-273%
NET INCOME (LOSS)	(P 137,678,092)	P 27,176,123	-607%

Net loss of P137.7 million was posted for Q3 2022 coming from P27.2 million net income in the same three-month period in 2021 due to the following:

41% Decrease in Revenues

Revenues' decline is mainly attributed to lower incremental change in POC of CLLC's Cebu Exchange due to its substantial completion in Q3 of 2022 as compared to same quarter last year, offset by initial revenue recognition of Bhavana's Lucima bookings in 2022.

32% Decrease in Cost of Sales and Services

The decrease in cost of sales is related to the decrease in CLLC sales for the current quarter compared to prior quarter, as discussed in Revenues.

33% Increase in Administrative Expenses

Increase in administrative expense is largely due to parent company's personnel cost and CLLC's real property taxes, following its turnover phase starting 2022.

9% Decrease in Selling and Marketing Expenses

The decline is largely due to lower commission expense for Cebu Exchange, as compared to same quarter last year.

98% Increase in Finance Costs

The increase is mainly attributed to the cessation of capitalized borrowing costs starting Q2 2022 for Cebu Exchange, owing to its substantial completion, and one-time payment of service fee to a trust and investment group for new fund sources.

481% Increase in Other Income - Net

The increase is due to higher gains from forex as value of US dollar continues to appreciate and higher interest income in Q3 2022 as compared to Q3 2021.

273% Decrease in Provision for income tax

The benefit from income tax recognized for Q3 2022 is due to losses incurred for the quarter, as compared to provision for income tax on taxable income in Q3 2021.