25 February 2025

Securities and Exchange Commission
17/F SEC Headquarters, 7907 Makati Avenue
Barangay Bel-Air, Makati City

Attention: **Atty. Oliver O. Leonardo**
Director, Markets, and Securities Regulation Department

Philippine Stock Exchange, Inc.
6th Floor, PSE Tower, 28th Street corner 5th Avenue,
Bonifacio Global City, Taguig City

Attention: **Atty. Stephanie Ann B. Go**
Officer-in-Charge, Disclosure Department

Re: **Comprehensive Corporate Disclosure on Issuance of Shares**
AREIT, Inc.

Dear Mesdames and Gentlemen,

In compliance with Article V, Part A, Section 6 of the Consolidated Listing and Disclosure Rules of the Philippine Stock Exchange, we hereby submit the Comprehensive Corporate Disclosure on the property-for-share swap among AREIT, Inc. (AREIT) with Ayala Land, Inc. (ALI) and its subsidiaries, Accendo Commercial Corp. (Accendo), Cagayan de Oro Gateway Corp. (CDOGC), and Central Bloc Hotel Ventures, Inc. (CBHVI), as approved by the AREIT Board of Directors in its 19 February 2025 meeting.

The transaction involves issuing 505,890,177 AREIT primary common shares to ALI, Accendo, CDOGC, and CBHVI in exchange for eight (8) commercial buildings located in Davao, Cebu, and Cagayan de Oro with an aggregate value of ₱20,994,442,345.50, within the fair range of values as validated by a third-party fairness opinion provider.

Please see the attached information for your reference.

Thank you.

MA. FLORENCE THERESE DG. MARTIREZ-CRUZ
Chief Compliance Officer

AREIT, Inc.
Comprehensive Corporate Disclosure on Issuance of Shares

On the issuance of 505,890,177 AREIT primary common shares (the "Shares") to Ayala Land, Inc. ("ALI") and its subsidiaries, Accendo Commercial Corp. ("Accendo"),[1] Cagayan de Oro Gateway Corp. ("CDOGC"),[2] and Central Bloc Hotel Ventures, Inc. ("CBHVI")[3] (Accendo, CDOGC, and CBHVI are hereinafter referred to as "Subsidiaries") at an issue price of ₱41.50 per share, set at a ~2% premium over the thirty (30)-day volume weighted average price ("30-day VWAP") or the Market Price[4] of ₱40.68, in exchange for eight (8) commercial buildings located in Davao, Cebu, and Cagayan de Oro, with an aggregate value of ₱20,994,442,345.50, within the fair range of values as validated by a third-party fairness opinion provider.

I. Duly Executed Agreements Relevant to the Proposed Transaction

Definitive agreements on the transaction (as defined below) will be duly disclosed to the Exchange and the Securities and Exchange Commission ("SEC") upon execution. The Company expects to execute the definitive agreements for the transaction by April 2025.

II. The Proposed Transaction and Timetable for Implementation and Related Regulatory Requirements

The Company, ALI, and the Subsidiaries will execute a property-for-share swap transaction whereby the Company will issue the Shares to ALI and the Subsidiaries (*as illustrated in Table 2 below*) in exchange for the following identified properties valued at ₱20,994,442,345.50 (the "Transaction"), at an issue price of ₱41.50 per share ("Transaction Price").

Table 1 – Properties Subject of Property-For-Share Swap

Property	Registered Owner	Fair Market Value (in Php)	Transaction Value (in Php)
Central Bloc Office 1	ALI	2,244,363,000.00	2,262,316,163.00
Central Bloc Office 2	ALI	2,704,603,000.00	2,662,465,043.20
Ayala Malls Central Bloc	ALI	4,427,110,000.00	4,403,787,429.00
Seda Central Bloc	CBHVI*	1,473,761,000.00	1,466,879,162.30
Abreeza Mall	Accendo*	3,941,734,000.00	3,933,967,272.00
Abreeza BPO	Accendo*	728,424,000.00	731,632,200.40
Centrio Mall	CDOGC*	4,936,323,000.00	4,927,074,187.00
Centrio BPO	CDOGC*	563,035,000.00	606,320,888.60
Total		**₱21,019,353,000.00**	**₱20,994,442,345.50**

**CBHVI, Accendo and* CDOGC *are subsidiaries of ALI. CBHVI is a wholly-owned subsidiary of ALI. Accendo and CDOGC are joint venture entities with ALI owning 67% and 70%, respectively.*
*(collectively, the "**Properties**")*

Table 2 – Breakdown of Shares to be Issued to ALI, CBHVI, Accendo, and CDOGC

Stockholder	Number of Shares
ALI	224,784,786
CBHVI	35,346,486
Accendo	112,424,084
CDOGC	133,334,821
TOTAL	**505,890,177**

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1 *67% owned by Ayala Land, Inc.*
2 *70% owned by Ayala Land, Inc.*
3 *100% owned by Ayala Land, Inc.*
4 ***Market Price** means the volume weighted average of the closing price for a period of thirty (30) trading days prior to the approval of the transaction (PSE Consolidated Listing and Disclosure Rules, Rule V, Section 3, paragraph (a)). Transaction date refers to the approval of the Board of Directors when issue price was set, or the meeting of the Board of Directors on 19 February 2025.*

The Properties will be used by ALI and the Subsidiaries as payment for the Shares. The Transaction will be implemented as a tax-free exchange and is supported by a fairness opinion on the valuation of the Shares and of the Properties prepared and issued by FTI Consulting Philippines, Inc. ("FTI Consulting"), an independent fairness opinion provider accredited by both the SEC and the Philippine Stock Exchange ("PSE"). The Properties have been evaluated by AREIT Fund Managers, Inc. ("AFMI") and has been appraised by Cuervo Appraisers, Inc. ("Cuervo"). The Fairness Opinion issued by FTI Consulting and the Valuation Reports issued by Cuervo are collectively attached hereto as **Annexes A** and **B**, respectively.

The infusion of the Properties into AREIT is in line with the objective of AREIT and its Sponsor, ALI to grow the asset base of AREIT through the infusion of several high-quality assets to maximize value accretion for AREIT's shareholders.

The Transaction is subject to the approval of AREIT stockholders at the Company's annual meeting to be held on 24 April 2025.

AREIT will apply for the additional listing of the Shares resulting from the Transaction. The final Transaction Price is set at a ~2% premium over the 30-day VWAP of ₱40.68 or the Market Price. In accordance with the PSE's Consolidated Listing and Disclosure Rules ("PSE Rules"), Article V, Part A, Section 3, paragraph (a), "Market Price" means the volume weighted average of the closing prices for a period of thirty (30) Trading Days prior to the transaction or the date of the approval of the Board of Directors. As such, the Transaction falls within the Exceptions to the conduct of a rights or public offering requirement of the PSE Rules, thus:

> "ARTICLE V
> ADDITIONAL LISTING OF SECURITIES
>
> PART A
> GENERAL
>
> ***
>
> SECTION 3. Exceptions to the Rights or Public Offering Requirement – The Exchange shall grant an exception to the rights or public offering requirement in the following cases:
>
> (a) The transaction price for the shares subscribed is set at a premium over the prevailing market price. Market Price shall mean the weighted average of the closing prices for a period of thirty (30) Trading Days prior to the transaction;
>
> ***"

The exchange of the Shares for the Properties will qualify as a tax-free exchange under Section 40(C)(2) of the Tax Code, as amended, which provides that:

> "Section 40. Determination of Amount and Recognition of Gain or Loss –
>
> (C) Exchange of Property – * * *
>
> (2) Exception. – * * *
>
> No gain or loss shall also be recognized on a corporation or on its stock or securities if such corporation is a party to a reorganization and exchanges property in pursuance to a plan of reorganization solely for stock or securities in another corporation that is a party to the reorganization. A reorganization is defined as: ***
>
> No gain or loss shall also be recognized if property is transferred to a corporation by a person alone or together with others, not exceeding four (4) persons, in exchange for stock or unit of participation in such a corporation of which as a result of such exchange the transferor or transferors, collectively, gains or maintains control of said corporation: *Provided*, That stocks issued for services shall not be considered as issued in return for property. ***"

Section 40(C)(2) of the Tax Code, as amended, has been interpreted by the Supreme Court in the case of *Commissioner of Internal Revenue vs. Filinvest Development Corporation* (G.R. No. 167689, 9 July 2011), to mean that a tax-free exchange applies when the controlling person gains "further control" or transfers where the transferor already has control of the corporation at the time of the exchange.

Further, the case of *Commissioner of Internal Revenue vs. Lucio L. Co, et al.* (G.R. No. 241424, 26 February 2020) reiterated that Section 40(C)(2) applies even in cases where the transferors collectively gain or maintains control of the transferor, as such the Supreme Court "clarified that it is not necessary that, after the exchange, each of the transferors individually gains control of the transferee corporation." The Court explained that the application of Section 40(C)(2) "does not prohibit instances where the transferor gains further control of the transferee corporation" and that "the element of control is satisfied even if one of the transferors is already owning at least 51% of the shares of the transferee corporation, as long as after the exchange, the transferors, not more than five, collectively increase their equity in the transferee corporation by 51% or more."

The Company expects to execute the Deed of Exchange and file the application for approval of the original issuance of shares with the SEC within April 2025, and the issuance of the Certificates Authorizing Registration ("eCAR") with the relevant office of the Bureau of Internal Revenue ("BIR") within the third quarter of 2025. The SEC's approval of the Transaction is expected to be issued within the third quarter of 2025, and the BIR's eCAR issuance is expected to be issued within the first quarter of 2026. The Company shall likewise apply for the additional listing of shares with the Exchange by the first quarter of 2026. The indicative timetable for implementation of the Transaction is as follows:

Table 3 – Indicative Timetable for Implementation

Annual Stockholders' Meeting	April 2025
Deed of Exchange Execution	April 2025
SEC Approval (Issuance of Shares and Transaction)	Q3 2025
Issuance of CAR	Q1 2026
PSE Listing of Additional Shares	Q1 2026

III. The Rationale of the Benefits Expected to Accrue to the Listed Company as a Result of the Proposed Transaction

As the first Philippine Real Estate Investment Trust ("REIT") successfully listed and true to its commitment to diversify and expand its portfolio through constant, accretive asset infusions, AREIT aspires to further grow its leasing portfolio with prime and stable assets. Since its IPO, AREIT has delivered on its growth plan, resulting in a 49% total shareholder return from dividend yield and price appreciation, based on the closing price of ₱37.95 on 27 December 2024.

AREIT started with 153 thousand square meters equivalent to ₱30 billion of Assets Under Management ("AUM") in 2020. By December 2021, this has grown to 549 thousand square meters, equivalent to ₱53 billion in AUM. At the close of 2022, AREIT expanded to 673 thousand square meters, equivalent to ₱64 billion in AUM. In September 2023, AREIT further grew its portfolio to 861 thousand square meters and ₱87 billion in AUM, nearly tripling its size since AREIT went public, exceeding its target to double in size within two years from its IPO. By end 2024, AREIT's portfolio stands at 1.03 million square meters of building gross leasable area and 286 hectares of industrial land, with an AUM of ₱117.3 billion. With this asset infusion, AREIT will further grow its building portfolio to over 1.39 million square meters in gross leasable area and 286 hectares of industrial land totaling ₱138.3 billion in AUM. The new asset infusion of prime commercial buildings will expand, balance, and diversify AREIT's portfolio to capture growth opportunities across various types of real estate and key cities and growth centers in the country.

The Properties are expected to contribute further to AREIT's operating cashflows, boosting dividends per share. At an average capitalization rate of 6.53%, the Properties were valued based on a stable level of operating income and the expected yield of the property after considering a long-term sustainable growth of 3% for the office assets, and 2.5% for mall and hotel assets. AREIT's 2024 yield is approximately 5.6% from its existing assets based on the 30-day VWAP of ₱40.68. Hence, the asset-for-share swap will be accretive after the new assets are infused.

The Properties transferred to AREIT, including the gross leasable area, location, occupancy, and average rent, are attached herewith as **Annex C**.

IV. Aggregate Value of the Consideration and Terms of Any Payment Arrangement

The Properties are valued at ₱20,994,442,345.50 within the range of values provided in the Fairness Opinion by FTI Consulting and the Appraisal Reports issued by Cuervo.

FTI Consulting used the Discounted Cashflows ("DCF") Approach as the primary method to estimate the fair value of the Shares and Properties. Under the DCF approach, FTI Consulting discounted the cashflows of AREIT and the Properties based on a weighted average cost of capital ("WACC") using the Capital Asset Pricing Model for the office asset and Built-up Method for the mall and hotel assets. The Comparable Public Companies Method and Volume Weighted Average Price Method were used as secondary methods to cross-check the value of the AREIT shares. The Direct Capitalization Approach was used to cross-check the value of the Properties.

Subject to regulatory approvals (including BIR's eCAR issuance allowing the transfer of Properties to AREIT as a tax-free exchange transaction under the Tax Code, as amended, and SEC's approval of the original issuance of Shares to ALI and the Subsidiaries), the Transaction will close upon the listing of the Shares with the PSE.

V. Consideration/Issue Value

AREIT will issue the Shares to ALI and the Subsidiaries at an issue price of ₱41.50 per share, set at a premium over the 30-day VWAP of ₱40.68 or Market Price, which is likewise based on AFMI's valuation, which AREIT believes is fair to both the Company, as the issuer, and ALI and the Subsidiaries, as the subscribers. The issue price of ₱41.50 per share is within the range of fair values based on the fairness opinion issued by FTI Consulting.

VI. Application of Proceeds

The Shares will be issued to ALI and the Subsidiaries in exchange for the Properties. AREIT expects to execute the Deed of Exchange within April 2025 and file the application for the confirmation of valuation and issuance of original shares, and the Transaction with the SEC in the same month. The application for eCAR with the BIR is expected to be filed within Q3 2025.

VII. Identity of Beneficial Owners of the Shares Subscribed

Table 4 – Identity of Beneficial Owners of the Shares Subscribed

Beneficial Owners/ Subscribers	Nature of Business	Nature of any material relationship with the Issuer and the parties to the transaction, their directors/officers or any of their affiliates
Ayala Land, Inc.	ALI is a public corporation organized under the laws of the Philippines. ALI is the largest property developer in the Philippines with a solid track record in developing large-scale, integrated, mixed-use, sustainable estates that are thriving economic centers in their respective regions. ALI holds a balanced and complementary mix of residential developments, shopping centers, offices, hotels and resorts, and other businesses.	ALI is the Sponsor of AREIT and, as of date hereof, directly and indirectly owns 55.52% of AREIT shares, as follows: ALI – direct ownership of 1,319,597,394 shares equivalent to 41.11%

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		AyalaLand Malls, Inc. (ALMI) – direct ownership of 287,186,771 shares equivalent to 8.95% (ALMI is 100% owned by ALI) Northbeacon Commercial Corporation (NBCC) – direct ownership of 55,382,567 shares equivalent to 1.73% (WCVC is 100% owned by ALI) Greenhaven Property Ventures, Inc. (Greenhaven), a wholly-owned subsidiary of Ayala Hotels and Resorts Corporation (AHRC), a wholly-owned subsidiary of ALI – direct ownership of 77,505,974 shares equivalent to 2.41% Cebu Insular Hotel Co., Inc. (Cebu Insular), a subsidiary of ALI and AHRC – direct ownership of 38,326,934 shares equivalent to 1.19%
Central Bloc Hotel Ventures, Inc.	CBHVI is organized primarily to engage in the business of a hotel, apartment hotel, serviced residence, inn, resort, restaurant, café, bar, entertainment, and other allied businesses. It is the owner and operator of Seda Central Block Cebu.	CBHVI is a wholly-owned subsidiary of ALI.
Accendo Commercial Corp.	Accendo is a joint venture among ALI, Damosa Land, Inc., Anflo Management and Investment Corporation, and Pioneer Trading & Supply Co., Inc., organized primarily to engage in the business of a mall, office, hotel, residential buildings, and other allied businesses. It is the owner and operator of Abreeza Mall and BPO.	Accendo is 67% owned by ALI, 19% owned by Damosa Land, Inc., 11% owned by Anflo Management and Investment Corporation, and 3% owned by Pioneer Trading & Supply Co., Inc.
Cagayan de Oro Gateway Corp.	CDOGC is a joint venture among ALI, Mindanao Motors Corporation, and Anflo Management and Investment Corporation organized primarily to engage in the business of a real estate, owning and operating mall, office, hotel, residential buildings, and other allied businesses. It is the owner and operator of AyalaMalls Centrio and Centrio BPO.	This is 70% owned by ALI, 24% owned by Mindanao Motors Corporation, and 6% owned by Anflo Management and Investment Corporation.

VIII. Additional Information on Ayala Land, Inc., Central Bloc Hotel Ventures, Inc., Accendo Commercial Corp., and Cagayan de Oro Gateway Corp.

A. Ayala Land, Inc.

ALI was registered with the SEC on 20 June 1988. It is the largest property developer in the country with a solid track record in developing large-scale, integrated, mixed-use, and sustainable estates that are now thriving economic centers.

1. *Articles of Incorporation*

The Articles of Incorporation of ALI is attached hereto as **Annex D**.

The primary purpose of ALI, as stated in its Amended Articles of Incorporation dated 22 August 2014, is:

> "To deal and engage in land or real estate business in all its branches and ramifications, to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent, or otherwise deal in and dispose of, for itself or for others, for profit and advantage, residential including, but not limited to, all kids of housing projects, commercial, industrial, urban or other kids of real property, improved or unimproved, with or to such persons and entities and under such terms and conditions as may be permitted by law; to acquire, purchase, hold, manage, develop, and sell subdivision lots, with or without buildings or improvements, for such other consideration and in such manner or form as the Corporation may determine or as the law permits; to erect, construct, alter, manage, operate, lease, in whole or in part, buildings and tenements of the Corporation or of other persons, to engage or act as real estate broker, on commission or for such fees as may be proper or legal and to exercise or undertake such powers and purposes as may be required and necessarily implied from the purposes herein mentioned."

2. *Major Projects and Investments*

ALI is the largest property developer in the Philippines with a solid track record in developing large-scale, integrated, mixed-use, sustainable estates that are thriving economic centers in their respective regions. ALI has successfully developed properties in and transformed the neighborhoods of the Makati CBD, Ayala Alabang, Cebu Park District, and Bonifacio Global City. With over 10 thousand hectares in its land bank, 53 estates, and presence in 57 growth centers across the country, ALI holds a balanced and complementary mix of residential developments, shopping centers, offices, hotels and resorts, and other businesses. ALI has ample experience in the real estate industry in the Philippines, focusing its business on strategic business lines, including property development, commercial leasing, hotels and resorts, and real-estate-adjacent services.

ALI's property development activities concern the sale of high-end residential lots and units (including leisure community developments), office spaces, commercial and industrial lots, middle-income residential lots and units, affordable lot units and house and lot packages, economic housing units and house and lot packages, and socialized housing packages, and the lease of residential units and marketing of residential developments. These products are developed and sold through ALI's subsidiaries under a variety of brands, including AyalaLand Premier for high-end village lots and condominium units; Alveo Land Corp. for upscale village lots, condominium and office units; Avida Land Corp. for middle-income village lots, house and lot packages, condominium and office units; Amaia Land Corp. for economic house and lot packages; and BellaVita Land Corp. for the socialized house and lot packages.

ALI's experience with commercial leasing is broad and encompasses the development and leasing of office buildings, factory buildings, shopping centers, and hotels and resorts. This experience also includes the operation of movie theaters, food courts, entertainment facilities, and carparks in developed shopping centers; management and operations of malls which are co-owned with partners; and operation and management of branded and owner-operated hotels.

ALI also offers real estate related services such as construction, for land development and construction of ALI and third-party projects, and property management, for properties of ALI and third-party projects. Such property management activities also include operation of water and sewage treatment facilities, distribution of district cooling systems, and bulk purchase and supply of electricity for energy solutions. Construction and property management services are led by ALI's subsidiaries, Makati Development Corporation and Ayala Property Management Corporation, respectively.

3. *Capital and Organizational Structure*

Attached as **Annexes E** and **F** are the latest General Information Sheet and Organizational Structure of ALI, respectively.

4. *Latest Audited Financial Statements*

The audited financial statements of ALI for the years 2021, 2022, and 2023 are attached as **Annexes G, H, and I**, respectively.

5. *List of Subsidiaries and Affiliates*

Please refer to Annex F for the complete list of companies under the ALI Group.

6. *Board of Directors and Officers*

Directors:
a. Jaime Augusto Zobel de Ayala – Chairman
b. Cezar P. Consing – Director, Vice Chairman
c. Anna Ma. Margarita B. Dy –Director, President and Chief Executive Officer
d. Fernando Zobel de Ayala – Director
e. Mariana Beatriz Zobel de Ayala – Director, Senior Vice President
f. Daniel Gabriel M. Montecillo – Lead Independent Director
g. Rex Ma. A. Mendoza – Independent Director
h. Cesar V. Purisima – Independent Director
i. Surendra Mohan Menon – Independent Director

Officers:
a. Anna Ma. Margarita B. Dy – President and Chief Executive Officer
b. Augusto D. Bengzon – Senior Vice President, Chief Finance Officer, and Treasurer
c. Robert S. Lao – Senior Vice President
d. Raquel S. Cruz – Senior Vice President
e. Laurent P. Lamasuta – Senior Vice President
f. Joseph Carmichael Z. Jugo – Senior Vice President
g. Darwin L. Salipsip – Senior Vice President
h. Roscoe M. Pineda – Vice President, Chief Information Officer, and Data Protection Officer
i. Annabeth R. Bernardo – Chief Audit Executive
j. Maria Franchette M. Acosta – Group General Counsel and Corporate Secretary
k. Maphilindo S. Tandoc – Chief Risk Officer
l. Millette A. Arnedo – Vice President, Chief Legal Officer, Chief Compliance Officer, and Assistant Corporate Secretary
m. Isabel D. Sagun – Vice President and Chief Human Resources Officer

B. *Central Bloc Hotel Ventures, Inc.*

1. *Articles of Incorporation*

The Amended Articles of Incorporation of CBHVI is attached hereto as **Annex J**.

The primary purpose of CBHVI, as stated in its Amended Articles of Incorporation dated 27 December 2019, is:

> "To own, hold in ownership, manage, deal and engage in the general business of a hotel, apartment hotel, serviced residence, in,, resort, restaurant, café, bar, entertainment and other allied businesses and to the

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limit and extent permitted by law, to acquire and own, either by purchase, lease or other means of acquisition, lands, buildings, and other improvements necessary or required by its business and to use such lands, building and improvements thereto for the conduct and operation of the general nature of its business and object and all other matters incidental thereto."

2. *Major Projects and Investments*

CBHVI is a wholly-owned subsidiary of ALI. CBHVI is organized primarily as a real estate developer and is authorized to operate and manage hotels. It is the owner and operator of Seda Central Bloc Cebu.

3. *Capital and Organizational Structure*

CBHVI is 100% owned by ALI. Attached as **Annex K** is the latest General Information Sheet of CBHVI. Please refer to Annex F for the Organizational Structure of ALI which includes CBHVI.

4. *Latest Audited Financial Statements*

The audited financial statements of CBHVI for the years 2021, 2022, and 2023 are attached as **Annexes L, M, and N**.

5. *List of Subsidiaries and Affiliates*

CBHVI does not have any subsidiaries. Please refer to Annex F for a list of its affiliates under the ALI Group.

6. *Board of Directors and Officers*

Directors:

a. Ma. Luisa D. Chiong – Chairman
b. George Israel C. Aquino – Member
c. Isabel D. Sagun – Member
d. Elaine Marie F. Alzona – Member
e. Remedios R. Aganon – Member

Officers:

a. George Israel C. Aquino – President and Chief Executive Officer
b. Elaine Marie F. Alzona – Treasurer, Chief Finance Officer, and Chief Compliance Officer
c. Maria Paula G. Romero-Bautista – Corporate Secretary
d. Judy Alice U. Repol-Guillemot – Assistant Corporate Secretary
e. Roscoe M. Pineda – Data Protection Officer

C. *Accendo Commercial Corp.*

1. *Articles of Incorporation*

The Amended Articles of Incorporation of Accendo is attached hereto as **Annex O**.

The primary purpose of Accendo, as stated in its Amended Articles of Incorporation dated 19 June 2019, is:

"To develop, sell, invest, own, acquire, lease, hold, mortgage, administer or otherwise deal with commercial, residential, industrial or agricultural lands, buildings, structure or apertures, or in any other profitable business enterprise, venture or establishment, alone or jointly with other persons, natural or artificial."

2. *Major Projects and Investments*

Accendo is engaged in the business of real estate – developing residential and commercial properties. Accendo is the owner and operator of Abreeza Mall and Abreeza BPO, among others.

3. *Capital and Organizational Structure*

Accendo is a joint venture among ALI (owning 67.00%), Damosa Land, Inc. (owning 18.66%), Anflo Management and Investment Corporation (owning 11.24%), and Pioneer Trading & Supply Co., Inc. (owning 3.10%). Attached as **Annex P** is the latest General Information Sheet of Accendo. Please refer to Annex F for the Organizational Structure of the ALI Group.

4. *Latest Audited Financial Statements*

The audited financial statements of Accendo for the years 2021, 2022, and 2023 are attached as **Annexes Q, R, and S**.

5. *List of Subsidiaries and Affiliates*

Accendo is the parent company of Avencosouth Corp. and Aviana Development Corporation. Please refer to Annex F for a list of its affiliates under the ALI Group.

6. *Board of Directors and Officers*

Directors:
a. Fernando Zobel de Ayala – Chairman
b. Ricardo R. Floirendo – Vice Chairman, Member
c. Mariana Beatriz Zobel de Ayala – Member
d. Anna Ma. Margarita B. Dy – Member
e. Maria Linda F. Lagdameo – Member
f. Ricardo F. Lagdameo – Member
g. Robert S. Lao – Member
h. Christopher B. Maglanoc – Member
i. Jennylle S. Tupaz – Member

Officers:
a. Christopher B. Maglanoc – President
b. Jennylle S. Tupaz – General Manager
c. Francis M. Montojo – Treasurer, Chief Finance Officer, and Compliance Officer
d. Ricardo F. Lagdameo – Assistant Treasurer
e. Maria Paula G. Romero-Bautista – Corporate Secretary
f. Kevin Edrick P. Relopez – Assistant Corporate Secretary
g. Roscoe M. Pineda – Data Protection Officer

D. *Cagayan de Oro Gateway Corp.*

1. *Articles of Incorporation*

The Articles of Incorporation of CDOGC is attached hereto as **Annex T**.

The primary purpose of CDOGC, as stated in its Amended Articles of Incorporation dated 03 November 2015, is:

> "To develop, sell, invest, own, acquire, lease, hold, mortgage, administer or otherwise deal with commercial, residential, industrial or agricultural lands, buildings, structures or apertures, or in any other profitable business enterprise, venture or establishment, alone or jointly with other persons, natural or artificial."

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2. *Major Projects and Investments*

CDOGC is engaged in the business of operating commercial properties. It is the owner and operator of Centrio Mall and BPO.

3. *Capital and Organizational Structure*

CDOGC is a joint venture among ALI (owning 70.00%), Mindanao Motors Corporation (owning 24.46%), and Anflo Management and Investment Corporation (owning 5.54%). Attached as **Annex U** is the latest General Information Sheet of CDOGC. Please refer to Annex F for the Organizational Structure of the ALI Group

4. *Latest Audited Financial Statements*

The audited financial statements of CDOGC for the years 2021, 2022, and 2023 are attached as **Annexes V, W, and X**, respectively.

5. *List of Subsidiaries and Affiliates*

CDOGC has no subsidiaries.

6. *Board of Directors and Officers*

Directors:
a. Anna Ma. Margarita B. Dy – Chairman
b. Ricardo R. Floirendo – Vice Chairman, Member
c. Mariana Beatriz E. Zobel de Ayala – Member
d. Maria Linda F. Lagdameo – Member
e. Ricardo F. Lagdameo – Member
f. Robert S. Lao – Member
g. Ma. Divina Y. Lopez – Member
h. Christopher B. Maglanoc – Member
i. Jennylle S. Tupaz – Member

Officers:
a. Christopher B. Maglanoc – President
b. Jennylle S. Tupaz – General Manager
c. Francis M. Montojo – Treasurer, Chief Finance Officer, and Compliance Officer
d. Ricardo F. Lagdameo – Assistant Treasurer
e. Maria Paula G. Romero-Bautista – Corporate Secretary
f. Kevin Edrick P. Relopez – Assistant Corporate Secretary
g. Roscoe M. Pineda – Data Protection Officer

IX. Statement of Active Business Pursuits and Objectives

The Company is the first Philippine REIT that successfully became publicly listed. Upon listing in August 2020, the Company's property portfolio consists of three (3) commercial buildings in Metro Manila:

Table 5 – AREIT's Property Portfolio Upon Listing

	Solaris One	Ayala North Exchange	McKinley Exchange
Year Completed	2008	2019	2014
Description	Grade A, PEZA-Accredited 24-storey commercial building	Grade A, PEZA-accredited, mixed-use development	Grade A, PEZA-accredited, mixed-use development
Location	130 Dela Rosa, Legaspi Village, Makati City	6796 Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City	McKinley Road corner EDSA, Makati City
GLA	46,768 sq.m.	95,300 sq.m.	10,687 sq.m.
Right over Building	Owned	Owned	Leased
Right over Land	Leased	Leased	Leased
Land Lease Expiry	2048	2058	2054

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On 15 September 2020, AREIT purchased from ALO Prime Realty Corp., a wholly-owned subsidiary of ALI, the building known as Teleperformance Cebu, in accordance with its REIT Plan. Thereafter, AREIT continued to grow its portfolio by acquiring The 30th Commercial Development, and parcels of industrial land in Laguna Technopark:

Table 6 – AREIT's Acquisitions 2020 to January 2021

	Teleperformance Cebu	The 30th	Laguna Technopark Lots
Year Completed	2010	2017	N/A
Description	Grade A, Gold LEED, PEZA-Accredited 12-storey commercial building	Grade A, PEZA-accredited, mixed-use development	Four (4) land parcels leased by Integrated Micro-Electronics, Inc.
Location	Inez Villa Street, Cebu I.T. Park (formerly Asiatown I.T. Park), Barangay Apas, Cebu City	Meralco Avenue, Pasig City	Laguna Technopark, Binan, Laguna
GLA	18,092 sq.m.	74,704 sq.m.	98,179 sq.m. (land)
Right over Building	Owned	Owned	N/A
Right over Land	Leased	Leased	Owned
Land Lease Expiry	2051	2056	N/A

On 8 June 2021, ALI, and its subsidiaries, Westview Commercial Ventures Corp. ("WCVC") and Glensworth Development, Inc. ("GDI"), entered into a Deed of Exchange with AREIT whereby the latter issued 483,254,375 primary common shares of stock to ALI, WCVC, and GDI, at an issue price of ₱32.00 per share in exchange for identified properties valued at ₱15,464,140,000. On 8 October 2021, AREIT received the approval of the SEC of the said property-for-share swap and allowed the issuance of 483,254,375 shares of AREIT in favor of ALI, WCVC, and GDI, in exchange for the following identified properties valued at ₱15,464,140,000:

Table 7 – AREIT's Property-for-Share Swap with ALI, WCVC, and GDI

	Vertis North Mall and Corporate Centers 1, 2, and 3	BPI-Philam Life Makati	BPI-Philam Life Alabang	Bacolod Capitol Corporate Center	Ayala Northpoint Technohub	One Evotech and Two Evotech
Year Completed	2017	1998	1997	2018	2011	2013
Description	Grade A, LEED Certified, PEZA-accredited mixed-use development	Grade A office units	Grade A office units	Grade A, PEZA-accredited office building	Grade A, PEZA-accredited office building	Grade A, LEED Silver-Certified, PEZA-accredited office building
Location	Quezon City	Makati	Alabang	Bacolod City	Talisay City, Negros Occidental	Sta. Rosa, Laguna
GLA	Office – 125k Mall – 39k	1k	0.5k	11k	5k	23k
Right over Building	Owned	Owned	Owned	Owned	Owned	Owned
Right over Land	Leased	Office Condominium Units	Office Condominium Units	Leased	Leased	Leased
Land Lease Expiry	2058	N/A	N/A	2062	2058	2058

Consistent with its investment strategy, AREIT entered into a Deed of Exchange with ALI whereby the former issued 252,136,383 primary common shares of stock to ALI at an issue price of ₱44.65 per share in exchange for six (6) office buildings located in Cebu with an aggregate value of ₱11,257,889,535.91. The SEC issued the Confirmation of Valuation and approved the said property-for-share swap and allowed the issuance of 483,254,375 shares of AREIT in favor of ALI on 29 December 2022:

Table 8 – AREIT's Property-for-Share Swap with ALI (Cebu Properties)

	eBloc 1	eBloc 2	eBloc 3	eBloc 4	ACC Tower	Tech Tower
Year Completed	2009	2011	2014	2015	2016	2016
No. of Storeys	12	16	12	12	20	12
Description	Grade A, commercial building, PEZA-accredited	Grade A, commercial building, PEZA-accredited	Grade A, commercial building, PEZA-accredited	Grade A, commercial building, PEZA-accredited	Grade A, commercial building, PEZA-accredited	Grade A, commercial building, PEZA-accredited
Location	Cebu IT Park	Cebu IT Park	Cebu IT Park	Cebu IT Park	Ayala Center Cebu	Ayala Center Cebu
GLA (sq.m)	20,842	27,727	15,233	16,167	27,517	16,813
Right over Land	Leasehold	Leasehold	Leasehold	Leasehold	Leasehold	Leasehold

In 2023, the Company and ALI, AyalaLand Malls, Inc. ("ALMI"), and NorthBeacon Commercial Corp. ("NBCC") entered into a Deed of Exchange executing another property-for-share swap transaction whereby the Company issued 607,559,380 primary common shares to ALI, ALMI, and NBCC in exchange for the following identified properties valued at ₱22,479,697,060, at an issue price of ₱37.00 per share, set at a 3% premium over the 30-day VWAP of ₱35.83 or the Market Price.

Table 9 – AREIT's Property-for-Share Swap with ALI, ALMI, and NBCC

	Glorietta BPO 1	Glorietta BPO 2	One Ayala West Tower	One Ayala East Tower	Glorietta Mall Wings 1 and 2	MarQuee Mall
Year Completed	2016	2016	2021	2022	2012	2009
Description	Grade A, commercial building, PEZA-accredited	Grade A, commercial building, PEZA-accredited	Grade A, commercial building, PEZA-accredited	Grade A, commercial building, PEZA-accredited	Regional Mall	Regional Mall
Location	Ayala Center Makati					Angeles City, Pampanga
GLA (sq.m)	18,770	23,492	30,999	39,996	68,764	66,041
Occupancy	98%	98%	98%	98%	100%	100%
Right over Land	Leasehold	Leasehold	Leasehold	Leasehold	Leasehold	Leasehold
Landowner	Ayala Land, Inc.	Ayala Land, Inc.	Ayala Land, Inc.	Ayala Land, Inc.	Ayala Land, Inc.	NorthBeacon Commercial Corp.

On 19 March 2024, the Company and ALI, Greenhaven Property Ventures, Inc. ("Greenhaven"), Cebu Insular Hotel Co., Inc. ("Cebu Insular"), and Buendia Christiana Holdings Corp. ("BCHC") entered into a Deed of Exchange executing another property-for-share swap transaction whereby the Company issued 841,259,412 primary common shares to ALI, Greenhaven, Cebu Insular, and BCHC in exchange for the following identified properties valued at ₱28,602,820,008.00, at an issue price of ₱34.00 per share, set at a 3.75% premium over the 30-day VWAP or the Market Price of ₱32.77.

Table 10 – AREIT's Property-for-Share Swap with ALI, Greenhaven, Cebu Insular, and BCHC

	Ayala Triangle Tower 2	Greenbelt 3 & 5	Holiday Inn & Suites Makati	Seda Ayala Center Cebu	Zambales Industrial Land
Year Completed	2021	Greenbelt 3 – 2004 (2022 Renovation Completion); Greenbelt 5 - 2007	2013	2018	N/A
Description	Triple A Headquarter Office	Premier Lifestyle Mall	Contemporary Business Hotel	Contemporary Business Hotel	Industrial Land (solar power plant)
Location	Ayala Triangle Gardens, Makati City	Ayala Center, Makati City	Glorietta, Ayala Center, Makati City	Ayala Center Cebu, Cebu Business Park	Palauig, Zambales
GLA (sq.m)	63,150	93,732	26,218	13,759	2,759,135
Occupancy	98%	100%	100%	100%	100%
Right over Land	Leasehold	Leasehold	Leasehold	Leasehold	Freehold
Landowner	Ayala Land, Inc.	Ayala Land, Inc.	Ayala Land, Inc.	Cebu Insular Hotel Company, Inc.	Buendia Christiana Holdings Corp.

Current Transaction

AREIT's principal strategy is to invest in income-generating real estate properties that meet a select set of criteria. A potential new property should (1) be located in a prime location in either Metro Manila or other key provinces in the Philippines, (2) be primarily (but not exclusively) focused on commercial properties, and maybe other types of real estate properties available in the market, and (3) have stable occupancy, tenancy, and income operations.

Upon approval of the Transaction by the Company's stockholders and obtaining regulatory approvals, the Company will own the Properties, thereby increasing AREIT's building portfolio from over 1.03 million square meters to over 1.39 million square meters in gross leasable area and industrial land portfolio of 2.86 million square meters in gross leasable area; increasing AREIT's AUM from ₱117.3 billion to around ₱138.3 billion; diversify its asset base of offices, malls, hotels, and industrials to reduce sector risks; capitalize on flagship commercial assets from its Sponsor, ALI, and expand opportunities across the broader Ayala Land Group; and at the Transaction Price of ₱41.50 per share, the assets to be infused are yield accretive to AREIT at a blended capitalization rate of 6.53% for the Properties, ultimately redounding to the benefit of all stockholders, including the minority retail investors through dividend accretion.

X. Effects to the Company Before and After the Transaction

A. Increase in Authorized Capital Stock

There is no change in the Company's Authorized Capital Stock.

B. Change in the Nature of Business

There is no change in the nature of the business of the Company.

C. Change in the Board of Directors and Officers

There is no change in the Company's Board of Directors and Officers as a result of the Transaction.

D. Change in Name

There is no change in the name of the Company.

E. Capital Structure – Ownership Structure of AREIT before and after the Transaction

Provided on the following table is the change in the ownership structure after the transaction.

Table 11 – Ownership Structure of AREIT Before and After the Transaction

Stockholder	Current (before property for share swap)		Indicative Post-Transaction (after the property for share swap)	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
ALI	1,319,597,394	41.11%	1,544,382,180	41.56%
ALMI	287,186,771	8.95%	287,186,771	7.73%
NBCC	55,382,567	1.73%	55,382,567	1.49%
Greenhaven	77,505,974	2.41%	77,505,974	2.09%
Cebu Insular	38,326,934	1.19%	38,326,934	1.03%
BCHC	199,109,438	6.20%	199,109,438	5.36%
CBHVI	0	0.00%	35,346,486	0.95%
Accendo	0	0.00%	112,424,084	3.03%
CDOGC	0	0.00%	133,334,821	3.59%
Directors and Officers	3,854,507	0.12%	3,854,507	0.11%
Non-ALI/Public	1,228,902,400	38.29%	1,228,742,400	33.07%
TOTAL	**3,209,865,985**	**100.00%**	**3,715,756,162**	**100.00%**

AREIT shall ensure that ALI will sell some of its AREIT shareholdings before the approval by the SEC of the Transaction to ensure compliance with the minimum public ownership requirements imposed upon the

Company. The relevant disclosures on the sale of shareholdings will be made in due course once its terms are finalized.

XI. Identities of Controlling and Substantial Stockholders of the Parties to the Transaction

The controlling stockholder of AREIT is the Ayala Land Group, as follows:

Table 12 – Controlling Stockholder of AREIT

Name of Stockholder	Form of Ownership	Number of Shares	% Ownership
ALI	Direct	1,544,382,180	41.56%
ALMI	Direct	287,186,771	7.73%
Greenhaven	Direct	77,505,974	2.09%
NBCC	Direct	55,382,567	1.49%
Cebu Insular	Direct	38,326,934	1.03%

XII. Statement as to the steps to be taken, if any, to safeguard the interest of any independent shareholders

The issuance of the 505,890,177 primary common shares to ALI, Accendo, CDOGC, and CBHVI will be discussed and taken up in the Company's Annual Stockholders' Meeting on 24 April 2025. The final Transaction Price of ₱41.50 per share is set at a premium over the 30-day VWAP of ₱40.68. In accordance with the PSE's Consolidated Listing and Disclosure Rules, Article V, Part A, Section 3, paragraph (a), "Market Price" means the volume weighted average of the closing prices for a period of thirty (30) Trading Days prior to the transaction or the date of the approval of the Board of Directors. As such, the Transaction falls within the Exceptions to the conduct of a rights or public offering requirement of the Additional Listing Rules of the PSE.

The Company's Fund Manager on 12 February 2025 has endorsed the Transaction to the Company. The Company's Risk Management and Related Party Transactions Review Committee and the Board of Directors have reviewed FTI Consulting's fairness opinion on the Shares and the Properties, as well as the appraisal reports issued by Cuervo. Cuervo and FTI Consulting have issued Appraisal Reports and Fairness Opinion to establish the fairness of the valuation of the Shares and the Properties used in this Transaction.

Pertinent details are provided in the supporting Annexes submitted together with this document.

SCHEDULE OF ANNEXES

ANNEX	DESCRIPTION
A	Fairness Opinion
B	Appraisal Reports
C	Property Details
D	Articles of Incorporation – Ayala Land, Inc.
E	General Information Sheet – Ayala Land, Inc.
F	Organizational Structure – Ayala Land, Inc.
G	Audited Financial Statements for 2021 – Ayala Land, Inc.
H	Audited Financial Statements for 2022 – Ayala Land, Inc.
I	Audited Financial Statements for 2023 – Ayala Land, Inc.
J	Articles of Incorporation – Central Bloc Hotel Ventures, Inc.
K	General Information Sheet – Central Bloc Hotel Ventures, Inc.
L	Audited Financial Statements for 2021 – Central Bloc Hotel Ventures, Inc.
M	Audited Financial Statements for 2022 – Central Bloc Hotel Ventures, Inc.
N	Audited Financial Statements for 2023 – Central Bloc Hotel Ventures, Inc.
O	Articles of Incorporation – Accendo Commercial Corp.
P	General Information Sheet – Accendo Commercial Corp.
Q	Audited Financial Statements for 2021 – Accendo Commercial Corp.
R	Audited Financial Statements for 2022 – Accendo Commercial Corp.
S	Audited Financial Statements for 2023 – Accendo Commercial Corp.
T	Articles of Incorporation – Cagayan de Oro Gateway Corp.
U	General Information Sheet – Cagayan de Oro Gateway Corp.
V	Audited Financial Statements for 2021 – Cagayan de Oro Gateway Corp.
W	Audited Financial Statements for 2022 – Cagayan de Oro Gateway Corp.
X	Audited Financial Statements for 2023 – Cagayan de Oro Gateway Corp.

Property-for-Share Swap between AREIT, Inc., Ayala Land, Inc., Central Bloc Hotel Ventures, Inc., Accendo Commercial Corporation, and Cagayan De Oro Gateway Corporation

Fairness Opinion Report

FTI CONSULTING

19 February 2025

STRICTLY PRIVATE & CONFIDENTIAL

19 February 2025

AREIT Fund Managers, Inc.
28F, Tower One & Exchange Plaza,
Ayala Triangle, Ayala Avenue, Makati City

Accendo Commercial Corporation
J.P. Laurel Avenue Poblacion District
Davao City, Davao Del Sur

Cagayan De Oro Gateway Corporation
Minmoco Building
Corrales Avenue, corner C.M., Claro M. Recto Avenue
Cagayan de Oro, Misamis Oriental

Attention: Board of Directors of AREIT Fund Managers, Inc., Accendo Commercial Corporation, and Cagayan De Oro Gateway Corporation

Re: Fairness Opinion Report

Ladies and Gentlemen:

FTI Consulting Philippines, Inc. ("FTI Consulting") is pleased to submit this Fairness Opinion Report ("Report") covering the property-for-share swap transaction in relation to the planned infusion of certain properties (the "Properties") owned by Ayala Land, Inc. ("ALI"), Accendo Commercial Corporation ("ACCENDO"), Cagayan De Oro Gateway Corporation ("CDOGC"), and Central Bloc Hotel Ventures, Inc. ("CBHVI") into AREIT, Inc. ("AREIT"). ALI, ACCENDO, CDOGC, and CBHVI intend to transfer the Properties to AREIT in exchange for primary shares to be issued by AREIT (the "Transaction").

The Properties consist of four office buildings (i.e., Central Bloc 1&2 in Cebu City owned by ALI, Abreeza Corporate Center in Davao City owned by ACCENDO and Centrio Corporate Center in Cagayan De Oro City owned by CDOGC), three shopping malls (i.e., Central Bloc Mall in Cebu City owned by ALI, Abreeza Mall in Davao City owned by ACCENDO and Centrio Mall in Cagayan De Oro City owned by CDOGC), and one hotel (i.e., Seda Central Bloc in Cebu City owned by CBHVI).

In this regard, FTI Consulting has been asked to render an opinion on whether the proposed exchange of AREIT shares for the Properties is fair from a financial point of view.

FTI Consulting conducted a valuation study of AREIT and the Properties in accordance with the International Valuation Standards ("IVS") to determine the fairness of the consideration to be transferred and consideration to be received by AREIT. The following standards were used:

- IVS 101 Scope of Work
- IVS 102 Investigations and Compliance
- IVS 103 Reporting
- IVS 104 Bases of Value
- IVS 105 Valuation Approaches and Methods
- IVS 200 Business and Business Interests
- IVS 400 Real Property Interests*

The Valuation Date is 30 September 2024, with the Philippine Peso ("PHP") as the Valuation Currency. Market Value (also referred to as "Fair Value") is the basis of value used in this engagement. Market Value is defined in the IVS as the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion.

The Philippine Stock Exchange, Inc.'s ("PSE") Memorandum on Guidelines for Fairness Opinions and Valuation Reports (No. 2011-0104, amended No. 2024-0019) requires a fairness opinion covering the property-for-share swap transactions. Such fairness opinion must be supported by a valuation report.

FTI Consulting is an independent firm accredited by the PSE (PSE Accreditation CN – No. 2024-0063 released on December 13, 2024) for purposes of issuing fairness opinions and valuation reports of listed companies and prospective initial listing applicants of the Exchange in compliance with the PSE Memorandum on Guidelines for Fairness Opinions and Valuation Reports (No. 2011-0104). FTI Consulting is also accredited by the SEC (SEC Accreditation No. 032) as a Professional Services Organization (PSO) in accordance with SEC Memorandum No 2 Series of 2014 (Guideline on Asset Valuation).

*Provisions on valuation approaches and methods

Summary of Findings

The Properties were valued using the Discounted Cash Flows ("DCF") Method and Direct Capitalization Method under the Income Approach. AREIT, on the other hand, was valued using the DCF Method as the primary method. The Volume Weighted Average Price ("VWAP") Method and Comparable Public Companies Method under the Market Approach were used as cross-checks. The estimated valuation ranges of the Properties and AREIT as of the Valuation Date are presented in Exhibits 1 and 2, respectively.

Exhibit 1. Valuation Summary – Properties

Properties	Low Estimate	High Estimate
In PHP millions		
Central Bloc Office 1	1,881	2,452
Central Bloc Office 2	2,655	3,418
Abreeza BPO	629	805
Centrio BPO	534	695
Central Bloc Mall	3,915	4,484
Abreeza Mall	3,486	3,992
Centrio Mall	4,366	5,000
Seda Central Bloc	1,286	1,474
TOTAL RANGE OF MARKET VALUES	**18,753**	**22,320**

Sources: FTI Consulting Analysis

Exhibit 2. Valuation Summary – AREIT

Method	Equity Value		Value per Share[1]	
In PHP millions except for the per share values	Low Est.	High Est.	Low Est.	High Est.
Discounted Cash Flows Method	**121,004**	**142,435**	**37.70**	**44.37**
Cross-checks:				
Volume Weighted Average Price Method	108,580	118,559	33.83	36.94
Comparable Public Companies Method				
EV-to-NTM EBITDA	111,669	142,077	34.79	44.26
Price-to-NTM EPS	109,546	116,824	34.13	36.40
RANGE OF MARKET VALUES	**121,004**	**142,435**	**37.70**	**44.37**

[1]Total number of shares equal 3,209.87 million based on outstanding shares as of Valuation Date

Source: FTI Consulting Analysis

**NTM = next twelve months*

Fair Range of AREIT shares to be Exchanged

Given the range of market values of the Properties and the range of market values per share of AREIT, we determined the range of AREIT shares to be issued which is considered fair from a financial point of view as shown in Exhibit 3.

Exhibit 3. Fair Range of AREIT Shares to be Issued

Summary	Range of Market Values	
Amounts in PHP millions, except price per share	**Low Estimate**	**High Estimate**
Central Bloc Office 1	1,881	2,452
Central Bloc Office 2	2,655	3,418
Abreeza BPO	629	805
Centrio BPO	534	695
Central Bloc Mall	3,915	4,484
Abreeza Mall	3,486	3,992
Centrio Mall	4,366	5,000
Seda Central Bloc	1,286	1,474
AREIT (PHP/share)[1]	37.70	44.37

Fair Range of AREIT Shares to be Exchanged (in millions)	Low Estimate	High Estimate
Central Bloc Office 1	42.40	65.04
Central Bloc Office 2	59.84	90.68
Abreeza BPO	14.17	21.34
Centrio BPO	12.03	18.43
Central Bloc Mall	88.24	118.95
Abreeza Mall	78.56	105.91
Centrio Mall	98.39	132.63
Seda Central Bloc	28.99	39.09
Total Fair Range of AREIT Shares to be Exchanged	**422.61**	**592.08**

[1]Rounded to two decimal places for presentation purposes

Source: FTI Consulting Analysis

Valuation Conclusion and Fairness Opinion

Exhibit 4 shows the comparison of the fair range of AREIT shares to be issued calculated by FTI Consulting and the proposed number of shares to be issued by AREIT's management in the Transaction.

Exhibit 4. Comparison of the Fair Range of AREIT Shares to be Issued and the Proposed Number of Shares to be Issued by AREIT

Total Number of Shares	Fair Range of Shares to be Issued		Proposed Number of Shares to be issued by AREIT
In Millions	**Low**	**High**	
Central Bloc Office 1	42.40	65.04	54.5
Central Bloc Office 2	59.84	90.68	64.2
Abreeza BPO	14.17	21.34	17.6
Centrio BPO	12.03	18.43	14.6
Central Bloc Mall	88.24	118.95	106.1
Abreeza Mall	78.56	105.91	94.8
Centrio Mall	98.39	132.63	118.7
Seda Central Bloc	28.99	39.09	35.3
Total number of shares	**422.61**	**592.08**	**505.8**

Source: FTI Consulting Analysis, AREIT Management

Given that the shares to be issued by AREIT fall within our fair ranges of shares that AREIT can issue in exchange for the Properties (as seen in Exhibit 4), we are of the opinion that the proposed Transaction is considered fair from a financial point of view.

Statement of Limitations

- This Report opines solely on the fairness of the number of shares to be issued by AREIT and the valuation of the Properties and AREIT. It does not opine as to the operational merits or strategic rationale of the Transaction.
- In the preparation of the valuation report, FTI Consulting relied on available information and records, including but not limited on the representation of AREIT, ALI, ACCENDO, CDOGC, CBHVI, audited and unaudited financial statements and such other relevant supporting documents.
- While our work may include an analysis of financial and accounting data, our work does not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls, or other attestation or review services in accordance with standards established by the Auditing and Assurance Standards Council ("AASC"). Accordingly, we do not express an opinion or any other form of assurance on the financial statements of the AREIT and the Properties or any financial or other information.
- With respect to prospective financial information relative to the AREIT and the Properties referenced throughout the valuation report, we did not examine, compile, or apply agreed-upon procedures to such information in accordance with standards established by the AASC and we express no assurance of any kind on such information. There will usually be differences between estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We take no responsibility for the achievability of the expected results anticipated by the Management.
- Management is responsible for any and all financial information provided to us during the course of our work.

Statement of Compliance

- The Report is reviewed and approved by the Senior Managing Directors of FTI Consulting. The Report is not approved by an internal committee.
- The Report does not express an opinion about the fairness of the compensation in the Transaction to any of AREIT's, ALI's, ACCENDO's, CDOGC's, and CBHVI's directors, officers, or employees relative to the compensation to AREIT's, ALI's, ACCENDO'S, CDOGC's, and CBHVI's shareholders.
- FTI Consulting did not act as a financial advisor to any party to the Transaction and did not or will not receive a payment that is contingent on the successful completion of the Transaction, for rendering the fairness opinion.
- There is no material relationship between FTI Consulting and any party to the Transaction. During the prior two years, as it relates to the Transaction, FTI Consulting has not received or intends to receive compensation as a financial advisor.
- Information with respect to AREIT's and the Properties' operations and account balances purported to be in effect and described in our valuation report was obtained primarily through analyses provided by and discussions with AREIT's, ALI's, ACCENDO's, CDOGC's, and CBHVI's management ("Management").
- FTI Consulting performed appropriate analysis to evaluate inputs and assumptions, and their appropriateness for the valuation purpose.
- Members of FTI Consulting, particularly those who are registered Certified Public Accountants, Chartered Financial Analysts, and Chartered Valuer and Appraiser, are compliant with the Code of Ethics of the Philippine Institute of Certified Public Accountants, the CFA Institute Code of Ethics, and and Code for Ethical Principles for Professional Valuers.
- A brief description of FTI Consulting and the educational and professional qualification of its representatives who conducted the valuation is included in our valuation report.

Should you require clarification on any of the matters contained in this Report or any further information, we would be pleased to meet and discuss.

Yours faithfully,

FTI CONSULTING PHILIPPINES, INC.
Suite 2403 24th Floor, Discovery Center,
25 ADB Avenue, Ortigas Center
Pasig City, 1605 Philippines
PSE Accreditation CN-No. 2024-0063
Validity Date: 29 December 2024 to 28 December 2027
SEC Accreditation No. 032
Validity Date: 29 October 2020 to 28 October 2025

John B. Balce
Senior Managing Director
Suite 2403 Discovery Center, 25 ADB Avenue, Ortigas Center
Pasig City, Philippines
PRC License No: 0113153
Validity Date: until 27 June 2025
APO Receipt Number: 711733
PTR Number: 9588865
TIN: 236-703-421

Dominador T. Gregorio III
Senior Managing Director
Suite 2403 Discovery Center, 25 ADB Avenue, Ortigas Center
Pasig City, Philippines
PRC License No: 0057726
Validity Date: until 18 May 2025
APO Receipt Number: 711733
PTR Number: 9588864
TIN: 177-088-250

MARKET VALUE APPRAISAL

Property exhibited to us by the
ARIET FUND MANAGERS, INC.

Seda Central Boc Hotel

Located in
Cebu I.T. Park,
Barangay Apas, Cebu City

19 February 2025

AREIT FUND MANAGERS, INC.
27th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention : **MR. TOMAS JULIAN R. SANTOS**
President and CEO

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 19 February 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT FUND MANAGERS, INC.,** as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

Management Responsibility of Client

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

Responsibility of the Valuation Professional

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2025 Edition) and Philippine Valuation Standards (2nd Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

Representations

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

CUERVO APPRAISERS, INC.
By:

LIBERTY SANTIAGO-AÑO, IPA, MRICS
Vice President and General Manager
Real Estate Appraiser
Valid until: 07/17/2026
PRC Registration Number: 0000167
IPREA Membership No. 849
PTR No. 3040621
06 January 2025
City of Pasig

19 February 2025

AREIT FUND MANAGERS, INC.
27th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention : **MR. TOMAS JULIAN R. SANTOS**
President and CEO

Subject : **CAI File No. 11-2024-1019-003A**
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal of a certain real property exhibited to us by the **AREIT FUND MANAGERS, INC.** for the purpose of expressing an opinion on the market value of the property intended for corporate use as of ***28 November 2024*****.**

The appraised property is the ***Seda Central Bloc Hotel (land, building and its facilities),*** located **at the corner of V. Padriga Street and W. Geonzon, within Cebu I.T. Park, Barangay Apas, Cebu City.**

The term ***Market Value***, as used herein is defined as:

> the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We investigated local market condition, and gave consideration to the --

> Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;
>
> Capitalization rate;
>
> Extent, character and utility of the property;
>
> Lease/Rent rates for similar property; and
>
> Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the ***market value*** of the property using income approach appraised as of ***02 December 2024*** is reasonably presented as follows:

	MARKET VALUE (Php)
INCOME APPROACH	
By Discounted Cash Flow	***1,461,641,000***
By Direct Capitalization	***1,473,761,000***

We made no investigation of and assume no responsibility for title to or liabilities against the appraised property.

WE CERTIFY that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

CUERVO APPRAISERS, INC.
By:

ENGR. ANGELO V. SAN ANTONIO
Senior Real Estate Manager
PRC Registration Number: 0000407
Valid Until: 05/10/2026
IPREA Membership No. 1024
PTR No. 3346304
10 January 2025
City of Malolos

MRC:roa

CAI File No. 11-2024-1019-003A

LIMITING CONDITIONS

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.

2. ***Cuervo Appraisers, Inc.,*** by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.

3. Any erasure on appraisal date and/or value invalidates this valuation report.

4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.

5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.

6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc*.**

   CAI File No. 11-2024-1019-003A

NARRATIVE REPORT

I. GENERAL

This report covers an appraisal of a certain real property located at the corner of V. Padriga and W. Geonzon Streets within Cebu I.T. Park, Barangay Apas, Cebu City. The appraisal was made for the purpose of expressing an opinion on the ***market value*** of the property as of ***28 November 2024***.

The term ***Market Value*** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the appraised property is the site of **SEDA Central Bloc Hotel** located **at the corner of V. Padriga and W. Geonzon Streets within Cebu I.T. Park, Barangay Apas, Cebu City.**

The site of Seda Central Bloc Hotel is located approximately 430-meter northeast from Salinas Drive; 620-meter northwest from Gov. M. Cuenco Avenue; 1.10-kilometer northwest from Ayala Center Cebu; 5.0-kilometer northeast from Cebu City Hall; and about 14.0-kilometer northwest from Mactan – Cebu International Airport.

V. Padriga and W. Geonzon Streets are approximately 20 meters wide. Both are concrete paved provided with center island, concrete sidewalks, concrete curbs and gutters, and underground drainage.

III. NEIGHBORHOOD DATA

The Cebu IT Park (formerly known as Asia town IT Park) is a 27-hectare mixed use business park envisioned to attract locators in the information technology services. It is developed by Cebu Property Ventures and Development Corporation, a subsidiary of Cebu Holdings, Inc.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in Cebu IT Park are:

Avida Towers - Cebu
Skyrise 1 to 3
eBloc Towers 1 to 3
Park Centrale
Filinvest Cebu Cyberzone
Calyx Centre
TGU Tower

Ayala Mall Central Bloc serves as the commercial and shopping center in the area. This is adjacent to the property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are accessible from the property.

IV. COMMUNITY FACILITIES AND UTILITIES

Electric power, water supply and telecommunication facilities are available at the subject building.

Public transportation connecting to various sections of Cebu City as well as to the other parts of Metro Cebu is available in the Cebu IT Park Transport Terminal which is across from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

V. LAND DATA

No copy of the title or any ownership documents provided to us by the client. However, as measured on Google Map, Seda Central Bloc Hotel stands on 3,500-square meter lot.

Attached is the location plan of the property.

No title verification was conducted to confirm the existence of the owner's original copy of the title supposedly on file with the Registry of Deeds since it is not included in the assignment.

VI. DESCRIPTION OF THE IMPROVEMENTS

<u>Seda (Central Bloc Hotel)</u>

This is a seventeen (17)-storey with roof deck and basement, reinforced concrete frame, beams, columns and foundation; reinforced concrete plain cement with ceramic, marble, granite, vinyl, carpeted floor finish; gypsum board on aluminum T-runner, acoustic board on T-runner, and suspended ceiling; cement plastered concrete hollow block walls, partially wood cladding, stone strip tile and fixed glass on aluminum frame walls; cement plastered concrete hollow block, tempered glass on aluminum frame, gypsum board, and laminated wood cubicle wall partitions; tempered fixed glass on powder coated aluminum frame view, awning tempered glass on powder coated aluminum frame and steel louver windows; wooden, flush type, glass on aluminum frame, frameless glass and steel panel doors; and reinforced concrete stairs with steel handrail.

The building is painted and provided with electrical and plumbing facilities. Total floor area is approximately 19,967.49 square meters.

The estimated remaining economic life is 46 years.

VII. HIGHEST AND BEST USE

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing utility, as hotel** would represent the highest and best use of the property.

Highest and Best Use is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

VIII. VALUATION

By Income Approach

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income.

The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses.

Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

A. <u>Discounted Cash Flow Analysis</u>

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Discount rate is estimated at 8.50%, using built-up method;
3. Capitalization rate adopted to arrive at the terminal value is 6.0% (discount rate less growth rate;
4. Gross revenues for 2025 or Year 1 is Php26,283,538 based on the Historical and Forecast Financial Statements for year 2025 to 2036 provided to us which we assumed that vacancy and bad debts are included;
5. Escalation rate of gross revenue is pegged at 2.5% per year;
6. Administration and Management Expenses, including leased on land is based on the Historical and Forecast Financial Statements for year 2025 to 2036 provided; and
7. Marketing Cost is pegged at 3.5% of resale value.

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Fair Value of the Property.

Discounted Cash Flow Analysis (in PhP)
SEDA (CENTRAL BLOC HOTEL)

STATISTICS															
Gross Leasable Area		19,967.49	sq.m.												
Discount Rate		8.50%													
Growth Rate		2.50%													
Terminal Capitalization Rate		6.00%													
Present Worth Factor				0.92166	0.84946	0.78291	0.72157	0.66505	0.61295	0.56493	0.52067	0.47988	0.44229		
			Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**Totals**	**11**
GROSS REVENUES			Escalation		0.00%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%		2.5%
Lease Rate				626	626	642	658	674	691	708	726	744	763		782
Total Annual Gross Rental				-	-	-	-	-	-	-	-	-	-	-	-
Total Annual Revenues				-	-	-	-	-	-	-	-	-	-	-	-
LESS:															
Vacancy Rate (incl. bad debts)															
Effective Gross Revenues				**26,283,538**	**105,134,151**	**105,791,239**	**108,436,020**	**111,146,921**	**113,925,594**	**116,773,734**	**119,693,077**	**122,685,404**	**125,752,539**	**1,055,622,216**	**128,896,352**
LESS EXPENSES:															
Business Tax				788,506	3,154,025	3,173,737	3,253,081	3,334,408	3,417,768	3,503,212	3,590,792	3,680,562	3,772,576	31,668,666	3,866,891
Administration & Management Expenses				2,241,250	4,606,768	4,626,481	4,705,824	4,787,151	4,870,512	4,955,956	5,043,536	5,133,306	5,225,320	46,196,104	5,355,953
Others				26,284	105,134	105,791	108,436	111,147	113,926	116,774	119,693	122,685	125,753	1,055,622	128,896
Total -				**3,056,040**	**7,865,927**	**7,906,009**	**8,067,341**	**8,232,706**	**8,402,205**	**8,575,942**	**8,754,021**	**8,936,553**	**9,123,649**	**78,920,393**	**9,351,740**
NET OPERATING INCOME				**23,227,498**	**97,268,224**	**97,885,230**	**100,368,679**	**102,914,215**	**105,523,389**	**108,197,792**	**110,939,055**	**113,748,850**	**116,628,890**	**976,701,823**	**119,544,613**
ADD: Reversion Value (Resale Value)															1,992,410,209
LESS: Marketing Cost	3.50%	of Resale Value													69,734,357
Net Reversion Value															**1,922,675,852**
Present Worth Factor @	8.50%	discount rate		0.92166	0.84946	0.78291	0.72157	0.66505	0.61295	0.56493	0.52067	0.47988	0.44229		0.44229
Present Worth of Net Income				**21,407,832**	**82,625,007**	**76,635,139**	**72,423,458**	**68,442,628**	**64,680,043**	**61,123,784**	**57,762,577**	**54,585,761**	**51,583,257**	**611,269,486**	
Present Worth of Net Reversion Value															**850,371,487**

Total Present Value of Net Income		**611,269,486**
Present Worth of Net Reversion Value		**850,371,487**
Total		**1,461,640,973**
Market Value of Property (Land, Building and its Facilities)	**PhP**	**1,461,640,973**
Rounded to	**PhP**	**1,461,641,000**

On the basis of the foregoing, the market value of the property (land, building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php1,461,641,000**.

B. Direct Capitalization

Direct capitalization typically involves the analysis of a single year's net income (or average of several years' income). The net income after deducting the costs of labor, management, maintenance, operations, and other related expenses is capitalized by an appropriate overall capitalization rate to derive value. Using the same assumptions/estimates made on the discounted cash flow analysis, and adopting a capitalization rate of 6.60%, the value of the property using the Direct Capitalization Method is estimated as follows:

Direct Capitalization SEDA (CENTRAL BLOC HOTEL)				
Potential Annual Gross Revenue:				
	Rooms Rental	=	Php	-
	Parking Slots			-
	Dues Net			-
				-
Less:	Provision for vacancy and bad debts	=	Php	-
	Effective Gross Revenue	=	**Php**	**105,134,151**
Less:	Direct Operating Expenses			
	- Business Tax	=	Php	3,154,025
	- Administration & Management Expenses			4,606,768
	- Others	=	Php	105,134
	Total Expenses	=	**Php**	**7,865,927**
	Net Operating Income	**=**	**Php**	**97,268,224**
	Capitalized at 6.60%	=	**Php**	1,473,760,967
	Market Value of the building	=	**Php**	**1,473,760,967**
	Say	=	**Php**	**1,473,761,000**
Note: The income and expenses are based on the second year of the projected cash flow, because the cash flowon year 1 seems not yet normalized its operation/not 100% operational.				

On the basis of the foregoing, the market value of the property (land, building and its facilities), using the Income Approach (Direct Capitalization) is estimated at say, **Php1,473,761,000**.

SUMMARY OF VALUES

Based on the foregoing, the results of our study are as follows:

Approaches to Value	Market Value (Php)
Income Approach	
By Discounted Cash Flow	***1,461,641,000***
By Direct Capitalization	***1,473,761,000***

MARKET VALUE APPRAISAL

Property exhibited to us by the
AREIT FUND MANAGERS, INC.

Central Bloc Corporate Center Tower 1

Located in
Cebu IT Park
Barangay Apas, Cebu City

19 February 2025

AREIT FUND MANAGERS, INC.
27th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Metro Manila

Attention : **MR. TOMAS JULIAN R. SANTOS**
President and CEO

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 19 February 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT FUND MANAGERS, INC.,** as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

Management Responsibility of Client

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

Responsibility of the Valuation Professional

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2nd Edition, 2018), which represent accepted or best practices in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

Representations

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao, and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

CUERVO APPRAISERS, INC.
By:

LIBERTY SANTIAGO-AÑO, IPA, MRICS
Vice President and General Manager
Real Estate Appraiser
Valid until: 07/17/2026
PRC Registration Number: 0000167
IPREA Membership No. 849
PTR No. 3040621
06 January 2025
City of Pasig

19 February 2025

AREIT FUND MANAGERS, INC.
27th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Metro Manila

Attention : **MR. TOMAS JULIAN R. SANTOS**
President and CEO

Subject : **CAI File No. 11-2024-1019-001A**
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal of a certain real property exhibited to us by the **AREIT FUND MANAGERS, INC.** for the purpose of expressing an opinion on the market value of the property intended for corporate use as of ***31 December 2024*.**

The appraised property is the ***Central Bloc Corporate center Tower 1 (building and its facilities),*** located **at the corner of Jose Maria del Mar and I. Villa Streets, within Cebu IT Park, Barangay Apas, Cebu City.**

The term ***Market Value***, as used herein, is defined as:

> the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market condition, and gave consideration to the --

> Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;
>
> Capitalization rate;
>
> Extent, character and utility of the property;
>
> Lease/Rent rates for similar property; and
>
> Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the ***market value*** of the property using income approach appraised as of ***02 December 2024*** is reasonably presented as follows:

	MARKET VALUE (Php)
INCOME APPROACH	
By Discounted Cash Flow	***2,138,176,000***
By Direct Capitalization	***2,244,363,000***

We made no investigation of and assume no responsibility for titles to or liabilities against the appraised property.

WE CERTIFY that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

CUERVO APPRAISERS, INC.
By:

ENGR. ANGELO V. SAN ANTONIO
Senior Real Estate Manager
PRC Registration Number: 0000407
Valid Until: 05/10/2026
IPREA Membership No. 1024
PTR No. 3346304
10 January 2025
City of Malolos

JELM:mfm

CAI File No. 11-2024-1019-001A

LIMITING CONDITIONS

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.

2. ***Cuervo Appraisers, Inc.,*** by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.

3. Any erasure on appraisal date and/or value invalidates this valuation report.

4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.

5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.

6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc*.**

   CAI File No. 11-2024-1019-001A

NARRATIVE REPORT

I. GENERAL

This report covers an appraisal of a certain real property located at the corner of Jose Maria del Mar and I. Villa Streets, within Cebu IT Park, Barangay Apas, Cebu City. The appraisal was made for the purpose of expressing an opinion on the ***market value*** of the property as of ***31 December 2024***.

The term ***Market Value*** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the clients and as shown to us by the client's representative, the appraised property is the **Central Bloc Corporate Center Tower 1** located **at the corner of Jose Maria del Mar and I. Villa Streets within Cebu IT Park, Barangay Apas, Cebu City.**

The Central Bloc Corporate Center Tower 1 is built on top of the northeast corner of Ayala Mall Central Bloc. It is bounded by I. Villa Street to the northeast and Jose Maria del Mar to the southeast. It is located approximately 450 meters northeast from the intersection of Jose Maria del Mar Street and Salinas Drive; 1.8 kilometers northeast from Cebu Business Park; 6.1 kilometers northeast from Cebu City Hall; and about 12.0 kilometers northwest from Mactan – Cebu International Airport.

Jose Maria del Mar and I. Villa Streets are both 30 meters wide, concrete paved provided with concrete sidewalks, concrete curbs and gutters, and underground drainage.

III. NEIGHBORHOOD DATA

The Cebu IT Park (formerly known as Asia town IT Park) is a 27-hectare mixed use business park envisioned to attract locators in the information technology services. It is developed by Cebu Property Ventures and Development Corporation, a subsidiary of Cebu Holdings, Inc.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete, with widths ranging from 10 to 30 meters and lighted with streetlamps.

Some of the important improvements in Cebu IT Park are:

Ayala Malls Central Bloc
Avida Towers Riala
Skyrise Buildings (1 to 4)
Calyx Center
TGU Tower
EBloc Towers (1 to 4)
Park Centrale
38 Park Avenue
Seda Central Bloc Cebu

Ayala Malls Central Bloc serves as the commercial and shopping center in the area. This is walking distance from the subject property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are accessible from the property by public transportation.

IV. COMMUNITY FACILITIES AND UTILITIES

Electric power, water supply and telecommunication facilities are available at the subject building.

Public transportation connecting to various sections of Cebu City as well as to the other parts of Metro Cebu is available at Cebu IT Park Transport Terminal which is approximately 130 meters from the property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

V. LAND DATA

No copy of the title or any ownership documents was provided to us by the client. However, as measured on Google Map, Central Bloc Corporate Center Tower 1 stands on 2,470-square meter lot.

Attached is the location plan of the property.

No title verification was conducted to confirm the existence of the owner's original copy of the title supposedly on file with the Registry of Deeds since it is not included in the assignment.

VI. DESCRIPTION OF THE BUILDING

CENTRAL BLOC CORPORATE CENTER TOWER 1

This is a fifteen (15)-storey, reinforced concrete framed office building on top of five storey with basement parking podium which is the Ayala Malls of Central Bloc. The Central Bloc Corporate Center Tower 2 is also on top of this podium. This tower have reinforced concrete slab roof deck with parapet walls; gypsum board on metal furring and concrete slab soffit ceilings; cement plastered concrete hollow block walls with aluminum composite panel cladding on the exterior; cement plastered partly ceramic tile finish concrete hollow block partitions; glass on powder coated aluminum frame windows; tempered glass and steel doors; and ceramic and non-skid tile, epoxy paint and plain cement floor finishes.

This is painted and provided with electrical lighting, plumbing and telecommunication facilities. The total floor area is approximately 38,394 square meters.

The estimated remaining economic life of this building is 46 years.

As per client request, Central Bloc Corporate Tower 2 and Ayala Malls Central Bloc should be presented in a separate report these are under CAI File Nos. 11-2024-1019-002A and 11-2024-1019A.

VII. HIGHEST AND BEST USE

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office/commercial** would represent the highest and best use of the property.

Highest and Best Use is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

VIII. VALUATION

By Income Approach

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property.

The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all the costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Discount rate is estimated at 9.75%, using weighted average cost of capital(WACC);
3. Capitalization rate adopted to arrive at the terminal value is 6.75%;
4. Escalation rate of gross revenue is pegged at 5% per year;
5. Capital expenditures is estimated at an average of 3% of the gross revenue;
6. Gross revenues which include rentals on office, retail and parking is estimated at Php196,160,207 on year 1 with an escalation rate 3% per year, this includes dues net and consider the vacancy rate;

7. Direct operating expenses, which include real property tax, business tax, insurance, land lease, management fees and general administrative expenses is estimated at Php46,270,493 on year 1 which is 23.59% of the total effective gross revenue; and
8. Marketing Cost is pegged at 3.5% of resale value.

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP)
CENTRAL BLOC CORPORATE CENTER TOWER 1

STATISTICS															
Gross Floor Area		38,894.00	sq.m.												
Gross Leasable Area		28,483.00	sq.m.												
Discount Rate		9.75%													
Growth Rate		3.00%													
Terminal Capitalization Rate		6.75%													
Present Worth Factor				0.91116	0.83022	0.75646	0.68926	0.62803	0.57223	0.52140	0.47508	0.43287	0.39442		
			Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**Totals**	**11**
GROSS REVENUES			Escalation	-3.98%	3.55%	3.68%	-3.91%	-0.54%	-4.15%	6.18%	5.00%	5.00%	5.00%		5.00%
Ave. Rental Rates			567	544	563	584	561	558	535	568	597	626	658		691
Office Spaces and Retails															
Parking Slots															
Dues Net															
Total Annual Gross Rental				-	-	-	-	-	-	-	-	-	-	-	-
Total Annual Revenues				**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
LESS:															
Vacancy Rate (incl. bad debts)	**%**	of gross revenues		-	-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-	-
Effective Gross Revenues				**196,160,207**	**204,456,271**	**211,816,519**	**205,627,432**	**206,199,048**	**200,329,958**	**212,814,338**	**223,889,823**	**235,536,474**	**247,783,544**	**2,144,613,615**	**260,661,777**
LESS EXPENSES:															
		Php(000)													
Direct Operating Expenses															
- Real Property Tax				8,059,725	8,059,725	8,059,725	8,059,725	8,059,725	8,059,725	8,059,725	8,059,725	8,059,725	8,059,725	80,597,255	8,059,725
- Business Tax				6,190,954	6,432,775	6,673,726	6,647,440	6,760,268	6,748,337	7,107,694	7,443,260	7,794,812	8,163,117	69,962,382	8,548,979
- Insurance				1,464,662	1,523,249	1,584,178	1,647,546	1,713,447	1,713,447	1,713,447	1,713,447	1,713,447	1,713,447	16,500,319	1,713,447
- Land Lease				12,605,069	13,050,695	13,533,975	13,026,419	12,968,300	12,453,233	13,216,461	13,874,244	14,564,795	15,289,747	134,582,937	16,050,815
- Management Fees				11,830,612	12,404,715	12,966,423	12,427,051	12,422,082	21,708,236	12,848,857	23,474,359	14,552,494	25,254,050	159,888,878	16,434,620
- Others				234,665	243,760	252,693	248,139	250,411	246,310	260,634	273,622	287,258	301,574	2,599,065	316,604
- CAPEX				5,402,172	5,593,155	5,800,275	5,582,751	5,557,843	5,337,100	5,664,197	5,946,104	6,242,055	6,552,749	57,678,402	6,878,921
Total				**45,787,859**	**47,308,074**	**48,870,996**	**47,639,071**	**47,732,075**	**56,266,390**	**48,871,016**	**60,784,763**	**53,214,586**	**65,334,409**	**521,809,239**	**58,003,111**
NET INCOME				**150,372,348**	**157,148,196**	**162,945,524**	**157,988,360**	**158,466,973**	**144,063,569**	**163,943,322**	**163,105,061**	**182,321,888**	**182,449,135**	**1,622,804,376**	**202,658,666**
ADD: Reversion Value (Resale Value)															3,002,350,607
LESS: Marketing Cost	3.50%	of Resale Value													105,082,271
Net Reversion Value															**2,897,268,336**
Present Worth Factor @	9.75%	discount rate		0.91116	0.83022	0.75646	0.68926	0.62803	0.57223	0.52140	0.47508	0.43287	0.39442		0.39442
Present Worth of Net Income				**137,013,529**	**130,466,900**	**123,261,897**	**108,894,759**	**99,521,317**	**82,437,914**	**85,479,511**	**77,487,421**	**78,921,994**	**71,960,889**	**995,446,131**	
Present Worth of Net Reversion Value															**1,142,729,479**

Total Present Value of Net Income	**995,446,131**
Present Worth of Net Reversion Value	**1,142,729,479**
Total	**2,138,175,610**

Market Value of Property	**PhP**	**2,138,175,610**
Rounded to	**PhP**	**2,138,176,000**

On the basis of the foregoing, the market value of the property (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php2,138,176,000**.

B. <u>Direct Capitalization</u>

Direct capitalization typically involves the analysis of a single year's net income (or average of several years' income). The net income after deducting the costs of labor, management, maintenance, operations, and other related expenses is capitalized by an appropriate overall capitalization rate to derive value. Using the same assumptions/estimates made on the discounted cash flow analysis, and adopting a capitalization rate of 6.70%, the value of the property using the Direct Capitalization Method is estimated as follows:

Direct Capitalization CENTRAL BLOC CORPORATE CENTER TOWER 1				
Potential Annual Gross Revenue:				
	Office Spaces and Retails	=	Php	-
	Parking Slots			-
	Dues Net			-
				-
Less:	Provision for vacancy and bad debts	=	Php	-
	Effective Gross Revenue	=	**Php**	**196,160,207**
Less:	Direct Operating Expenses			
	- Real Property Tax	=	Php	8,059,725
	- Business Tax			6,190,954
	- Insurance			1,464,662
	- Land Lease			12,605,069
	- Management Fees			11,830,612
	- Others			234,665
	CAPEX	=	Php	5,402,172
	Total Expenses	=	**Php**	**45,787,859**
	Net Operating Income	=	**Php**	**150,372,348**
	Capitalized at 6.70%	=	**Php**	2,244,363,400
	Market Value of the building	=	**Php**	**2,244,363,400**
	Say	=	**Php**	**2,244,363,000**

On the basis of the foregoing, the market value of the property (building only), using the Income Approach (Direct Capitalization) is estimated at say, **Php2,244,363,000**.

SUMMARY OF VALUES

Based on the foregoing, the results of our study are as follows:

Approaches to Value	Market Value (Php)
Income Approach	
By Discounted Cash Flow	***PHP 2,138,176,000***
By Direct Capitalization	***PHP 2,244,363,000***

MARKET VALUE APPRAISAL

Property exhibited to us by the
AREIT FUND MANAGERS, INC.

Central Bloc Corporate Center Tower 2

Located in
Cebu IT Park
Barangay Apas, Cebu City

19 February 2025

AREIT FUND MANAGERS, INC.
27th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Metro Manila

Attention : **MR. TOMAS JULIAN R. SANTOS**
President and CEO

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 19 February 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT FUND MANAGERS, INC.,** as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

Management Responsibility of Client

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

Responsibility of the Valuation Professional

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2nd Edition, 2018), which represent accepted or best practices in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

Representations

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao, and Iloilo offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

CUERVO APPRAISERS, INC.
By:

LIBERTY SANTIAGO-AÑO, IPA, MRICS
Vice President and General Manager
Real Estate Appraiser
Valid until: 07/17/2026
PRC Registration Number: 0000167
IPREA Membership No. 849
PTR No. 3040621
06 January 2025
City of Pasig

19 February 2025

AREIT FUND MANAGERS, INC.
27th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Metro Manila

Attention : **MR. TOMAS JULIAN R. SANTOS**
President and CEO

Subject : **CAI File No. 11-2024-1019-002A**
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal of a certain real property exhibited to us by the **AREIT FUND MANAGERS, INC.** for the purpose of expressing an opinion on the market value of the property intended for corporate use as of ***02 December 2024.***

The appraised property is the ***Central Bloc Corporate Tower 2 (building and its facilities),*** located **at the corner of W. Geonzon and I. Villa Streets, within Cebu IT Park, Barangay Apas, Cebu City.**

The term ***Market Value***, as used herein, is defined as:

> the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property and investigated local market condition, and gave consideration to the --

> Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;
>
> Capitalization rate;
>
> Extent, character and utility of the property;
>
> Lease/Rent rates of the property; and
>
> Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the ***market value*** of the property using income approach appraised as of ***02 December 2024*** is reasonably presented as follows:

	MARKET VALUE (Php)
INCOME APPROACH	
By Discounted Cash Flow	***2,493,090,000***
By Direct Capitalization	***2,704,643,000***

We made no investigation of and assume no responsibility for title to or liabilities against the appraised property.

WE CERTIFY that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

CUERVO APPRAISERS, INC.
By:

ENGR. ANGELO V. SAN ANTONIO
Senior Real Estate Manager
PRC Registration Number: 0000407
Valid Until: 05/10/2026
IPREA Membership No. 1024
PTR No. 3346304
10 January 2025
City of Malolos

JELM:mfm

LIMITING CONDITIONS

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.

2. ***Cuervo Appraisers, Inc.,*** by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.

3. Any erasure on appraisal date and/or value invalidates this valuation report.

4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.

5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.

6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc*****.**

   CAI File No. 11-2024-1019-002A

NARRATIVE REPORT

I. GENERAL

This report covers an appraisal of a certain real property located at the corner of W. Geonzon and I. Villa Streets, within Cebu IT Park, Barangay Apas, Cebu City. The appraisal was made for the purpose of expressing an opinion on the ***market value*** of the property as of ***02 December 2024***.

The term ***Market Value*** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the title to the property is good, marketable and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client and as shown to us by the client's representative, the appraised property is the **Central Bloc Corporate Center Tower 2** located **at the corner of W. Geonzon and I. Villa Streets within Cebu IT Park, Barangay Apas, Cebu City.**

The Central Bloc Corporate Center Tower 2 is built on top of the northwest corner of Ayala Mall Central Bloc. It is bounded by I. Villa Street to the northeast and W. Geonzon Street to the northwest. It is located approximately 450 meters northeast from the intersection of W. Geonzon Street and Salinas Drive; 1.8 kilometers northeast from Cebu Business Park; 6.1 kilometers northeast from Cebu City Hall; and about 12.0 kilometers northwest from Mactan – Cebu International Airport.

W. Geonzon and I. Villa Streets are both 30 meters wide, concrete paved provided with concrete sidewalks, concrete curbs and gutters, traffic islands, and underground drainage.

III. NEIGHBORHOOD DATA

The Cebu IT Park (formerly known as Asia town IT Park) is a 27-hectare mixed use business park envisioned to attract locators in the information technology services. It is developed by Cebu Property Ventures and Development Corporation, a subsidiary of Cebu Holdings, Inc.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concrete, with widths ranging from 10 to 30 meters and lighted with streetlamps.

Some of the important improvements in Cebu IT Park are:

Ayala Malls Central Bloc
Avida Towers Riala
Skyrise Buildings (1 to 4)
Calyx Center
TGU Tower
EBloc Towers (1 to 4)
Park Centrale
38 Park Avenue
Seda Central Bloc Cebu
Cebu IT Park Transport Terminal

Ayala Malls Central Bloc serves as the commercial and shopping centers in the area. This is accessible from the property by foot. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are accessible from the property.

IV. COMMUNITY FACILITIES AND UTILITIES

Electric power, water supply and telecommunication facilities are available at the subject building.

Public transportation connecting to various sections of Cebu City as well as to the other parts of Metro Cebu is available in the Cebu IT Park Transport Terminal, which is located across from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

V. LAND DATA

No copy of the title or any ownership documents was provided to us by the client. However, as measured on Google Map, Central Bloc Corporate Center Tower 1 stands on 2,400-square meter lot.

Attached is the location plan of the property.

No title verification was conducted to confirm the existence of the owner's original copy of the title supposedly on file with the Registry of Deeds since it is not included in the assignment.

VI. DESCRIPTION OF THE BUILDING

CENTRAL BLOC CORPORATE CENTER TOWER 2

This is a twenty (20)-storey, reinforced concrete framed office building on top of five storey with basement parking podium which is the Ayala Malls of Central Bloc. The Central Bloc Corporate Center Tower 1 is also on top of this podium.

This tower reinforced concrete framed building having reinforced concrete slab roof deck with parapet wall; gypsum board on metal furring and concrete slab soffit ceilings; cement plastered concrete hollow block walls with aluminum composite panel cladding on the exterior; cement plastered partly ceramic tile finish concrete hollow block partitions; glass on powder coated aluminum frame windows; tempered glass and steel doors; and ceramic and non-skid tile, epoxy paint and plain cement floor finishes.

This is painted and provided with electrical lighting, plumbing and telecommunication facilities. Total floor area is approximately 51,669 square meters.

The estimated remaining economic life of this building is 46 years.

As per client request, Central Bloc Corporate Tower 1 and Ayala Malls Central Bloc should be presented in a separate report these are under CAI File Nos. 11-2024-1019-001A and 11-2024-1019A.

VII. HIGHEST AND BEST USE

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that the **existing mixed-use, office/commercial** would represent the highest and best use of the property.

Highest and Best Use is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

VIII. VALUATION

By Income Approach

The Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis.

All three methods are based on an analysis of a property's operating income. The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all the costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses. Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Discount rate is estimated at 9.75% using weighted average cost of capital(WACC);
3. Capitalization rate adopted to arrive at the terminal value is 6.75%;
4. Escalation rate of gross revenue is pegged at 3% per year;
5. Capital expenditure is estimated at 3% of the lease income;

6. Effective gross revenues, which include rentals on office, retail and parking are estimated at Php242,721,850 on year 1 with an average escalation rate 5% per year, this includes dues net and consider the vacancy rate;

7. Direct operating expenses, which include real property tax, business tax, insurance, land lease, management fees and general administrative expenses is estimated at Php54,958,139 on year 1 which is 22.64% of the total effective gross revenue; and

8. Marketing Cost is pegged at 3.5% of resale value.

On the basis of the aforementioned assumptions, we have prepared a Discounted Cash Flow Analysis, shown in the succeeding page, to establish the quantity, variability, timing and duration of the periodic income attributable to the interest in the property under review. Each cash flow is then discounted to its present value, and all resulting present values are totaled, to obtain the Net Present Value of the income to the real property interest being appraised. The Present Worth of the Terminal Value is then added to obtain the Market Value of the Property.

Discounted Cash Flow Analysis (in PhP)
CENTRAL BLOC CORPORATE CENTER TOWER 2

STATISTICS															
Land Area:															
Central Bloc		21,658.00	sq.m.		Gross Floor Area		51,669.00	sq.m.							
Garden Row		7,013.00	sq.m.		Gross Leasable Area		38,636.00	sq.m.							
Total Land Area		**28,671.00**	**sq.m.**												
Discount Rate		9.75%													
Growth rate		3.00%													
Terminal Capitalization Rate		6.75%													
Present Worth Factor				0.91116	0.83022	0.75646	0.68926	0.62803	0.57223	0.52140	0.47508	0.43287	0.39442		
			Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**Totals**	**11**
GROSS REVENUES			Escalation	0.42%	1.76%	3.74%	0.61%	-7.97%	5.74%	4.88%	5.00%	5.00%	-10.92%		5.00%
Lease Rate (Php/sq.m./mo.)			470	472	481	499	502	462	488	512	537	564	503		528
Total Annual Gross Rental				-	-	-	-	-	-	-	-	-	-		-
Total Annual Revenues				**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
LESS:															
Vacancy Rate (incl. bad debts)		of gross revenues		-	-	-	-	-	-	-	-	-	-		-
Effective Gross Revenues				**242,721,850**	**249,766,475**	**261,010,010**	**265,304,753**	**232,401,539**	**254,133,294**	**267,832,468**	**282,473,519**	**297,860,623**	**280,847,537**	**2,634,352,067**	**296,183,044**
LESS EXPENSES:															
Operating Expnses															
Management Fees & Others				19,784,327	20,261,152	21,094,901	21,414,178	18,901,627	20,364,084	21,390,724	22,491,027	23,647,214	21,912,703	211,261,936	23,042,102
Real Property Tax				10,363,176	10,363,176	10,363,176	10,363,176	10,363,176	10,363,176	10,363,176	10,363,176	10,363,176	10,363,176	103,631,756	10,363,176
Business Tax				7,719,757	7,951,420	8,279,042	8,457,750	7,837,844	8,390,195	8,785,685	9,205,614	9,645,766	9,369,696	85,642,768	9,816,409
Insurance				1,505,979	1,566,218	1,628,867	1,694,021	1,761,782	1,832,254	1,905,544	1,981,765	2,061,036	2,143,477	18,080,943	2,229,217
Land Lease				15,289,542	15,588,190	16,178,455	16,300,956	14,363,622	15,102,136	15,838,307	16,630,223	17,461,734	15,753,835	158,507,000	16,541,527
Others				295,359	302,807	315,246	320,073	285,430	308,619	323,780	339,969	356,967	337,944	3,186,195	354,842
CAPEX				6,552,661	6,680,653	6,933,624	6,986,124	6,155,838	6,472,344	6,787,846	7,127,238	7,483,600	6,751,644	67,931,571	7,089,226
Total -				**61,510,800**	**62,713,616**	**64,793,309**	**65,536,278**	**59,669,319**	**62,832,808**	**65,395,060**	**68,139,012**	**71,019,493**	**66,632,474**	**648,242,169**	**69,436,498**
NET OPERATING INCOME				**181,211,050**	**187,052,859**	**196,216,701**	**199,768,475**	**172,732,220**	**191,300,486**	**202,437,407**	**214,334,507**	**226,841,130**	**214,215,063**	**1,986,109,898**	**226,746,547**
ADD: Reversion Value (Resale Value)															3,359,208,097
LESS: Marketing Cost	3.50%	of Resale Value													117,572,283
Net Reversion Value															**3,241,635,814**
Present Worth Factor @	9.75%	discount rate		0.91116	0.83022	0.75646	0.68926	0.62803	0.57223	0.52140	0.47508	0.43287	0.39442		0.39442
Present Worth of Net Income				**165,112,574**	**155,294,220**	**148,430,238**	**137,692,041**	**108,480,258**	**109,468,433**	**105,550,201**	**101,825,339**	**98,193,116**	**84,489,885**	**1,214,536,304**	
Present Worth of Net Reversion Value															**1,278,553,580**

Total Present Value of Net Income	**1,214,536,304**
Present Worth of Net Reversion Value	**1,278,553,580**
Total	**2,493,089,885**

Market Value of Property (Building and its Facilities)	**PhP**	**2,493,089,885**
Rounded to	**PhP**	**2,493,090,000**

On the basis of the foregoing, the market value of the property (building and its facilities) using the **Discounted Cash Flow Analysis**, is represented in the amount of **Php2,493,090,000**.

B. Direct Capitalization

Direct capitalization typically involves the analysis of a single year's net income (or average of several years' income). The net income after deducting the costs of labor, management, maintenance, operations, and other related expenses is capitalized by an appropriate overall capitalization rate to derive value. Using the same assumptions/estimates made on the discounted cash flow analysis, and adopting a capitalization rate of 6.70%, the value of the property using the Direct Capitalization Method is estimated as follows:

Direct Capitalization CENTRAL BLOC CORPORATE CENTER TOWER 2				
Potential Annual Gross Revenue:				
	Office Spaces and Retails	=	Php	-
	Parking Slots			-
	Dues Net			-
				-
Less:	Provision for vacancy and bad debts	=	Php	-
	Effective Gross Revenue	=	**Php**	**242,721,850**
Less:	Direct Operating Expenses			
	- Real Property Tax	=	Php	19,784,327
	- Business Tax			10,363,176
	- Insurance			7,719,757
	- Land Lease			1,505,979
	- Management Fees			15,289,542
	- Others			295,359
	CAPEX	=	Php	6,552,661
	Total Expenses	=	**Php**	**61,510,800**
	Net Operating Income	**=**	**Php**	**181,211,050**
	Capitalized at 6.70%	=	**Php**	2,704,642,534
	Market Value of the building	=	**Php**	**2,704,642,534**
	Say	=	**Php**	**2,704,643,000**

On the basis of the foregoing, the market value of the property (building only), using the Income Approach (Direct Capitalization) is estimated at say, **Php2,704,643,000**.

SUMMARY OF VALUES

Based on the foregoing, the results of our study are as follows:

Approaches to Value	**Market Value (Php)**
Income Approach	
By Discounted Cash Flow	***PHP 2,493,090,000***
By Direct Capitalization	***PHP 2,704,643,000***

MARKET VALUE APPRAISAL

Property exhibited to us by the
AREIT FUND MANAGERS, INC.

Ayala Malls Central Bloc & Garden Row

Located in
Cebu IT Park
Barangay Apas, Cebu City

19 February 2025

AREIT FUND MANAGERS, INC.
27th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention : **MR. TOMAS JULIAN R. SANTOS**
President and CEO

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 19 February 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **AREIT FUND MANAGERS, INC.,** as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

Management Responsibility of Client

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

Responsibility of the Valuation Professional

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2025 Edition) and Philippine Valuation Standards (2nd Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

Representations

Cuervo Appraisers, Inc., through its Manila, Cebu, Davao and Iloilo offices, has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

CUERVO APPRAISERS, INC.
By:

LIBERTY SANTIAGO-AÑO, IPA, MRICS

Vice President and General Manager
Real Estate Appraiser
Valid until: 07/17/2026
PRC Registration Number: 0000167
IPREA Membership No. 849
PTR No. 3040621
06 January 2025
City of Pasig

19 February 2025

AREIT FUND MANAGERS, INC.
27th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention : **MR. TOMAS JULIAN R. SANTOS**
President and CEO

Subject : **CAI File No. 11-2024-1019A**
Market Value Appraisal of Property

Gentlemen :

As requested, we appraised certain real property exhibited to us by the **AREIT FUND MANAGERS, INC.,** for the purpose of expressing an opinion on the market value of the property intended for corporate use as of 28 November 2024.

The appraised property is the ***Ayala Malls Central Bloc and Garden Row (land, building and its facilities),*** located **within Cebu IT Park, Barangay Apas, Cebu City.**

The term ***Market Value,*** as used herein, is defined as:

> the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arms-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset or any associated taxes.

We personally inspected the property and investigated local market conditions, and gave consideration to the --

> Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;
>
> Capitalization rate;
>
> Extent, character and utility of the property;
>
> Lease/Rent rates for similar property; and
>
> Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the ***market value*** of the property using income approach appraised as of ***02 December 2024*** is reasonably presented as follows:

	MARKET VALUE (Php)
INCOME APPROACH	
By Discounted Cash Flow	***4,391,478,000***
By Direct Capitalization	***4,427,110,000***

We made no investigation of and assume no responsibility for titles to or liabilities against the appraised property.

WE CERTIFY that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,
CUERVO APPRAISERS, INC.
By:

ENGR. ANGELO V. SAN ANTONIO
Senior Real Estate Manager
PRC Registration Number: 0000407
Valid Until: 05/10/2026
IPREA Membership No. 1024
PTR No. 3346304
10 January 2025
City of Malolos

RLL:roa

LIMITING CONDITIONS

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.

2. ***Cuervo Appraisers, Inc.,*** by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.

3. Any erasure on appraisal date and/or value invalidates this valuation report.

4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.

5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.

6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc*.**

CAI File No. 11-2024-1019A

NARRATIVE REPORT

I. GENERAL

This report covers an appraisal of a certain real property located within Cebu IT Park, Barangay Apas, Cebu City. The appraisal was made for the purpose of expressing an opinion on the ***market value*** of the property as of ***28 November 2024.***

The term ***Market Value*** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arms-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power and taxation.

II. PROPERTY LOCATION AND IDENTIFICATION

Based on the documents provided to us by the client, the appraised property consists of two (2) sites both located **within Cebu IT Park, Barangay Apas, Cebu City.** The particulars are as follows.

Site 1 is the site of the ***Ayala Malls Central Bloc*** bounded by W. Geonzon Street on the northwest; Inez Villa Street on the northeast; Jose Maria Del Mar Street on the southeast; and V. Padriga Street on the southwest. It is located approximately 430-meter northeast from Salinas Drive; 620-meter northwest from Gov. M. Cuenco Avenue; 1.10-kilometer northwest from Ayala Center Cebu; 5.0-kilometer northeast from Cebu City Hall; and about 14.0-kilometer northwest from Mactan – Cebu International Airport.

Site 2 is the site of the ***Ayala Malls – Garden Row*** bounded by Road Lot 8 on the northwest; V. Padriga Street on the northeast; Road Lot 7 on the southeast; and Abad Street on the southwest. It is located southwest side V. Padriga Street across Site 1.

W. Geonzon, Inez Villa, Jose Maria, V. Padriga and Abad Streets are all 25 meters wide. These are concrete-paved and provided with concrete sidewalks, concrete curbs and gutters, center island and underground drainage. Road lots 7 and 8 are both 12 meters wide, concrete-paved and provided with concrete sidewalks, concrete curbs and gutters and an underground drainage.

III. NEIGHBORHOOD DATA

The Cebu IT Park (formerly known as Asia town IT Park) is a 27-hectare mixed use business park envisioned to attract locators in the information technology services. It is developed by Cebu Property Ventures and Development Corporation, a subsidiary of Cebu Holdings, Inc.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 20 meters and lighted with streetlamps.

Some of the important improvements in Cebu IT Park are:

Avida Towers - Cebu
Skyrise 1 to 3
eBloc Towers 1 to 3
Park Centrale
Filinvest Cebu Cyberzone
Calyx Centre
TGU Tower

The Ayala Center - Cebu and SM City - Cebu, as well as the subject property, cater to the commercial and shopping needs of Metro Cebu. These are accessible from the property through taxicab, motorcycle locally known as habal-habal, and also through jeepneys or modern jeepneys at Cebu IT Park Transport Terminal which is across the property. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and private and public schools are likewise accessible from the property by public transportation.

IV. COMMUNITY FACILITIES AND UTILITIES

Electric power, water supply and telecommunication facilities are available at the subject building.

Public transportation connecting to various sections of Cebu City as well as to other parts of Metro Cebu is available in the Cebu IT Park Transport Terminal which is across from the subject property. Streetlights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

V. LAND DATA

Site 1

The land is technically identified as Block 10 plan PSD-07-037105, containing an area of 21,658 square meters, more or less, covered by Transfer Certificate of Title No.146982, issued by the Registry of Deeds for Cebu City, in favor of the **CEBU PROPERTY VENTURES AND DEVELOPMENT CORPORATION.**

The land is bounded by the following properties:

Northeast	-	I. Villa Street
Southeast	-	Jose Maria del Mar Street
Southwest	-	V. Padriga Street
Northwest	-	W. Geonzon Street

Attached is a plan of the property as plotted based on the technical description appearing in the title furnished us by the client. As shown, the land is rectangular in shape with frontages of 147 meters on I. Villa Street, 124 meters on Jose Maria del Mar Street, 147 meters on V. Padriga Street, and 124 meters on W. Geonzon Street.

The terrain of the land is flat and at grade with fronting streets.

Site 2

The land is technically identified as Block 11 plan PSD-07-037105, containing an area of 7,013 square meters, more or less, covered by Transfer Certificate of Title No. 146983, issued by the Registry of Deeds for Cebu City, in favor of the **CEBU PROPERTY VENTURES AND DEVELOPMENT CORPORATION.**

The land is bounded by the following properties:

Northeast	-	V. Padriga Street
Southeast	-	Road Lot 7
Southwest	-	Abad Street
Northwest	-	Road Lot 8

Attached is a plan of the property as plotted based on the technical description appearing in the title furnished us by the client. As shown, the land is rectangular in shape with frontages of 38 meters on V. Padriga Street, 129 meters on Road Lot 7, 38 meters on Abad Street, and 129 meters on Road Lot 8.

The terrain of the land is flat and at grade with fronting streets/roads.

No title verification was conducted to confirm the existence of the owner's original copy of the titles supposedly on file with the Registry of Deeds, since it is not included in the assignment.

Government Assessment

BIR Zonal Value of Real Property within Barangay Lahug, Cebu City as per Department Order No. 054-2023, effective 06 October 2023:

Street Name	Vicinity	Classification	5th Revision Zonal Value (Php/sq.m.)
Salinas Drive	IT Park	Commercial	135,000

VI. DESCRIPTION OF THE BUILDINGS

The land is improved with buildings, described as follows:

Ayala Malls Central Bloc

This is a five (5)-storey, reinforced concrete-framed building with basement parking, having reinforced concrete slab roof with water proofing membrane and partly pre-painted rib type long span iron sheet roof on steel frames; acoustic board on aluminum T-runner frame, fibered cement board, steel panel and exposed slab ceilings; cement plastered concrete hollow blocks, glass on powder coated aluminum frame, and clear glass view walls; cement plastered concrete hollow blocks partitions; metal exits, steel plate, wood panel, glass on powder coated aluminum frame, automatic frameless glass, swing glass, steel roll-up, and steel doors; iron grill and stainless steel railings; granite tile finish floor to walls at comfort rooms; and granite tile and ceramic tile finished concrete floors.

Garden Row (2 units)

These are one (1)-storey reinforced concrete-framed buildings of pre-painted rib-type long span iron sheet roof on steel frame roof; cement plastered concrete hollow block walls and partitions; and plain cement finished concrete floors.

These buildings were painted and provided with firefighting and alarm systems, centralized air-conditioning, CCTV cameras, water supply system, underground cistern, air wells, escalators, elevators, electrical, plumbing and telecommunication facilities. Total floor area is approximately 76,179 square meters, allocated on the next page:

Floor Level	Area (sq.m.)
Basement Parking (Portion)	10,871
Basement 1 (Portion)	3,289
Ground	12,696
Second	13,529
Third	14,332
Fourth	13,801
Fifth	7,661
	Total - 76,179 sq.m.

Estimated remaining economic life is 46 years.

Central Bloc Corporate Center Tower 1 and 2 are on top of this mall, however as per client request these should be presented on a separate report, these are under CAI File Nos. 11-2024-1019-001A and 002A.

VII. HIGHEST AND BEST USE

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

Highest and Best Use is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

VIII. VALUATION

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income.

The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant’s inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses.

Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

A. <u>Discounted Cash Flow Analysis</u>

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

1. Cash Flow is projected over a 10-year period;
2. Discount rate is estimated at 8.50% using weighted average cost of capital(WACC);
3. Capitalization rate adopted to arrive at the terminal value is 6.0% (discount rate less growth rate);
4. Gross revenues for 2025 or Year 1 is Php78,122,556 based on the Historical and Forecast Financial Statements for year 2025 to 2036 provided to us which we assumed that vacancy and bad debts are included;
5. Escalation rate of gross revenue is pegged at 2.50% per year;
6. Administration and Management Expenses, including leased on land is based on the Historical and Forecast Financial Statements for year 2025 to 2036 provided; and
7. Marketing Cost is pegged at 3.5% of resale value.

Discounted Cash Flow Analysis (in PhP)
AYALA MALLS - Central Bloc and Garden Row

STATISTICS															
Land Area															
Central Bloc		21,658.00	sq.m.												
Garden Row		7,013.00	sq.m.												
Total Land Area		28,671.00	sq.m.												
Gross Leasable Area		70,956.00	sq.m.												
Vacancy Rate		-													
Discount Rate		8.50%													
Growth rate		2.50%													
Terminal Capitalization Rate		6.00%													
Present Worth Factor				0.92166	0.84946	0.78291	0.72157	0.66505	0.61295	0.56493	0.52067	0.47988	0.44229		
			Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**Totals**	**11**
GROSS REVENUES			Escalation		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%		2.5%
Lease Rate (Php/sq.m./mo.)				367	367	376	386	395	405	415	426	436	447		458
Total Annual Gross Rental				-	-	-	-	-	-	-	-	-	-		-
Total Annual Revenues				**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
LESS:															
Vacancy Rate (incl. bad debts)	0.00%	of gross revenues		-	-	-	-	-	-	-	-	-	-		-
Effective Gross Revenues				**78,122,556**	**312,490,224**	**314,443,288**	**322,304,370**	**330,361,979**	**338,621,029**	**347,086,555**	**355,763,718**	**364,657,811**	**373,774,257**	**3,137,625,787**	**383,118,613**
LESS EXPENSES:															
Business Tax	2.00%			1,562,451	6,249,804	6,288,866	6,446,087	6,607,240	6,772,421	6,941,731	7,115,274	7,293,156	7,475,485	62,752,516	7,662,372
Administration & Management Expenses				6,707,652	13,738,682	13,797,274	14,033,106	14,274,835	14,522,606	14,776,572	15,036,887	15,303,710	15,577,203	137,768,526	15,857,534
Others				78,123	312,490	314,443	322,304	330,362	338,621	347,087	355,764	364,658	373,774	3,137,626	383,119
Total -				**8,348,226**	**20,300,977**	**20,400,583**	**20,801,498**	**21,212,436**	**21,633,648**	**22,065,389**	**22,507,925**	**22,961,524**	**23,426,462**	**203,658,667**	**23,903,024**
NET OPERATING INCOME				**69,774,330**	**292,189,247**	**294,042,705**	**301,502,872**	**309,149,543**	**316,987,381**	**325,021,165**	**333,255,794**	**341,696,288**	**350,347,794**	**2,933,967,120**	**359,215,589**
ADD: Reversion Value (Resale Value)															5,986,926,477
LESS: Marketing Cost	3.50%	of Resale Value													209,542,427
Net Reversion Value															**5,777,384,050**
Present Worth Factor @	8.50%	discount rate		0.92166	0.84946	0.78291	0.72157	0.66505	0.61295	0.56493	0.52067	0.47988	0.44229		0.44229
Present Worth of Net Income				**64,308,139**	**248,201,701**	**230,208,415**	**217,556,719**	**205,598,489**	**194,295,859**	**183,613,021**	**173,516,110**	**163,973,104**	**154,953,720**	**1,836,225,276**	
Present Worth of Net Reversion Value															**2,555,252,702**

Total Present Value of Net Income	**1,836,225,276**
Present Worth of Net Reversion Value	**2,555,252,702**
Total	**4,391,477,978**
Market Value of Property (Land, Building and its Facilities)	**PhP 4,391,477,978**
Rounded to	**PhP 4,391,478,000**

On the basis of the foregoing, the market value of the property (land, buildings and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount of **Php4,391,478,000.**

B. Direct Capitalization

Direct capitalization typically involves the analysis of a single year's net income (or average of several years' income). The net income after deducting the costs of labor, management, maintenance, operations, and other related expenses is capitalized by an appropriate overall capitalization rate to derive value. Using the same assumptions/estimates made on the discounted cash flow analysis, and adopting a capitalization rate of 6.60%, the value of the property using the Direct Capitalization Method is estimated as follows:

Direct Capitalization AYALA MALLS - Central Bloc and Garden Row				
Potential Annual Gross Revenue:				
	Retails	=	Php	-
	Parking Slots			-
	Dues Net			-
				-
Less:	Provision for vacancy and bad debts	=	Php	-
	Effective Gross Revenue	=	**Php**	**312,490,224**
Less:	Direct Operating Expenses			
	- Business Tax	=	Php	6,249,804
	- Administration and Management Expenses			13,738,682
	- Others	=	Php	312,490
	Total Expenses	=	**Php**	**20,300,977**
	Net Operating Income	**=**	**Php**	**292,189,247**
	Capitalized at 6.60%	=	**Php**	4,427,109,809
	Market Value of the building	=	**Php**	**4,427,109,809**
	Say	=	**Php**	**4,427,110,000**
Note: The income and expenses are based on the second year of the projected cash flow, because the cash flow on year 1 seems not yet normalized its operation/not 100% operational.				

On the basis of the foregoing, the market value of the property (building only), using the Income Approach (Direct Capitalization) is estimated at say, **Php4,427,110,000**.

SUMMARY OF VALUES

Based on the foregoing, the results of our study are as follows:

Approaches to Value	**Market Value (Php)**
Income Approach	
By Discounted Cash Flow	***4,391,478,000***
By Direct Capitalization	***4,427,110,000***

MARKET VALUE APPRAISAL

Property exhibited to us as owned by the
ACCENDO COMMERCIAL CORPORATION &
CAGAYAN DE ORO GATEWAY CORPORATION
Located in
Barangay 20-B, Poblacion District
Davao City

19 February 2025

ACCENDO COMMERCIAL CORPORATION &
CAGAYAN DE ORO GATEWAY CORPORATION
AREIT Fund Managers, Inc.
27th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Metro Manila

Attention : **MR. TOMAS JULIAN R. SANTOS**
President and CEO

: **MS. MA. DIVINA Y. LOPEZ**
Chief Finance Officer

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 19 February 2025 Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **ACCENDO COMMERCIAL CORPORATION & CAGAYAN DE ORO GATEWAY CORPORATION AREIT Fund Managers, Inc.,** as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

Management Responsibility of Client

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

Responsibility of the Valuation Professional

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2nd Edition 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

Representations

Cuervo Appraisers, Inc., through its Manila, Cebu, Iloilo, and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

CUERVO APPRAISERS, INC.
By:

LIBERTY SANTIAGO-AÑO, IPA, MRICS
Vice President and General Manager
Real Estate Appraiser
Valid until: 07/17/2026
PRC Registration Number: 0000167
IPREA Membership No. 849
PTR No. 3040621
06 January 2025
City of Pasig

19 February 2025

ACCENDO COMMERCIAL CORPORATION &
CAGAYAN DE ORO GATEWAY CORPORATION
AREIT Fund Managers, Inc.
27th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Metro Manila

Attention	:	**MR. TOMAS JULIAN R. SANTOS** President and CEO
	:	**MS. MA. DIVINA Y. LOPEZ** Chief Finance Officer
Subject	:	**CAI File No. 11-2024-1020A** Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal of a certain property exhibited to us by the **ACCENDO COMMERCIAL CORPORATION & CAGAYAN DE ORO GATEWAY CORPORATION AREIT Fund Managers, Inc.**, for the purpose of expressing an opinion on the ***market value*** of the property intended for corporate use as of ***25 November 2024.***

The appraised property consists of ***Abreeza Mall and Abreeza Corporate Center Building,*** located **along J.P. Laurel Avenue, within Barangay 20-B, Poblacion District, both in Davao City.**

The term ***Market Value,*** as used herein, is defined as:

> the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property, investigated local market condition, and gave consideration to the –

> Income Approach is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value;
>
> Capitalization rate;
>
> Extent, character and utility of the property;

Lease / Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the ***market value*** of the property appraised as of ***25 November 2024*** is reasonably presented as under:

	Market Value (Php)	
	Discounted Cash Flow	**Direct Capitalization**
Abreeza Mall	***3,909,559,000***	***3,941,734,000***
Abreeza Corporate Center	***679,726,000***	***728,424,000***

We made no investigation of and assume no responsibility for claims to or liabilities against the appraised property.

WE CERTIFY that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

CUERVO APPRAISERS, INC.
By:

CARMELA M. TORBELA
Department Manager - Real Estate
Real Estate Appraiser
PRC Registration Number: 0004270
Valid Until: 10/04/2025
IPREA Membership No. 1001
PTR No. 2784119
13 January 2025
City of Bacoor

OVT:mfm

CAI File No. 11-2024-1020A

LIMITING CONDITIONS

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.

2. ***Cuervo Appraisers, Inc.,*** by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.

3. Any erasure on appraisal date and/or value invalidates this valuation report.

4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.

5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.

6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc*****.**

   CAI File No. 11-2024-1020A

NARRATIVE REPORT

I. GENERAL

This report covers an appraisal of a certain property located within Barangay 20-B Poblacion District, Davao City. The appraisal was made for the purpose of expressing an opinion on the ***market value*** of the property as of ***28 November 2024.***

The term ***Market Value*** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free, and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power, and taxation.

II. PROPERTY LOCATION AND IDENTIFICATION

Based on the previous appraisal report under CAI File No. 02-2023-189A, the appraised property is the site of ***Abreeza Mall and Abreeza Corporate Center,*** it is located **on the southwest side of J.P. Laurel Avenue, within Barangay 20-B, Poblacion District, Davao City.**

The property is located approximately 180 meters northeast from Bacaca Road; 500 meters northwest from Victoria Plaza; 600 meters southwest from Dacudao-Buhangin Flyover; and about 1.4 kilometers northwest from Gaisano Mall.

J.P. Laurel Avenue is 25 meters wide, concrete-paved with asphalt overlay and provided with concrete curbs and gutters, concrete sidewalks, and underground drainage.

III. NEIGHBORHOOD DATA

The property is located in an area where land development is of mixed-use, specifically residential, institutional, and commercial.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 30 meters, and lighted with streetlamps.

Some of the important improvements in the vicinity are:

Redemptorist Church
EMCOR
Aeon Towers
Insperia Davao Condominium
Davao Chinese Baptist Church
Shell Service Station
Victoria Plaza
Durian Hotel

The subject property, Victoria Plaza, Gaisano Mall, and SM Lanang Premier serve as the commercial and shopping centers of the residents in the area. These are all accessible from J.P. Laurel Avenue by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics, and public schools are likewise accessible from the said thoroughfare.

IV. COMMUNITY FACILITIES AND UTILITIES

Electric power, water supply, and telecommunication facilities are available at the subject property.

Public transportation connecting to various sections of Davao City is available along J.P. Laurel Avenue where the subject property fronts. Road lights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

V. LAND DATA

The land consists of eight (8) contiguous lots, containing a total area of 72,922 square meters, technically identified as follows:

Lot/Survey Nos.	TCT Nos.	Area (sq.m.)
8-A, PSD-11-151808	146-2021016830	157
8-B, PSD-11-151808	146-2021016831	1,451
8-C, PSD-11-151808	146-2021016832	38,617
8-D, PSD-11-151808	146-2021016833	2,117
8-E, PSD-11-151808	146-2021016834	9,672
8-F, PSD-11-151808	146-2021016835	1,229
8-G, PSD-11-151808	146-2021016836	18,452
*519-A-2-A-2-A, PSD-11-019681 (National Road)	T-446455	1,227
		Total - 72,922 sq.m.

*Road Lot

The above certificates of title were all issued by the Registry of Deeds for Davao City in favor of the **ACCENDO COMMERCIAL CORPORATION.**
The land, in its entirety, is bounded by the following properties:

Northeast - Lot 521-1-C

Southeast - Lots 499, 521-A-3 and 521-B-3

Northwest - JP Laurel Avenue and 519-A-2-A-3 and 519

Attached is a plan of the property as plotted based on the technical descriptions appearing in the titles furnished to us by the client. As shown, the lands are irregular in shape with a frontage of 267 meters on J.P. Laurel Avenue.

The terrain of the land is flat. Its elevation is uniform and slightly above the grade with the fronting avenue.

No title verification was conducted to confirm the existence of the owner's original copy of the titles supposedly on file with the Registry of Deeds, since it is not included in the assignment.

Government Assessment

BIR Zonal Value of Real Property within Barangay 20-B, Poblacion District, Davao City as per Department Order No. 33-2021, effective 22 December 2021:

Street Name	Vicinity	Classification	3rd Revision Zonal Value (Php/sq.m.)
J.P. Laurel Avenue	Lacson Street - Dacudao Avenue	Commercial Regular	44,500
Abreeza Place		Residential Regular Condominium Commercial	105,500 126,600

VI. DESCRPTION OF IMPROVEMENTS

The land is improved with buildings and other land improvements described as follows:

Abreeza Mall – Davao

This is a three (3)-storey reinforced concrete-framed building with basement, having pre-painted rib type long span metal sheet roof on steel trusses and frame roof; acoustic board on aluminum T-runner frame, suspended acoustic board on t-runner; fiber cement board, gypsum board on metal frame exposed concrete slab and colored T&G pvc panel ceilings; cement plastered concrete hollow blocks, glass on powder coated aluminum frame, and clear glass view partly with laminate wood and ceramic tile and aluminum composite panel cladding walls; cement plastered concrete hollow blocks and double walled plywood partitions; metal exits, steel plate, wood panel, glass on powder coated aluminum frame, automatic frameless glass, swing glass, steel roll-up, plain steel flush and steel doors; and ceramic tile and plain cement with epoxy paint finished and carpeted floor at office concrete floors.

The building features retail shops of having concrete slab floor, fibered cement board on metal furring acoustic board on T-runner ceilings; cement plastered concrete hollow block on walls and partitions; clear glass on powder coated aluminum frame windows; swing glass, wood panel and glass on aluminum frame doors; ceramic tiles and epoxy paint finished concrete floors; and granite tile wall to floor at comfort rooms.

The building is painted and provided with firefighting and alarm system, centralized air conditioning, CCTV cameras, water supply system, underground cistern, air wells, escalators, elevators, electrical lighting, plumbing and telecommunication facilities. Total floor area is approximately 84,662 square meters, allocated as follows:

Floor Level	Gross Floor Area (sq.m.)	Leasable Floor Area (sq.m.)
Basement	26,613	-
Ground	23,780	15,858
Second	18,638	11,674
Third	15,631	7,239
Total -	**84,662**	**34,771**

The estimated remaining economic life is 37 years.

Abreeza Corporate Center Building

This is a lofty seven (7)-storey reinforced concrete-framed building, having a concrete slab roof; fiber cement with decorative wood design, soffit slab and acoustic board on T-runner ceilings; cement plastered concrete hollow block with ceramic tile cladding design interior walls; cement plastered concrete hollow block and modular partition on metal stud at office partitions; glass on aluminum frame and glass on powder coated aluminum frame windows; glass on aluminum frame and plain steel flush doors; and ceramic tile, granite tile and epoxy painted finished floors.

The building features offices and BPOs having concrete slab floor, fibered cement board on metal furring acoustic board on T-runner ceilings; cement plastered concrete hollow block on walls and partitions; clear glass on powder coated aluminum frame windows; swing glass, wood panel and glass on aluminum frame doors; ceramic tiles finished concrete floors; and granite tile wall to floor at comfort rooms.

The building is painted and provided with a firefighting and alarm system, centralized air conditioning, CCTV cameras, water supply system, underground cistern, air wells, escalators, elevators, electrical lighting, plumbing, and telecommunication facilities. The total floor area is approximately 16,484 square meters, allocated as follows:

Floor Level	Gross Floor Area (sq.m.)	Leasable Floor Area (sq.m.)
Ground	1,875	936
Second	2,902	1,279
Third	2,902	1,626
Fourth	2,902	1,928
Fifth	2,792	2,480
Sixth	2,792	2,480
Seventh	2,792	2,283
Total -	**18,956**	**13,013**

The estimated remaining economic life is 37 years.

STP Room - This is a one (1)-storey concrete-framed building, having concrete slab roof; cement plastered concrete hollow block walls; fiber cement board with screen wire partitions; plywood flush and plain steel doors; and concrete floor.

This is painted and provided with electrical lighting facility. Floor area is approximately 84 square meters.

Estimated remaining economic life is 22 years.

Covered Walkway (attached to Mall) - This is an open-walled structure of I-beam steel frame having rib-type sheet on steel frame roof; and unglazed tile floor.

The floor area is approximately 1,805 square meters.

The estimated remaining economic life is 22 years.

Covered Walkway (to Highway) - This is an open-walled structure of I-beam steel frame having rib-type partly fiber glass sheet on steel frame roof; and unglazed tile floor.

The floor area is approximately 376 square meters.

The estimated remaining economic life is 22 years.

Other Land Improvements

STP - This is a 3-meter-high cement plastered concrete hollow block structure from roof, wall to floor having capacity of 175,000 gallons.

DRIVEWAY/LANDSCAPE - Driveway is a concrete pavement on a compacted earth base floor provided with underground drainage system servicing the entire Abreeza Mall landscape consists of Bermuda grass and ornamental plants, with lamp posts and concrete pathways with circular shaped fountains located near the highway containing an approximate area of 19,800 square meters.

VII. HIGHEST AND BEST USE

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

Highest and Best Use is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

VIII. VALUATION

The **Income Approach** is a method in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization, and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income.

The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant’s inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all costs required to maintain the earning potential of the property.

The operating expenses are generally classified into two categories: fixed expenses and variable expenses.

Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

A. Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

Abreeza Mall

1. Cash Flow is projected over a 10-year period;
2. The discount rate is estimated at 8.50%;
3. The capitalization rate adopted to arrive at the terminal value is 6.00%;
4. Escalation rate of gross revenue is pegged at 2.50% per year;
5. No allocated expense for capital expenditures based on the provided P&L projection provided to us, the Capex is zero;
6. Gross revenue is estimated at Php75,096,684 in year 1 with an escalation rate of 2.50% per year. This includes dues net and considers vacancy rate;
7. Direct operating expenses which include business tax, land lease, administration and management expenses is estimated at Php12,972,220 on year 1 which is 17% of the effective gross revenue; and
8. Marketing Cost is pegged at 3.5% of resale value.

Discounted Cash Flow Analysis (in PhP)
ABREEZA MALL

STATISTICS															
Gross Leasable Area		34,771.00	sq.m.												
Discount Rate		8.50%													
Growth Rate		2.50%													
Terminal Capitalization Rate		6.00%													
Present Worth Factor				0.92166	0.84946	0.78291	0.72157	0.66505	0.61295	0.56493	0.52067	0.47988	0.44229		
			Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**Totals**	**11**
GROSS REVENUES			Escalation		0.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%		2.5%
Lease Rate				370	370	379	389	398	408	419	429	440	451		462
Total Annual Gross Rental				-	-	-	-	-	-	-	-	-	-	-	-
Total Annual Revenues				**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
LESS:															
Vacancy Rate (incl. bad debts)															
Effective Gross Revenues				**75,096,684**	**300,386,735**	**302,264,152**	**309,820,756**	**317,566,275**	**325,505,431**	**333,643,067**	**341,984,144**	**350,533,748**	**359,297,091**	**3,016,098,082**	**368,216,317**
LESS EXPENSES:															
Business Tax	3.00%			2,252,901	9,011,602	9,067,925	9,294,623	9,526,988	9,765,163	10,009,292	10,259,524	10,516,012	10,778,913	90,482,942	11,048,386
Land lease				4,505,801	18,023,204	18,135,849	18,589,245	19,053,976	19,530,326	20,018,584	20,519,049	21,032,025	21,557,825	180,965,885	22,096,771
Administration & Management Expenses				6,138,421	12,897,123	12,953,445	13,180,144	13,412,509	13,650,684	13,894,813	14,145,045	14,401,533	14,664,434	129,338,152	14,933,906
Others				75,097	300,387	302,264	309,821	317,566	325,505	333,643	341,984	350,534	359,297	3,016,098	368,280
Total -				**12,972,220**	**40,232,316**	**40,459,483**	**41,373,832**	**42,311,040**	**43,271,678**	**44,256,332**	**45,265,602**	**46,300,104**	**47,360,469**	**403,803,077**	**48,447,343**
NET OPERATING INCOME				**62,124,464**	**260,154,419**	**261,804,669**	**268,446,923**	**275,255,234**	**282,233,753**	**289,386,735**	**296,718,542**	**304,233,643**	**311,936,622**	**2,612,295,005**	**319,768,974**
ADD: Reversion Value (Resale Value)															5,329,482,904
LESS: Marketing Cost	3.50%	of Resale Value													186,531,902
Net Reversion Value															**5,142,951,002**
Present Worth Factor @	8.50%	discount rate		0.92166	0.84946	0.78291	0.72157	0.66505	0.61295	0.56493	0.52067	0.47988	0.44229		0.44229
Present Worth of Net Income				**57,257,571**	**220,989,547**	**204,968,995**	**193,704,397**	**183,057,234**	**172,993,793**	**163,482,192**	**154,492,279**	**145,995,542**	**137,965,018**	**1,634,906,568**	
Present Worth of Net Reversion Value															**2,274,652,218**

Total Present Value of Net Income	**1,634,906,568**
Present Worth of Net Reversion Value	**2,274,652,218**
Total	**3,909,558,786**

Market Value of Property (Land, Building and its Facilities)	**PhP**	**3,909,558,786**
Rounded to	**PhP**	**3,909,559,000**

Cuervo Appraisers, Inc.®
ASSET VALUATION SOLUTIONS

Abreeza Corporate Center

1. Cash Flow is projected over a 10-year period;
2. The discount rate is estimated at 9.75%;
3. The capitalization rate adopted to arrive at the terminal value is 6.75%;
4. Escalation rate of gross revenue is pegged at 3.00% per year;
5. Capital Expenditures is estimated at 5% of the lease income;
6. Gross revenue is estimated at Php72,603,915 in year 1. This includes dues net and considers vacancy rate;
7. Direct operating expenses which include business tax, land lease, administration and management expenses are estimated at Php20,736,185 on year 1 which is 28.6% of the effective gross revenue; and
8. Marketing Cost is pegged at 3.5% of the resale value.

Discounted Cash Flow Analysis (in PhP)
ABREEZA CORPORATE CENTER

STATISTICS															
Gross Leasable Area		13,013.00	sq.m.												
Discount Rate		9.75%													
Growth Rate		3.00%													
Terminal Capitalization Rate		6.75%													
Present Worth Factor				0.91116	0.83022	0.75646	0.68926	0.62803	0.57223	0.52140	0.47508	0.43287	0.39442		
			Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**Totals**	**11**
GROSS REVENUES			Escalation		1.3%	3.5%	-4.2%	1.2%	2.8%	3.4%	3.3%	6.5%	3.3%		3.0%
Lease Rate															
Total Annual Gross Rental				-	-	-	-	-	-	-	-	-	-	-	-
Total Annual Revenues				**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
LESS:															
Vacancy Rate (incl. bad debts)															
Effective Gross Revenues				**72,603,915**	**73,583,053**	**76,174,305**	**72,955,411**	**73,811,110**	**75,857,051**	**78,423,350**	**80,983,971**	**86,219,503**	**89,038,955**	**779,650,625**	**91,977,006**
LESS EXPENSES:															
Management Fees -ALI	3.00%			6,106,261	6,330,256	6,502,017	6,215,021	6,288,803	7,273,991	7,428,220	7,577,928	7,966,016	8,130,555		8,301,192
RPT	6.00%			5,893,218	6,070,015	6,252,115	6,439,679	6,632,869	6,632,869	6,632,869	6,632,869	6,632,869	6,632,869		6,632,869
Business tax, 3%				2,765,926	2,796,653	2,871,787	2,772,988	2,800,490	2,877,543	2,965,294	3,051,301	3,258,152	3,352,809		3,451,175
Land Lease, 9%				5,514,006	5,466,999	5,549,004	5,099,290	5,168,530	5,242,576	5,336,328	5,416,372	5,850,047	5,937,798		6,026,865
Insurance				447,554	460,981	474,811	489,055	503,726	518,838	534,403	550,436	566,949	583,957		601,476
Others				9,220	9,322	9,573	9,243	9,335	9,592	9,884	10,171	10,861	11,176		11,504
Total -				20,736,185	21,134,226	21,659,307	21,025,276	21,403,754	22,555,409	22,906,999	23,239,078	24,284,893	24,649,164	223,594,291	25,025,081
Capital Expenditures				3,063,337	3,037,222	3,082,780	2,832,939	2,871,406	2,912,542	2,964,626	3,009,096	3,250,026	3,298,777		3,348,258
Total -				**23,799,522**	**24,171,448**	**24,742,088**	**23,858,215**	**24,275,159**	**25,467,951**	**25,871,625**	**26,248,173**	**27,534,919**	**27,947,940**	**253,917,041**	**28,373,339**
NET OPERATING INCOME				**48,804,393**	**49,411,605**	**51,432,217**	**49,097,196**	**49,535,951**	**50,389,100**	**52,551,725**	**54,735,798**	**58,684,584**	**61,091,014**	**525,733,584**	**63,603,667**
ADD: Reversion Value (Resale Value)															942,276,546
LESS: Marketing Cost	3.50%	of Resale Value													32,979,679
Net Reversion Value															**909,296,867**
Present Worth Factor @	9.75%	discount rate		0.91116	0.83022	0.75646	0.68926	0.62803	0.57223	0.52140	0.47508	0.43287	0.39442		0.39442
Present Worth of Net Income				**44,468,695**	**41,022,290**	**38,906,455**	**33,840,641**	**31,109,846**	**28,834,301**	**27,400,297**	**26,003,704**	**25,402,898**	**24,095,284**	**321,084,412**	
Present Worth of Net Reversion Value															**358,641,387**

Total Present Value of Net Income	**321,084,412**
Present Worth of Net Reversion Value	**358,641,387**
Total	**679,725,799**

Market Value of Property (Land, Building and its Facilities)	**PhP**	**679,725,799**
Rounded to	**PhP**	**679,726,000**

On the basis of the foregoing, the market value of the property (buildings and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount as follows:

	Market Value (Php)
Abreeza Mall	***Php3,909,559,000***
Abreeza Corporate Center	***Php679,726,000***

B. Direct Capitalization

Direct capitalization typically involves the analysis of a single year's net income (or average of several years' income). The net income after deducting the costs of labor, management, maintenance, operations, and other related expenses is capitalized by an appropriate overall capitalization rate to derive value. Using the same assumptions/estimates made on the discounted cash flow analysis, and adopting the capitalization rates of 6.60 (mall) and 6.70% (corporate center), the value of the property using the Direct Capitalization Method is estimated as follows:

Abreeza Mall

Potential Annual Gross Revenue:				
	Lease Rates	=	Php	-
Less:	Provision for vacancy and bad debts	=	Php	-
	Effective Gross Revenue	=	**Php**	**300,386,735**
Less:	Direct Operating Expenses			
	Business Tax	=	Php	9,011,602
	Land lease			18,023,204
	Administration & Management Expenses			12,897,123
	Others			300,387
	Total Expenses	=	**Php**	**40,232,316**
	Net Operating Income	**=**	**Php**	**260,154,419**
	Capitalized at 6.60%	=	**Php**	3,941,733,621
	Market Value of the building	=	**Php**	**3,941,733,621**
	Say	=	**Php**	**3,941,734,000**

Note: The income and expenses are based on the second year of the projected cash flow

Abreeza Corporate Center

Potential Annual Gross Revenue:				
	Lease Rates	=	Php	-
Less:	Provision for vacancy and bad debts	=	Php	-
	Effective Gross Revenue	=	**Php**	**72,603,915**
Less:	Direct Operating Expenses			
	Management Fees -ALI	=	Php	6,106,261
	RPT			5,893,218
	Business tax			2,765,926
	Land Lease			5,514,006
	Insurance			447,554
	Others			9,220
	Capital Expenditures			3,063,337
	Total Expenses	=	**Php**	**23,799,522**
	Net Operating Income	**=**	**Php**	**48,804,393**
	Capitalized at 6.70%	=	**Php**	728,423,778
	Market Value of the building	=	**Php**	**728,423,778**
	Say	=	**Php**	**728,424,000**

On the basis of the foregoing, the market value of the property (building and its facilities), using the Income Approach (Direct Capitalization) is is represented in the amount as follows:

	Market Value (Php)
Abreeza Mall	***Php3,941,734,000***
Abreeza Corporate Center	***Php728,424,000***

MARKET VALUE APPRAISAL

Property exhibited to us by the
ACCENDO COMMERCIAL CORPORATION &
CAGAYAN DE ORO GATEWAY CORPORATION
AREIT Fund Managers, Inc.

(Centrio Mall and Centrio BPO Building)

Located in
Barangay 24
Cagayan De Oro City

19 February 2025

ACCENDO COMMERCIAL CORPORATION &
CAGAYAN DE ORO GATEWAY CORPORATION
AREIT Fund Managers, Inc.
27th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Metro Manila

Attention : **MR. TOMAS JULIAN R. SANTOS**
President and CEO

: **MS. MA. DIVINA Y. LOPEZ**
Chief Finance Officer

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 19 February 2025. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **CAGAYAN DE ORO GATEWAY CORPORATION & CAGAYAN DE ORO GATEWAY CORPORATION,** as well as on our inspections, research, and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

Management Responsibility of Client

The Client and its management are responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

Responsibility of the Valuation Professional

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data, and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2022 Edition) and Philippine Valuation Standards (2nd Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

Prohibitions

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

Representations

Cuervo Appraisers, Inc., through its Manila, Cebu, Iloilo, and Davao offices, has been in the business of providing asset valuation solutions for companies across all industries for 44 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible, and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

CUERVO APPRAISERS, INC.
By:

LIBERTY SANTIAGO-AÑO, IPA, MRICS
Vice President and General Manager
Real Estate Appraiser
Valid until: 07/17/2026
PRC Registration Number: 0000167
IPREA Membership No. 849
PTR No. 3040621
06 January 2025
City of Pasig

19 February 2025

ACCENDO COMMERCIAL CORPORATION &
CAGAYAN DE ORO GATEWAY CORPORATION
AREIT Fund Managers, Inc.
27th Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Metro Manila

Attention : **MR. TOMAS JULIAN R. SANTOS**
President and CEO

: **MS. MA. DIVINA Y. LOPEZ**
Chief Finance Officer

Subject : **CAI File No. 11-2024-1020-001A**
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted an appraisal of a certain real property exhibited to us by the **CAGAYAN DE ORO GATEWAY CORPORATION & CAGAYAN DE ORO GATEWAY CORPORATION AREIT Fund Managers, Inc.,** for the purpose of expressing an opinion on the ***market value*** of the property intended for corporate use as of ***27 November 2024.***

The appraised property is the ***Centrio Mall (buildings and its facilities),*** located **within Barangay 24, Cagayan De Oro City.**

The term ***Market Value,*** as used herein, is defined as:

> the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset for any associated taxes.

We personally inspected the property, investigated local market conditions, and gave consideration to the –

> Income Approach is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value;
>
> Capitalization rate;
>
> Extent, character, and utility of the property;

Lease / Rent rates for similar property; and

Highest and best use of the property.

Premised on the foregoing and as supported by the accompanying narrative report, it is our opinion that the ***market value*** of the property appraised as of ***27 November 2024*** is reasonably represented as under:

	Market Value (Php)	
	Discounted Cash Flow	**Direct Capitalization**
Centrio Mall	***4,896,593,000***	***4,936,323,000***
Centrio BPO Building	***638,229,000***	***563,035,000***

We made no investigation of and assume no responsibility for titles to or liabilities against the appraised property.

WE CERTIFY that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

CUERVO APPRAISERS, INC.
By:

CARMELA M. TORBELA
Department Manager - Real Estate
Real Estate Appraiser
PRC Registration Number: 0004270
Valid Until: 10/04/2025
IPREA Membership No. 1001
PTR No. 2784119
13 January 2025
City of Bacoor

OVT:mfm

CAI File No. 11-2024-1020-001A

LIMITING CONDITIONS

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.

2. ***Cuervo Appraisers, Inc.,*** by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.

3. Any erasure on appraisal date and/or value invalidates this valuation report.

4. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.

5. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.

6. This appraisal report is invalid unless it bears the service seal of ***Cuervo Appraisers, Inc*.**

   CAI File No. 11-2024-1020-001A

NARRATIVE REPORT

I. GENERAL

This report covers an appraisal of a certain property located within Barangay 24, Cagayan De Oro City. The appraisal was made for the purpose of expressing an opinion on the ***market value*** of the property as of ***27 November 2024***.

The term ***Market Value*** is defined as the estimated amount for which an asset or liability should exchange on the valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

In this definition, it is assumed that any transaction shall be based on cash or its equivalent consideration. The price which the property would fetch if offered for sale in the open market, would undoubtedly be affected, should the sale be on terms, whether favorable or unfavorable.

It is further assumed that the titles to the property are good, marketable, and free from liens and encumbrances; and that fee simple ownership is transferable.

The rights appraised in this report are the property rights in fee simple, free, and clear. Fee Simple is defined as the absolute fee without limitation to any particular class of heirs or restrictions but subject to the limitations of eminent domain, escheat, police power, and taxation.

II. PROPERTY LOCATION AND IDENTIFICATION

Based on previous appraisal report under CAI File No. 02-2023-0037A, the appraised property is the site of ***Centrio Mall,*** **bounded on the northeast by C.M. Recto Avenue; on the southeast by Captain Vicente Roa Street; and on the northwest by Corrales Avenue, within Barangay 24, Cagayan De Oro City.**

The property is located across Gaisano Mall, approximately 260 meters southeast from A. Velez Street; 290 meters northwest from SM CDO Downtown Premier; 850 meters northeast from J. Borje Street; 980 meters northwest from Limketkai Center; and about 1.5 kilometers northeast from Cagayan De Oro City Hall.

C.M. Recto Avenue is 25 meters wide; Corrales Avenue is 15 meters wide, and Captain Vicente Road Street is 10 meters wide. All are concrete paved and provided with underground drainage.

III. NEIGHBORHOOD DATA

The property is located in an area where land development is of mixed use, specifically commercial, institutional and residential.

Generally, the roads in the neighborhood are designed to accommodate light to heavy vehicular traffic loads. Major thoroughfares are concreted, with widths ranging from 10 to 30 meters and lighted with streetlamps.

Some of the important improvements in the vicinity are:

Gaisano Mall
SM CDO Downtown Premier
Northern Mindanao Medical Center
Provincial Health Office
Department of Trade and Industry
Cagayan De Oro Water District
Jesus Nazareno Parish Church
Red Planet Hotel

The subject property, Gaisano Mall, SM CDO Downtown Premier and Limketkai Mall serve as the commercial and shopping center of the residents in the area. These are all accessible from C.M. Recto Avenue by public transportation. Other community centers like the post office, public market, churches/chapels, hospitals/clinics and public schools are likewise accessible from the said thoroughfare.

IV. COMMUNITY FACILITIES AND UTILITIES

Electric power, water supply and telecommunication facilities are available on the subject property.

Public transportation connecting to various sections of Cagayan De Oro City and its neighboring cities and municipalities is available along C.M. Recto Avenue where the subject property fronts. Road lights, garbage collection, foot and mobile patrols of the Philippine National Police, and other community facilities and utilities are maintained by the city government.

V. LAND DATA

The land consists of five (5) contiguous lots, containing a total area of 32,703 square meters, technically identified as follows:

Lot/Survey Nos.	**TCT Nos.**	**Area (sq.m.)**
694-A-1-A/PSD-426166	137-2012002341	14,814
694-B-1/PSD-10-004148	137-2011002700	9,903
847-B-2/PSD-10-059794	137-2011002697	3,978
847-A-2-B/PSD-10-059813	137-2011002698	1,106
693	137-2011002696	2,902
		Total - 32,703 sq.m.

The above certificates of title were all issued by the Registry of Deeds for Cagayan De Oro City in favor of the **CAGAYAN DE ORO GATEWAY CORPORATION.**

The land, in its entirety, is bounded by the following properties:

Northeast	-	C.M. Recto Avenue
Southeast	-	Captain Vicente Road Street
Southwest	-	Lots 694-A-1-B, 690 and 692
Northwest	-	Corrales Avenue

Attached is a plan of the property as plotted based on the technical descriptions appearing in the titles furnished to us by the client. As shown, the land is irregular in shape with frontages of 167.54 meters on C.M. Recto Avenue, 255.41 meters on Corrales Avenue, and 185.07 meters on Captain Vicente Roa Street.

The terrain of the land is flat. Its elevation is uniform and at grade with the fronting street and avenues.

No title verification was conducted to confirm the existence of the owner's original copy of the titles supposedly on file with the Registry of Deeds since it is not included in the assignment.

Government Assessment

BIR Zonal Value of Real Property within Barangay 24, Cagayan De Oro City as per Department Order No. 032-2023, effective 20 July 2023:

Street Names	Classification	4th Revision Zonal Value (Php/sq.m.)
Corrales Avenue	Commercial Regular	61,300
C.M. Recto Avenue	Commercial Regular	58,900
Captain V. Roa Street	Commercial Regular	55,100

VI. DESCRIPTION OF THE BUILDINGS

The land is improved with buildings described as under:

Centro Mall/BPO Building

This is a lofty seven (7)-storey with basement, reinforced concrete-framed building, having pre-painted rib type long span iron sheet roof on steel trusses and frame and concrete slab partly with ACI insulation roofing; acoustic board on aluminum T-runner frame, suspended acoustic board on T-runner; fiber cement board, gypsum board on metal frame exposed concrete slab and colored T&G PVC panel ceilings; cement plastered concrete hollow blocks, glass on powder coated aluminum frame, and clear glass view partly with laminate wood and ceramic tile and aluminum composite panel cladding walls; cement plastered concrete hollow blocks and double walled plywood partitions; metal exits, steel plate, wood panel, glass on powder coated aluminum frame, glass on aluminum frame, swing glass, steel roll-up, plain steel flush, and steel doors; and ceramic tile, pebble washout, plain cement with epoxy paint finished and carpeted floor at office concrete floors.

The building features retail shops of having concrete slab floor, fiber cement board on metal furring acoustic board on T-runner ceilings; cement plastered concrete hollow block on walls and partitions; clear glass on powder coated aluminum frame windows; swing glass, wood panel and glass on aluminum frame doors; ceramic tiles and epoxy paint finished concrete floors; and granite tile wall to floor at comfort rooms.

The building is painted and provided with firefighting and alarm system, centralized air conditioning, CCTV cameras, water supply system, underground cistern, air wells, escalators, elevators, electrical lighting, plumbing, and telecommunication facilities.

The total floor area is approximately 75,842 square meters, allocated as follows:

Floor Levels	Gross Floor Area (sq.m.)	Leasable Floor Area (sq.m.)
Basement	10,126	
Ground	19,388	15,138
Second	18,141	14,605
Third	17,435	12,321
Fourth	2,648	2,131
Fifth	2,686	2,375
Sixth	2,709	2,399
Seventh	2,709	2,399
Total -	**75,842 sq.m.**	**51,368 sq.m.**

The estimated remaining economic life is 35 years.

Covered Walkway (along C.M. Recto Avenue)

This is an open-walled structure of steel tubular frame bolted on reinforced concrete footing having rib-type sheet partly fiber glass on steel frame roof, and ceramic tile floor.

The floor area is approximately 158 square meters.

The estimated remaining economic life is 20 years.

Covered Walkway (along Corrales Avenue)

This is an open walled structure of steel tubular frame having rib-type partly fiber glass sheet on steel frame roof, and ceramic tile floor.

The floor area is approximately 105 square meters.

The estimated remaining economic life is 20 years.

VII. HIGHEST AND BEST USE

Based upon an analysis of the property itself and the prevailing land usage in the neighborhood, we are of the opinion that a **commercial utility** would represent the highest and best use of the property.

Highest and Best Use is defined as the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

VIII. VALUATION

The **Income Approach** is a method in which the appraiser derives an indication of value for income-producing property by converting anticipated future benefits into current property value. The different techniques that can be utilized to accomplish this include direct capitalization, mortgage-equity capitalization, and discounted cash flow analysis. All three methods are based on an analysis of a property's operating income.

The first step in the Income Approach is estimating the Potential Gross Income (PGI) of the property. The PGI includes income from all possible sources, at 100% occupancy and before any deductions for expenses. These projections are generally calculated on an annual basis and are based on the analysis of data from the subject and comparable rental properties. With a potential gross income figure, a suggested value can be applied against the subject. After projecting the Potential Gross Income, an allowance is made for vacancy and credit loss, resulting in the Effective Gross Income (EGI). The EGI estimates the anticipated annual gross receipts from the property. The property may experience vacancies (even in a strong rental market) due to the time lag between successive tenants (e.g., remodeling). Collection losses can result from a tenant's inability or refusal to pay rent. After projecting the Effective Gross Income, the appraiser deducts the estimated operating expenses for the property. These operating expenses include all the costs required to maintain the earning potential of the property. The operating expenses are generally classified into two categories: fixed expenses and variable expenses.

Variable expenses are directly related to the occupancy, and therefore to the Effective Gross Income, of the property. Examples include Gross Receipt Taxes and management fees paid on a percentage of gross bases.

Fixed expenses are those which remain constant for the property regardless of occupancy. Examples include real property taxes and hazard insurance. The total operating expenses are deducted from the Effective Gross Income resulting in the Net Operating Income (NOI). The NOI is the annual estimated income generated by the property, before interest expense, depreciation and taxes. The Net Operating Income can be analyzed in three ways, as introduced above: direct capitalization, mortgage-equity analysis and discounted cash flow. For purposes of this report, we have adopted the Discounted Cash Flow Analysis, details of which are shown on the succeeding pages of this report.

A. Discounted Cash Flow Analysis

This form of analysis allows an investor or owner to make an assessment of the long-term return that is likely to be derived from a property with a combination of rental and capital growth over an assumed investment horizon. In undertaking this analysis, a wide range of assumptions are made including base rental, rental growth, statutory and operating expenses, and sale price and disposal of the property at the end of the investment period.

Having regard to these factors, we have carried out a discounted cash flow analysis over a 10-year investment horizon in which we have assumed that the property is sold at the start of the eleventh year of the cash flow. The cash flow analyses, which comprise annual income streams, are based upon the following assumptions/estimates:

Centrio Mall

1. Cash Flow is projected over a 10-year period;
2. The discount rate is estimated at 8.5%.
3. The capitalization rate adopted to arrive at the terminal value is 6.0%;
4. Escalation rate of gross revenue is pegged at 2.50% per year;
5. No allocated expense for capital expenditures based on the provided P&L projection provided to us, the Capex is zero;
6. Gross revenue is estimated at Php92,987,420 in year 1 with an escalation rate of 2.50% per year. This includes dues net and considers vacancy rate;
7. Direct operating expenses which include business tax, land lease, administration and management expenses is estimated at Php15,187,530 on year 1 which is 16% of the effective gross revenue; and
8. Marketing Cost is pegged at 3.5% of resale value.

Discounted Cash Flow Analysis (in PhP)
CENTRIO MALL

STATISTICS															
Discount Rate		8.50%													
Growth Rate		2.50%													
Terminal Capitalization Rate		6.00%													
Present Worth Factor				0.92166	0.84946	0.78291	0.72157	0.66505	0.61295	0.56493	0.52067	0.47988	0.44229		
			Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**Totals**	**11**
GROSS REVENUES			Escalation		0.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%		2.5%
Lease Rate				487	487	499	512	524	538	551	565	579	593		608
Total Annual Gross Rental				-	-	-	-	-	-	-	-	-	-	-	-
Total Annual Revenues				**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
LESS:															
Vacancy Rate (incl. bad debts)															
Effective Gross Revenues				**92,987,420**	**371,949,678**	**374,274,364**	**383,631,223**	**393,222,004**	**403,052,554**	**413,128,868**	**423,457,089**	**434,043,517**	**444,894,604**	**3,734,641,320**	**456,016,970**
LESS EXPENSES:															
Business Tax	3.00%			1,859,748	7,438,994	7,485,487	7,672,624	7,864,440	8,061,051	8,262,577	8,469,142	8,680,870	8,897,892	74,692,826	9,120,339
Land lease				5,579,245	22,316,981	22,456,462	23,017,873	23,593,320	24,183,153	24,787,732	25,407,425	26,042,611	26,693,676	224,078,479	27,361,018
Administration & Management Expenses				7,655,549	16,024,417	16,094,158	16,374,864	16,662,587	16,957,503	17,259,793	17,569,640	17,887,232	18,212,765	160,698,508	18,546,436
Others				92,987	371,950	374,274	383,631	393,222	403,053	413,129	423,457	434,044	444,895	3,734,641	456,017
Total -				**15,187,530**	**46,152,341**	**46,410,381**	**47,448,993**	**48,513,569**	**49,604,760**	**50,723,231**	**51,869,664**	**53,044,757**	**54,249,228**	**463,204,455**	**55,483,810**
NET OPERATING INCOME				**77,799,889**	**325,797,337**	**327,863,983**	**336,182,230**	**344,708,434**	**353,447,793**	**362,405,636**	**371,587,426**	**380,998,759**	**390,645,376**	**3,271,436,865**	**400,533,159**
ADD: Reversion Value (Resale Value)															6,675,552,651
LESS: Marketing Cost	3.50%	of Resale Value													233,644,343
Net Reversion Value															**6,441,908,308**
Present Worth Factor @	8.50%	discount rate		0.92166	0.84946	0.78291	0.72157	0.66505	0.61295	0.56493	0.52067	0.47988	0.44229		0.44229
Present Worth of Net Income				**71,704,967**	**276,750,271**	**256,687,367**	**242,580,452**	**229,246,767**	**216,644,090**	**204,732,494**	**193,474,220**	**182,833,561**	**172,776,752**	**2,047,430,940**	
Present Worth of Net Reversion Value															**2,849,162,090**

Total Present Value of Net Income	**2,047,430,940**
Present Worth of Net Reversion Value	**2,849,162,090**
Total	**4,896,593,030**

Market Value of Property (Land, Building and its Facilities)	**PhP**	**4,896,593,030**
Rounded to	**PhP**	**4,896,593,000**

Centrio BPO Building

1. Cash Flow is projected over a 10-year period;
2. The discount rate is estimated at 9.75%;
3. The capitalization rate adopted to arrive at the terminal value is 6.75%;
4. Escalation rate of gross revenue is estimated at 3% per year;
5. Capital Expenditures is estimated at 5% of effective gross revenue;
6. Gross revenue is estimated at Php62,837148 in year 1. This includes dues net and considers vacancy rate;
7. Direct operating expenses which include business tax, land lease, administration and management expenses is estimated at Php16,206,508 on year 1 which is 25.6% of the effective gross revenue; and
8. Marketing Cost is pegged at 3.5% of resale value.

Discounted Cash Flow Analysis (in PhP)
CENTRIO BPO BUILDING

STATISTICS															
Gross Leasable Area		9,053.00	sq.m.												
Discount Rate		9.75%													
Growth Rate		3.00%													
Terminal Capitalization Rate		6.75%													
Present Worth Factor				0.91116	0.83022	0.75646	0.68926	0.62803	0.57223	0.52140	0.47508	0.43287	0.39442		
			Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**Totals**	**11**
GROSS REVENUES			Escalation		2.50%	5.00%	5.00%	5.00%	-15.72%	1.50%	3.00%	3.00%	3.00%		3.00%
Lease Income-Office				59,418,139	60,903,592	63,948,772	67,146,210	70,503,521	59,418,139	60,309,411	62,118,693	63,982,254	65,901,722		67,878,773
PAS Adjustment				3,419,010											
Dues - Net				- 6,542,119	5,245,733	5,685,720	6,154,882	6,654,967	9,806,606	9,674,707	10,965,784	12,331,632	13,776,074		17,267,124
Total Annual Gross Rental				-	-	-	-	-	-	-	-	-	-	-	-
Total Annual Revenues				**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
LESS:															
Vacancy Rate (incl. bad debts)															
Effective Gross Revenues				**56,295,030**	**66,149,325**	**69,634,492**	**73,301,092**	**77,158,488**	**69,224,744**	**69,984,117**	**73,084,477**	**76,313,886**	**79,677,796**	**710,823,447**	**85,145,897**
LESS EXPENSES:															
Management Fees	3.00%			3,030,518	4,875,064	4,939,093	5,003,924	5,069,560	4,874,444	4,941,523	5,009,551	5,078,540	5,148,503		4,861,958
RPT	6.00%			5,163,150	4,964,567	4,964,567	4,964,567	4,964,567	4,964,567	4,964,567	4,964,567	4,964,567	4,964,567		4,964,567
Business Tax				1,614,226	2,645,973	2,785,380	2,932,044	3,086,340	2,768,990	2,799,365	2,923,379	3,052,555	3,187,112		3,405,836
Insurance				519,752	540,542	562,164	584,650	608,036	608,036	608,036	608,036	608,036	608,036		608,036
Land Lease, 9%				5,347,632	5,481,323	5,755,389	6,043,159	6,345,317	5,347,632	5,427,847	5,590,682	5,758,403	5,931,155		6,109,090
Others				81,662	83,665	85,737	87,882	90,101	87,807	88,698	91,022	93,431	95,928		93,925
Total -				15,756,940	18,591,134	19,092,330	19,616,225	20,163,921	18,651,476	18,830,036	19,187,238	19,555,533	19,935,301	189,380,133	20,043,412
Capital Expenditures				2,814,751	3,307,466	3,481,725	3,665,055	3,857,924	3,461,237	3,499,206	3,654,224	3,815,694	3,983,890		4,257,295
Total -				**18,571,691**	**21,898,600**	**22,574,055**	**23,281,280**	**24,021,845**	**22,112,714**	**22,329,242**	**22,841,462**	**23,371,227**	**23,919,190**	**224,921,305**	**24,300,706**
NET OPERATING INCOME				**37,723,338**	**44,250,725**	**47,060,437**	**50,019,812**	**53,136,642**	**47,112,031**	**47,654,876**	**50,243,015**	**52,942,659**	**55,758,605**	**485,902,142**	**60,845,190**
ADD: Reversion Value (Resale Value)															901,410,228
LESS: Marketing Cost	3.50%	of Resale Value													31,549,358
Net Reversion Value															**869,860,870**
Present Worth Factor @	9.75%	discount rate		0.91116	0.83022	0.75646	0.68926	0.62803	0.57223	0.52140	0.47508	0.43287	0.39442		0.39442
Present Worth of Net Income				**34,372,062**	**36,737,647**	**35,599,374**	**34,476,561**	**33,371,172**	**26,959,054**	**24,847,096**	**23,869,288**	**22,917,381**	**21,992,096**	**295,141,732**	
Present Worth of Net Reversion Value															**343,087,192**

Total Present Value of Net Income	**295,141,732**
Present Worth of Net Reversion Value	**343,087,192**
Total	**638,228,925**

Market Value of Property (Land, Building and its Facilities)	**PhP**	**638,228,925**
Rounded to	**PhP**	**638,229,000**

Cuervo Appraisers, Inc.®
ASSET VALUATION SOLUTIONS

On the basis of the foregoing, the market value of the property (buildings and its facilities) using the Discounted Cash Flow Analysis, is represented in the amount as follows:

	Market Value (Php)
Centrio Mall	***Php4,896,593,000***
Centrio BPO Building	***Php638,229,000***

B. Direct Capitalization

Direct capitalization typically involves the analysis of a single year's net income (or average of several years' income). The net income after deducting the costs of labor, management, maintenance, operations, and other related expenses is capitalized by an appropriate overall capitalization rate to derive value. Using the same assumptions/estimates made on the discounted cash flow analysis, and adopting the capitalization rates of 6.60 (mall) and 6.70% (bpo building), the value of the property using the Direct Capitalization Method is estimated as follows:

Centrio Mall

Potential Annual Gross Revenue:				
	Lease Rates	=	Php	-
Less:	Provision for vacancy and bad debts	=	Php	-
	Effective Gross Revenue	=	**Php**	**371,949,678**
Less:	Direct Operating Expenses			
	Business Tax	=	Php	7,438,994
	Land lease			22,316,981
	Administration & Management Expenses			16,024,417
	Others			371,950
	Total Expenses	=	**Php**	**46,152,341**
	Net Operating Income	**=**	**Php**	**325,797,337**
	Capitalized at 6.60%	=	**Php**	4,936,323,293
	Market Value of the building	=	**Php**	**4,936,323,293**
	Say	=	**Php**	**4,936,323,000**

Note: The income and expenses are based on the second year of the projected cash flow.

Centrio BPO Building

Potential Annual Gross Revenue:				
	Lease Rates	=	Php	-
Less:	Provision for vacancy and bad debts	=	Php	-
	Effective Gross Revenue	=	**Php**	**56,295,030**
Less:	Direct Operating Expenses			
	Management Fees -ALI	=	Php	3,030,518
	RPT			5,163,150
	Business tax			1,614,226
	Land Lease			519,752
	Insurance			5,347,632
	Others			81,662
	Capital Expenditures			2,814,751
	Total Expenses	=	**Php**	**18,571,691**
	Net Operating Income	**=**	**Php**	**37,723,338**
	Capitalized at 6.70%	=	**Php**	563,034,900
	Market Value of the building	=	**Php**	**563,034,900**
	Say	=	**Php**	**563,035,000**

On the basis of the foregoing, the market value of the property (building and its facilities), using the Income Approach (Direct Capitalization) is is represented in the amount as follows:

	Market Value (Php)
Centrio Mall	***Php4,936,323,000***
Centrio BPO Building	***Php563,035,000***

ANNEX C –PROPERTY DETAILS

	Cebu				Davao		Cagayan de Oro	
	Central Bloc Office 1	**Central Bloc Office 2**	**Central Bloc Mall**	**Seda Central Bloc**	**Abreeza Mall**	**Abreeza BPO**	**Centrio Mall**	**Centrio BPO**
Year Completed	2019	2020	2019	2020	2011	2013	2012	2016
Description	Headquarter Office	Headquarter Office	Lifestyle Shopping Center	Contemporary Business Hotel	Lifestyle Shopping Center	BPO Office	Lifestyle Shopping Center	BPO Office
Location	Cebu City	Cebu City	Cebu City	Cebu City	Davao City	Davao City	City of Cagayan de Oro	City of Cagayan de Oro
Project Owner	Ayala Land, Inc.	Ayala Land, Inc.	Ayala Land, Inc.	Ayala Land, Inc.	Accendo Commercial Corporation	Accendo Commercial Corporation	Cagayan de Oro Gateway Corporation	Cagayan de Oro Gateway Corporation
GLA (sq. m)	28,483	38,633	70,956	13,997	97,571	9,214	92,707	9,053
2025 Occupancy	95%	97%	100%	100%	100%	98%	100%	100%
AREIT's right over Land	Leasehold	Leasehold	Leasehold	Leasehold	Leasehold	Leasehold	Leasehold	Leasehold
Landowner	Ayala Land, Inc.	Ayala Land, Inc.	Ayala Land, Inc.	Ayala Land, Inc.	Accendo Commercial Corporation	Accendo Commercial Corporation	Cagayan de Oro Gateway Corporation	Cagayan de Oro Gateway Corporation
Land Lease Term	40 years	40 years	40 years	40 years	40 years	40 years	40 years	40 years
Master Lease Escalation	N/A	N/A	2.5% per annum	2.5% per annum	2.5% per annum	N/A	2.5% per annum	N/A

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

COMPANY REG. NO. 152747

CERTIFICATE OF FILING
OF
AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

AYALA LAND, INC.
[Amending Articles III & VII thereof.]

copy annexed, adopted on February 21, 2014 and April 07, 2014 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980 and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 22nd day August, Twenty Fourteen.

GERARDO F. DEL ROSARIO
Officer-In-Charge
Company Registration and Monitoring Department

DSJ2014
02103325

AMENDED ARTICLES OF INCORPORATION

OF

AYALA LAND, INC.
(SEC Reg. No. 152747)

KNOW ALL MEN BY THESE PRESENTS:

We, all of legal age, Filipino citizens, and all of whom are residents of the Philippines, have this day voluntarily associated ourselves for the purpose of forming a corporation in accordance with the laws of the Philippines, and

By These Presents Certify:

FIRST – That the name of the Corporation is

"AYALA LAND, INC."

SECOND – That the purpose or purposes for which said Corporation is formed are as follows:

<u>PRIMARY</u>

(1) To deal and engage in land or real estate business in all its branches and ramifications, to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent, or otherwise deal in and dispose of, for itself or for others, for profit and advantage, residential including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property, improved or unimproved, with or to such persons and entities and under such terms and conditions as may be permitted by law; to acquire, purchase, hold, manage, develop, and sell subdivision lots, with or without buildings or improvements, for such other consideration and in such manner or form as the Corporation may determine or as the law permits; to erect, construct, alter, manage, operate, lease, in whole or in part, buildings and tenements of the Corporation or of other persons, to engage or act as real estate broker, on commission or for such fees as may be proper or legal and to exercise or undertake such powers and purposes as may be required and necessarily implied from the purposes herein mentioned.

<u>SECONDARY</u>

(2) To deal, engage, and transact, directly or indirectly, in all forms of business and mercantile acts and transactions concerning all kinds of real or personal property, goods, wares, chattel, choses in action, tangible and intangible properties, technical and industrial equipment, personal and real rights, commercial papers, evidence of indebtedness, or other forms of obligations, services, and all other things including future ones, which are not excluded from the commerce of men or which are not contrary to law or good morals;

(3) To act as financial, commercial, general agent or factor to undertake the general management or representation of any person, partnership, firm, or corporation in carrying on, either in or outside the Philippines, any transaction or negotiation in any business of commercial, manufacturing, or other business of any nature, and to perform all such transactions as shall tend to promote the best interest of the Corporation and those it represents except the management of the funds or portfolio of the corporation it represents;

(4) To borrow or raise money or funds for the purpose of the Corporation, and in pursuance thereof, to issue mortgages, hypothecations, deeds of trust, debentures, bonds, liens, or other obligations of the Corporation, either at par, premium, or discount, secured by all or part of the revenues, rights, interests, and properties of the Corporation, and to change or vary from time to time any such mortgages, obligations, and securities;

(5) To acquire for itself or in behalf of other parties, and to invest in, hold, sell, or otherwise dispose of, stocks, bonds, debentures, certificates, or other securities of any corporation, domestic or foreign, or other persons in the same manner and to the same extent as juridical persons might or could do, and while the owner or holder of such stocks, bonds, or other securities, to exercise all rights, privileges, and powers appurtenant thereto; without dealing in securities or engaging in stock brokerage business;

(6) To apply for, obtain, register, lease, license, purchase, or otherwise acquire, and to hold, use, own, operate, sell, assign, and dispose of any trademark, tradename, trade secrets, formulas, patents, inventions, copyrights, and processes used in connection with or secured under letters, patents, copyrights, domestic or foreign;

(7) To buy, sell, rent, manufacture, install use, operate and generally deal in and with machines, devices, apparatuses, inventions, gadgets, and other kinds of technical or industrial equipment or improvement within the commerce of man;

(8) To make, enter into, and ratify and confirm, undertake and perform all kinds of lawful contracts with any person, firm, or corporation without limit as to amount and conditions including, but not limited to, contracts creating rights, encumbrances, liens, easements, servitudes, and other privileges respecting any property or girth of any kind owned by the Corporation, and

(9) To do all such other things and acts as are necessary or impliedly included, incidental or conducive to the attainment of the above objects or any of them, or which may be conveniently carried on or done in connection therewith, or which may directly or indirectly enhance the value of or render profitable any business of the Corporation; provided always that, nothing shall be done in connection with any of the above objects of the Corporation which is prohibited by the laws of the Philippines now or hereafter existing, and provided further that the funds of the Corporation invested for one purpose shall not be diverted to another purpose except in accordance with the Corporation Law of the Philippines.

THIRD - That the place where the principal office of the Corporation is located is **at 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City**, Metro Manila, Philippines, but it may establish such branch offices in any place or places in or outside the Philippines as may be approved by the Board of Directors. **(As amended on 7 April 2014)**

FOURTH - That the term for which the Corporation is to exist is fifty (50) years from date of incorporation.

FIFTH - That the names and residences of the incorporators and their nationalities are the following:

Name	Residence	Nationality
Jaime Zobel de Ayala	[redacted]	
Renato L. de la Fuente		
Ariston Estrada Jr.		
Francis H. Licuanan III		
Jaime A. Zobel de Ayala II		

SIXTH - That the number of directors of the Corporation shall be nine (9) and the names and residences of said directors who are to serve until their successor are elected and qualified as provided for in the by-laws are as follows: (As amended on 11 May 1994)

Name	Residence
Jaime Zobel de Ayala	[redacted]
Renato L. de la Fuente	
Ariston Estrada Jr.	
Francis H. Licuanan III	
Vicente R. Ayllon	
Manuel Q. Bengson	
Jaime A. Zobel de Ayala II	
Fernando Zobel de Ayala	

SEVENTH - That the capital stock of said Corporation is **TWENTY ONE BILLION FIVE HUNDRED MILLION PESOS (P21,500,000,000.00),** Philippine Currency, divided into TWENTY BILLION (20,000,000,000) Common Shares with a par value of ONE PESO (P1.00) per share, or the aggregate amount of TWENTY BILLION PESOS (P20,000,000,000.00), and FIFTEEN BILLION

(15,000,000,000) Voting Preferred Shares with a par value of TEN CENTAVOS (P0.10) per share, or the aggregate amount of ONE BILLION FIVE HUNDRED MILLION (P1,500,000,000.00). (As amended on 18 April 2012)

Common Shares

All common shares of stock of the Corporation shall enjoy the same rights and privileges. Common Shares may be owned or subscribed by or transferred to any person, partnership, association, or corporation regardless of nationality; provided that, at anytime at least 60% of the outstanding capital stock shall be owned by citizens of the Philippines or by partnerships, associations, or corporations 60% of the voting stock or voting power of which is owned and controlled by citizens of the Philippines. (As amended on 02 April 2008)

Any and all issues of the Corporation's common stocks, **except as otherwise specified in this Article Seventh or by law, shall be subject to the stockholders' pre-emptive rights in accordance with law. No stockholder of the Corporation shall have pre-emptive rights to** (i) issues of common shares covered by the Corporation's Stock Option Plans for its employees and officers, and **the members of the management committees of its subsidiaries or affiliates,** (ii) the issuance, sale or other disposition of treasury shares, **and (iii)** the issuance of common shares in one or more offerings, with the approval of stockholders representing two-third (2/3) of the outstanding capital stock, for the purpose of exchanging such shares for properties or assets and/or to raise funds to acquire properties or assets needed for the business of the Corporation and/or in payment of a previously contracted debt. **(As amended on 7 April 2014)**

One Billion (1,000,000,000) unissued common shares of the Corporation (the "Carved-out Shares") are hereby reserved or allocated for issuance, in one or more transactions or offerings, (i) for properties or assets needed for the business of the Corporation, or (ii) for cash to acquire properties or assets needed for the business of the Corporation, or (iii) in payment of debt contracted prior to the issuance of the Carved-out Shares. The issuance of all or any part of the Carved-out Shares is not subject to any pre-emptive rights by any shareholder and does not require the approval of stockholders. (As amended on 7 April 2014)

Voting Preferred Shares

The voting preferred shares shall have the following features, rights, and privileges:

a) Voting Rights. Voting, with each share entitled to one (1) vote.

b) Dividend Rate. Dividend rate to be determined by the Board of Directors at the time of the issuance of the shares, equivalent to 90% of the 10-year PDST R2 (to be re-priced every ten (10) years), payable annually, non-cumulative.

c) Convertibility. Shareholders have the option to convert one (1) voting preferred share to one (1) common share commencing on the 10th year after the issuance of the Voting Preferred Shares at a conversion price which shall be the higher of (i) the 30-day average closing price or (ii) closing price immediately preceding the exercise of the conversion option less the par value of the voting preferred shares.

d) Pre-emptive Rights. No pre-emptive rights to any issue of shares, common, preferred, or voting preferred.

e) Redemption. These shares shall be redeemable at par at the sole option of the Corporation under terms and conditions approved by the Board of Directors.

f) Listing. Non-listed

g) Liquidation Rights. Preferred in liquidation to the extent of par value. (As amended on 18 April 2012)

No transfer of stock or interest which will reduce the ownership of Filipino citizens to less than the required percentage of the capital as provided by existing laws shall be allowed or permitted to be recorded in the proper books of the Corporation and this resolution shall be indicated in all stock certificates issued by the Corporation (As amended on 16 April 1997).

EIGHT - That the amount of capital stock which has been actually subscribed is TWO HUNDRED FIFTY MILLION PESOS (P250,000,000.00) and that the following persons have subscribed for the number of shares in the amount of the capital stock set out after their respective names:

Name	Nationality	No. & Class of Shares A	No. & Class of Shares B	Subscribed
Ayala Corporation	Filipino	2,249,992		P224,999,200
Ayala Corporation	Filipino		250,000	25,000,000
Jaime Zobel de Ayala	Filipino	1	-	100
Francisco H. Licuanan III	Filipino	1	-	100
Renato L. de la Fuente	Filipino	1	-	100
Ariston Estrada Jr.	Filipino	1	-	100
Jaime A. Zobel de Ayala II	Filipino	1	-	100
Fernando Zobel de Ayala	Filipino	1	-	100
Vicente R. Ayllon	Filipino	1	-	100
Manuel Q. Bengson	Filipino	1	-	100
		2,250,000	250,000	P250,000,000

NINTH - That the following persons have paid on the shares of the capital stock for which they have subscribed the amounts set out after their respective names:

Name	Nationality	Amount
Ayala Corporation (A)	Filipino	P134,999,200
Ayala Corporation (B)	Filipino	15,000,000
Jaime Zobel de Ayala	Filipino	100

Francis H. Licuanan III	Filipino	100
Renato L. de la Fuente	Filipino	100
Ariston Estrada Jr.	Filipino	100
Jaime A. Zobel de Ayala II	Filipino	100
Fernando Zobel de Ayala	Filipino	100
Vicente R. Ayllon	Filipino	100
Manuel Q. Bengson	Filipino	100
		P150,000,000

TENTH - That ARISTON ESTRADA JR. has been elected by the subscribers as Treasurer of the Corporation, to act as such until his successor has been duly elected and qualified in accordance with the By-Laws, and that, as such Treasurer, he has been authorized to receive for the Corporation and to receipt in its name for all subscriptions paid in by the said subscribers.

IN WITNESS WHEREOF, we have hereunto set our hands at Makati, Metro Manila, Philippines this June 20, 1988.

(Sgd)
JAIME ZOBEL DE AYALA

(Sgd)
RENATO L. DE LA FUENTE

(Sgd)
ARISTON ESTRADA JR.

(Sgd)
FRANCISCO H. LICUANAN III

(Sgd)
JAIME A. ZOBEL DE AYALA II

Signed in the Presence of:

(Sgd)
GREGORIO C. PARFAN

(Sgd)
LOURDES F. BARCELONA

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI, METRO MANILA) SS.

BEFORE ME, personally appeared with their respective residence certificates, to wit:

Jaime Zobel de Ayala [redacted]

Renato L. de la Fuente

Ariston Estrada, Jr.

Francis H. Licuanan III

Jaime A. Zobel de Ayala II

known to me and to me known to be the same persons who executed the foregoing Articles of Incorporation and they acknowledged to me that the same is their free act and deed.

WITNESS MY HAND AND SEAL this 20th day of June 1988 at Makati, Metro Manila, Philippines.

(Sgd)
RENAN R. OSERO
Notary Public
Until December 31, 1988
PTR# -347157 – 01 Feb. 1988
Makati, Metro Manila
TAN: 02660-J2253-A-1

Doc. No. 302;
Page No. 62;
Book No. III;
Series of 1988.

SEC
8-18-14

AYALA LAND, INC.
(SEC Reg. No. 152747)

DIRECTORS' CERTIFICATE

OF AMENDMENT OF THE ARTICLES OF INCORPORATION

WE, being a majority of the members of the Board of Directors and the Corporate Secretary of **Ayala Land, Inc.** (the "Corporation"), do hereby certify that –

1. At its regular meeting on 21 February 2014, a majority of the members of the Board of Directors approved Resolution No. B-14-14 to approve and authorize the amendment of the Seventh Article of the Articles of Incorporation to exempt from pre-emptive rights (1) One Billion (1,000,000,000) common shares issued for acquisitions or debt payments, and (2) common shares covered by stock options granted to members of the Management Committees of the Corporation's subsidiaries or affiliates.

2. At the annual stockholders' meeting of the Corporation on 21 February 2014 at the Fairmont Makati, Resolution No. S-04-14 was approved by the affirmative vote of stockholders owning at least two-thirds (2/3) of the outstanding capital stock approving and authorizing the amendment of the Seventh Article of the Articles of Incorporation to exempt from pre-emptive rights (1) One Billion (1,000,000,000) common shares issued for acquisitions or debt payments, and (2) common shares covered by stock options granted to members of the Management Committees of the Corporation's subsidiaries or affiliates.

3. The Corporation has complied with all the requirements of Section 16 of the Corporation Code.

4. Attached herewith is a copy of the Articles of Incorporation of the Corporation as amended.

IN WITNESS WHEREOF, we signed this Certificate this JUN 16 2014 at Makati City.

(Signature page follows.)

FERNANDO ZOBEL DE AYALA
Chairman of the Board
[redacted]

JAIME AUGUSTO ZOBEL DE AYALA
Director
[redacted]

ANTONINO T. AQUINO
Director
[redacted]

JAIME C. LAYA
Director
[redacted]

FRANCIS G. ESTRADA
Director
[redacted]

BERNARD VINCENT O. DY
Director
[redacted]

SOLOMON M. HERMOSURA
Corporate Secretary
[redacted]

SUBSCRIBED AND SWORN to before me this JUN 1 6 2014 at Makati City, the affiants exhibited to me their respective competent evidence of identity, as follows:

Name	Competent Evidence of Identity	Date and Place of Issuance
Fernando Zobel de Ayala	[redacted]	
Jaime Augusto Zobel de Ayala		
Bernard Vincent O. Dy		
Antonino T. Aquino		
Francis G. Estrada		
Jaime C. Laya		
Solomon M. Hermosura		

Doc. No. 149 ;
Page No. 35 ;
Book No. 71 ;
Series of 2014.

Notarial DST pursuant to Sec. 188 of the Tax Code affixed on Notary Public's copy.

ROBERTO T. ONGSIAKO NOTARY PUBLIC ROLL NO. 37041 MAKATI CITY, PHILIPPINES

ROBERTO T. ONGSIAKO
Notary Public – Makati City
Appt. No. 278 until December 31, 2014
Attorney's Roll No. 37041
PTR No. 4232757MC; 01-07-2014; Makati City
IBP Lifetime Roll No. 02163
MCLE Compliance No. IV – 0014192; 03-20-2013
3rd Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

OFFICIAL RECEIPT
Republic of the Philippines
DEPARTMENT OF FINANCE
SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, 1554

Accountable Form No. 51 Revised 2006	**ORIGINAL**
DATE August 18, 2014	No. 1162455
PAYOR AYALA LAND INC. MAKATI CITY	

NATURE OF COLLECTION	ACCOUNT CODE	RESPONSIBILITY CENTER	AMOUNT
LRF (A0823)	131	CRMD	20.00
AMENDED ARTICLES	606	CRMD	500.00
AMENDED BY LAWS	606	CRMD	500.00
		TOTAL	PHP 1,020.00

AMOUNT IN WORDS
ONE THOUSAND TWENTY PESOS AND 0/100

Received: [X] Cash / [ ] Treasury Warrant / [ ] Check / [ ] Money Order	Received the Amount Stated Above
Treasury Warrant, Check, Money Order Number	Carlota A. Brown COLLECTING OFFICER
Date of Treasury Warrant, Check, Money Order	O.R. No. 1162455

NOTE: Write the number and date of this receipt on the back of treasury warrant, check or money order received.

AMENDED GENERAL INFORMATION SHEET

FOR THE YEAR 2024

STOCK CORPORATION

GENERAL INSTRUCTIONS:

1. FOR USER CORPORATION: THIS GIS SHOULD BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS FROM THE DATE OF THE ANNUAL STOCKHOLDERS' MEETING. **DO NOT LEAVE ANY ITEM BLANK.** WRITE "N.A." IF THE INFORMATION REQUIRED IS NOT APPLICABLE TO THE CORPORATION OR "NONE" IF THE INFORMATION IS NON-EXISTENT. IF THE ANNUAL STOCKHOLDERS' MEETING IS HELD ON A DATE OTHER THAN THAT STATED IN THE BY-LAWS, THE GIS SHALL BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS AFTER THE ELECTION OF THE DIRECTORS, TRUSTEES AND OFFICERS OF THE CORPORATION AT THE ANNUAL STOCKHOLDERS' MEETING.
2. IF NO MEETING IS HELD, THE CORPORATION SHALL SUBMIT THE GIS NOT LATER THAN JANUARY 30 OF THE FOLLOWING YEAR. HOWEVER, SHOULD AN ANNUAL STOCKHOLDERS' MEETING BE HELD THEREAFTER, A NEW GIS SHALL BE
3. THIS GIS SHALL BE ACCOMPLISHED IN ENGLISH AND CERTIFIED AND SWORN TO BY THE **CORPORATE SECRETARY** OF THE CORPORATION.
4. THE SEC SHOULD BE TIMELY APPRISED OF RELEVANT CHANGES IN THE SUBMITTED INFORMATION AS THEY ARISE. FOR CHANGES RESULTING FROM ACTIONS THAT AROSE BETWEEN THE ANNUAL MEETINGS, THE CORPORATION SHALL SUBMIT AMENDED GIS CONTAINING THE NEW INFORMATION TOGETHER WITH A COVER LETTER SIGNED BY THE CORPORATE SECRETARY OF THE CORPORATION. THE AMENDED GIS AND COVER LETTER SHALL BE SUBMITTED WITHIN SEVEN (7) DAYS AFTER SUCH CHANGE OCCURRED OR BECAME EFFECTIVE.
5. SUBMIT FOUR (4) COPIES OF THE GIS TO THE RECEIVING SECTION AT THE SEC MAIN OFFICE, OR TO SEC SATELLITE OFFICES OR EXTENSION OFFICES. ALL COPIES SHALL UNIFORMLY BE ON A4 OR LETTER-SIZED PAPER. THE PAGES OF ALL COPIES SHALL USE ONLY ONE SIDE.
6. **ONLY THE GIS ACCOMPLISHED IN ACCORDANCE WITH THESE INSTRUCTIONS SHALL BE CONSIDERED AS HAVING BEEN**
7. THIS GIS MAY BE USED AS EVIDENCE AGAINST THE CORPORATION AND ITS RESPONSIBLE DIRECTORS/OFFICERS FOR ANY VIOLATION OF EXISTING LAWS, RULES AND REGULATIONS.

==================== PLEASE PRINT LEGIBLY ====================

CORPORATE NAME: AYALA LAND, INC.			**DATE REGISTERED:** JUNE 30, 1988
BUSINESS/TRADE NAME: AYALA LAND, INC.			**FISCAL YEAR END:** DECEMBER 31
SEC REGISTRATION NUMBER: 152747			**CORPORATE TAX IDENTIFICATION NUMBER (TIN)** 000-153-790-000
DATE OF ANNUAL MEETING PER BY-LAWS: ANY DATE IN APRIL OF EACH YEAR			
ACTUAL DATE OF ANNUAL MEETING APRIL 25, 2024			**WEBSITE/URL ADDRESS:** www.ayalaland.com.ph
COMPLETE PRINCIPAL OFFICE ADDRESS: 31/F TOWER ONE AND EXCHANGE PLAZA, AYALA TRIANGLE, AYALA AVENUE, MAKATI CITY			**EMAIL ADDRESS:** inquiry@ayalaland.com.ph
COMPLETE BUSINESS ADDRESS: 31/F TOWER ONE AND EXCHANGE PLAZA, AYALA TRIANGLE, AYALA AVENUE, MAKATI CITY			**FAX NUMBER:** 7750-6790
OFFICIAL E-MAIL ADDRESS: corporatesecretary@ayalaland.com.ph	**ALTERNATE E-MAIL ADDRESS:**	**OFFICIAL MOBILE NUMBER:**	**ALTERNATE MOBILE NO.:**
NAME OF EXTERNAL AUDITOR & ITS SIGNING PARTNER: ISLA LIPANA & CO. RODERICK M. DANAO	**SEC ACCREDITATION NUMBER (if applicable):** N.A.		**TELEPHONE NUMBER(S):** 7908-3100 / 7908-3676
PRIMARY PURPOSE/ACTIVITY/INDUSTRY PRESENTLY ENGAGED IN: Please see Annex "A"		**INDUSTRY CLASSIFICATION:** REAL ESTATE	**GEOGRAPHICAL CODE:** N.A.

==================== INTERCOMPANY AFFILIATIONS ====================

PARENT COMPANY	SEC REGISTRATION NUMBER	ADDRESS
AYALA CORPORATION	34218	37F to 39F, AYALA TRIANGLE GARDENS TOWER 2, PASEO DE ROXAS COR. MAKATI AVENUE, MAKATI CITY 1226
SUBSIDIARY/AFFILIATE	**SEC REGISTRATION NUMBER**	**ADDRESS**
PLEASE SEE "ANNEX B"		

NOTE: USE ADDITIONAL SHEET IF NECESSARY

Note: This Amended General Information Sheet is being filed to report the retirement of an officer effective January 1, 2025.

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

=============================== PLEASE PRINT LEGIBLY ===============================

CORPORATE NAME:

AYALA LAND, INC.

A. Is the Corporation a covered person under the Anti Money Laundering Act (AMLA), as amended? (Rep. Acts. 9160/9164/10167/10365) Yes [√] No [ ]

Please check the appropriate box:

1.

- [ ] a. Banks
- [ ] b. Offshore Banking Units
- [ ] c. Quasi-Banks
- [ ] d. Trust Entities
- [ ] e. Non-Stock Savings and Loan Associations
- [ ] f. Pawnshops
- [ ] g. Foreign Exchage Dealers
- [ ] h. Money Changers
- [ ] i. Remittance Agents
- [ ] j. Electronic Money Issuers
- [ ] k. Financial Institutions which Under Special Laws are subject to Bangko Sentral ng Pilipinas' (BSP) supervision and/or regulation, including their subsidiaries and affiliates.

2.

- [ ] a. Insurance Companies
- [ ] b. Insurance Agents
- [ ] c. Insurance Brokers
- [ ] d. Professional Reinsurers
- [ ] e. Reinsurance Brokers
- [ ] f. Holding Companies
- [ ] g. Holding Company Systems
- [ ] h. Pre-need Companies
- [ ] i. Mutual Benefit Association
- [ ] j. All Other Persons and entities supervised and/or regulated by the Insurance Commission (IC)

3.

- [ ] a. Securities Dealers
- [ ] b. Securities Brokers
- [ ] c. Securities Salesman
- [ ] d. Investment Houses
- [ ] e. Investment Agents and Consultants
- [ ] f. Trading Advisors
- [ ] g. Other entities managing Securities or rendering similar services
- [ ] h. Mutual Funds or Open-end Investment Companies
- [ ] i. Close-end Investment Companies
- [ ] j. Common Trust Funds or Issuers and other similar entities
- [ ] k. Transfer Companies and other similar entities
- [ ] l. Other entities administering or otherwise dealing in currency, commodities or financial derivatives based thereon
- [ ] m. Entities administering or otherwise dealing in valuable objects
- [ ] n. Entities administering or otherwise dealing in cash substitutes and other similar monetary instruments or property supervised and/or regulated by the Securities and Exchange Commission (SEC)

4. [ ] Jewelry dealers in precious metals, who, as a business, trade in precious metals

5. [ ] Jewelry dealers in precious stones, who, as a business, trade in precious stone

6. Company service providers which, as a business, provide any of the following services to third parties:

- [ ] a. acting as a formation agent of juridical persons
- [ ] b. acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons
- [ ] c. providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement
- [ ] d. acting as (or arranging for another person to act as) a nominee shareholder for another person

7. Persons who provide any of the following services:

- [ ] a. managing of client money, securities or other assets
- [ ] b. management of bank, savings or securities accounts
- [ ] c. organization of contributions for the creation, operation or management of companies
- [ ] d. creation, operation or management of juridical persons or arrangements, and buying and selling business entities

8. [√] None of the above

Describe nature of business:

REAL ESTATE AS PROVIDED UNDER RA 11521

B. Has the Corporation complied with the requirements on Customer Due Diligence (CDD) or Know Your Customer (KYC), record-keeping, and submission of reports under the AMLA, as amended, since the last filing of its GIS? Yes [√] No [ ]

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

=================== PLEASE PRINT LEGIBLY ====================

CORPORATE NAME:

AYALA LAND, INC.

CAPITAL STRUCTURE

AUTHORIZED CAPITAL STOCK

	TYPE OF SHARES*	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP) (No. of shares x Par/Stated Value)
	COMMON	20,000,000,000	1.00	20,000,000,000.00
	PREFERRED***	15,000,000,000	0.10	1,500,000,000.00
	TOTAL	35,000,000,000	TOTAL PhP	21,500,000,000.00

SUBSCRIBED CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES*	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	12,803	COMMON	10,692,364,315	3,000,747,918	1.00	10,692,364,315.00	39%
	2,610	PREFERRED	12,387,601,058	224,420,418	0.10	1,238,760,105.80	45%
		COMMON	868,960,214	N.A.	1.00	868,960,214.00	N.A.
		PREFERRED	624,002,228	N.A.	0.10	62,400,222.80	N.A.
		TOTAL	24,572,927,815		TOTAL PhP	12,862,484,857.60	85%
FOREIGN (INDICATE BY NATIONALITY	**NO. OF STOCK-HOLDERS**	**TYPE OF SHARES***	**NUMBER OF SHARES**	**NUMBER OF SHARES IN THE HANDS OF THE PUBLIC ****	**PAR/STATED VALUE**	**AMOUNT (PhP)**	**% OF OWNERSHIP**
VARIOUS	272	COMMON	4,160,201,098	4,160,201,098	1.00	4,160,201,098.00	15%
VARIOUS	65	PREFERRED	54,891,473	54,891,473	0.10	5,489,147.30	0%
Percentage of Foreign Equity:		15%	4,215,092,571		TOTAL PhP	4,165,690,245.30	15%
				TOTAL SUBSCRIBED P		17,028,175,102.90	100%

PAID-UP CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES*	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	12,803	COMMON	10,692,364,315	1.00	10,692,364,315.00	39%
	2,610	PREFERRED	12,387,601,058	0.10	1,238,760,105.80	45%
		COMMON	868,960,214	1.00	868,960,214.00	N.A.
		PREFERRED	624,002,228	0.10	62,400,222.80	N.A.
		TOTAL	24,572,927,815	TOTAL PhP	12,862,484,857.60	85%
FOREIGN (INDICATE BY NATIONALITY	**NO. OF STOCK-HOLDERS**	**TYPE OF SHARES***	**NUMBER OF SHARES**	**PAR/STATED VALUE**	**AMOUNT (PhP)**	**% OF OWNERSHIP**
VARIOUS	272	COMMON	4,160,201,098	1.00	4,160,201,098.00	15%
VARIOUS	65	PREFERRED	54,891,473	0.10	5,489,147.30	0%
		TOTAL	4,215,092,571	TOTAL PhP	4,165,690,245.30	15%
				TOTAL PAID-UP PhP	17,028,175,102.90	100%
				ADDITIONAL PAID-IN CAPITAL PhP	83,596,136,888.02	
				SUBSCRIPTION RECEIVABLE PhP	(2,281,369,840.39)	
				TOTAL CAPITALIZATION PhP	98,342,942,150.53	

NOTE: USE ADDITIONAL SHEET IF NECESSARY

* Common, Preferred or other classification

** Other than the Directors, Officers, Shareholders owning 10% of outstanding shares.

***With voting rights.

Note: Above capital structure is as of April 30, 2024.

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

=================== PLEASE PRINT LEGIBLY ===================

CORPORATE NAME:

AYALA LAND, INC.

DIRECTORS / OFFICERS

NAME/CURRENT RESIDENTIAL ADDRESS	NATIONALITY	INC'R	BOARD	GENDER	STOCK HOLDER	OFFICER	EXEC. COMM.	TAX IDENTIFICATION NUMBER
1. JAIME AUGUSTO ZOBEL DE AYALA	FILIPINO	Y	C	M	Y	CHAIRMAN	N.A.	
2. CEZAR P. CONSING	FILIPINO	N	M	M	Y	VICE CHAIRMAN	C/M	
3. ANNA MA. MARGARITA B. DY	FILIPINO	N	M	F	Y	PRESIDENT & CHIEF EXECUTIVE OFFICER	N.A.	
4. FERNANDO ZOBEL DE AYALA	FILIPINO	N	M	M	Y	N.A.	N.A.	
5. MARIANA BEATRIZ ZOBEL DE AYALA	FILIPINO	N	M	F	Y	SENIOR VICE PRESIDENT	N.A.	
6. CESAR V. PURISIMA	FILIPINO	N	I	M	Y	N.A.	C/M A/C N/M	
7. REX MA. A. MENDOZA	FILIPINO	N	I	M	Y	N.A.	C/C A/M N/M	
8. SURENDRA MOHAN MENON	SINGAPOREAN	N	I	M	Y	N.A.	N.A.	
9. DANIEL GABRIEL M. MONTECILLO	FILIPINO	N	I	M	Y	N.A.	A/M N/C	
10. ROBERT S. LAO	FILIPINO	N	-	M	Y	SENIOR VICE PRESIDENT	N.A.	
11. AUGUSTO D. BENGZON	FILIPINO	N	-	M	Y	SENIOR VICE PRESIDENT, CHIEF FINANCE OFFICER & TREASURER	N.A.	
12. RAQUEL S. CRUZ	FILIPINO	N	-	F	Y	SENIOR VICE PRESIDENT	N.A.	
13. MARIA FRANCHETTE M. ACOSTA	FILIPINO	N	-	F	N	CORPORATE SECRETARY & GROUP GENERAL COUNSEL	N.A.	
14. LAURENT P. LAMASUTA	FILIPINO	N	-	M	Y	SENIOR VICE PRESIDENT	N.A.	
15. JOSEPH CARMICHAEL Z. JUGO	FILIPINO	N	-	M	Y	SENIOR VICE PRESIDENT	N.A.	

INSTRUCTIONS:

FOR SEX COLUMN, PUT "F" FOR FEMALE, "M" FOR MALE.

FOR BOARD COLUMN, PUT "C" FOR CHAIRMAN, "M" FOR MEMBER, "I" FOR INDEPENDENT DIRECTOR.

FOR INC'R COLUMN, PUT "Y" IF AN INCORPORATOR, "N" IF NOT.

FOR STOCKHOLDER COLUMN, PUT "Y" IF A STOCKHOLDER, "N" IF NOT.

FOR OFFICER COLUMN, INDICATE PARTICULAR POSITION IF AN OFFICER, FROM VP UP INCLUDING THE POSITION OF THE TREASURER, SECRETARY, COMPLIANCE OFFICER AND/OR ASSOCIATED PERSON.

FOR EXECUTIVE COMMITTEE, INDICATE "C" IF MEMBER OF THE COMPENSATION COMMITTEE; "A" FOR AUDIT COMMITTEE; "N" FOR NOMINATION AND ELECTION COMMITTEE. ADDITIONALLY WRITE "C" AFTER SLASH IF CHAIRMAN AND "M" IF MEMBER.

**Mr. Dante M. Abando has retired from the Company effective January 1, 2025.*

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

=================== PLEASE PRINT LEGIBLY ===================

CORPORATE NAME:

AYALA LAND, INC.

DIRECTORS / OFFICERS

NAME/CURRENT RESIDENTIAL ADDRESS	NATIONALITY	INC'R	BOARD	GENDER	STOCK HOLDER	OFFICER	EXEC. COMM.	TAX IDENTIFICATION NUMBER
16. CHRISTOPHER B. MAGLANOC	FILIPINO	N	-	M	Y	SENIOR VICE PRESIDENT	N.A.	
17. MILLETTE A. ARNEDO	FILIPINO	N	-	F	Y	VICE PRESIDENT, CHIEF LEGAL OFFICER, CHIEF COMPLIANCE OFFICER & ASSISTANT CORPORATE SECRETARY	N.A.	
18. ROSCOE M. PINEDA	FILIPINO	N	-	M	N	VICE PRESIDENT, CHIEF INFORMATION OFFICER & DATA PROTECTION OFFICER	N.A.	
19. MAPHILINDO S. TANDOC	FILIPINO	N	-	M	Y	CHIEF RISK OFFICER	N.A.	
20. ISABEL D. SAGUN	FILIPINO	N	-	F	N	VICE PRESIDENT AND CHIEF HUMAN RESOURCES OFFICER	N.A.	
21. ANNABETH R. BERNARDO	FILIPINO	N	-	F	Y	CHIEF AUDIT EXECUTIVE	N.A.	
22. - NOTHING FOLLOWS -								
23.								
24.								
25.								
26.								
27.								
28.								
29.								
30.								

INSTRUCTIONS:

FOR SEX COLUMN, PUT "F" FOR FEMALE, "M" FOR MALE.

FOR BOARD COLUMN, PUT "C" FOR CHAIRMAN, "M" FOR MEMBER, "I" FOR INDEPENDENT DIRECTOR.

FOR INC'R COLUMN, PUT "Y" IF AN INCORPORATOR, "N" IF NOT.

FOR STOCKHOLDER COLUMN, PUT "Y" IF A STOCKHOLDER, "N" IF NOT.

FOR OFFICER COLUMN, INDICATE PARTICULAR POSITION IF AN OFFICER, FROM VP UP INCLUDING THE POSITION OF THE TREASURER, SECRETARY, COMPLIANCE OFFICER AND/OR ASSOCIATED PERSON.

FOR EXECUTIVE COMMITTEE, INDICATE "C" IF MEMBER OF THE COMPENSATION COMMITTEE; "A" FOR AUDIT COMMITTEE; "N" FOR NOMINATION AND ELECTION COMMITTEE. ADDITIONALLY WRITE "C" AFTER SLASH IF CHAIRMAN AND "M" IF MEMBER.

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

=================== PLEASE PRINT LEGIBLY ===================

CORPORATE NAME:

AYALA LAND, INC.

TOTAL NUMBER OF STOCKHOLDERS: 15,750 **NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:** 14,827

TOTAL ASSETS BASED ON LATEST AUDITED FINANCIAL STATEMENTS: PhP846,632,482,000.00

STOCKHOLDER'S INFOMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	SHARES SUBSCRIBED				AMOUNT PAID (Php)	TAX IDENTIFICATION NUMBER
	TYPE	NUMBER	AMOUNT (PhP)	% OF OWNER SHIP		
1. AYALA CORPORATION FILIPINO 37F to 39F, AYALA TRIANGLE GARDENS TOWER 2, PASEO DE ROXAS COR. MAKATI AVENUE, MAKATI CITY 1226	COMMON PREFERRED TOTAL	7,622,336,687 12,163,180,640 19,785,517,327	7,622,336,687.00 1,216,318,064.00 8,838,654,751.00	72.49%	8,838,654,751.00	000-153-610-000
2. PCD NOMINEE CORP. NON-FILIPINO G/F MSE BLDG., AYALA AVENUE, MAKATI CITY	COMMON	4,151,972,765	4,151,972,765.00	15.21%	4,151,972,765.00	004-774-849
3. PCD NOMINEE CORP. FILIPINO G/F MSE BLDG., AYALA AVENUE, MAKATI CITY	COMMON	2,772,966,524	2,772,966,524.00	10.16%	2,772,966,524.00	004-774-849
4. GOVERNMENT SERVICE INSURANCE SYSTEM FILIPINO 6/F GSIS FINANCIAL CENTER, MACAPAGAL AVENUE, PASAY CITY	PREFERRED	156,350,871	15,635,087.10	0.57%	15,635,087.10	000-766-810
5. THE PROVINCE OF CEBU FILIPINO C/O OFFICE OF THE GOVERNOR, PROVINCIAL CAPITOL COMPOUND, CEBU CITY	COMMON	15,682,093	15,682,093.00	0.06%	15,682,093.00	001-985-298
6. HSBC MANILA OBO A/C 000-171512-554 NON-FILIPINO 7/F HSBC CENTRE, 3058 FIFTH AVENUE WEST, BONIFACIO GLOBAL CITY, TAGUIG	PREFERRED	15,051,000	1,505,100.00	0.06%	1,505,100.00	000-504-444
7. ESOWN ADMINISTRATOR 2023 FILIPINO C/O ALI ESOWN ADMINISTRATOR	COMMON	14,574,066	14,574,066.00	0.05%	14,574,066.00	N.A.
TOTAL AMOUNT OF SUBSCRIBED CAPITAL			-	-		
				TOTAL AMOUNT OF PAID-UP CAPITAL	-	
				ADDITIONAL PAID-IN CAPITAL	-	
				TOTAL CAPITALIZATION	-	

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attached separate sheet, if necessary.

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

=================== PLEASE PRINT LEGIBLY ===================

CORPORATE NAME:

AYALA LAND, INC.

TOTAL NUMBER OF STOCKHOLDERS: 15,750 **NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:** 14,827

TOTAL ASSETS BASED ON LATEST AUDITED FINANCIAL STATEMENTS: PhP846,632,482,000.00

STOCKHOLDER'S INFOMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	SHARES SUBSCRIBED				AMOUNT PAID (Php)	TAX IDENTIFICATION NUMBER
	TYPE	NUMBER	AMOUNT (PhP)	% OF OWNER SHIP		
8. ESOWN ADMINISTRATOR 2020 FILIPINO C/O ALI ESOWN ADMINISTRATOR	COMMON	14,326,646	14,326,646.00	0.05%	14,326,646.00	N.A.
9. ESOWN ADMINISTRATOR 2022 FILIPINO C/O ALI ESOWN ADMINISTRATOR	COMMON	14,128,025	14,128,025.00	0.05%	14,128,025.00	N.A.
10 SCB OBO SSBTC FUND OD67 ACCT 000260708171 FILIPINO SECURITY BANK CENTRE 6676 AYALA AVENUE, MAKATI CITY	PREFERRED	13,670,744	1,367,074.40	0.05%	1,367,074.40	000-498-020-000
11 ESOWN ADMINISTRATOR 2015 FILIPINO C/O ALI ESOWN ADMINISTRATOR	COMMON	11,852,463	11,852,463.00	0.04%	11,852,463.00	N.A.
12 SOCIAL SECURITY SYSTEM FILIPINO SSS MAIN BUILDING EAST AVENUE, DILIMAN QUEZON CITY	COMMON	11,576,800	11,576,800.00	0.04%	11,576,800.00	000-728-944
13 ESOWN ADMINISTRATOR 2021 FILIPINO C/O ALI ESOWN ADMINISTRATOR	COMMON	11,283,995	11,283,995.00	0.04%	11,283,995.00	N.A.
14 ESOWN ADMINISTRATOR 2016 FILIPINO C/O ALI ESOWN ADMINISTRATOR	COMMON	10,676,542	10,676,542.00	0.04%	10,676,542.00	N.A.
TOTAL AMOUNT OF SUBSCRIBED CAPITAL			-	-		
TOTAL AMOUNT OF PAID-UP CAPITAL					-	
ADDITIONAL PAID-IN CAPITAL					-	
TOTAL CAPITALIZATION					-	

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attached separate sheet, if necessary.

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

=================== PLEASE PRINT LEGIBLY ===================

CORPORATE NAME:

AYALA LAND, INC.

TOTAL NUMBER OF STOCKHOLDERS: 15,750 **NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:** 14,827

TOTAL ASSETS BASED ON LATEST AUDITED FINANCIAL STATEMENTS: PhP846,632,482,000.00

STOCKHOLDER'S INFOMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	SHARES SUBSCRIBED				AMOUNT PAID (Php)	TAX IDENTIFICATION NUMBER
	TYPE	NUMBER	AMOUNT (PhP)	% OF OWNER SHIP		
15 ESOWN ADMINISTRATOR 2019 FILIPINO C/O ALI ESOWN ADMINISTRATOR	COMMON	9,856,592	9,856,592.00	0.04%	9,856,592.00	N.A.
16 ESOWN ADMINISTRATOR 2017 FILIPINO C/O ALI ESOWN ADMINISTRATOR	COMMON	9,369,381	9,369,381.00	0.03%	9,369,381.00	N.A.
17 ESOWN ADMINISTRATOR 2014 FILIPINO C/O ALI ESOWN ADMINISTRATOR	COMMON	8,660,319	8,660,319.00	0.03%	8,660,319.00	N.A.
18 ESOWN ADMINISTRATOR 2018 FILIPINO C/O ALI ESOWN ADMINISTRATOR	COMMON	8,098,267	8,098,267.00	0.03%	8,098,267.00	N.A.
19 EMILIO LOLITO J. TUMBOCON FILIPINO	COMMON	7,340,134	7,340,134.00	0.03%	7,340,134.00	
20 TREASURY SHARES	COMMON PREFERRED TOTAL	868,960,214 624,002,228 1,492,962,442	868,960,214.00 62,400,222.80 931,360,436.80	N.A.	931,360,436.80	N.A.
21 OTHERS (NUMBER OF STOCKHOLDERS: 13,059 COMMON & 2,671 PREFERRED)	COMMON PREFERRED TOTAL	157,864,114 94,239,276 252,103,390	157,864,114.00 9,423,927.60 167,288,041.60	0.92%	167,288,041.60	N.A.
TOTAL AMOUNT OF SUBSCRIBED CAPITAL			17,028,175,102.90	100.00%		
TOTAL AMOUNT OF PAID-UP CAPITAL						17,028,175,102.90
ADDITIONAL PAID-IN CAPITAL						83,596,136,888.02
SUBSCRIPTION RECEIVABLE						(2,281,369,840.39)
TOTAL CAPITALIZATION						98,342,942,150.53

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attached separate sheet, if necessary.

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

=================== PLEASE PRINT LEGIBLY ====================

CORPORATE NAME:

AYALA LAND, INC.

1. INVESTMENT OF CORPORATE FUNDS IN ANOTHER CORPORATION	AMOUNT (PhP)	DATE OF BOARD RESOLUTION
1.1 STOCKS	32,334,667,000	VARIOUS
1.2 BONDS/COMMERICAL PAPER (ISSUED BY PRIVATE CORPORATIONS)	N.A.	N.A.
1.3 LOANS/CREDITS/ADVANCES	N.A.	N.A.
1.4 GOVERNMENT TREASURY BILLS	N.A.	N.A.
1.5 OTHERS (SHORT-TERM INVESTMENTS & INVESTMENT IN VARIOUS FUNDS)	7,165,536,000	VARIOUS

2. INVESTMENT OF CORPORATE FUNDS IN ACTIVITIES UNDER ITS SECONDARY PURPOSES (PLEASE SPECIFY:)	DATE OF BOARD RESOLUTION	DATE OF STOCKHOLDERS RATIFICATION
N.A.		

3. TREASURY SHARES	NO. OF SHARES	% AS TO THE TOTAL NO. OF SHARES ISSUED
868,960,214 COMMON SHARES 624,002,228 PREFERRED SHARES	1,492,962,442	5.19%

4. UNRESTRICTED/UNAPPROPRIATED RETAINED EARNINGS AS OF END OF LAST FISCAL YEAR: Php	177,381,286,000.00

5. DIVIDENDS DECLARED DURING THE IMMEDIATELY PRECEDING YEAR:

TYPE OF DIVIDEND	AMOUNT (PhP)	DATE DECLARED
5.1 CASH	5,662,153,000.00	Feb. 21, May 30
5.2 STOCK		& Oct. 25, 2023
5.3 PROPERTY		
TOTAL	5,662,153,000.00	

6. ADDITIONAL SHARES ISSUED DURING THE PERIOD:

DATE	NO. OF SHARES	AMOUNT
March 7, 2023	10,000 COMMON SHARES	10,000.00
April 27, 2024	1,600 COMMON SHARES	1,600.00
May 26, 2023	14,579,090 COMMON SHARES	14,579,090.00
July 31 & Aug. 23, 2023	17,592 COMMON SHARES	17,592.00

SECONDARY LICENSE/REGISTRATION WITH SEC AND OTHER GOV'T AGENCY:

NAME OF AGENCY:	SEC	BSP	IC
TYPE OF LICENSE/REGN.	Sale of Common Shares	N.A.	N.A.
DATE ISSUED:	June 22, 2010		
DATE STARTED OPERATIONS:	June 22, 2010		

TOTAL ANNUAL COMPENSATION OF DIRECTORS DURING THE PRECEDING FISCAL YEAR (in PhP)	TOTAL NO. OF OFFICERS	TOTAL NO. OF RANK & FILE EMPLOYEES	TOTAL MANPOWER COMPLEMENT *
29,400,000.00	223	37	88

NOTE: USE ADDITIONAL SHEET IF NECESSARY

**Manpower complement is composed of service providers engaged by the Company.*

I, MARIA FRANCHETTE M. ACOSTA , CORPORATE SECRETARY OF AYALA LAND, INC.

DECLARE UNDER PENALTY OF PERJURY THAT ALL MATTERS SET FORTH IN THIS GIS HAVE BEEN MADE IN GOOD FAITH, DULY VERIFIED BY ME AND TO THE BEST OF MY KNOWLEDGE AND BELIEF, ARE TRUE AND CORRECT.

I HEREBY ATTEST THAT ALL INFORMATION IN THIS GIS ARE BEING SUBMITTED IN COMPLIANCE WITH THE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION (SEC) THE COLLECTION, PROCESSING, STORAGE AND SHARING OF SAID INFORMATION BEING NECESSARY TO CARRY OUT THE FUNCTIONS OF PUBLIC AUTHORITY FOR THE PERFORMANCE OF THE CONSTITUTIONALLY AND STATUTORILY MANDATED FUNCTIONS OF THE SEC AS A REGULATORY AGENCY.

I FURTHER ATTEST THAT I HAVE BEEN AUTHORIZED BY THE BOARD OF DIRECTORS TO FILE THIS GIS WITH THE SEC.

I UNDERSTAND THAT THE COMMISSION MAY PLACE THE CORPORATION UNDER DELINQUENT STATUS FOR FAILURE TO SUBMIT THE REPORTORIAL REQUIREMENTS THREE (3) TIMES, CONSECUTIVELY OR INTERMITTENTLY, WITHIN A PERIOD OF FIVE (5) YEARS (*Section 177, RA No. 11232*).

DONE THIS JAN 06 2025 IN MAKATI CITY.

MARIA FRANCHETTE M. ACOSTA
CORPORATE SECRETARY

SUBSCRIBED AND SWORN TO BEFORE ME IN MAKATI CITY CITY/PROVINCE, PHILIPPINES ON JAN 06 2025, BY AFFIANT WHO PERSONALLY APPEARED BEFORE ME AND EXHIBITED TO ME AS COMPETENT EVIDENCE OF IDENTITY HER ISSUED ON AT .

DOC. NO. 180 ;
PAGE NO. 37 ;
BOOK NO. I ;
SERIES OF 2025 .

JOANNE M. LIM NOTARY PUBLIC ROLL NO. MAKATI CITY, PHILIPPINES

JOANNE M. LIM
Notary Public – Makati City

ANNEX "A"

AYALA LAND, INC.
Primary Purpose

TO DEAL AND ENGAGE IN LAND OR REAL ESTATE BUSINES IN ALL ITS BRANCHES AND RAMIFICATIONS, TO HOLD, DEVELOP, MANAGE, ADMINISTER, SELL, CONVEY, ENCUMBER, PURCHASE, ACQUIRE, RENT OR OTHERWISE DEAL IN AND DISPOSE OF, FOR ITSELF OR FOR OTHERS, FOR PROFIT AND ADVANTAGE, RESIDENTIAL ICNLUDING, BUT NOT LIMITED TO, ALL KINDS OF HOUSING PROJECTS, COMMERCIAL, INDUSTRIAL, URBAN OR OTHER KINDS OF REAL PROPERTY, IMPROVED OR UNIMPROVED, WITH OR TO SUCH PERSONS AND ENTITIES AND UNDER SUCH TERMS AND CONDITIONS AS MAY BE PERMITTED BY LAW; TO ACQUIRE, PURCHASE, HOLD, MANAGE, DEVELOP AND SELL SUBDIVISION LOTS, WITH OR WITHOUT BUILDINGS OR IMPROVEMENTS, FOR SUCH CONSIDERATION AND IN SUCH MANNER OR FORM AS THE CORPORATION MAY DETERMINE OR AS THE LAW PERMITS; TO ERECT, CONSTRUCT, ALTER, MANAGE, OPERATE, LEASE, IN WHOLE OR IN PART, BUILDINGS AND TENEMENTS OF THE CORPORATION OR OF OTHER PERSONS, TO ENGAGE OR ACT AS REAL ESTATE BROKER, ON COMMISSION OR FOR SUCH FEES AS MAY BE PROPER OR LEGAL AND TO EXERCISE OR UNDERTAKE SUCH OTHER POWERS AND PURPOSES AS MAY BE REQUIRED AND NECESSARILY IMPLIED FROM THE PURPOSES HEREIN MENTIONED. *****00000*****

ANNEX "B"
Subsidiaries/Affiliates as of December 31, 2023

Real Estate:

- Alveo Land Corporation
  - Serendra, Inc.
  - Solinea, Inc.
  - BGSouth Properties, Inc.
  - Portico Land Corp.
- Amorsedia Development Corporation
  - OLC Development Corporation
  - HLC Development Corporation
  - Allysonia International Ltd.
- Avida Land Corporation
  - Amicassa Process Solutions, Inc.
  - Avencosouth Corp.
  - BGNorth Properties, Inc.
- Amaia Land Co.
  - Amaia Southern Properties, Inc.
- AyalaLand Premier, Inc.
- AKL Properties, Inc.
- Ayala Land International Sales, Inc.
  - Ayalaland International Marketing, Inc.
  - Ayalaland International (Singapore) Pte. Ltd
  - Ayalaland International Marketing (Hongkong) Ltd
  - Ayalaland International Marketing, SRL
  - Ayalaland International Marketing London
- Southportal Properties, Inc.
- Buendia Landholdings, Inc.
- Crans Montana Holdings, Inc.
- Crimson Field Enterprises, Inc.
- Ecoholdings Company, Inc.
- NorthBeacon Commercial Corporation
- Red Creek Properties, Inc.
- Regent Time International, Limited (British Virgin Islands)
- North Eastern Commercial Corp.
- Westview Commercial Ventures Corp.
- North Ventures Commercial Corp.
- Hillsford Property Corporation
- Primavera Towncentre, Inc.
- Summerhill Commercial Ventures Corporation
- Sunnyfield E-Office Corporation
- Subic Bay Towncentre, Inc.
- Regent Wise Investments Limited (Hongkong Company)
  - AyalaLand Real Estate Investments Inc.
  - AyalaLand Advisory Broadway Inc.
  - AyalaLand Development (Canada) Inc.
  - Blue Horizons Holdings PTE, Limited
  - Avaland Berhad (formerly Modular Construction Technology (MCT), Bhd. (Malaysia))
- AREIT Fund Manager, Inc.
- Arvo Commercial Corporation
- BellaVita Land Corporation
- Nuevo Centro, Inc.
  - Alviera Country Club, Inc.
- Cavite Commercial Town Center, Inc.
- AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.)
- AyalaLand Offices, Inc.
  - First Gateway Real Estate Corp.
  - Glensworth Development, Inc.
  - UP North Property Holdings, Inc.
- ALO Prime Realty Corporation
- Makati Cornerstone Leasing Corp.
- Capitol Central Commercial Ventures Corp.

Bay City Commercial Venture Corp.
Aurora Properties Incorporated
Soltea Commercial Corp.
Vesta Property Holdings, Inc.
Altaraza Prime Realty Corporation
Altaraza Development Corporation
Prow Holdings, Inc.
Station Square East Commercial Corporation
AREIT Property Managers, Inc. (formerly Next Urban Alliance Development Corp.)
Accendo Commercial Corporation
Avencosouth Corp.
Aviana Development Corporation
Cagayan de Oro Gateway Corp.
Ceci Realty, Inc.
CMPI Holdings, Inc.
ALI-CII Development Corporation
Roxas Land Corporation
Adauge Commercial Corporation
AyalaLand Estates, Inc.
Pima Gaedi Development Corp.
Redheap Holdings Inc.
Rookwood Properties, Inc.
Wedgemore Property Inc.
Javantiger, Inc.
Ayalaland MetroNorth, Inc.
Verde Golf Development Corporation
North Triangle Depot Commercial Corporation
Ayalaland-Tagle Properties, Inc.
BGWest Properties, Inc.
Lagdigan Land Corp.
Central Bloc Hotel Ventures, Inc.
Cebu Leisure Company, Inc.
CBP Theatre Management Inc.
Taft Punta Engaño Property Inc.
Cebu Insular Hotel Company, Inc.
Alabang Commercial Corporation
South Innovative Theater Management
Ayalaland Malls, Inc. (formerly ALI Commercial Center, Inc.)
Ayalaland Malls Vismin, Inc.
Kitrino Koudini Holdings Inc.
AyalaLand Logistics Holdings Corp. (formerly Prime Orion Philippines, Inc.)
A-Flow Land I Corp.
Orion Solutions, Inc.
Orion I Holdings Philippines, Inc.
Orion Maxis, Inc.
Orion Land, Inc. and Subsidiaries
LCI Commercial Ventures, Inc.
Laguna Technopark, Inc.
Unity Realty & Development Corp.
FLT Prime Insurance Corporation
AMSI, Inc. (formerly Ayalaland Malls Synergies, Inc.)
Ayala Malls Zing (AMZING), Inc.
South Ralston Properties, Inc.

Contruction:
Makati Development Corporation
MDC Subic, Inc.
MDC Buildplus, Inc.
MDC Conqrete, Inc.
MDC Equipment Solutions, Inc.
MDBI Construction Corp.

Hotels & Resorts:
Ayala Hotels, Inc.
AyalaLand Hotels and Resorts Corporation
Regent Horizons Conservation Company, Inc.
Enjay Hotels, Inc.
Greenhaven Property Venture, Inc.
Cebu Insular Hotel Company, Inc.
Bonifacio Hotel Ventures, Inc.
Southcrest Hotel Ventures, Inc.

Northgate Hotel Ventures, Inc.
North Triangle Hotel Ventures, Inc.
Ecosouth Hotel Ventures, Inc.
Sentera Hotel Ventures Inc.
Econorth Resorts Ventures, Inc.
ALI Triangle Hotel Ventures, Inc.
Circuit Makati Hotel Ventures, Inc.
Capitol Central Hotel Ventures, Inc.
Arca South Hotel Ventures, Inc.
Sicogon Town Hotel, Inc.
Bay Area Hotel Ventures, Inc.
Makati North Hotel Ventures, Inc.
One Makati Hotel Ventures, Inc.
Sicogon Island Tourism Estate Corp.
Asiatown Hotel Ventures, Inc.
Seda College, Inc. (formerly One Makati Residential Ventures, Inc.)
ALI Makati Hotel & Residences, Inc.
ALI Makati Hotel Property, Inc.
Ten Knots Phils., Inc.
Bacuit Bay Development Corporation
Lio Resort Ventures, Inc.
North Liberty Resort Ventures, Inc.
Turista.ph (formerly Paragua Eco-Resort Ventures, Inc.)
Lio Tourism Estate Management Corporation
Ten Knots Development Corp.
Chirica Resorts Corp.
Kingfisher Capital Resources Corp.
Pangulasian Island Resort Corporation
Integrated Eco-resort Inc.

Property Management
Ayala Property Management Corporation
Prime Support Services, Inc.
Ayala Theatres Management, Inc.
DirectPower Services, Inc.
Philippine Integrated Energy Solutions, Inc.

Entertainment:
Five Star Cinema, Inc.
Leisure and Allied Industries Philippines, Inc.

Others:
Darong Agricultural Development Corporation
First Longfield Investments Limited (Hongkong Company)
Green Horizons Holdings Limited
Aprisa Business Process Solutions, Inc.
ALI Capital Corp.
Airswift Transport, Inc.
Swift Aerodrome Services, Inc.
Arca South Integrated Terminal, Inc.
Whiteknight Holdings, Inc.
Ayalaland Medical Facilities Leasing Inc.
Anvaya Cove Beach and Nature Club, Inc.
Anvaya Cove Golf and Sports Club, Inc.

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Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Ayala Land, Inc.
31st Floor, Tower One and Exchange Plaza, Ayala Triangle
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ayala Land, Inc. and its subsidiaries as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, included in this Form 17-A and have issued our report thereon dated February 23, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-4 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-073-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534357, January 4, 2021, Makati City

February 23, 2021

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Ayala Land, Inc.
31st Floor, Tower One and Exchange Plaza, Ayala Triangle
Ayala Avenue, Makati City

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

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-4 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-073-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534357, January 4, 2021, Makati City

February 23, 2021

C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	5	2	7	4	7					

COMPANY NAME

AYALA LAND, INC. AND SUBSIDIARIES

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

31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
iru@ayalaland.com.ph	7 908-3677	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
11,789	04/27	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ma. Luisa D. Chiong	chiong.malou@ayalaland.com.ph	7 908-3681	

CONTACT PERSON's ADDRESS

30th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

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

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

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Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Ayala Land, Inc.
31st Floor, Tower One and Exchange Plaza, Ayala Triangle
Ayala Avenue, Makati City

Opinion

We have audited the accompanying consolidated financial statements of Ayala Land, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 are prepared in all material respects, in accordance with the Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission, as described in Note 2 to the consolidated financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared are in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the 2021 consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Real Estate Revenue Recognition

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve the application of significant judgment and estimation on the following: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) application of the output method as the measure of progress in determining real estate revenue; (3) determination of the actual costs incurred as cost of sales; and (4) recognition of cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments (buyer's equity) in relation to the total contract price. Collectability is also assessed by considering factors such as past history with buyers, age of residential and office development receivables and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of coronavirus pandemic, if it would still support its current threshold of buyers' equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (project engineers). This is based on the monthly project accomplishment report prepared by the third party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the Group itself.

In determining the actual costs incurred to be recognized as cost of sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Group uses percentage of completion (POC) method in amortizing sales commission consistent with the Group's revenue recognition policy.

In 2021, the Group adopted the provisions of PFRS 15 covered by Philippine Interpretations Committee (PIC) Q&A 2018-12-E on the treatment of land in the calculation of POC. The Group applied the modified retrospective approach decreasing the beginning retained earnings and non-controlling interests by ₱2.84 billion and ₱16 million, respectively.

The disclosures related to real estate revenue are included in Notes 2 and 3 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's real estate revenue recognition process, policies and procedures.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales cancellations from buyers with accumulated payments above the collection threshold. We also considered the impact of the coronavirus pandemic to the level of cancellations during the year. We traced the analysis to supporting documents such as deed of cancellations.

For the application of the output method, in determining real estate revenue, we obtained an understanding of the Group's processes for determining the POC, and performed tests of the relevant controls. We obtained the certified POC reports prepared by the project engineers and assessed their competence and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries, including inquiries on how the coronavirus pandemic affected the POC during the period and obtained the supporting details of POC reports showing the completion of the major activities of project construction.

For the cost of real estate sales, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed, to supporting documents such as invoices and accomplishment reports from the contractors and official receipts.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and the portion recognized in profit or loss, particularly the following: (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (i.e., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from real estate sales.

On the adoption of PIC Q&A 2018-12-E, we obtained and reviewed the computation and supporting documents consisting primarily of the reserves memo, contracts, billings and incurred costs. We recomputed the impact of the change in POC.

Impairment Testing of Property and Equipment and Right-of-Use Assets of Hotels and Resorts Segment

In view of the continuing community quarantines and restricted travel, the Group's hotels and resorts segment continues to be adversely affected by the lower number of guests and reduced room rates, both of which have significantly impacted the revenues reported for this segment. Also, many restaurants remain closed or allowed limited operations which impacted the food and beverage revenues of the segment. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the property and equipment and right-of-use assets, which involves significant judgment, estimation and assumptions about occupancy rates, average room rates, gross margin, as well as external inputs such as discount rates. In addition, because of the coronavirus pandemic, there is the heightened level of uncertainty on the future economic outlook and market forecast. Accordingly, such impairment assessment and testing is a key audit matter in our audit.

The disclosures in relation to property and equipment and right-of-use assets are included in Note 3 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used in estimating the recoverable amount. These assumptions include occupancy rates, average room rates, gross margin as well as external inputs such as discount rate. We compared the key assumptions used such as occupancy rates, average room rates and gross margin against industry forecasts and with historical information, adjusted to take into consideration the impact associated with the coronavirus pandemic. We tested the discount rate by comparing against market data. We also reviewed the Group's disclosures about these assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of property and equipment and right-of-use assets.

Consolidation Process

The consolidated financial statements of the Group represents the consolidation of the financial statements of Ayala Land, Inc. and its various direct and indirect subsidiaries. We consider the Group's consolidation process as a key audit matter because of the complexity arising from the numerous component entities within the Group requiring layers of consolidation, voluminous intercompany transactions within the Group that require elimination, monitoring of fair value adjustments arising from business combinations, and adjustments to non-controlling interests. Note 1 to the consolidated financial statements provides the relevant information on the Group's subsidiaries.

Audit Response

We obtained an understanding of the Group's consolidation process and the Group's process for identifying related parties and related party transactions and the reconciliation of intercompany balances. We tested significant consolidation adjustments, including elimination, deferral and realization of profit or recoveries from intercompany transactions and balances, amortization/depreciation/reversal of fair value adjustments arising from business combinations, the currency translation adjustments, movements in non-controlling interests and other equity adjustments. We evaluated whether the accounting policies of the Group has been consistently applied.

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, as modified by the application of financial reporting relief issued and approved by the SEC as described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in accordance with PFRSs, as modified by the application of financial reporting relief issued and approved by the SEC as described in Note 2 to the consolidated financial statements.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Michael C. Sabado.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
Tax Identification No. 160-302-865
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0664-AR-4 (Group A)
November 11, 2019, valid until November 10, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023
PTR No. 8854360, January 3, 2022, Makati City

February 24, 2022

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 29)	**₱13,971,437**	₱17,037,347
Short-term investments (Notes 5 and 29)	**325,641**	358,120
Financial assets at fair value through profit or loss (Notes 6 and 29)	**700,803**	965,171
Accounts and notes receivable (Notes 7 and 29)	**100,097,451**	101,145,909
Inventories (Note 8)	**148,156,725**	146,743,592
Other current assets (Note 9)	**65,300,897**	58,020,962
Total Current Assets	**328,552,954**	324,271,101
Noncurrent Assets		
Noncurrent accounts and notes receivable (Notes 7 and 29)	**43,663,620**	46,021,255
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 10 and 29)	**981,270**	1,511,443
Investments in associates and joint ventures (Note 11)	**28,152,733**	26,601,254
Right-of-use assets (Note 33)	**12,156,240**	13,008,175
Investment properties (Note 12)	**243,397,632**	222,684,850
Property and equipment (Note 13)	**41,778,353**	43,446,968
Deferred tax assets - net (Note 23)	**12,890,122**	12,121,515
Other noncurrent assets (Notes 14 and 26)	**33,891,439**	31,827,813
Total Noncurrent Assets	**416,911,409**	397,223,273
	₱745,464,363	₱721,494,374
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Notes 16 and 29)	**₱16,782,500**	₱9,131,325
Accounts and other payables (Notes 15 and 29)	**136,690,396**	144,625,922
Income tax payable	**506,638**	1,455,612
Current portion of lease liabilities (Note 33)	**599,363**	466,801
Current portion of long-term debt (Notes 16 and 29)	**26,173,997**	18,732,401
Deposits and other current liabilities (Notes 17 and 29)	**27,471,315**	25,317,246
Total Current Liabilities	**208,224,209**	199,729,307
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 16 and 29)	**180,140,242**	184,087,192
Pension liabilities (Note 26)	**2,103,735**	3,020,797
Lease liabilities - net of current portion (Note 33)	**17,237,991**	17,289,042
Deferred tax liabilities - net (Note 23)	**6,520,263**	7,148,534
Deposits and other noncurrent liabilities (Notes 18 and 29)	**60,735,602**	50,040,170
Total Noncurrent Liabilities	**266,737,833**	261,585,735
Total Liabilities	**474,962,042**	461,315,042

(Forward)

	December 31	
	2021	2020
Equity (Note 19)		
Equity attributable to equity holders of Ayala Land, Inc.		
Paid-in capital	**₱79,897,468**	₱62,953,585
Retained earnings	**168,980,632**	161,660,724
Remeasurement loss on defined benefit plans (Note 26)	**(33,279)**	(818,101)
Fair value reserve of financial assets at FVOCI (Note 10)	**(880,895)**	(748,220)
Cumulative translation adjustments	**261,612**	167,395
Equity reserves (Note 1)	**1,289,611**	585,256
Treasury stock	**(16,894,380)**	(1,260,780)
	232,620,769	222,539,859
Non-controlling interests (Note 19)	**37,881,552**	37,639,473
Total Equity	**270,502,321**	260,179,332
	₱745,464,363	₱721,494,374

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share Figures)

	Years Ended December 31		
	2021	2020	2019
REVENUE (Note 20)			
Real estate sales (Notes 20 and 30)	**₱96,144,850**	₱85,965,453	₱157,848,573
Interest income from real estate sales (Notes 7 and 20)	**6,801,012**	8,602,775	7,890,972
Equity in net earnings of associates and joint ventures (Notes 11 and 20)	**842,565**	586,502	965,787
	103,788,427	95,154,730	166,705,332
Interest and investment income (Notes 6, 21 and 25)	**253,107**	394,701	930,445
Other income (Notes 21 and 24)	**2,101,071**	723,268	1,157,935
	2,354,178	1,117,969	2,088,380
	106,142,605	96,272,699	168,793,712
COSTS AND EXPENSES			
Cost of real estate sales (Note 22)	**64,641,519**	56,673,184	94,751,939
General and administrative expenses (Notes 22, 26 and 28)	**6,538,859**	8,011,813	9,367,359
Interest and other financing charges (Note 22)	**11,037,772**	12,745,720	12,199,758
Other expenses (Note 22)	**3,636,915**	3,788,771	1,644,982
	85,855,065	81,219,488	117,964,038
INCOME BEFORE INCOME TAX	**20,287,540**	15,053,211	50,829,674
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	**5,984,642**	4,687,956	12,455,010
Deferred	**(1,356,465)**	(628,983)	859,633
	4,628,177	4,058,973	13,314,643
NET INCOME	**₱15,659,363**	₱10,994,238	₱37,515,031
Net income attributable to:			
Equity holders of Ayala Land, Inc. (Note 27)	**₱12,228,148**	₱8,727,155	₱33,188,399
Non-controlling interests	**3,431,215**	2,267,083	4,326,632
	₱15,659,363	₱10,994,238	₱37,515,031
Earnings Per Share (Note 27)			
Net income attributable to equity holders of Ayala Land, Inc.:			
Basic and diluted	**₱0.83**	₱0.59	₱2.25

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
NET INCOME	**₱15,659,363**	₱10,994,238	₱37,515,031
Other comprehensive income (loss)			
Item that will be reclassified to profit or loss in subsequent years:			
Cumulative translation adjustment	**265,284**	(237,531)	(617,831)
Items that will not be reclassified to profit or loss in subsequent years:			
Fair value reserve of financial assets at FVOCI (Note 10)	**(97,378)**	(426,088)	(3,220)
Remeasurement gain (loss) on pension liabilities (Note 26)	**1,099,585**	(686,987)	(167,754)
Income tax effect	**(274,896)**	206,096	50,326
	992,595	(1,144,510)	(738,479)
TOTAL COMPREHENSIVE INCOME	**₱16,651,958**	₱9,849,728	₱36,776,552
Total comprehensive income attributable to:			
Equity holders of Ayala Land, Inc.	**₱13,049,676**	₱7,872,357	₱32,449,920
Non-controlling interests	**3,602,282**	1,977,371	4,326,632
	₱16,651,958	₱9,849,728	₱36,776,552

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Attributable to equity holders of Ayala Land, Inc.													
	Capital Stock (Note 19)	**Additional Paid-in Capital** (Note 19)	**Subscriptions Receivable**	**Appropriated Retained Earnings** (Note 19)	**Unappropriated Retained Earnings** (Note 19)	**Stock Options Outstanding**	**Remeasurement Gain (Loss) on Defined Benefit Plans** (Note 26)	**Fair value reserve of financial assets at FVOCI** (Note 10)	**Cumulative Translation Adjustments** (Note 19)	**Equity Reserves** (Note 19)	**Treasury Stocks** (Note 19)	**Total**	**Non-Controlling Interests**	**Total Equity**
As of January 1, 2021, as previously stated	**₱16,066,829**	**₱49,149,512**	**(₱2,262,756)**	**₱8,000,000**	**₱153,660,724**	**₱–**	**(₱818,101)**	**(₱748,220)**	**₱167,395**	**₱585,256**	**(₱1,260,780)**	**₱222,539,859**	**₱37,639,473**	**₱260,179,332**
Change in accounting policies:														
Adoption of PFRS 15 covered by PIC Q&A 2018-12E	–	–	–	–	**(2,838,041)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,838,041)**	**(16,298)**	**(2,854,339)**
Capitalized borrowing cost	–	–	–	–	**1,993,029**	**–**	**–**	**–**	**–**	**–**	**–**	**1,993,029**	**–**	**1,993,029**
As of January 1, 2021, as restated	**16,066,829**	**49,149,512**	**(2,262,756)**	**8,000,000**	**152,815,712**	**–**	**(818,101)**	**(748,220)**	**167,395**	**585,256**	**(1,260,780)**	**219,701,818**	**37,623,175**	**257,324,993**
Net income	**–**	**–**	**–**	**–**	**12,228,148**	**–**	**–**	**–**	**–**	**–**	**–**	**12,228,148**	**3,431,215**	**15,659,363**
Other comprehensive income (loss)	**–**	**–**	**–**	**–**	**–**	**–**	**824,689**	**(97,378)**	**94,217**	**–**	**–**	**821,528**	**171,067**	**992,595**
Total comprehensive income	**–**	**–**	**–**	**–**	**12,228,148**	**–**	**824,689**	**(97,378)**	**94,217**	**–**	**–**	**13,049,676**	**3,602,282**	**16,651,958**
Appropriation of retained earnings	–	–	–	**17,000,000**	**(17,000,000)**	**–**	–	–	–	–	–	–	–	–
Cost of stock options	**–**	**150,072**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**150,072**	**–**	**150,072**
Collection of subscription receivable	**–**	**–**	**324,725**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**324,725**	**–**	**324,725**
Stock options exercised	**11,389**	**335,219**	**(346,608)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Statutory merger	**609,626**	**15,859,460**					**(39,867)**	**(35,297)**		**(276,774)**	**(13,976,965)**	**2,140,183**	**(2,140,183)**	**–**
Acquisition of treasury shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,656,635)**	**(1,656,635)**	**–**	**(1,656,635)**
Acquisition of non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**981,129**	**–**	**981,129**	**–**	**981,129**
Net change in non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**553,837**	**553,837**
Cash dividends declared	**–**	**–**	**–**	**–**	**(4,063,228)**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,063,228)**	**(1,757,559)**	**(5,820,787)**
As of December 31, 2021	**₱16,687,844**	**₱65,494,263**	**(₱2,284,639)**	**₱25,000,000**	**₱143,980,632**	**₱–**	**(₱33,279)**	**(₱880,895)**	**₱261,612**	**₱1,289,611**	**(₱16,894,380)**	**₱232,620,769**	**₱37,881,552**	**₱270,502,321**
As of January 1, 2020	₱16,051,984	₱48,598,641	(₱1,878,179)	₱8,000,000	₱148,940,236	₱42,279	(₱337,210)	(₱457,358)	₱250,440	(₱7,056,459)	(₱1,104,353)	₱211,050,021	₱31,655,547	₱242,705,568
Net income	–	–	–	–	8,727,155	–	–	–	–	–	–	8,727,155	2,267,083	10,994,238
Other comprehensive loss	–	–	–	–	–	–	(480,891)	(290,862)	(83,045)	–	–	(854,798)	(289,712)	(1,144,510)
Total comprehensive income	–	–	–	–	8,727,155	–	(480,891)	(290,862)	(83,045)	–	–	7,872,357	1,977,371	9,849,728
Cost of stock options	–	154,199	–	–	–	(42,279)	–	–	–	–	–	111,920	–	111,920
Collection of subscription receivable	–	–	26,940	–	–	–	–	–	–	–	–	26,940	–	26,940
Stock options exercised	14,845	396,672	(411,517)	–	–	–	–	–	–	–	–	–	–	–
Acquisition of treasury shares	–	–	–	–	–	–	–	–	–	–	(156,427)	(156,427)	–	(156,427)
Disposal of non-controlling interest	–	–	–	–	–	–	–	–	–	7,641,715	–	7,641,715	–	7,641,715
Increase in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	4,937,740	4,937,740
Cash dividends declared	–	–	–	–	(4,006,667)	–	–	–	–	–	–	(4,006,667)	(931,185)	(4,937,852)
As of December 31, 2020	₱16,066,829	₱49,149,512	(₱2,262,756)	₱8,000,000	₱153,660,724	₱–	(₱818,101)	(₱748,220)	₱167,395	₱585,256	(₱1,260,780)	₱222,539,859	₱37,639,473	₱260,179,332

(Forward)

	Attributable to equity holders of Ayala Land, Inc.													
	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Subscriptions Receivable	Appropriated Retained Earnings (Note 19)	Unappropriated Retained Earnings (Note 19)	Stock Options Outstanding	Remeasurement Gain (Loss) on Defined Benefit Plans (Note 26)	Fair value reserve of financial assets at FVOCI (Note 10)	Cumulative Translation Adjustments (Note 19)	Equity Reserves (Note 19)	Treasury Stocks (Note 19)	Total	Non-Controlling Interests	Total Equity
As of January 1, 2019	₱16,041,530	₱47,985,990	(₱1,676,556)	₱8,000,000	₱123,473,337	₱65,462	(₱219,782)	(₱454,138)	₱868,271	(₱7,400,945)	₱–	₱186,683,169	₱32,621,997	₱219,305,166
Net income	–	–	–	–	33,188,399	–	–	–	–	–	–	33,188,399	4,326,632	37,515,031
Other comprehensive loss	–	–	–	–	–	–	(117,428)	(3,220)	(617,831)	–	–	(738,479)	–	(738,479)
Total comprehensive income	–	–	–	–	33,188,399	–	(117,428)	(3,220))	(617,831)	–	–	32,449,920	4,326,632	36,776,552
Cost of stock options	–	166,039	–	–	–	(23,183)	–	–	–	–	–	142,856	–	142,856
Collection of subscription receivable	–	–	255,443	–	–	–	–	–	–	–	–	255,443	–	255,443
Stock options exercised	10,454	446,612	(457,066)	–	–	–	–	–	–	–	–	–	–	–
Acquisition of treasury shares	–	–	–	–	–	–	–	–	–	–	(1,104,353)	(1,104,353)	–	(1,104,353)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	344,486	–	344,486	(3,991,324)	(3,646,838)
Cash dividends declared	–	–	–	–	(7,721,500)	–	–	–	–	–	–	(7,721,500)	(1,301,758)	(9,023,258)
As of December 31, 2019	₱16,051,984	₱48,598,641	(₱1,878,179)	₱8,000,000	₱148,940,236	₱42,279	(₱337,210)	(₱457,358)	₱250,440	(₱7,056,459)	(₱1,104,353)	₱211,050,021	₱31,655,547	₱242,705,568

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱20,287,540**	₱15,053,211	₱50,829,674
Adjustments for:			
Interest and other financing charges (Note 22)	**11,037,772**	12,745,720	12,199,758
Depreciation and amortization (Notes 12, 13, 14, 22 and 33)	**8,820,507**	9,572,572	9,058,710
Dividends received from investees (Note 11)	**321,617**	758,714	386,241
Provision for impairment losses (Note 22)	**539,692**	977,849	568,775
Cost of share-based payments (Note 28)	**150,072**	111,920	142,856
Unrealized (gain) loss on financial assets at fair value through profit or loss (Note 6)	**(99,372)**	40,116	1,965
Gain on sale of property and equipment (Note 21)	**–**	(23,265)	(40,870)
Equity in net earnings of associates and joint ventures (Note 11)	**(842,565)**	(586,502)	(965,787)
Gain on sale of investment in associates and jointly controlled entities (Note 11)	**(807,618)**	–	–
Interest income	**(7,054,119)**	(8,971,289)	(8,780,320)
Operating income before changes in working capital	**32,353,526**	29,679,046	63,401,002
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts and notes receivable – trade	**251,492**	683,154	14,849,682
Inventories (Note 8)	**(1,459,729)**	(10,253,170)	(5,315,783)
Other current assets (Note 9)	**(7,279,935)**	(8,477,188)	(4,520,502)
Increase (decrease) in:			
Accounts and other payables	**(7,690,011)**	(16,164,090)	(15,725,408)
Deposits and other current liabilities (Note 17)	**2,154,067**	(155,341)	(3,071,965)
Pension liabilities (Note 26)	**(92,362)**	346,206	319,979
Cash generated from operations	**18,237,048**	(4,341,383)	49,937,005
Interest received	**7,008,224**	8,925,394	8,768,302
Income tax paid	**(6,933,615)**	(5,355,723)	(11,683,232)
Interest paid	**(10,385,580)**	(11,735,785)	(11,009,836)
Net cash provided by (used in) operating activities	**7,926,077**	(12,507,497)	36,012,239
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale/redemption of short-term investments	**41,160**	397,875	2,490,543
Sale/redemption of financial assets at FVTPL	**1,168,987**	1,917,237	765,763
Sale of investments in FVOCI (Note 10)	**–**	21,112	56,858
Disposal of property and equipment (Note 13)	**483,360**	161,997	124,832
Disposal of investment properties (Note 12)	**294,149**	2,203,774	3,669,275
Disposal of investments in associates and jointly controlled entities	**807,618**	326,602	–

(Forward)

	Years Ended December 31		
	2021	2020	2019
Additions to:			
Short-term investments	**(₱8,680)**	(₱138,846)	(₱22,293)
Financial assets at fair value through profit or loss	**(805,248)**	(2,437,088)	(776,919)
Financial assets at FVOCI (Note 10)	–	(98,951)	(93,463)
Investments in associates and joint ventures (Note 11)	**(778,748)**	(1,837,901)	(1,529,688)
Investment properties (Note 12)	**(22,030,868)**	(5,544,790)	(29,215,224)
Property and equipment (Note 13)	**(3,215,492)**	(3,098,436)	(10,519,576)
Net decrease (increase) in:			
Accounts and notes receivable - nontrade (Note 7)	**(12,981)**	2,046,114	(564,222)
Other noncurrent assets (Note 14)	**(2,171,784)**	2,865,904	(6,957,950)
Net cash used in investing activities	**(26,228,527)**	(3,215,397)	(42,572,063)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short and long-term debt (Note 16)	**191,282,758**	226,900,910	165,401,684
Payments of short and long-term debt (Note 16)	**(180,536,836)**	(225,720,204)	(140,675,538)
Payments of principal portion of lease liability (Note 33)	**(1,432,361)**	(1,334,674)	(1,179,645)
Increase (decrease) in deposits and other noncurrent liabilities	**10,695,432**	5,706,022	(6,241,773)
Acquisition of non-controlling interest (Note 19)	**1,534,967**	–	(3,646,838)
Increase in non-controlling interests	–	235,994	–
Proceeds from IPO sponsorship (Note 19)	–	12,343,461	–
Proceeds from capital stock subscriptions (Note 19)	**324,724**	26,940	255,443
Acquisition of treasury shares (Note 19)	**(1,656,635)**	(156,427)	(1,104,353)
Dividends paid to non-controlling interests	**(1,324,396)**	(931,185)	(1,301,758)
Dividends paid to equity holders of Ayala Land, Inc. (Note 19)	**(4,051,013)**	(4,397,061)	(7,754,047)
Net cash provided by financing activities	**14,836,640**	12,673,776	3,753,175
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(3,465,810)**	(3,049,118)	(2,806,649)
EFFECT OF CHANGES IN FOREIGN CURRENCY	**399,900**	(326,576)	(776,880)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**17,037,347**	20,413,041	23,996,570
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱13,971,437**	₱17,037,347	₱20,413,041

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Ayala Land, Inc. (the Parent Company or ALI) is domiciled and was incorporated on June 30, 1988 in the Republic of the Philippines with corporate life of fifty years. The Parent Company's parent is Ayala Corporation (AC). AC is a publicly listed company which is 47.87%-owned by Mermac, Inc. and the rest by the public as of December 31, 2021. The Parent Company's registered office and principal place of business is 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The Parent Company and its Subsidiaries (the Group) are incorporated to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, residential including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property; to acquire, purchase, hold, manage, develop and sell subdivision lots, with or without buildings or improvements; to erect, construct, alter, manage, operate, lease, in whole or in part, buildings and tenements of the Group or of other persons; and to engage or act as real estate broker. The Group is also involved in hotels and resorts operations.

The consolidated financial statements of Ayala Land, Inc. and Subsidiaries as of December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 were endorsed for approval by the Audit Committee on February 18, 2022 and were approved and authorized for issue by the Board of Directors (BOD) on February 24, 2022.

The consolidated financial statements represent the consolidation of the financial statements of the Parent Company and the following domestic and foreign subsidiaries:

	December 31	
	2021*	2020*
Real Estate:		
Alveo Land Corporation (Alveo)	**100%**	100%
Serendra, Inc.	**39**	39
Solinea, Inc. (Solinea)	**65**	65
BGSouth Properties, Inc. (BGSouth)	**50**	50
Portico Land Corp. (Portico)	**60**	60
Serendra, Inc.	**28**	28
Amorsedia Development Corporation (ADC)	**100**	100
OLC Development Corporation and Subsidiary	**100**	100
HLC Development Corporation	**100**	100
Allysonia International Ltd.	**100**	100
Avida Land Corporation (Avida)	**100**	100
Buklod Bahayan Realty and Development Corp.	**100**	100
Avida Sales Corp.	**100**	100
Amicassa Process Solutions, Inc.	**100**	100
Avencosouth Corp. (Avencosouth)	**70**	70
BGNorth Properties, Inc. (BGNorth)	**50**	50
Amaia Land Co. (Amaia)	**100**	100
Amaia Southern Properties, Inc. (ASPI)	**65**	65
AyalaLand Premier, Inc.	**100**	100
Ayala Land International Sales, Inc. (ALISI)	**100**	100
Ayala Land International Marketing, Inc. (AIMI)	**100**	100
Ayala Land International (Singapore) Pte. Ltd	**100**	100
Ayala Land International Marketing (Hong Kong) Ltd	**100**	100
Ayala Land International Marketing, SRL (ALIM SRL)	**100**	100
Ayala Land International Marketing London	**100**	100

	December 31	
	2021*	2020*
Ayala Land Sales, Inc.	**100%**	100%
Southportal Properties, Inc. (Southportal)	**100**	65
Buendia Landholdings, Inc.	**100**	100
Crans Montana Holdings, Inc.	**100**	100
Crimson Field Enterprises, Inc.	**100**	100
Ecoholdings Company, Inc. (ECI)	**100**	100
NorthBeacon Commercial Corporation (NBCC)	**100**	100
Red Creek Properties, Inc.	**100**	100
Regent Time International, Limited (Regent Time) (British Virgin Islands)	**100**	100
North Eastern Commercial Corp. (NECC)	**100**	100
Westview Commercial Ventures Corp. (Westview)	**100**	100
North Ventures Commercial Corporation	**100**	100
Hillsford Property Corporation (Hillsford)	**100**	100
Primavera Towncentre, Inc. (PTI)	**100**	100
Summerhill E-Office Corporation (Summerhill)	**100**	100
Sunnyfield E-Office Corporation (Sunnyfield)	**100**	100
Subic Bay Town Centre, Inc. (SBTCI)	**100**	100
Regent Wise Investments Limited (Regent Wise) (Hongkong company)	**100**	100
AyalaLand Real Estate Investments Inc. (Canada)	**100**	100
AyalaLand Advisory Broadway Inc. (Canada)	**100**	100
AyalaLand Development (Canada) Inc.	**100**	100
AyalaLand OpenAsia Holdings PTE, Ltd (Singapore)	**100**	100
Blue Horizons Holdings PTE, Ltd (Singapore)	**100**	100
Modular Construction Technology (MCT) Bhd. (Malaysia)	**66**	66
AREIT Fund Manager, Inc. (formerly AyalaLand Commercial REIT, Inc. (ALCRI))	**100**	100
Arvo Commercial Corporation (Arvo)	**100**	100
BellaVita Land Corporation (BellaVita)	**100**	100
Nuevo Centro, Inc. (Nuevo Centro)	**54**	54
Alviera Country Club, Inc. (Alviera)	**50**	50
Cavite Commercial Town Center, Inc. (CCTCI)	**100**	100
AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.)	**66**	54
AyalaLand Offices, Inc. (ALO)	**100**	100
First Gateway Real Estate Corp.	**100**	100
Glensworth Development, Inc. (Glensworth)	**100**	100
UP North Property Holdings, Inc.	**100**	100
ALO Prime Realty Corporation	**100**	100
Makati Cornerstone Leasing Corp. (MCLC)	**100**	100
Arca South Commercial Ventures Corp. (ASCVC)	**-**	100
Capitol Central Commercial Ventures Corp.	**100**	100
Bay City Commercial Venture Corp. (BCCVC)	**100**	100
Aurora Properties Incorporated	**81**	81
Soltea Commercial Corp.	**16**	16
Vesta Property Holdings, Inc. (VPHI)	**78**	78
Altaraza Prime Realty Corporation	**100**	100
Altaraza Development Corporation	**51**	51
Prow Holdings, Inc.	**55**	55
Station Square East Commercial Corporation (SSECC)	**69**	69
AREIT Property Managers, Inc. (formerly Next Urban Alliance Development Corp.)	**100**	100
Accendo Commercial Corp. (Accendo)	**67**	67
Avencosouth Corp.	**20**	20
Aviana Development Corporation	**7**	7
Aviana Development Corporation	**50**	50

	December 31	
	2021*	2020*
Cagayan de Oro Gateway Corp. (CDOGC)	**70%**	70%
Ceci Realty, Inc. (Ceci)	**60**	60
Soltea Commercial Corp.	**12**	12
Soltea Commercial Corp.	**60**	60
CMPI Holdings, Inc.	**60**	60
CMPI Land, Inc.	**-**	36
ALI-CII Development Corporation (ALI-CII)	**50**	50
Roxas Land Corporation (RLC)	**50**	50
Adauge Commercial Corporation (Adauge)	**60**	60
AyalaLand Estates, Inc	**100**	100
Ayalaland MetroNorth, Inc. (AMNI)	**100**	100
Verde Golf Development Corp.	**100**	100
North Triangle Depot Commercial Corporation (NTDCC)	**73**	73
Ayalaland-Tagle Properties, Inc.	**55**	–
BGWest Properties, Inc. (BGW)	**50**	50
Lagdigan Land Corp. (Lagdigan)	**60**	60
Central Block Developers, Inc. (CBDI)	**–**	45
Central Bloc Hotel Ventures, Inc.	**–**	45
Central Bloc Hotel Ventures, Inc.	**100**	100
Cebu Holdings, Inc. (CHI)	**–**	71
Cebu Leisure Company, Inc.	**–**	71
CBP Theatre Management Inc.	**–**	71
Taft Punta Engaño Property Inc. (TPEPI)	**–**	39
Cebu Insular Hotel Company, Inc. (CIHCI)	**–**	26
Solinea, Inc.	**–**	25
Amaia Southern Properties, Inc. (ASPI)	**–**	25
Southportal Properties, Inc. (Southportal)	**–**	25
Central Block Developers, Inc. (CBDI)	**–**	39
Asian I-Office Properties. Inc. (AIOPI)	**–**	71
Cebu Leisure Company, Inc.	**100**	–
CBP Theatre Management Inc.	**100**	–
Taft Punta Engaño Property Inc. (TPEPI)	**55**	–
Cebu Insular Hotel Company, Inc. (CIHCI)	**37**	–
Solinea, Inc.	**35**	–
Amaia Southern Properties, Inc. (ASPI)	**35**	–
Alabang Commercial Corporation (ACC)	**50**	50
South Innovative Theater Management (SITMI)	**50**	50
ALI Commercial Center, Inc.	**100**	100
AMC Japan Concepts, Inc.	**75**	75
AyalaLand Logistics Holdings Corp. (ALLHC) (formerly Prime Orion Philippines, Inc.)	**71**	71
Orion Solutions, Inc.	**71**	71
Orion I Holdings Philippines, Inc.	**71**	71
OE Holdings, Inc.	**71**	71
Orion Land, Inc.	**71**	71
Lepanto Ceramics, Inc.	**71**	71
Laguna Technopark, Inc. and Subsidiary	**71**	68
Unity Realty & Development Corp. (URDC)	**71**	71
FLT Prime Insurance Corporation	**56**	56
Ayalaland Malls Synergies, Inc.	**100**	100
Ayalaland Malls, Inc. (formerly Solerte, Inc.)	**100**	100
Ayalaland Malls Vismin, Inc.	**100**	100
Ayalaland Malls NorthEast, Inc.	**100**	100

	December 31	
	2021*	2020*
Construction:		
Makati Development Corporation (MDC)	**100%**	100%
MDC Subic, Inc.	**100**	100
MDC Build Plus, Inc.	**100**	100
MDC Conqrete, Inc. (MCI)	**100**	100
MDC Equipment Solutions, Inc. (MESI)	**100**	100
MDBI Construction Corp.	**67**	67
Hotels and Resorts:		
Ayala Hotels, Inc. (AHI)	**50**	50
AyalaLand Hotels and Resorts Corporation (AHRC) and Subsidiaries	**100**	100
ALI Makati Hotel & Residences, Inc.	**80**	80
ALI Makati Hotel Property, Inc.	**80**	80
Regent Horizons Conservation Company, Inc.	**100**	100
Enjay Hotels, Inc. (Enjay)	**100**	100
Greenhaven Property Venture, Inc. (GPVI)	**100**	100
Cebu Insular Hotel Company, Inc. (CIHCI)	**63**	63
Bonifacio Hotel Ventures, Inc.	**100**	100
Southcrest Hotel Ventures, Inc.	**67**	67
Northgate Hotel Ventures, Inc.	**70**	70
North Triangle Hotel Ventures, Inc.	**100**	100
Ecosouth Hotel Ventures, Inc.	**100**	100
Sentera Hotel Ventures, Inc.	**100**	100
Econorth Resorts Ventures, Inc.	**100**	100
ALI Triangle Hotel Ventures, Inc.	**100**	100
Circuit Makati Hotel Ventures, Inc.	**100**	100
Capitol Central Hotel Ventures, Inc.	**100**	100
Arca South Hotel Ventures, Inc.	**100**	100
Sicogon Town Hotel, Inc.	**100**	100
Bay Area Hotel Ventures, Inc.	**100**	100
Makati North Hotel Ventures, Inc. (MNHVI)	**100**	100
One Makati Hotel Ventures, Inc. (OMHVI)	**100**	100
Sicogon Island Tourism Estate Corp. (SITE Corp.)	**100**	100
Asiatown Hotel Ventures, Inc.	**100**	100
One Makati Residential Ventures, Inc.	**100**	100
ALI Makati Hotels & Residences, Inc.	**20**	20
ALI Makati Hotel Property, Inc.	**20**	20
Ten Knots Phils., Inc. (TKPI)	**60**	60
Bacuit Bay Development Corporation	**60**	60
Lio Resort Ventures, Inc.	**60**	60
North Liberty Resort Ventures, Inc.	**60**	60
Paragua Eco-Resort Ventures, Inc.	**60**	60
Lio Tourism Estate Management Corporation	**60**	60
Ten Knots Development, Corp. (TKDC)	**60**	60
Chirica Resorts Corp.	**60**	60
Kingfisher Capital Resources Corp.	**60**	60
Pangulasian Island Resort Corporation	**60**	60
Integrated Eco-resort Inc.	**100**	100
Property Management:		
Ayala Property Management Corporation (APMC)	**100**	100
Prime Support Services, Inc.	**100**	100
Ayala Theatres Management, Inc. (ATMI) and Subsidiaries	**100**	100
DirectPower Services, Inc. (DirectPower)	**100**	100
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	**100**	100
Entertainment:		
Five Star Cinema, Inc.	**100**	100
Leisure and Allied Industries Philippines, Inc. (LAIP)	**50**	50

	December 31	
	2021*	2020*
Others:		
ALInet.com, Inc. (ALInet)	**100%**	100%
First Longfield Investments Limited (First Longfield) (Hongkong Company)	**100**	100
Green Horizons Holdings Limited and Subsidiaries	**100**	100
Aprisa Business Process Solutions, Inc. (Aprisa)	**100**	100
AyalaLand Club Management, Inc.	**100**	100
ALI Capital Corp. (formerly Varejo Corp.) (ALICap)	**100**	100
Airswift Transport, Inc. (formerly Island Transvoyager, Inc.) (Airswift)	**100**	100
Swift Aerodrome Services, Inc. (SASI)	**100**	100
Integrated Eco-resort, Inc.	**100**	100
Arca South Integrated Terminal, Inc. (ASITI)	**100**	100
Whiteknight Holdings, Inc.	**100**	100
Ayalaland Medical Facilities Leasing, Inc.	**100**	100
Anvaya Cove Beach and Nature Club, Inc. (Anvaya Cove Beach)	**73**	73
Anvaya Cove Golf and Sports Club, Inc. (Anvaya Cove Golf)	**76**	76

*represents the Group's percentage and effective ownership

The above companies are domiciled in the Philippines except for the foreign entities which are domiciled and incorporated in the country as mentioned above.

AC owns the other 50.0% of AHI. The Parent Company exercises control over AHI. Likewise, the Parent Company, through its 50.0% effective ownership and by virtue of a management contract or shareholders' agreement, exercises control over the operations and management of ACC, BGWest, BGNorth, BGSouth, RLC, ALI-CII and LAIP. Accordingly, the accounts of AHI, ACC, BGWest, BGNorth, BGSouth, RLC, ALI-CII and LAIP are consolidated to the accounts of the Parent Company (see Note 3).

The following were the changes in the group structure during 2021:

On March 16, 2021, AREIT's Board of Directors approved the increase of its authorized capital stock from ₱11,740 million to ₱29,500 million and the subscription of ALI and its subsidiaries to 483,254,375 primary common shares of AREIT in exchange for identified commercial properties valued at ₱15,464 million.

On October 8, 2021, Ayala Land, Inc. and AREIT, Inc. received the approval from the SEC of the property-for-share swap, specifically the subscription of ALI and its subsidiaries namely, Westview Commercial Ventures Corp. and Glensworth Development, Inc. (collectively referred to as Subsidiaries) to 483,254,375 shares of AREIT in exchange for identified properties owned by ALI and the Subsidiaries, under the Deed of Exchange dated June 8, 2021. This resulted in ALI's interest in AREIT from 54% to 66%.

Ayalaland-Tagle Properties, Inc. was incorporated with the SEC on August 27, 2021. The Company is 55% owned by ALI, 35% owned by Griffinstone, Inc. and 10% owned by CTM Management Corp. The primary purpose of the Company is to deal and engage in land or real estate business in all its branches and ramifications.

On December 16, 2021, the SEC approved the merger of CHI, AiO, ASCVC and CBDI with and into ALI, with ALI as the surviving entity (the "Merger"). ALI shall be the surviving entity in the Merger and shall possess all the rights, privileges and immunities of CHI, AiO, ASCVC and CBDI (the "Absorbed Corporations"), and all properties and liabilities, and all and every other interest of or belonging to the Absorbed Corporations shall be taken and deemed transferred to ALI without further act or deed.

As a result of the above merger, ALI's direct ownership on the seven companies also increased namely Southportal Properties, Inc. (from 85% to 100%), Cebu Leisure Company, Inc. (from 71% to 100%), CBP Theatre Management Inc. (from 71% to 100%), Taft Punta Engaño Property Inc. (from 39% to 55%), Cebu Insular Hotel Company, Inc. (from 26% to 37%), Solinea, Inc (from 25% to 35%), Amaia Southern Properties, Inc. (from 25% to 35%).

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency and all values are rounded to the nearest thousand (₱000), except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. While there are recent signs of increased market activity with the easing of quarantine measures in key areas in the Philippines, management believes that the impact of COVID-19 situation remains fluid and evolving and the pace of recovery remains uncertain.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting relief on the accounting for significant financing components as issued and approved by the SEC in response to the COVID-19 pandemic.

The Group has availed of the relief granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of PIC Q&A 2018-12-D (assessment if the transaction price includes a significant financing component) until December 31, 2023.

SEC MC No. 4-2020 deferring the adoption of IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, *Borrowing Cost* (the IFRIC Agenda Decision on Borrowing Cost) and is not applicable to the Group as is it is already in full compliance with the requirements of the IFRIC Agenda Decision.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the Adoption of New and Amended Accounting Standards and Interpretations section of Note 2.

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions. The portion of profit or loss and net assets in subsidiaries not wholly-owned are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position, separately from the Parent Company's equity. Non-controlling interests are net of any outstanding subscription receivable.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction and recognized as equity reserves in the consolidated statement of changes in equity. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

<u>Changes in Accounting Policies</u>
- Adoption of PIC Q&A 2018-12-E

  In 2021, the Group adopted the provision of PFRS 15 covered by PIC Q&A 2018-12-E on the treatment of land in the calculation of POC. The Group applied the modified retrospective approach to recognize the impact of the change with a reduction in the beginning retained earnings by ₱2,838 million and beginning NCI of ₱16.3 million (see Note 19).

- Capitalization of borrowing costs in property and equipment and investment properties

  In 2021, the Group started capitalizing borrowing costs to its property and equipment and investment properties under construction. The Group recognized the impact of the change against the beginning retained earnings in 2021 amounting to ₱1,993 million. The impact to the comparative accounts and amounts are increase in noncurrent assets and equity, and net income by ₱635 million and ₱354 million in 2020 and 2019, respectively.

The changes above did not have any significant impact on the consolidated statement of cash flows of the Group.

Adoption of New and Amended Accounting Standards and Interpretations
The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new accounting pronouncements which became effective January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

  This amendment is not applicable to the Group as there are no rent concessions granted to the Group as a lessee.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:

  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The Group adopted the amendments beginning January 1, 2021.

- Adoption of PIC Q&A 2018-14, *Accounting for Cancellation of Real Estate Sales* (as amended by PIC Q&A 2020-05)

  On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

  On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

  The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group since it has previously adopted approach 3 in its accounting for sales cancellation which records the repossessed inventory at cost.

<u>Standards Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16 , *Plant and Equipment: Proceeds before Intended Use*
  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and 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 the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements* to PFRSs 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the ’10 per cent’ test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are 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 lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

  The new standard is not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

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 the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors’ interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

  The Group is currently assessing the impact of adopting these amendments.

- Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. The PIC Q&A provisions covered by the SEC deferral that the Group availed in 2021 follows:

	Deferral Period
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)	Until December 31, 2023

  As discussed under Changes in Accounting Policies, the Group adopted the provision of PFRS 15 that covered its treatment of land in the determination of POC as discussed in PIC Q&A 2018-12-E. As allowed under SEC MC No. 34, the Group adopted the change under the modified restrospective approach.

  The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:
  a. The accounting policies applied.
  b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
  c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
  d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

  After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

  The Group availed of the SEC relief on the accounting for significant financing component of PIC Q&A No. 2018-12. Had this provision been adopted, the Group assessed that the impact would have been as follows:

  The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable, provision for deferred income tax, deferred tax asset or liability for all years presented, and the opening balance of retained earnings. These would have impacted the cash flows from operations and cash flows from financing activities for all years presented. The Group believes that the mismatch for its contract to sell does not constitute a significant financing component that is material to the Group based on the examples provided in the PIC letter dated November 11, 2020.

Current and Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

(a) Expected to be realized or intended to be sold or consumed in normal operating cycle;
(b) Held primarily for the purpose of trading;
(c) Expected to be realized within 12 months after reporting date; or
(d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

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

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

The principal or the most advantageous market must be accessible to 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by corporate finance after discussion with and approval by the Parent Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The Group, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of change in value.

Financial Instruments
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Financial assets

Initial recognition of financial instruments
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables, except for contracts with customers in residential, commercial and office development receivables, are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Interest income and impairment losses or reversals are recognized in the consolidated statement of comprehensive income. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, short-term investments and accounts and notes receivables.

Disposal of financial assets at amortized cost
When financial assets at amortized cost are disposed, these are assessed whether the Group is consistent with its objective of collecting contractual cash flows until maturity. In the event that disposals have been concluded as infrequent and insignificant, the financial assets continue to be accounted at amortized cost (see Note 7).

Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

This category includes investment in bonds classified as financial assets at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group's financial assets at fair value through OCI includes investments in quoted and unquoted equity instruments.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

Investments in Unit Investment Trust Fund (UITF), treasury bills and investment in ARCH Capital Asian Partners L.P. (ARCH Capital Fund) are held for trading and classified as financial assets at FVPL.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:
- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Modification of financial assets
The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated statement of income.

Impairment of Financial Assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for trade receivables and a vintage analysis for residential, commercial and office development receivables that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such as accrued receivable, receivable from related parties and advances to other companies, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such 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. The Group uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables in default when contractual payments are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Directly attributable transaction costs are documentary stamp tax, underwriting and selling fees, regulatory filing fees and other fees.

The Group's financial liabilities include "Accounts and other payables" (other than "Taxes payable" which is covered by another accounting standard), "Short-term and long-term debts", "Deposits and Other Liabilities" and "Lease liabilities".

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Only if the criteria in PFRS 9 are satisfied, the designation of financial liabilities at fair value through profit or loss at the initial date of recognition is allowed. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to short term and long term debt.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

<u>Derivatives</u>
The Group uses derivative financial instruments, such as non-deliverable forwards, cross currency swaps, interest rate swaps and principal only swaps contracts to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

<u>Refundable Deposits</u>
Refundable deposits are measured initially at fair value. After initial recognition, refundable deposits are subsequently measured at amortized cost using the effective interest method.

The difference between the cash received and its fair value is deferred and amortized using the straight-line method under the “Real estate revenue” account in the consolidated statement of income.

Non-refundable deposits that are applicable against costs of services incurred or goods delivered are measured at fair value.

<u>Concession Receivable</u>
The Group accounts for its concession arrangement with the DOTr under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial asset for its construction services from or at the direction of the grantor. Under the concession arrangement, the Group is awarded the right to build and operate an integrated transport terminal for Metro Manila and its adjacent provinces. The legal title to these assets shall be transferred to the government at the end of the concession period.

The “Concession Financial Receivable” (shown as part of “Other Noncurrent Assets”) pertains to the fair value of the Annual Grantor Payment related to the operating and maintenance services and recovery of construction costs of the terminal facility. These are amortized using the effective interest rate over the life of the related concession.

In addition, the Group recognizes and measures construction revenues and costs in accordance with 'percentage of completion method'. Contract revenue and costs from construction works are recognized as "Construction Revenue" and "Construction Costs", respectively, in profit or loss in the period in which the work is performed.

Inventories

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:

- Land cost
- Land improvement cost
- Amounts paid to contractors for construction and development
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Inventories that are leased out at market rates to earn revenues to partly cover for expenses on the condition that the intent to sell in the ordinary course of business has not changed are accounted and presented as inventory. The rent income from inventories that are leased out is included in other income in the consolidated statement of comprehensive income.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

Prepaid Expenses

Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, and insurance.

With the exception of commission which is amortized using percentage of completion, other prepaid expenses are amortized as incurred.

Input Value-Added Tax (VAT)

Input VAT arises from the purchase of goods and services. These are applied against output VAT. The remaining balance is recoverable in future periods. These are carried at cost less allowance for impairment loss, if any. Impairment loss is recognized when input VAT can no longer be recovered.

Materials, Parts and Supplies

Materials, parts and supplies are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

An allowance for inventory losses is provided for slow-moving, obsolete and defective materials, parts and supplies based on management's physical inspection and evaluation. When inventories are sold, the cost and related allowance is removed from the account and the difference is charged against operations.

Advances to Other Companies and Advances to Contractors and Suppliers

Advances to other companies and advances to contractors and suppliers are carried at cost less impairment losses, if any.

Investments in Associates and Joint Ventures

Investments in associates and joint ventures (investee companies) are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate entity in which each venturer has an interest.

An investment is accounted for using the equity method from the day it becomes an associate or joint venture. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as subsumed goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and instead included in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment in values. The consolidated statement of income reflects the share of the results of the operations of the investee companies. The Group's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Unless otherwise, additional losses are not recognized when the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the investee companies, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

<u>Interest in Joint Operation</u>
Makati Development Corporation (MDC), a subsidiary of the Parent Company, has an interest in joint arrangement, whereby the parties have a contractual arrangement that establishes joint control. MDC recognizes its share of jointly held assets, liabilities, income and expenses of the joint operation with similar items, line by line, in its financial statements.

The financial statements of the joint operation are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

<u>Investment Properties</u>
Investment properties comprise completed property and property under construction or under re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the companies in the Group.

The Group uses the cost model in measuring investment properties since this represents the historical value of the properties subsequent to initial recognition. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

Expenditures incurred after the has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Assets that are under construction are carried at cost (including borrowing costs) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation or under the condition as intended by the Group.

Depreciation of investment properties are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of investment properties which comprised of buildings, range from 20-40 years.

Investment properties are derecognized when either they 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 statement of income in the year of retirement or disposal.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

The Group discloses the fair values of its investment properties in accordance with PAS 40. The Group engages independent valuation specialist to assess the fair values as at December 31, 2021 and 2020. The Group's investment properties consist of land and building pertaining to land properties, retail (malls) and office properties. These are valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property and income approach by reference to the value of income, cash flow or cost saving generated by the asset.

Property and Equipment

Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and are computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Buildings and improvements	20-40
Machinery and construction equipment	5
Furniture, fixtures and equipment	3-10
Transportation equipment	3-5
Hotel property and equipment	20-50

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

When property and equipment items are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Leasehold rights with finite lives are amortized using the straight-line method over the estimated useful life of 20 to 23 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income.

As of December 31, 2021 and 2020 intangible asset pertaining to leasehold right is included under "Other noncurrent assets".

Buildings Classified as Held for Sale
Buildings classified as held for sale are stated at the lower of its carrying amount and fair value less costs to sell. These are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method which involves recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interests in the acquiree. The identifiable assets acquired and liabilities assumed of the acquiree are recognized as of the acquisition date and measured at fair value as at that date. For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value of the acquiree's identifiable net assets. Acquisition related costs are expensed in the period which the costs are incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as bargain purchase gain. The Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure amounts to be recognized at the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve (12) months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the period before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Combinations of entities under common control
Business combinations of entities under common control are accounted for using the pooling of interest method. The pooling of interest method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity.
- The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparatives are presented as if the entities had always been combined.

The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the current period presented and on retained earnings at the beginning of the current period presented are eliminated to the extent possible.

Asset Acquisitions
If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business as defined under PFRS 3, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets) and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired (e.g. investments in associates and joint ventures, investment properties, property and equipment and right-of-use assets). If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value 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 of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following criteria are also applied in assessing impairment of specific assets:

Investments in associates and joint ventures
After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investment in associates or joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the investee company and recognizes the difference in the consolidated statement of income.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) 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. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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 interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Pension Cost
Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes: a) service costs comprising current service costs, past-service costs, b) gains and losses on curtailments and non-routine settlements, and c) net interest cost on benefit obligation.

Remeasurements, comprising of actuarial gains or losses, the effect of the asset ceiling, excluding net interest cost and the return on plan assets (excluding net interest), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by using risk-free interest rates of long-term government bonds that have terms to maturity approximating the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

Share-based Payments
The Group has equity-settled, share-based compensation plans with its employees.

PFRS 2 Options
For options granted after November 7, 2002 that have not vested on or before January 1, 2005, the cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using the Black-Scholes model, further details of which are given in Note 28.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instrument that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Pre-PFRS 2 Options
For options granted before November 7, 2002 that has vested before January 1, 2005, the intrinsic value of stock options determined as of grant date is recognized as expense over the vesting period.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 28).

Employee Stock Ownership Plan
The Parent Company has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Parent Company's shares. The Parent Company recognizes stock compensation expense over the holding period. The Parent Company treats its ESOWN plan as option exercisable within a given period. These are accounted for similar to the PFRS 2 options. Dividends paid on the awards that have vested are deducted from equity and those paid on awards that are unvested are charged to profit or loss. For the unsubscribed shares where the employees still have the option to subscribe in the future, these are accounted for as options.

Equity
When the shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Subscriptions receivable pertains to the uncollected portion of the subscribed shares.

Retained earnings represent accumulated earnings of the Group less dividends declared.

Equity reserves pertain to the excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid shall be recognized directly in equity and included under “Equity reserves” account in the equity section of the consolidated statement of financial position.

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Parent Company’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. 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 when the shares were issued and to retained earnings for the remaining balance.

Revenue from Contract with Customers
The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Except for the provisioning of water, electricity, air-conditioning and common use service area in its mall retail spaces, wherein it is acting as agent, the Group has generally concluded that it is the principal in its revenue arrangements.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Real estate sales
The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group’s performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue and the related trade receivables on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized as trade receivables under residential and office development receivables account. Any excess of collections over the total of recognized trade receivables is included in the “customer’s deposit” account in the liabilities section of the consolidated statement of financial position. The impact of the significant financing component on the transaction price has not been considered since the Group availed of the relief granted by the SEC under Memorandum Circular No. 34, which has been extended until December 31, 2023.

Cost recognition
The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Marketing fees, management fees from administration and property management are recognized as expense when services are incurred.

Hotel and resorts revenue (part of real estate sales in the consolidated statement of income)
The Group recognizes room accommodation services over time since the guest simultaneously receives and consumes the services provided by the Group. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. Revenue from banquets and other special events are recognized when the events take place.

Cost of hotel operations (part of cost of real estate sales in the consolidated statement of income)
Cost of hotel operations pertains to expenses incurred in relation to sale of goods and rendering of services. These are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen than can be measured reliably. These are recognized when incurred and measured at the amount paid or payable.

Construction revenue (part of real estate sales in the consolidated statement of income) and cost
Revenue from fixed price construction contracts are recognized over time using the milestone-based revenue recognition which is in reference to the output method. The output method is determined based on the start and completion of a task of the contract work inclusive of uninstalled goods and materials delivered to the site.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Rental income (part of real estate sales in the consolidated statement of income)
Rental income under noncancellable and cancellable leases on investment properties is recognized in the consolidated statement of income on a straight-line basis over the lease term and the terms of the lease, respectively, and/or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

No rental income is recognized when the Group waives its right to collect rent and other charges. This is recognized as a rent concession and reported as a variable payment (see Note 33).

Rooms revenue from hotel and resort operations is recognized when the services are rendered. Revenue from banquets and other special events are recognized when the events take place.

Interest income is recognized as it accrues using the effective interest method.

Dividend income is recognized when the Group's right to receive the payment is established.

Common usage service area (CUSA) charges

The contract for the commercial spaces leased out by the Group to its tenants includes the right to charge for the electricity usage, water usage, air-conditioning charges and CUSA like maintenance, janitorial and security services.

For the electricity and water usage, the Group determined that it is acting as an agent because the promise of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Group, are primarily responsible for the provisioning of the utilities while the Group administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air-conditioning of the Buildings, the Group acts as a principal because it retains the right to direct the service provider of air-conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the CUSA and air-conditioning charges.

Customers' deposit
Customers' deposit is a contract liability which is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a customers' deposit is recognized when the payment is made or the payment is due (whichever is earlier). Customers' deposit are recognized as revenue when the control of the goods or services are transferred to the customers by the Group which is essentially fulfillment of its performance obligation under the contract.

Customers' deposit also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

<u>Costs to obtain contract</u>
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization, de-recognition and impairment of capitalized costs to obtain a contract
Following the pattern of real estate revenue recognition, the Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion. The amortization is included within cost of sales.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price is removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Expense Recognition

Expenses are recognized in the consolidated statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in the consolidated statement of income as follow:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure has been assessed as no future economic benefits or when, and to the extent that future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Direct operating expenses and general and administrative expenses are recognized as they are incurred.

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 (included in “Investment properties” and “Property and equipment” accounts in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which 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. Where 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 borrowing costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of cost to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Building	20-40
Aircraft	10
Others	5

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of nonfinancial assets section.

ii) Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases
The Group applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Current Tax
Current tax assets and liabilities for the current and prior periods 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 are enacted or substantively enacted as at the end of the reporting period.

Deferred Tax
Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, 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, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax 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 carryforward benefits of unused tax credits and NOLCO can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

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 assets 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 all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period 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. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period (see Note 23).

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

Foreign Currency Transactions
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. The exchange differences arising on the translation are taken directly to a separate component of equity under “Cumulative translation adjustments” account. Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of income.

Investments in foreign associates are translated to Philippine Peso using the closing exchange rate prevailing at reporting date. The Group's share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

Earnings Per Share (EPS)
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 adjusted for any subsequent stock dividends declared. 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. Calculation of dilutive EPS considers the potential ordinary shares of subsidiaries, associates and joint ventures that have dilutive effect on the basic EPS of the Parent Company. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

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 representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 30 to the consolidated financial statements.

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

Events after the Reporting Period
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in conformity with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

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

Existence of a contract
The Group's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other duly executed and signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress
The Group concluded that revenue for real estate sales is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

The Group has determined that the output method used in measuring the progress of the performance obligation (i.e. percentage of completion) faithfully depicts the Group's performance in transferring control of real estate development to the customers. As discussed in Note 2, Changes in Accounting Policies, the Group adopted the provision of PFRS 15 that covered the treatment of land in the determination of the POC as discussed in PIC Q&A 2018-12-E.

Distinction of land between real estate inventories and investment properties
The Group determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate inventories) and even if the real estate inventories are leased out, the classification remains on the condition that the intent to sell remains. All other properties that are not yet determined to be sold in the normal operating cycle are classified as investment properties.

Consolidation of entities in which the Group holds only 50% or less than majority of voting rights
The Group considers that it controls the following entities even though it owns 50% or less than majority of the voting rights. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee.

ACC
For ACC, ALI holds 50% of the voting rights, and is also the single largest shareholder and the remaining 50% of the equity shares are held by several shareholders. The second largest stockholder of ACC holds 8.3% share while the other shareholders' equity interest ranges from 2.1% to 8.3%. In addition, ALI has an existing management services agreement with ACC which gives ALI the exclusive control and decision over the relevant activities of ACC.

BG Entities (BGWest, BGNorth and BGSouth)
For the BG entities, wherein ALI and the other shareholder each own 50% of the voting rights, ALI controls the investee through exercise of its exclusive project development and marketing agreement as well as the ability to decide on the financing, operating and strategic policies of the investees. This enabled ALI to conclude that it has control.

AHI, RLC, ALI-CII and LAIP
ALI has an existing management services agreement with AHI, RLC, ALI-CII and LAIP which gives ALI the exclusive control and decision over the relevant activities of AHI, RLC, ALI-CII and LAIP.

Service concession agreement
The Group has made a judgment that the concession agreement with DOTr qualifies under Philippine Interpretation IFRIC 12, *Service Concession Arrangements* (see Note 36). Management has assessed that DOTr controls and regulates the service, determines to whom this service will be provided and controls the price. In addition, management has also determined that the DOTr has the significant control over the residual interest of the Terminal at the end of the term. Management has also made a judgment that the Terminal and commercial assets (mall facilities) are physically separable and are capable of being operated independently.

Management has further assessed that said concession agreement qualifies under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial assets (i.e. the Annual Grantor Payment) for its construction, operating and maintenance services directly from DOTr.

Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense of these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's consolidated financial statements (see Note 35).

Sale of real estate receivables
The Group has entered into arrangements with banks wherein it discounted its real estate receivables without recourse. The Group believes that the sales transactions are not more than infrequent and that the receivables discounted is insignificant in value both individually and in aggregate. Accordingly, the Group continues to present trade receivables at amortized cost as it remains to hold trade receivables with the objective of collecting contractual cash flows until maturity.

Definition of default and credit-impaired financial assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria – for residential, commercial and office development receivables, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria
The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:
a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financial covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. Concessions or deferrals have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty (e.g. Bayanihan Acts I and II considerations)
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Determination of lease term of contracts with renewal and termination options – Group as a lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether the provisions to renew or terminate the lease is enforceable. For leases where the Group has the unilateral option to renew or terminate, it then applies judgment on whether it is reasonably certain or not to exercise the option. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Assessment on whether lease concessions granted constitute a lease modification
In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

The Group applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, the Group determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Group assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

The rent concessions granted by the Group for the year ended December 31, 2021 and 2020 amounted to ₱7.15 billion and ₱6.15 billion, respectively.

Judgements made in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates applying paragraph 122 of PAS 1, Presentation of Financial Statements
Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment, in consultation with its tax counsel, that it is probable that its uncertain income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

Management's Use of Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition on real estate projects
The Group's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues. The Group's revenue from real estate is recognized based on the percentage of completion and this is measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists (project engineers). Prior to 2021, the Group includes land in the calculation of POC since the Group availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry. In 2021, the Group did not avail of the relief provided by the SEC and adopted the provision on the treatment of land in the determination of POC. See Notes 20 and 22 for the related balances.

Following the pattern of real estate revenue recognition, the cost to obtain a contract (e.g. commission), is determined using the percentage of completion. In view of the continuing community quarantines and restricted mobility, the progress of the Group's performance obligation is adversely affected which resulted to lower percentage-of-completion in 2021 and 2020 as compared to previous years.

Evaluation of net realizable value of real estate inventories
The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the inventories. NRV for completed real estate inventories 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 inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete 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. In line with the impact of COVID-19, the Group experienced limited selling activities that resulted to lower sales in 2021 and 2020. In evaluating NRV, recent market conditions and current market prices have been considered. See Note 8 for the related balances.

Share-based payments
The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Group. See Note 28 for the related balances.

Estimating pension liabilities and other retirement benefits
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. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Significant assumptions are disclosed in Note 26 and include among others, discount rate and salary increase rate.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on 1994 Group Annuity Mortality Table and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions could materially affect retirement obligations. See Note 26 for the related balances.

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded or disclosed in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at their fair values by using the discounted cash flow methodology. See Note 29 for the related balances.

Provision for expected credit losses of trade receivables
The Group uses a provision matrix to calculate ECLs for trade receivables other than residential, commercial and office development receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and GDP growth rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Group uses vintage analysis approach to calculate ECLs for residential, commercial and office development receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group has considered the impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables from sale of real estate during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

The information about the ECLs on the Group's trade receivables is disclosed in Notes 7 and 29.

Estimating the incremental borrowing rate for leases
The Group uses its incremental borrowing rate (IBR) to measure lease liabilities because the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities as of December 31, 2021 and 2020 amounted to ₱17,837.4 million and ₱17,755.8 million, respectively (see Note 33).

Evaluation of impairment of nonfinancial assets
The Group assesses whether there are any indicators of impairment for all nonfinancial assets (i.e., property and equipment, investment properties, right of use assets and other current assets) at each financial reporting date. These nonfinancial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs, 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.

In view of the continuing community quarantines and restricted travel, the Group's hotels and resorts segment continues to be adversely affected by the lower number of guests and reduced room rates, both of which have significantly impacted the revenues reported for this segment. Also, many restaurants remain closed or allowed limited operations which impacted the food and beverage revenues of the segment. In addition, because of the coronavirus pandemic, there is the heightened level of uncertainty on the future economic outlook and market forecast. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of the property and equipment and right-of-use assets.

The carrying value of the property and equipment and right-of-use assets of the hotels and resorts segment amounted to ₱21,219.8 million and ₱1,360.0 million and ₱21,527.0 million and ₱1,034.9 million, respectively, as of December 31, 2021 and 2020. Impairment of investment properties in 2021 and 2020 amounted to ₱129.6 million and ₱225.2 million, respectively (Note 22).

The Group estimates the recoverable amount through value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of these assets of the hotels and resorts segment, the Group is required to make estimates and assumptions that may affect the nonfinancial assets. The significant assumptions used in the valuation are discount rates of 5.00% to 13.00% with an average growth rate of 3.00%. The Group also considered in its assumptions the impact of the pandemic on the occupancy rate, room rates and gross margin which are not expected to normalize until 2024. No impairment loss was recognized in 2021 and 2020.

4. Cash and Cash Equivalents

This account consists of:

	2021	2020
	(In Thousands)	
Cash on hand	**₱66,575**	₱64,303
Cash in banks	**11,745,823**	13,678,488
Cash equivalents	**2,159,039**	3,294,556
	₱13,971,437	₱17,037,347

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term rates.

The annual interest rates of the cash equivalents are as follows:

	2021	2020
Philippine Peso	**0.35% to 1.2%**	0.5% to 1.8%
US Dollar	**–**	0.1% to 0.25%

There is no restriction on the Group's cash and cash equivalents balances as of December 31, 2021 and 2020.

5. Short-term Investments

Short-term investments consist of money market placements made for varying periods of more than three (3) months and up to one (1) year and earn interest at the respective short-term investment rates.

The annual interest rates of the short-term investments are as follows:

	2021	2020
Philippine Peso	**–**	0.75%
US Dollar	**–**	0.05% to 0.10%
Malaysian Ringgit	**1.00% to 1.80%**	0.85% to 1.80%

6. Financial Assets at FVTPL

This account consists of:

	2021	2020
	(In Thousands)	
Investment in Unit Investment Trust Funds (UITF)	**₱407,025**	₱378,066
Investment in ARCH Capital Fund	**293,778**	327,953
Investment in Treasury Bills	**–**	259,152
	₱700,803	₱965,171

The Group invests in money market UITF which aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments and with no minimum holding period requirement.

The Group's investment in UITF includes investment in BPI (Note 25).

As of December 31, 2021, the Group invested in UITF with a fair value of ₱179 million for BPI Money Market Fund, ₱9.6 million for BPI USD Short Term Funds. The Funds' Net Asset Value (NAV) was at ₱61,969.7 million with duration of 241 days and ₱45,783.84 million with duration of 267 days, respectively.

As of December 31, 2020, the Group invested in UITF with a fair value of ₱209 million for BPI Money Market Fund and ₱95 million for BPI USD Short Term Funds. The Funds' Net Asset Value (NAV) was at ₱61,961.9 million with duration of 255 days and ₱41,101.9 million with duration of 307 days, respectively.

Investment in ARCH Capital Fund pertains to monetary interest in a fund in which the management takes the view that these are held for trading and it is a portfolio of identified property funds invested and managed by professional managers.

In 2020, the Group also invested in Treasury Bills which are short-term secure investments issued by the Philippine government through the Bureau of Treasury (BTr) and these are held for trading. These all matured in 2021.

The following table provides the fair value hierarchy of the Group's financial assets at FVTPL which are measured at fair value as of December 31, 2021 and 2020:

2021

			Fair value measurement using		
	Date of Valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
			(In Thousands)		
Investment in Unit Investment Trust Fund (UITF)	**December 31, 2021**	**₱407,025**	**₱–**	**₱407,025**	**₱–**
Investment in ARCH Capital Fund	**December 31, 2021**	**293,778**	**–**	**–**	**293,778**

2020

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			(In Thousands)		
Investment in Unit Investment Trust Fund (UITF)	December 31, 2020	₱378,066	₱–	₱378,066	₱–
Investment in ARCH Capital Fund	December 31, 2020	327,953	–	–	327,953
Investment in Treasury Bills	December 31, 2020	259,152	–	259,152	–

The fair value of the investment in UITF is based on net asset values as of reporting dates.

The fair value of the investment in ARCH Capital Fund is determined using the discounted cash flow (DCF) method. Under the DCF method in fund fair valuation, it is estimated using assumptions regarding the benefits and liabilities of ownership over the underlying asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream, associated with the underlying asset. The exit yield is normally separately determined and differs from the discount rate. Significant inputs considered were rental, growth and discount rates. The higher the rental and growth rates, the higher the fair value. The higher the discount rates, the lower the fair value.

The fair value of investment in treasury bills is based on BVAL reference rates on government securities. For the year ended December 31, 2020, the BVAL reference rates range from 1.002% to 3.953%.

Reconciliation of fair value measurement of Investment in ARCH Fund is shown below:

	2021	2020
	(In Thousands)	
Balance at beginning of year	**₱327,953**	₱389,031
Net redemptions	**(108,913)**	(12,478)
Unrealized gain (loss) included under "Other income"	**74,738**	(48,600)
Balance at end of year	**₱293,778**	₱327,953

Reconciliation of fair value measurement of Investment in UITF is shown below:

	2021	2020
	(In Thousands)	
Balance at beginning of year	**₱378,066**	₱96,405
Redemptions	**(800,922)**	(1,904,759)
Additions	**805,248**	2,177,936
Unrealized gains included under "Other income"	**24,633**	8,484
Balance at end of year	**₱407,025**	₱378,066

7. **Accounts and Notes Receivable**

Accounts and notes receivable account consists of:

	2021	2020
	(In Thousands)	
Trade:		
Residential, commercial and office development	**₱98,489,459**	₱101,328,095
Shopping centers	**5,654,697**	5,414,606
Corporate business	**3,041,826**	3,948,672
Construction contracts	**2,142,028**	1,774,741
Management fees	**127,766**	124,553
Others	**4,736,218**	4,717,601
Advances to other companies	**16,940,104**	17,686,292
Accrued receivables	**8,208,571**	7,786,399
Receivables from related parties (Note 25)	**5,958,742**	5,489,159
Receivables from employees	**755,814**	842,506
	146,055,225	149,112,624
Less allowance for impairment losses	**2,294,154**	1,945,460
	143,761,071	147,167,164
Less noncurrent portion	**43,663,620**	46,021,255
	₱100,097,451	₱101,145,909

The classes of trade receivables of the Group are as follows:

- Residential, commercial and office development - pertain to receivables from the sale of high-end, upper middle-income and affordable residential lots and units; economic and socialized housing units and sale of commercial lots; sale of office units; and leisure community developments.
- Shopping centers - pertain to lease receivables from retail spaces
- Corporate business - pertain to lease receivables from office and factory buildings and receivables from sale of industrial lots
- Construction contracts - pertain to receivables from third party construction projects
- Management fees - pertain to receivables from facilities management services
- Others - pertain to receivables from hotel operations and other support services

Residential, commercial and office development receivables are collectible in monthly installments over a period of one (1) to ten (10) years. These are carried at amortized cost using the effective interest rate method with annual interest rates ranging from 5.50% to 18.00%. Titles to real estate properties are transferred to the buyers only once full payment has been made.

Corporate business receivables are collectible on a monthly or quarterly basis depending on the terms of the lease contracts.

Receivables from shopping centers, construction contracts and management fees are due within 30 days upon billing.

Receivables from hotel operations and other support services included under other trade receivables are normally due within 30 to 90 days upon billing.

Advances to other companies includes advances made to joint venture partners that have been made in consideration of project costs and purchases of land that are still subject to completion. The documentation for these advances provides that these will be payable over a fixed term or on demand in order to allow for repayment of the advances when closing does not occur or not settled. The advances are liquidated when proceeds from the sale of the related projects are applied.

Advances to other companies also includes receivables from MRT Development Corporation (MRTDC) shareholders which pertains to interest-bearing advances made by NTDCC to MRTDC equivalent to the Pre-2006 Development Rights Payment (DRP) Payables and the Residual Depot DRP which is due more than one year, in relation to the funding and repayment agreement. As of December 31, 2021 and 2020, receivables including interest from MRTDC shareholders amounted to ₱467.9 million and ₱441.1 million, respectively.

On December 17, 2014, NTDCC and MRTDC shareholders executed a “funding and repayment agreement” wherein the latter agrees to repay NTDCC, for the account of MRTDC, its respective pro rata share in the Total Depot DRP Advances (the Pre-2006 DRP Payables and the Residual Depot DRP, including 15% interest rate accrued on such DRP payables).

Commencing on January 1, 2015, the MRTDC Shareholders shall effect the repayment of their respective pro rata share in the Total Depot DRP Payables, through a set-off against their respective share in the commercial center royalties to be received from the Group.

Set off shall be effective as of the beginning of every calendar month, commencing January 30, 2015 and shall result in the settlement of the portion of the Total DRP Payables to the extent of the amount of the commercial center royalties then the balance will fall due to the relevant MRTDC Shareholders.

Accrued receivables and receivables from related parties are due and demandable. Receivables from employees pertain to housing, car, salary and other loans granted to the Group’s employees which are collectible through salary deduction, are interest-bearing (6.0% per annum) and payable on various maturity dates.

Receivables amounting to ₱2,294.2 million and ₱1,945.5 million as of December 31, 2021 and 2020, respectively, were impaired and fully provided for. Movements in the allowance for impairment losses follow:

2021

		Trade						
	Residential and office Development	**Shopping Centers**	**Construction Contracts**	**Corporate Business**	**Manageme nt Fees**	**Others**	**Advances to Other Companies**	**Total**
				(In Thousands)				
Balance at beginning of year	**₱50,767**	**₱1,060,057**	**₱37,778**	**₱519,642**	**₱6,678**	**₱149,246**	**₱121,292**	**₱1,945,460**
Provisions during the year (Note 22)	**11,547**	**56,855**	**115,398**	**113,466**	**9,952**	**85,462**	**12,433**	**405,113**
Reversal (Note 22)	**–**	**(35,039)**	**(945)**	**–**	**–**	**(10,000)**	**–**	**(45,984)**
Accounts written off	**–**	**(7,215)**	**–**	**–**	**–**	**(3,220)**	**–**	**(10,435)**
Balance at end of year	**₱62,314**	**₱1,074,658**	**₱152,231**	**₱633,108**	**₱16,630**	**₱221,488**	**₱133,725**	**₱2,294,154**

2020

	Trade							
	Residential and office Development	Shopping Centers	Construction Contracts	Corporate Business	Management Fees	Others	Advances to Other Companies	Total
				(In Thousands)				
Balance at beginning of year	₱13,555	₱772,513	₱37,778	₱182,208	₱6,678	₱110,409	₱63,152	₱1,186,293
Provisions during the year (Note 22)	40,665	298,587	–	338,870	–	69,520	58,165	805,807
Reversal (Note 22)	(3,453)	(11,043)	–	(7,962)	–	(30,683)	(25)	(53,166)
Accounts written off	–	–	–	(2,116)	–	–	–	(2,116)
Translation adjustment	–	–	–	8,642	–	–	–	8,642
Balance at end of year	₱50,767	₱1,060,057	₱37,778	₱519,642	₱6,678	₱149,246	₱121,292	₱1,945,460

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

In 2020, the Group, provided reliefs under Bayanihan 1 Act and Bayanihan 2 Act, which offered financial reliefs to its borrowers/counterparties as a response to the effect of the COVID-19 pandemic. These relief measures included the restructuring of existing receivables including extension of payment terms.

Based on the Group's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets.

As of December 31, 2021 and 2020, nominal amounts of trade receivables from residential, commercial and office development totaling ₱106,936.8 million and ₱115,407.8 million, respectively, were recorded initially at fair value. The fair values of the receivables were obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Movements in the unamortized discount of the Group's receivables as of December 31, 2021 and 2020 follow:

	2021	2020
	(In Thousands)	
Balance at beginning of year	**₱14,079,688**	₱17,997,007
Additions during the year	**1,168,680**	4,685,456
Accretion for the year (Note 20)	**(6,801,012)**	(8,602,775)
Balance at end of year	**₱8,447,356**	₱14,079,688

The Group entered into agreements with BPI Asset Management and Trust Corporation for the assignment of interest-bearing employee receivables amounting to ₱43.7 million and ₱16.1 million in 2021 and 2020, respectively. The transactions were without recourse and did not result to any gain or loss.

The Group sold residential receivables on a without recourse basis to partner mortgage banks, which include BPI Family Savings Bank, a related party, amounting to ₱21,884.5 million and ₱20,458.0 million in 2021 and 2020. These were sold at a discount with total proceeds of ₱19,794.7 million and ₱18,431.9 million, respectively. The Group recognized loss on sale (under "Other expenses") amounting to ₱2,089.8 million and ₱2,064.0 million in 2021 and 2020, respectively (see Note 22).

8. Inventories

This account consists of:

	2021	2020
	(In Thousands)	
Real estate - at cost		
Residential and condominium units	**₱58,590,787**	₱84,011,309
Residential and commercial lots	**87,509,406**	61,137,607
Offices - at cost	**2,056,532**	1,594,676
	₱148,156,725	₱146,743,592

A summary of the movements in inventories is set out below:

2021

	Residential and commercial lots	**Residential and condominium units**	**Offices**	**Total**
		(In Thousands)		
Balances at beginning of year	**₱61,137,607**	**₱84,011,309**	**₱1,594,676**	**₱146,743,592**
Land acquired during the year	**306,263**	**3,688,555**	**782,338**	**4,777,157**
Construction/development costs incurred	**7,897,509**	**26,493,655**	**1,085,374**	**33,904,330**
Disposals (recognized as cost of real estate sales) (Note 22)	**(14,903,447)**	**(22,584,577)**	**(1,395,940)**	**(38,883,964)**
Transfers from (to) investment properties (Notes 12 and 37)	**4,062,855**	**(4,099,536)**	**(9,916)**	**(46,597)**
Balances at end of year	**₱58,590,787**	**₱87,509,406**	**₱2,056,532**	**₱148,156,725**

2020

	Residential and commercial lots	Residential and condominium units	Offices	Total
	(In Thousands)			
Balances at beginning of year	₱52,363,671	₱65,659,786	₱2,264,229	₱120,287,686
Land acquired during the year	3,269,732	17,744,257	–	21,013,989
Construction/development costs incurred	7,148,687	14,786,408	220,314	22,155,409
Disposals (recognized as cost of real estate sales) (Note 22)	(15,932,741)	(16,093,619)	(889,867)	(32,916,227)
Transfers from (to) investment properties (Notes 12 and 37)	14,288,258	1,914,477	–	16,202,735
Balances at end of year	₱61,137,607	₱84,011,309	₱1,594,676	₱146,743,592

The Group has no purchase commitments pertaining to its inventories as of December 31, 2021 and 2020.

There are no liens and encumbrances on the Group's real estate inventories.

9. Other Current Assets

This account consists of:

	2021	2020
	(In Thousands)	
Advances to contractors and suppliers	**₱23,641,576**	₱18,139,411
Prepaid expenses	**19,174,874**	16,756,037
Value-added input tax	**12,387,774**	12,575,713
Creditable withholding taxes	**8,096,828**	8,321,770
Materials, parts and supplies - at cost	**810,731**	732,881
Buildings classified as held for sale (Notes 12 and 13)	**–**	952,142
Others	**1,189,113**	543,008
	₱65,300,897	₱58,020,962

Advances to contractors and suppliers represents prepayments for the construction of inventories. These are recouped from billings which are expected to occur in a short period of time.

Prepaid expenses consist of prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance. The cost to obtain contracts which includes prepaid commissions and advances to brokers amounted to ₱2,866.4 million and ₱3,281.1 million in 2021 and 2020, respectively. In line with the Group's accounting policy, as set out in Note 2, if a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgment was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits (Note 14).

Value-added input tax is applied against value-added output tax. The remaining balance is recoverable in future periods.

Creditable withholding taxes are applied against income tax payable.

Materials, parts and supplies pertain to inventories to be used in the construction and maintenance of projects.

Buildings classified as held for sale in 2020 include Qualimed Hospitals in Iloilo City, Santa Rosa and San Jose del Monte City which were sold in 2021 in a move to transfer healthcare-related properties to AC Healthcare Holdings, Inc.

Others include deferred charges and letters of credit. Deferred charges pertain to project-related costs already paid but not yet consumed in the actual construction activities.

10. Financial Assets at Fair Value through OCI

This account consists of:

	2021	2020
	(in Thousands)	
Shares of stock:		
Quoted	**₱1,411,239**	₱1,578,590
Unquoted	**583,543**	483,177
	1,994,782	2,061,767
Net unrealized loss	**(1,013,512)**	(550,324)
	₱981,270	₱1,511,443

Investments in quoted shares of stock include shares held for clubs wherein the Group does not exercise control or demonstrate significant influence.

Investments in unquoted shares of stock include unlisted shares of public utility companies which the Group will continue to carry as part of the infrastructure that it provides to its real estate projects.

In 2020, the Group made additional investments in equity instruments amounting to ₱99.0 million and disposed investments amounting to ₱21.1 million. No gain or loss was recognized from the disposal. There were no additional investment and disposal made in 2021.

Movements in the reserves for financial assets at FVOCI as of December 31, 2021 and 2020 are as follows:

	2021	2020
	(In Thousands)	
Balance at beginning of year	**(₱880,837)**	(₱454,749)
Fair value changes during the year	**(132,675)**	(426,088)
Balance at end of year	**(₱1,013,512)**	(₱880,837)

The Group entered into and designated interest rate swaps as hedging instruments as a cashflow hedge from loans bearing interest at floating rate. The fair value of the interest rate swap is estimated using valuation techniques with observable inputs, which uses present value calculations and incorporate various input including interest rate curves. Total fair value amounted to ₱330 million in 2021 and 2020.

As of December 31, 2021 and 2020 reserves for financial assets at FVOCI attributable to non-controlling interests amounted to ₱132.6 million.

The following table provides the fair value hierarchy of the Group's financial assets at fair value through OCI which are measured at fair value as of December 31, 2021 and 2020 (in thousands):

December 31, 2021

		Fair value measurement using			
	Date of Valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Shares of stock:					
Quoted					
Tourism and leisure	**December 31, 2021**	**₱287,231**	**₱287,231**	**₱–**	**₱–**
Retail	**December 31, 2021**	**54,499**	**54,499**	**–**	**–**
Real estate	**December 31, 2021**	**18,593**	**18,593**	**–**	**–**
Utilities and energy	**December 31, 2021**	**15,245**	**15,245**	**–**	**–**
Financial asset management	**December 31, 2021**	**14,328**	**14,328**	**–**	**–**
Telecommunication	**December 31, 2021**	**7,831**	**7,831**	**–**	**–**
Unquoted					
Tourism and leisure	**Various**	**478,704**	**–**	**–**	**478,704**
Financial asset management	**Various**	**76,711**	**–**	**–**	**76,711**
Utilities and energy	**Various**	**19,787**	**–**	**–**	**19,787**
Real estate	**Various**	**7,468**	**–**	**–**	**7,468**
Telecommunication	**Various**	**873**	**–**	**–**	**873**
		₱981,270	**₱397,727**	**₱–**	**₱583,543**

December 31, 2020

		Fair value measurement using			
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:					
Quoted					
Real estate	December 31, 2020	₱484,705	₱484,705	₱–	₱–
Tourism and leisure	December 31, 2020	263,041	263,041	–	–
Retail	December 31, 2020	54,980	54,980	–	–
Utilities and energy	December 31, 2020	34,300	34,300	–	–
Telecommunication	December 31, 2020	6,929	6,929	–	–
Financial asset management	December 31, 2020	500	500	–	–
Unquoted					
Tourism and leisure	Various	556,260	–	–	556,260
Financial asset management	Various	82,599	–	–	82,599
Utilities and energy	Various	19,787	–	–	19,787
Real estate	Various	7,468	–	–	7,468
Telecommunication	Various	874	–	–	874
		₱1,511,443	₱844,455	₱–	₱666,988

11. Investments in Associates and Joint Ventures

This account consists of:

	2021	2020
	(In Thousands)	
Investment in stocks – cost		
Balance at beginning of year	**₱22,533,689**	₱21,022,390
Additions	**778,748**	1,837,901
Disposals*	**(365,860)**	(326,602)
Balance at end of year	**22,946,577**	22,533,689
Accumulated equity in net earnings:		
Balance at beginning of year	**₱4,194,440**	₱4,366,651
Equity in net earnings	**842,565**	586,502
Dividends received	**(321,617)**	(758,714)
Disposal*	**365,860**	–
Balance at end of year	**5,081,248**	4,194,439
Subtotal	**28,027,825**	26,728,128
Equity share in cumulative translation adjustment	**124,908**	(126,874)
	₱28,152,733	₱26,601,254

**MGHI in 2021 and Tianjin Eco-City in 2020*

The equity share in cumulative translation adjustments represents exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.

Details of the Group's investments in associates and joint ventures and the related percentages of ownership are shown below:

	Percentages of Ownership		Carrying Amounts	
	2021	2020	**2021**	2020
			(In Thousands)	
Joint ventures:				
Emerging City Holdings, Inc. (ECHI)	**50%**	50%	**₱3,871,455**	₱3,886,019
ALI-ETON Property Development Corporation (ALI ETON)	**50**	50	**5,084,364**	4,498,958
AKL Properties, Inc. (AKL)	**50**	50	**3,108,096**	3,034,209
Berkshires Holdings, Inc. (BHI)	**50**	50	**1,915,164**	1,920,659
Cebu District Property Enterprise, Inc. (CDPEI)	**50**	35	**1,629,807**	1,426,339
Alveo-Federal Land Communities, Inc.	**50**	50	**1,122,005**	928,621
AyaGold Retailers, Inc. (AyaGold)	**50**	50	**145,537**	161,407
BYMCW, Inc.	**30**	30	**54,717**	51,732
SIAL Specialty Retailers, Inc. (SIAL Specialty)	**50**	50	**26,462**	26,461
			16,957,607	15,934,405
Associates:				
OCLP Holdings, Inc.(OHI)	**21**	21	**₱9,016,865**	₱8,676,598
Bonifacio Land Corp. (BLC)	**10**	10	**1,401,225**	1,405,759
Rize-Ayalaland (Kingsway) GP, Inc. (Rize-Ayalaland)	**49**	49	**541,604**	401,194
Tianjin Eco-City Ayala Land Development Co., Ltd (Tianjin Eco-City)	**40**	40	**199,259**	153,982
Lagoon Development Corporation	**30**	30	**36,173**	29,316
			11,195,126	10,666,849
			₱28,152,733	₱26,601,254

The Parent Company considers an associate and a joint venture with material interest if its net assets exceed 5% of its total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the associate and joint venture compared to other operations of the Group. The financial information on the Parent Company's significant associates and joint ventures with material interest follows:

Financial information of the associate with material interest

OHI

Consistent with its thrust of expanding its operations to other areas within and outside of Metro Manila through partnerships, ALI acquired a 21.1% stake in OHI. The acquisition was made possible via the purchase of shares from existing OHI shareholders. OHI owns 99.5% interest in Ortigas & Company Limited Partnership (OCLP), an entity engaged in real estate development and leasing businesses.

Set out below is the summarized financial information for OHI:

	2021	2020
	(In Thousands)	
Current assets	**₱25,229,814**	₱17,440,519
Noncurrent assets	**19,702,848**	22,507,390
Current liabilities	**(14,584,974)**	(11,410,775)
Noncurrent liabilities	**(18,784,134)**	(18,597,214)
Equity	**11,563,554**	9,939,920
Proportion of Group's ownership	**21.1%**	21.1%
Group's share in identifiable net assets	**2,439,910**	2,097,323
Carrying amount of the investment	**9,016,865**	8,676,598
Fair value adjustments	**6,602,256**	6,589,215
Negative Goodwill	**₱148,046**	₱148,046
Dividends received	**₱33,558**	₱33,558

Net assets attributable to the equity holders of OHI amounted to ₱11,563.5 million and ₱9,939.9 million as of December 31, 2021 and 2020, respectively.

	2021	2020
	(In Thousands)	
Revenue	**₱8,418,096**	₱7,204,436
Cost and expenses	**(6,646,415)**	(6,398,747)
Net income (continuing operations)	**1,771,681**	805,689
Group's share in net income for the year	**373,825**	170,000
Total comprehensive income	**1,771,681**	805,689
Group's share in total comprehensive income for the year	**373,825**	170,000

BLC

The Group has a 10% interest in BLC, which is involved in the purchase, subscription or otherwise disposal of real and personal properties. BLC is a private company incorporated on October 20, 1994 and there is no quoted market price available for its shares. Its registered office and principal place of business is Taguig City, Philippines.

Set out below is the summarized financial information for BLC:

	2021	2020
	(In Thousands)	
Current assets	**₱8,474,309**	₱3,261,099
Noncurrent assets	**32,866,620**	38,420,664
Current liabilities	**(2,204,975)**	(2,534,735)
Noncurrent liabilities	**(7,351,740)**	(7,285,960)
Equity	**31,784,214**	31,861,068
Less: noncontrolling interest	**14,054,976**	14,292,676

(Forward)

	2021	2020
	(In Thousands)	
Equity attributable to Parent Company	**₱17,729,238**	₱17,568,392
Proportion of Group's ownership	**10.1%**	10.1%
Group's share in identifiable net assets	**1,790,653**	1,774,408
Carrying amount of the investment	**1,401,225**	1,405,759
Negative goodwill	**(₱389,428)**	(₱368,649)
Dividends received	**₱35,125**	₱155,508

Net assets attributable to the equity holders of BLC amounted ₱17,729.3 million and ₱17,568.4 million as of December 31, 2021 and 2020, respectively.

	2021	2020
	(In Thousands)	
Revenue	**₱3,685,650**	₱3,869,359
Cost and expenses	**(2,543,308)**	(2,466,924)
Net income (continuing operations)	**1,142,342**	1,402,435
Net loss attributable to minority interest	**(526,941)**	(590,732)
Net income attributable to parent	**615,401**	811,703
Group's share in net income for the year	**62,156**	81,982
Total comprehensive income attributable to equity holders of the Parent Company	**615,401**	811,703
Group's share in total comprehensive income for the year	**62,156**	81,982

Aggregate financial information on the associates with immaterial interest (Rize-Ayalaland, Tianjin Eco-City, and LDC) follows:

	2021	2020
	(In Thousands)	
Carrying amount	**₱777,036**	₱584,492
Share in net loss from continuing operations	**(113,230)**	(89,529)
Share in total comprehensive loss	**(113,230)**	(89,529)
Dividends received	**9,000**	–

Financial information of joint ventures

ECHI

	2021	2020
	(In Thousands)	
Current assets	**₱8,532,495**	₱11,741,302
Noncurrent assets	**32,871,398**	30,017,735
Current liabilities	**(2,677,269)**	(2,863,497)
Noncurrent liabilities	**(7,351,740)**	(7,285,960)
Equity	**31,374,884**	31,609,580
Less: noncontrolling interest	**22,230,335**	23,307,423
Equity attributable to Parent Company	**9,144,549**	8,302,157
Proportion of Group's ownership	**50%**	50%
Group's share in identifiable net assets	**4,572,275**	4,151,079
Carrying amount of the investment	**3,871,455**	3,886,019
Dividends received	**₱170,750**	₱397,854

Net assets attributable to the equity holders of ECHI amounted to ₱9,144.5 million and ₱8,302.2 million as of December 31, 2021 and 2020, respectively.

	2021	2020
	(In Thousands)	
Revenue	**₱3,685,991**	₱3,872,498
Cost and expenses	**(2,546,834)**	(2,475,532)
Net income (continuing operations)	**1,139,157**	1,396,966
Net loss attributable to noncontrolling interest	**(826,786)**	(980,460)
Net income attributable to parent	**312,371**	416,506
Group's share in net income for the year	**156,186**	208,253
Total comprehensive income attributable to equity holders of the Parent Company	**312,371**	416,506
Group's share in total comprehensive income for the year	**156,186**	208,253

ALI Eton

	2021	2020
	(In Thousands)	
Current assets	**₱13,811,748**	₱12,838,898
Noncurrent assets	**4,014,578**	3,985,368
Current liabilities	**(5,822,376)**	(8,394,044)
Noncurrent liabilities	**(928,951)**	(3,390,318)
Equity	**11,074,998**	5,039,904
Proportion of Group's ownership	**50%**	50%
Group's share in identifiable net assets	**5,537,499**	2,519,952
Carrying amount of the investment	**5,084,364**	4,498,958

Net assets attributable to the equity holders of ALI Eton amounted to ₱11,074.9 million and ₱5,039.9 million as of December 31, 2021 and 2020, respectively.

	2021	2020
	(In Thousands)	
Revenue	**₱825,159**	₱975,701
Cost and expenses	**(708,347)**	(734,502)
Net income (continuing operations)	**116,812**	241,199
Group's share in net income for the year	**58,406**	120,599
Total comprehensive income attributable to equity holders of the Parent Company	**116,812**	241,199
Group's share in total comprehensive income for the year	**58,406**	120,599

Aggregate financial information on joint ventures with immaterial interest (BHI, CDPEI, Alveo-Federal, SIAL Specialty, AyaGold and BYMCW, Inc.) is as follows:

	2021	2020
	(In Thousands)	
Carrying amount	**₱8,001,788**	₱7,549,428
Share in net income from continuing operations	**305,223**	95,197
Share in total comprehensive income	**305,223**	95,197
Dividends received	**73,185**	−

The following are the significant transactions affecting the Group's investments in associates and joint ventures:

Investments in BLC, ECHI, and BHI
As of December 31, 2021 and 2020, the Group's effective interest in BLC is 45.1%. The Parent Company's 5.3% direct investment in BLC and 4.8% through Regent Time are accounted for using the equity method because the Parent Company has significant influence over BLC.

On April 17, 2003, the following transactions were consummated pursuant to the terms and conditions of the Assignment Agreement (Agreement), dated February 8, 2003, among the Parent Company, Evergreen Holdings, Inc. (EHI), Greenfield Development Corporation and Larouge, B.V. (Larouge), as amended, and the Agreement, dated November 23, 2002, among the Company, EHI and Neo Oracle Holdings, Inc. [formerly Metro Pacific Corporation (MPC)] as amended:

(a) The assignment to the Parent Company and EHI of the rights and obligations of Larouge under the loan agreement between Larouge and MPC, pursuant to which, Larouge extended MPC a loan in the principal amount of US$90.0 million, together with all the rights, title and interests of Larouge in the pledge constituted on 50.4% of the outstanding shares in BLC. The consideration paid by the Company and EHI for such assignment was approximately US$90.0 million, subject in part to foreign exchange adjustment.
(b) The assignment to the Parent Company and EHI, acting in this instance through the joint venture corporation, Columbus Holdings, Inc. (Columbus), of the controlling interest in BLC representing 50.4% of BLC's outstanding capital stock. This assignment was effected by MPC under a dacion en pago arrangement, and included an assignment of payables of BLC in the principal amount of ₱655.0 million together with its underlying security in the form of shares in Fort Bonifacio Development Corporation (FBDC) representing 5.6% of its outstanding capital stock.

The Agreement, as amended, also provides for the constitution of a pledge over 5.0% of BLC's unencumbered shares as security for contingent liabilities and breach of representation and warranties. The pledge lien over the 5.0% BLC shares shall continue to subsist until the third anniversary of the closing date.

The Parent Company and EHI jointly hold the 50.4% equity interest in BLC through ECHI and BHI. The Parent Company and EHI assigned the notes receivable from MPC to ECHI and BHI, which acquired the shares of stock of Columbus. Columbus directly owns the 50.4% interest in BLC. BLC owns 55.0% interest in FBDC, the primary developer of certain areas in Fort Bonifacio Global City for residential, commercial and business development. Columbus accounted for the acquisition of the 50.4% interest in BLC using the purchase method.

Subsequent to this, the Parent Company and EHI acquired additional shares of BLC through a combination of direct acquisition and through its associates at varying dates:

On July 31, 2008, the Group acquired, through the Parent Company, Regent Time and Columbus, additional 4,360,178 shares of BLC from FBDC amounting to ₱689.0 million, equivalent to 7.7% ownership in BLC. In January and October 2009, a total of 2,295,207 BLC shares were acquired from Development Bank of the Philippines and MPC, pertaining to the pledged shares, through Columbus amounting to ₱362.6 million. This resulted in an increase in Group's effective interest in BLC to 45.1% and unchanged thereafter.

Investment in Rize-Ayalaland
Rize-Ayalaland (Kingsway) GP, Inc. was incorporated on January 25, 2013 under the laws of British Columbia, Canada. The Company's effective ownership is 49.0% through its Vancouver-based subsidiary, AyalaLand Real Estate Investments, Inc.

Investment in Tianjin Eco-City
Tianjin Eco-City is a registered Sino-foreign equity joint venture between RWIL and Sino-Singapore Tianjin Eco-City Investment & Development Co. (SSTEC) under the law of the People's Republic of China to operate for 50 years until 2060. The agreement was entered into to develop a 19-tower residential complex in China, marking its initially foray into the growing China market. It's principal activities include property development rental, management property and parking lot management.

In 2020, Tianjin Eco-City reduced its registered capital from RMB292.75 million to RMB176.25 million, with each shareholder getting back capital in proportion to its current share of ownership. After the capital reduction, the shareholders' share of ownership remain unchanged. The Group's share in the capital reduction amounted to ₱326.60 million.

Investment in Cebu District Property Enterprise, Inc.
Cebu District Property Enterprise, Inc. (CDPEI) was incorporated on February 20, 2014 and is a 50:50 joint venture between the Company and Aboitiz Land, Inc. CDPEI's main purpose is to create a mixed-use commercial and residential district with the 15.4 hectare property in Subangdaku, Mandaue. In 2021, the Group made additional equity infusions to CDPEI amounting to ₱217.0 million.

Investment in Alveo-Federal Land Communities, Inc.
Alveo Land Corp. signed a Joint Venture Agreement (JVA) with Federal Land, Inc. last April 29, 2015 for equal ownership over AFLCI. The JV is for the development of Venido and Aveia projects located in Laguna near Nuvali.

Investment in ALI-ETON Property Development Corporation
ALI-ETON Property Development Corporation was incorporated on March 13, 2016. The company is a joint venture between Ayala Land, Inc. and LT Group, Inc. ALI and LT Group, Inc. entered into an agreement on January 21, 2016 to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City.

In 2021 and 2020, the Parent Company and LT Group, Inc. made additional equity infusions to ALI-Eton to fund the development requirements of Parklinks amounting to ₱527.0 million and ₱1,083.5 million as of December 31, 2021 and 2020, respectively.

Investment in BYMCW, Inc.
On August 2, 2017, Bouygues Travaux Publics Philippines Inc. (BYTPPI) incorporated BYMCW Inc. (BYMCW) to engage in general building and contracting business. BYMCW's registered office address is at 2nd floor, Welfare Building, LRTA Compound, Aurora Blvd., Barangay 189, Pasay City, Metro Manila.

Investment in AyaGold Retailers, Inc.
AyaGold Retailers, Inc., a joint venture between Entenso Equities Incorporated (EEI, a wholly owned subsidiary of Puregold Price Club, Inc.) and ALI Capital Corp. (a wholly owned subsidiary of the Company and the holding company for its retail-related initiatives), was incorporated on October 2, 2013. It is organized primarily to finance, build and operate mid-market supermarkets for some of Company's new integrated and mixed-use developments. The mid-market supermarkets will be carried under a new brand to be jointly developed by both ALI Capital Corp. and EEI. The partnership with EEI will enable the Company to support its mixed-use developments and, at the same time, grow its recurring income portfolio.

Investment in SIAL Specialty
SIAL Specialty was incorporated on September 27, 2012 as a joint venture between ALI Capital Corp. and Store Specialist, Inc. (SSI). ALICap is a wholly owned subsidiary of the Parent Company. SSI is one of the largest specialty retail companies in the Philippines with the exclusive distribution rights to a variety of brands from around the world.

The partnership, which combines the ALI Capital Corp.'s expertise in developing mixed-use developments and SSI's proven track record in retail, is aimed at pursuing retail solutions to address the growing and changing lifestyle needs of the market.

SIAL Specialty was organized primarily for the investment and operation of mid-market department stores and to pursue other investment opportunities in the Philippine retail sector.

Investment in MGHI
In July 2013, the Parent Company entered into an agreement with the Mercado Family to acquire Whiteknight Holdings, Inc. (WHI), a 33% equity stockholder of MGHI. Its acquisition of WHI will allow the Parent Company to build a strategic partnership with the Mercado Group and support MGHI's future growth. This partnership also enhances the potential of Ayala Land's development of mixed-use communities by offering the critical component of medical services to complement the residential, shopping centers, office and hotel developments therein.

On February 26, 2021, White Knight Holdings Inc., a wholly-owned subsidiary of ALI completed the sale of its 39.20% share in the outstanding capital stock of Mercado General Hospital, Inc., the holding company for the Qualimed network of hospital and clinics to Healthway Philippines Inc., a wholly-owned subsidiary of Ayala Healthcare Holdings, Inc. The original cost of the investment amounted to ₱365.9 million and the sale resulted to a gain of ₱807.6 million recorded under other income account (see Note 21).

Investment in AKL
In 2018, the Parent Company invested ₱1,959.7 million in AKL, which is a 50:50 joint venture between the Parent Company and Royal Asia Land, Inc. (RALI), and is organized primarily for future mixed-use development in South Luzon area.

On June 26, 2019, the Parent Company approved the equity call to fund the advance payment to Manila Jockey Club, Inc. (MJCI) upon signing the Memorandum of Agreement (MOA) for the 60 hectares. property in Carmona, Cavite between AKL and MJCI. The Parent Company's share in the additional total capital requirement amounted to ₱250.0 million.

On September 12, 2019, the Parent Company approved the equity call for the minimum subscription to increase the Authorized Capital Stock (ACS) of AKL from ₱4,545.0 million to ₱7,250.0 million which was approved in the AKL board meeting on May 14, 2019. The increase in the ACS shall cover the land acquisition requirements in Carmona and Silang, Cavite for the next 3 years. The 50% share of the Parent Company in the minimum paid-up capital (25% of the minimum subscription) of the increase amounted to ₱84.7 million.

On July 13, 2020, the Parent Company paid the equity call for the existing subscription and for the additional subscription to AKL for a total of ₱508.4 million. The additional subscription will cover the scheduled infusion of the parcels for the first phase of Project Newton Residential as per joint venture agreement (JVA). RALI also entered with the same subscription agreement with AKL.

On December 7, 2020, the Parent Company entered into another subscription agreement with AKL amounting to ₱246.0 million which will cover the amount due for the DOAS of Dolfo and Ledesco parcels of land for the first phase of Project Newton Residential. RALI also entered with the same subscription agreement with AKL.

On January 22, 2021, the Parent Company entered into another subscription agreement with AKL amounting to ₱12.8 million which will cover the amount of parcels of land for the first phase of Project Newton Residential. RALI also entered with the same subscription agreement with AKL.

On November 17, 2021, the Parent Company entered into another subscription agreement with AKL amounting to ₱21.9 million CALAX Link Lots located in Silang, Cavite. RALI also entered with the same subscription agreement with AKL.

12. **Investment Properties**

The rollforward analysis of this account follows:

2021

	Land	**Buildings**	**Construction in Progress**	**Total**
		(In Thousands)		
Cost				
Balance at beginning of year	**₱70,764,540**	**₱127,032,731**	**₱65,938,191**	**₱263,735,462**
Additions (Note 33)	**4,024,563**	**8,824,653**	**11,332,096**	**24,181,312**
Disposals	**(262,952)**	**(303,472)**	**–**	**(566,424)**
Cumulative translation difference	**(11,993)**	**30,042**	**–**	**18,049**
Transfers (Notes 8,13, and 37)	**29,315**	**15,893**	**–**	**45,208**
Balance at end of year	**74,543,473**	**135,599,847**	**77,270,287**	**287,413,607**
Accumulated Depreciation				
Balance at beginning of year	**–**	**40,722,579**	**–**	**40,722,579**
Depreciation (Note 22)	**–**	**3,645,318**	**–**	**3,645,318**
Disposals	**–**	**(860,573)**	**–**	**(860,573)**
Cumulative translation difference	**–**	**55**	**–**	**55**
Balance at end of year	**–**	**43,507,379**	**–**	**43,507,379**
Accumulated impairment losses				
Balance at beginning of year	**102,825**	**225,208**	**–**	**328,033**
Impairment losses (Note 22)	**57,553**	**123,010**	**–**	**180,563**
Balance at the end of year	**160,378**	**348,218**	**–**	**508,596**
Net Book Value	**₱74,383,095**	**₱91,744,250**	**₱77,270,287**	**₱243,397,632**

2020

	Land	Buildings	Construction in Progress	Total
		(In Thousands)		
Cost				
Balance at beginning of year	₱87,592,430	₱127,132,394	₱64,013,813	₱278,738,637
Additions	1,523,773	2,010,308	2,081,919	5,616,000
Disposals	(562,236)	(1,812,086)	(157,541)	(2,531,863)
Buildings classified as held for sale (Note 9)	–	(1,080,859)	–	(1,080,859)
Cumulative translation difference	(150,753)	(61,320)	–	(212,073)
Transfers (Notes 8,13, and 37)	(17,638,674)	844,294	–	(16,794,380)
Balance at end of year	70,764,540	127,032,731	65,938,191	263,735,462
Accumulated Depreciation				
Balance at beginning of year	–	35,592,364	–	35,592,364
Depreciation (Note 22)	–	5,590,050	–	5,590,050
Disposals	–	(328,089)	–	(328,089)
Buildings classified as held for sale	–	(130,786)	–	(130,786)
Cumulative translation difference	–	(960)	–	(960)
Balance at end of year	–	40,722,579	–	40,722,579
Accumulated impairment losses				
Balance at beginning of year	102,825	–	–	102,825
Impairment losses (Note 22)	–	225,208	–	225,208
Balance at the end of year	102,825	225,208	–	328,033
Net Book Value	₱70,661,715	₱86,084,944	₱65,938,191	₱222,684,850

Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements (such as buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit.

Construction in progress pertain to buildings under construction to be leased as retail and office spaces upon completion. The development and construction period normally range from three years to five years and depends heavily on the size of the assets.

The aggregate fair value of the Group's investment properties amounted to ₱485,358.7 million and ₱458,146.2 million as of December 31, 2021, and 2020, respectively.

The fair values of the investment properties were determined by independent professionally qualified appraisers.

The following table provides the fair value hierarchy of the Group's investment properties as of December 31, 2021 and 2020:

2021

			Fair value measurement using		
	Date of Valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
			(In Thousands)		
Land properties	**Various**	**₱287,151,049**	**₱–**	**₱–**	**₱287,151,049**
Retail properties	**Various**	**90,873,025**	**–**	**–**	**90,873,025**
Office properties	**Various**	**106,293,498**	**–**	**–**	**106,293,498**
Hospital properties	**Various**	**1,014,323**	**–**	**–**	**1,014,323**

2020

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			(In Thousands)		
Land properties	Various	₱266,211,236	₱–	₱–	₱266,211,236
Retail properties	Various	84,187,480	–	–	84,187,480
Office properties	Various	106,441,044	–	–	106,441,044
Hospital properties	Various	1,306,435	–	–	1,306,435

The values of the land were arrived using the Market Data Approach. Market Data Approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. This approach was used for the land as it is commonly used in the property market since inputs and data for this approach are available. For Market Data Approach, the higher the price per sqm., the higher the fair value.

The values of the buildings (retail, office, hospital) were arrived using the Income Approach. Income Approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

The significant unobservable inputs to valuation of investment properties ranges from ₱1,500-₱278,000 per sqm.

In 2021, the Group started capitalizing borrowing costs to its investment properties under construction. Interest capitalized amounted to ₱574.1 million. For the years 2020, 2019 and 2018, total capitalized interest aggregated to ₱1,993 million (included in additions). The capitalization rates are 3.84% - 4.17% (see Note 16).

Consolidated rental income from investment properties amounted to ₱17,797.7 million, ₱18,468.9 million and ₱31,687.1 million in 2021, 2020 and 2019, respectively (see Note 20). Consolidated direct operating expenses arising from the investment properties in 2021, 2020 and 2019 amounted to ₱7,663.1 million, ₱7,467.0 million and ₱6,822.3 million, respectively (see Note 22).

Depreciation and amortization expense pertaining to investment properties amounted to ₱3,645.3 million, ₱5,590.1 million and ₱4,404.5 million in 2021, 2020 and 2019, respectively (see Note 22).

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Certain short-term and long-term debt are secured by real estate mortgages dated September 2, 2014 and March 14, 2016 covering both land and building of the Greenbelt Mall. Net book value of the investment property amounted to ₱2,907.2 million and ₱2,288.3 million as of December 31, 2021 and 2020, respectively (see Note 16).

13. Property and Equipment

The rollforward analysis of this account as of December 31 follow:

2021

	Land, Buildings and Improvements	**Machinery and Construction Equipment**	**Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Hotel Property and Equipment**	**Total**
			(In Thousands)			
Cost						
Balance at beginning of year	**₱15,813,109**	**₱14,333,110**	**₱9,279,284**	**₱3,356,921**	**₱24,933,163**	**₱67,715,587**
Additions	**2,450,606**	**106,158**	**212,872**	**160,836**	**285,022**	**3,215,494**
Disposals	**(5,395)**	**(869,355)**	**(28,549)**	**(22,749)**	**–**	**(926,048)**
Foreign currency exchange difference	**80,133**	**255,048**	**4,111**	**1,304**	**–**	**340,596**
Transfers (Notes 12 and 37)	**79,456**	**–**	**(77,175)**	**(893)**	**–**	**1,388**
Balance at end of year	**18,417,909**	**13,824,961**	**9,390,543**	**3,495,419**	**25,218,185**	**70,347,017**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**4,949,034**	**9,327,981**	**4,905,266**	**1,680,185**	**3,406,153**	**24,268,619**
Depreciation and amortization (Note 22)	**2,632,657**	**868,312**	**214,016**	**136,541**	**592,235**	**4,443,760**
Foreign currency exchange difference	**72,119**	**230,057**	**(3,204)**	**–**	**–**	**298,972**
Disposals	**(2,386)**	**(238,347)**	**(43,818)**	**(158,136)**	**–**	**(442,687)**
Balance at end of year	**7,651,424**	**10,188,003**	**5,072,260**	**1,658,590**	**3,998,388**	**28,568,665**
Net Book Value	**₱10,766,485**	**₱3,636,959**	**₱4,318,283**	**₱1,836,829**	**₱21,219,797**	**₱41,778,353**

2020

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Total
			(In Thousands)			
Cost						
Balance at beginning of year	₱14,515,989	₱14,435,222	₱8,645,130	₱3,462,991	₱24,049,471	₱65,108,803
Additions	863,343	454,190	850,886	46,325	883,692	3,098,436
Disposals	(67,608)	(293,624)	(212,201)	(150,638)	–	(724,071)
Foreign currency exchange difference	(87,818)	(262,678)	(4,531)	(1,757)	–	(356,784)
Building held for sale (Note 9)	(2,442)	–	–	–	–	(2,442)
Transfers (Notes 12 and 37)	591,645	–	–	–	–	591,645
Balance at end of year	15,813,109	14,333,110	9,279,284	3,356,921	24,933,163	67,715,587
Accumulated Depreciation and Amortization						
Balance at beginning of year	₱4,208,323	₱8,864,301	₱4,687,040	₱1,446,549	₱2,840,233	₱22,046,446
Depreciation and amortization (Note 22)	787,280	961,935	430,778	304,116	565,920	3,050,029
Disposals	(37,863)	(269,194)	(209,348)	(68,934)	–	(585,339)
Foreign currency exchange difference	(8,333)	(229,061)	(3,204)	(1,546)	–	(242,144)
Building held for sale	(373)	–	–	–	–	(373)
Balance at end of year	4,949,034	9,327,981	4,905,266	1,680,185	3,406,153	24,268,619
Net Book Value	₱10,864,075	₱5,005,129	₱4,374,018	₱1,676,736	₱21,527,010	₱43,446,968

The depreciation and amortization of property and equipment (included under various consolidated statements of income accounts) amounted to ₱4,443.8 million, ₱3,050.0 million and ₱3,851.0 million in 2021, 2020 and 2019, respectively. No interest was capitalized in 2021 and 2020 (see Note 16).

The Group has no restrictions on its property and equipment and none of these have been pledged as security for its obligations. Capital expenditures for hotel buildings in the course of construction amounted to ₱1,133.59 and ₱3,103.80 million as of December 31, 2021 and 2020, respectively, and are included in property and equipment. The total contractual commitments arising from awarded contracts for the acquisition, development and construction of property and equipment amounted to ₱368.71 million in 2021.

The Group performed impairment testing on its hotel property and equipment with a carrying value of ₱21,219.8 million and ₱21,527.0 million as of December 31, 2021 and 2020, by assessing its recoverable amount through estimation of its value in use (VIU). VIU is the present value of the future cash flows expected to be derived from an asset. The significant assumptions used in the valuation are discount rates of 5.00% to 13.00% with an average growth rate of 3.00%. The Group also considered in its assumptions the impact of the pandemic on the occupancy rate and room rates which are not expected to normalize until 2024. Based on the impairment testing, there is no impairment loss on the Group's hotel property and equipment (see Note 3).

14. Other Noncurrent Assets

This account consists of:

	2021	2020
	(In Thousands)	
Prepaid expenses	**₱14,954,424**	₱10,544,253
Advances to contractors and suppliers	**8,453,875**	9,387,018
Leasehold rights	**3,398,659**	3,506,816
Investment in bonds	**2,309,440**	2,309,440
Deposits – others	**2,005,003**	2,339,575
Deferred input VAT	**1,515,092**	2,918,601
Development rights	**37,678**	49,791
Net pension assets (Note 26)	**10,961**	12,220
Others	**1,206,307**	760,099
	₱33,891,439	₱31,827,813

Prepaid expenses consist of project costs incurred for unlaunched projects of the Group, advance rental payments and noncurrent prepaid management fees. This also includes the noncurrent portion of cost to obtain contracts (see Note 9) which includes prepaid commissions and advances to brokers, which amounted to ₱1,070.9 million and ₱914.8 million in 2021 and 2020, respectively.

Advances to contractors and suppliers represents prepayments for the construction of investment properties and property and equipment.

Leasehold rights consist of the following:

- Through the acquisition of ALLHC, ALI acquired leasehold rights arising from their lease agreement with Philippine National Railways (PNR) which amounted to ₱2,748.11 million and ₱2,905.15 million as of December 31, 2021 and 2020, respectively (see Note 33).
- TKPI's leasehold rights pertains to the right to use the property in Apulit Island located in Taytay, Palawan expiring on December 31, 2029 which amounted to ₱53.41 million and ₱60.09 million as of December 31, 2021 and 2020, respectively.

- NTDCC's leasehold rights refer to development rights on an 8.3-hectare portion of the MRT Development Corporation, which is located on the North Triangle property, and enabled the Group to develop and construct a commercial center which amounted to ₱515.93 million and ₱535.91 million as of December 31, 2021 and 2020, respectively.

Movements of leasehold rights follow:

	2021	2020
	(In Thousands)	
As of January 1, 2021	**₱3,506,816**	₱3,684,840
Additions	**–**	8,736
Amortizations	**(108,157)**	(186,760)
Balance at end of year	**₱3,398,659**	₱3,506,816

Deposits - others pertain to various utility deposits and security deposits for leases.

Investment in bonds pertain to non-interest bearing bonds with a term of 36-months. The Group recorded the investment as financial asset at fair value through other comprehensive income. The fair value of the investment in bonds is determined using the binomial lattice approach. The fair value of the investment is categorized under Level 3.

Deferred input VAT pertains to unamortized VAT portion from purchases of capital goods.

Development rights pertain to the saleable and non-saleable development rights acquired by the Parent Company. The non-saleable portion is allocated to the gross floor area of a structure in a particular lot that can be developed in the future. The amortization of development rights are capitalized as additional cost of the structure once the development commences.

Others pertain to prepayments for expenses that is amortized for more than one year.

15. Accounts and Other Payables

This account consists of:

	2021	2020
	(In Thousands)	
Accounts payable	**₱69,486,598**	₱77,332,265
Taxes payable	**19,413,474**	19,215,550
Accrued project costs	**17,765,659**	18,220,433
Liability for purchased land	**9,576,947**	9,316,978
Accrued salaries and employee benefits	**5,309,047**	5,669,563
Retentions payable	**5,198,897**	4,131,302
Accrued professional and management fees	**2,034,248**	2,448,396
Accrued repairs and maintenance	**2,027,742**	1,634,398
Interest payable	**1,592,727**	1,775,627
Payable to related parties (Note 25)	**923,241**	1,128,192
Accrued advertising and promotions	**922,513**	968,291
Dividends payable	**686,982**	241,604
Accrued utilities	**552,337**	697,231
Accrued rentals	**91,477**	369,960
Other accrued expenses	**1,108,507**	1,476,132
	₱136,690,396	₱144,625,922

Accounts payable and accrued expenses are noninterest-bearing and are normally settled on 30- to 60-day terms.

Taxes payable pertains to the Group's output VAT, expanded withholding tax, capital gains tax and fringe benefit tax.

Accrued project costs are billings not yet received from suppliers for direct materials, and services from subcontractors. These are accruals of project costs such as equipment charges, materials, labor, overhead, and provision for repairs and maintenance.

Liability for purchased land pertains to the current portion of unpaid unsubdivided land acquired payable during the year. These are normally payable in quarterly or annual installment payments or upon demand.

Retentions payable pertains to the amount withheld by the Group on contractor's billings to be released after the guarantee period, usually one (1) year after the completion of the project or upon demand. The retention serves as a security from the contractor should there be defects in the project.

Other accrued expenses consist mainly of accruals from commissions, royalty, transportation and travel, janitorial and security, postal and communication and other expenses.

16. Short-term and Long-term Debts

The short-term debt amounting to ₱16,782.5 million and ₱9,131.3 million as of December 31, 2021 and 2020, respectively, represents both peso and foreign currency-denominated bank loans. Peso-denominated short-term loans had a weighted average cost of 2.12% and 4.00% per annum in 2021 and 2020, respectively.

In compliance with BSP rules on directors, officers, stockholders and related interests, certain short-term and long-term debt with a carrying value of ₱6,368.9 million and ₱13,231.3 million as of December 31, 2021 and 2020 are secured by real estate mortgages dated September 2, 2014 and March 14, 2016 covering both land and building of the Greenbelt Mall. Net book value of the property amounted to ₱2,907.2 million and ₱2,288.3 million as of December 31, 2021 and 2020, respectively, which is accounted as part of the "Investment properties" account.

Long-term debt consists of:

	2021	2020
	(In Thousands)	
Parent Company:		
Bonds:		
Due 2021	**₱–**	₱9,000,000
Due 2022	**22,650,000**	22,650,000
Due 2023	**7,000,000**	15,000,000
Due 2024	**3,000,000**	18,000,000
Due 2025	**23,250,000**	21,250,000
Due 2026	**16,000,000**	16,000,000
Due 2027	**8,000,000**	8,000,000
Due 2028	**10,000,000**	10,000,000
Due 2031	**3,000,000**	–
Due 2033	**2,000,000**	2,000,000
Fixed rate corporate notes (FXCNs)	**4,650,000**	5,650,000
Php - denominated long-term loans	**76,814,570**	41,230,039
US Dollar - denominated long-term loans	**6,374,875**	6,002,875
	182,739,445	174,782,914

	2021	2020
	(In Thousands)	
Subsidiaries:		
Bank loans - Philippine Peso	**₱21,719,292**	₱24,152,698
Bonds	**3,000,000**	5,000,000
Bank loans - Malaysian Ringgit	**1,246**	1,749
	24,720,538	29,154,447
	207,459,983	203,937,361
Less unamortized transaction costs	**1,145,744**	1,117,768
	206,314,239	202,819,593
Less current portion	**26,173,997**	18,732,401
	₱180,140,242	₱184,087,192

ALI Parent
Below is the summary of the outstanding Peso bonds issued by the Parent Company:

Year Issued	Term (Years)	Interest rate	Principal Amount (In thousands)	Carrying Value (In thousands) 2021	2020	Features
2012	10	6.00%	5,650,000	**₱5,650,000**	₱5,650,000	Fixed rate bond due 2022
2013	20	6.00%	2,000,000	**1,986,794**	1,986,730	Fixed rate bond due 2033
2013	10.5	5.00%	15,000,000	**–**	14,966,062	Fixed rate bond due 2024
2014	11	5.63%	8,000,000	**–**	7,968,512	Fixed rate bond due 2025
2015	7	4.50%	7,000,000	**6,987,688**	6,978,851	Fixed rate bond due 2022
2016	9.5	4.75%	7,000,000	**6,969,407**	6,962,422	Fixed rate bond due 2025
2016	10	4.85%	8,000,000	**7,961,918**	7,954,090	Fixed rate bond due 2026
2016	7	3.89%	7,000,000	**6,980,787**	6,971,017	Fixed rate bond due 2023
2017	10	5.26%	7,000,000	**6,979,065**	6,975,753	Fixed rate bond due 2027
2018	10	5.92%	10,000,000	**9,916,583**	9,906,061	Fixed rate bond due 2028
2018	5	7.02%	8,000,000	**–**	7,962,717	Fixed rate bond due 2023
2019	7	6.37%	8,000,000	**7,934,304**	7,921,653	Fixed rate bond due 2026
2019	5	4.76%	3,000,000	**2,978,436**	2,971,294	Fixed rate bond due 2024
2019	2	4.25%	9,000,000	**–**	8,781,628	Fixed rate bond due 2021
2019	7.3	4.99%	1,000,000	**963,622**	957,658	Fixed rate bond due 2027
2020	2	3.00%	10,000,000	**9,970,491**	9,911,380	Fixed rate bond due 2022
2020	5	3.86%	6,250,000	**6,192,684**	6,178,810	Fixed rate bond due 2025
2021	4	3.63%	10,000,000	**9,903,889**	–	Fixed rate bond due 2025
2021	10	4.08%	3,000,000	**2,977,789**	–	Fixed rate bond due 2031
Total				**₱94,353,457**	₱121,004,638	

Philippine Rating Services Corporation (PhilRatings) rated the Parent Company's 2021 bond issue "PRS Aaa" with a stable outlook, and maintained the "PRS Aaa" rating with a stable outlook for all other outstanding bonds. PRS Aaa is the highest rating assigned by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong and that it has the smallest degree of investment risk. On the other hand, an Outlook is an indication as to the possible direction of any rating change within a one year period and serves as a further refinement to the assigned credit rating for the guidance of investors, regulators, and the general public. A Stable Outlook indicates that the rating is likely to be maintained or to remain unchanged in the next twelve months

Bonds:
Philippine Peso 2-year Bonds due 2021
In November 2019, the Parent Company issued a ₱9,000.0 million fixed rate bond due 2021 at a rate equivalent to 4.25% p.a. The Bonds form part of the third tranche of debt securities issued under the Parent Company's new ₱50,000.0 million Debt Securities Program registered with the SEC, and listed on the PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 10-year Bonds due 2022
In April 2012, the Parent Company issued a ₱5,650.0 million bond due 2022 at a fixed rate equivalent to 6.0% p.a. PhilRatings assigned a PRS Aaa rating on the bonds indicating that it has the smallest degree of investment risk. Interest payments are protected by a large or by an exceptionally stable margin and principal is assured. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues. PRS Aaa is the highest credit rating possible on PhilRatings' rating scales for long-term issuances.

Philippine Peso 7.0 Billion Fixed Rate Bonds due 2022
In April 2015, the Parent Company issued a total of ₱7,000.0 million bonds due 2022 at a fixed rate equivalent to 4.5% p.a. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 2-year Bonds due 2022
In June 2020, the Parent Company issued a ₱10,000.0 million fixed rate bond due 2022 at a rate equivalent to 3.00% p.a. The Bonds form part of the fourth tranche of debt securities issued under the Parent Company's new ₱50,000.0 million Debt Securities Program registered with the SEC, and the first issuer to hold a virtual listing ceremony on the PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings and the first corporate bond to bookbuild, price, and issue within the community quarantine period.

Philippine Peso 7-year Bonds due 2023
In October 2016, the Parent Company issued a ₱7,000.0 million fixed rate bond due 2023 at a rate equivalent to 3.89% p.a. The Bonds represent the third tranche of the Fixed-rate Bonds Series issued under the Parent Company's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed in the PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 5-year Bonds due 2023
In October 2018, the Parent Company issued a ₱8,000.0 million fixed rate bond due 2023 at a rate equivalent to 7.02% p.a. The Bonds represent the sixth and final tranche of the Fixed-rate Bonds Series issued under the Parent Company's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed on the PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings. In October 2021, the Bonds were fully redeemed by the Parent Company when it exercised the call option on the 3rd anniversary the bonds with a call option price of 101.00% of the outstanding principal amount.

Philippine Peso 5-year and 10-year and 6-month Bonds due 2024
In July 2013, the Parent Company issued a total of ₱15,000.0 million bonds due 2024 at a fixed rate equivalent to 5.0% p.a. Credit Rating and Investors Services Philippines, Inc. (CRISP) assigned a "AAA" on the bonds indicating that it has a minimal credit risk owing to the Company's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP. In 2019, the Parent Company issued a total of ₱3,000.0 million bonds due 2024 at a fixed rate equivalent to 4.76% p.a. under its new shelf registration. PhilRatings assigned a PRS Aaa rating on the bonds. In July 2021, the Parent Company fully redeemed the ₱15,000.0 million bonds due 2024 when it exercised the call option on the 8th anniversary of the bonds with a call option price of 101.00% of the outstanding principal amount.

Philippine Peso 11-year Bonds due 2025
In April 2014, the Parent Company issued a total of ₱8,000.0 million bonds due 2025 at a fixed rate equivalent to 5.6% p.a. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings. In April 2021, the Parent Company fully redeemed the bonds when it exercised the call option on the 7th anniversary of the bonds with a call option price of 102.00% of the outstanding principal amount.

Philippine Peso 9-year and 6-month Bonds due 2025
In April 2016, the Parent Company issued a total of ₱7,000.0 million bonds due 2025 at a fixed rate equivalent to 4.75% p.a. The Bonds is the second tranche of the Fixed-rate Bonds Series under the Parent Company's ₱50,000.0 million Debt Securities Program registered in the SEC. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 5-year Bonds due 2025
In September 2020, the Parent Company issued a ₱6,250.0 million fixed rate bond due 2025 at a rate equivalent to 3.86% p.a. The Bonds represent the fifth tranche of debt securities issued under the Parent Company's new ₱50,000.0 million Debt Securities Program registered with the SEC and listed on the PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings and the largest 5-year bond issuance during the quarantine period.

Philippine Peso 4-year Bonds due 2025
In May 2021, the Parent Company issued a 10,000.0 million fixed rate bond due 2025 at a rate equivalent to 3.63% p.a. The Bonds represent the sixth tranche of debt securities issued under the Parent Company's new 50,000.0 million Debt Securities Program registered with the SEC and listed on the PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings and the first fixed income offering in the Philippines that used the e-Securities Issue Portal ("eSIP") of the Philippine Depository & Trust Corp.

Philippine Peso 7-year and 10-year Bonds due 2026
In March 2016, the Parent Company issued a total of ₱8,000.0 million bonds due 2026 at a fixed rate equivalent to 4.85% p.a. The Bonds is the first tranche of the Fixed-rate Bonds Series under the Parent Company's ₱50,000 million Debt Securities Program registered in the SEC. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings. In May 2019, the Parent Company issued an ₱8,000.0 million fixed rate bond due 2026 at a rate equivalent to 6.37% p.a. The Bonds represent the first tranche of debt securities issued under the Parent Company's new ₱50,000.0 million Debt Securities Program registered with the SEC, and listed on the PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 7-year and 3-month and 10-year Bonds due 2027
In May 2017, the Parent Company issued a ₱7,000.0 million fixed rate bond due 2027 at a rate equivalent to 5.26% p.a. The Bonds represent the fourth tranche of the Fixed-rate Bonds Series issued under the Parent Company's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed in PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings. In November 2019, the Parent Company issued a ₱1,000.0 million fixed rate bond due 2027 at a rate equivalent to 4.99% p.a. This was the third tranche of bonds issued under the new ₱50,000.0 million shelf registration of the Parent Company. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 10-year Bonds due 2028
In April 2018, the Parent Company issued a ₱10,000.0 million fixed rate bond due 2028 at a rate equivalent to 5.92% p.a. and subject to repricing on 27 April 2023, the fifth anniversary of the Issue Date, at the higher of 5.92% or the prevailing 5-year benchmark plus 75 bps. The Bonds represent the fifth tranche of the Fixed-rate Bonds Series issued under the Parent Company's ₱50,000.0 million Debt Securities Program registered with the SEC, and listed in the PDEx. The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 10-year Bonds due 2031
In October 2021, the Parent Company issued a total of 3,000.0 million bonds due 2031 at a fixed rate equivalent to 4.08% p.a. The Bonds is composed of 2,750.0 million from the first tranche of debt securities issued under the Parent Company's new 50,000.0 million Debt Securities Program approved by the SEC and listed on the PDEx in October 2021 while 250.0 million represent the seventh tranche of debt securities issued under the existing 50,000.0 million Debt Securities Program

in May 2019. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook, by PhilRatings.

Philippine Peso 7-Year and 20-year Bonds due 2020 and 2033
In October 2013, the Parent Company issued a total of ₱6,000.0 million bonds, broken down into a ₱4,000.0 million bond due 2020 at a fixed rate equivalent to 4.6% p.a. and a ₱2,000.0 million bond due 2033 at a fixed rate equivalent to 6.0% p.a. CRISP assigned a "AAA" rating on the bonds indicating that it has a minimal credit risk owing to the Parent Company's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP. The Parent Company fully paid the bonds that matured in October 2020.

FXCNs:
Philippine Peso 5-, 10-, 15-Year FXCN due on 2016, 2021 and 2026
In January 2011, the Parent Company issued ₱10,000.0 million FXCNs to various financial institutions and retail investors. The notes will mature on various dates up to 2026. The FXCNs bear fixed interest rates ranging from 5.6% to 7.5% p.a. depending on the term of the notes. The Parent Company prepaid ₱1,950.0 million of notes due in 2016 on January 19, 2013. Thereafter, the Parent Company either prepaid the loans before its maturity or paid the loans upon maturity. From 2014 until 2020, the Parent Company paid a total of ₱7,100.0 million, in which ₱10.0 million were each paid in 2020 and 2019. In January 2021, the Parent Company paid in full the remaining balance of ₱950.0 million.

Philippine-denominated Long-term Loans:
Philippine Peso 10-year Note due 2023
In December 2012, the Parent Company executed a ₱5,000.0 million committed Corporate Note facility with a local bank, of which an initial ₱3,500.0 million was drawn in 2012. The balance of ₱1,500.0 million was subsequently drawn in January 2013. Notes currently bear a fixed interest rate of 4.5% p.a. The Corporate Notes will mature on the third month succeeding the tenth anniversary of the initial drawdown date. In 2015, ₱50.0 million was prepaid by the Company. Thereafter, the Parent Company paid the ₱50.0 million loan amortizations until 2021. From 2016 until 2021, the Parent Company paid a total of ₱300.0 million, in which ₱50.0 million amortizations were each paid in 2021 and 2020. As of December 31, 2021 and 2020, the remaining balance of the note amounted to ₱4,650.0 million and ₱4,700.0 million, respectively.

Peso-denominated Long-term Loans
In August to September 2015, the Parent Company assumed an aggregate of ₱15,526.9 million various long-term facilities of some subsidiaries from various banks. The loans bear fixed interest rates ranging from 4.5% to 4.7% p.a. and terms ranging from 4.4 years to 10.5 years. In March 2016, the Company additionally assumed from ALI Makati Hotel Property, Inc. US$30.0 million in long-term loans from the Bank of the Philippine Islands. The loan carried a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR) and is repriceable quarterly. The loan was prepaid in December 2018. As of December 31, 2021 and 2020, the remaining balance of the assumed long-term facilities amounted to ₱9,820.9 million and ₱11,592.5 million respectively.

In March 2017, the Parent Company executed a ₱10,000.0 million long-term facility with a domestic bank, in which the Parent Company had simultaneously drawn an initial ₱5,000.0 million. The loan carries a fixed interest rate of 4.95% p.a. and a term of 10 years. The balance under the long-term facility of ₱5,000.0 million was drawn in April 2017.

In March 2018, the Parent Company executed a ₱5,000.0 million long-term facility with a domestic bank, in which the Parent Company had simultaneously drawn the entire facility amount.

In March 2019, the Parent Company executed a ₱13,000.0 million long-term facility with a domestic bank, in which the Parent Company had simultaneously drawn an initial ₱6,500.0 million. The loan carries a fixed interest rate of 6.272% p.a. and a term of 10 years. The ₱6,500.0 million balance was drawn in April 2019 at an interest rate of 6.307% per annum. In June 2020, the Parent Company prepaid the remaining long-term balance of ₱12,662.0 million with a pre-termination fee of ₱126.6 million recorded under interest expense and other financing charges account.

In January 2020, the Parent Company executed and availed a ₱5,000.0 million 10-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 4.5% p.a. for the initial 5 years. In December 2020, the Parent Company also executed and availed a ₱10,000.0 million 10-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 4.0% p.a. for the first 7 years. Both loans will be repriced on the 5th and 7th anniversary, respectively.

In July 2021, the Company executed a ₱10,000.0 million 10-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 3.875% for the initial 5 years.In August 2021, the Company executed a ₱5,000.0 million 10-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 3.875% p.a. for the initial 5 years. Another ₱4,900.0 million 6-year long-term facility was drawn in October 2021 at an interest rate of 3.7792% p.a. for the initial 3 years. In October 2021, the Company executed a ₱5,000.0 million 10-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 3.75% p.a. for the initial 5 years. In November 2021, the Company also executed a ₱5,000.0 million 9-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 3.95% p.a. for the initial 5 years. In December 2021, the Company executed a ₱7,100.0 million 8-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 3.8658% p.a. for the initial 3 years.

On December 16, 2021, the SEC approved and made effective the merger of CHI, AiO, ASCVC and CBDI with and into ALI, with ALI as the surviving entity (the “Merger”). ALI shall be the surviving entity in the Merger and shall possess all the rights, privileges and immunities of CHI, AiO, ASCVC and CDBI (the “Absorbed Corporations”), and all properties and liabilities, and all and every other interest of or belonging to the Absorbed Corporations shall be taken and deemed transferred to ALI without further act or deed. With that, the Parent Company assumed an aggregate of ₱914.1 million long-term facilities of AiO from a domestic bank.

As of December 31, 2021 and 2020, remaining aggregate balance of the Peso-denominated long-term loans amounted to ₱76,814.6 million and ₱41,230.0 million, respectively.

<u>US Dollar-denominated Long-term Loans:</u>
In November 2019, the Parent Company executed and had simultaneously drawn a US$125.0 million long-term facility. The loan bears a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR), repriceable quarterly. All proceeds were onlent to MCT to refinance its existing loans. The loan will mature on the fifth anniversary of the initial drawdown date.

As of December 31, 2021 and 2020, the remaining aggregate balance of US Dollar-denominated long term loans amounted to ₱6,374.9 million and ₱6,002.9 million, respectively.

<u>*Subsidiaries*</u>
The subsidiaries’ loans will mature on various dates up to 2031. Peso-denominated loans bear various floating interest rates at 60 bps to 80 bps spread over the benchmark 91-day PHP BVAL Reference Rate (previously PDST-R2) or and fixed interest rates ranging from 1.83% to 4.83% p.a. Certain loans which are subject to floating interest rates are subject to floor floating interest rates equivalent to (i) 95.0% or par of the Overnight Reverse Repurchase Agreement Rate of the Bangko Sentral ng Pilipinas (BSPOvernightRate) or (ii) the BSP Overnight Rate plus a spread of 20 bps to 75 bps p.a. or (iii) the average of the Bangko Sentral ng Pilipinas Overnight Deposit Rate and Term Deposit Facility with a term closed to the 90-day interest period.

In 2021 and 2020, the subsidiaries made a total bank loan availment of ₱5,830.0 million and ₱9,600.0 million, respectively. In 2021, the subsidiaries paid a total bank loan of ₱7,349.83 million and another ₱5,000.0 million for the matured fixed rate bonds. In 2020, the subsidiaries made a total bank loan payment of ₱9,496.67 million and another ₱1,350.0 million for the matured fixed rate corporate notes.. The total outstanding balance of the subsidiaries' loans as of December 31, 2021 and 2020 amounted to ₱21,720.54 million and ₱24,154.45 million loans, respectively.

Philippine Peso 3.0 Billion Fixed Rate Bonds *due 2023*
In December 2021, AREIT, Inc. issued a total of ₱3,000.0 million bonds due 2023 at a fixed rate equivalent to 3.0445% p.a. The Bonds represent the first tranche of debt securities issued under its ₱15,000.0 million Debt Securities Program registered with the SEC and listed on the PDEx.The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.

The loan agreements contain some or all of the following restrictions: material changes in nature of business; maintenance of debt-to-equity ratio; payment of dividends and additional loans maturing beyond a year which will result to non-compliance of the required debt-to-equity ratios; merger or consolidation where the Company/subsidiary is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all assets. These restrictions and requirements were complied with by the Group as of December 31, 2021 and 2020.

Interest capitalized amounted to ₱560.14 million, ₱40.1 million, ₱145.5 million in 2021, 2020 and 2019 respectively. The capitalization rates are 2.14% -3.44%% in 2021, 2.63% - 5.18% in 2020 and 4.41%-7.01% in 2019 (see Note 8 and 12).

Transaction costs capitalized amounted to ₱500.0 million, ₱423.0 million, ₱333.8 million in 2021, 2020 and 2019, respectively. Amortization amounted to ₱472.07 million, ₱216.93 million and ₱151.9 million in 2021, 2020 and 2019, respectively, and included under "Interest and other financing charges" (see Note 22).

17. Deposits and Other Current Liabilities

This account consists of:

	2021	2020
	(In Thousands)	
Current portion of customers' deposits	**₱23,858,675**	₱19,760,584
Security deposits	**3,372,817**	5,311,506
Others	**239,823**	245,156
	₱27,471,315	₱25,317,246

Customers' deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion.

The amount of revenue recognized from amounts included in customers' deposits at the beginning of the year amounted to ₱30,239.3 million, ₱21,087.9 million and ₱22,826.6 million in 2021, 2020 and 2019, respectively.

Security deposits are equivalent to three (3) to six (6) months' rent of tenants with cancellable lease contracts and whose lease term will end in the succeeding year. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts.

Other current liabilities mostly pertain to accrued project costs and unearned income.

18. Deposits and Other Noncurrent Liabilities

This account consists of:

	2021	2020
	(In Thousands)	
Deposits	**₱21,682,003**	₱19,712,684
Customers' deposit - noncurrent portion	**17,032,950**	13,708,188
Liability for purchased land	**12,835,369**	2,111,165
Retentions payable	**4,174,016**	6,058,579
Contractors payable	**3,167,215**	5,711,140
Deferred output VAT	**1,048,615**	1,457,411
Subscriptions payable	**256,068**	498,175
Other liabilities	**539,366**	782,828
	₱60,735,602	₱50,040,170

Deposits include security deposits from tenants of retail and office spaces and deferred credits arising from sale of real estate properties. Security deposits are equivalent to three (3) to six (6) months' rent of long-term tenants with noncancellable leases. This will be refunded to the lessees at the end of the lease term or applied to the last months' rentals on the related contracts. Deferred credits pertain to advances from buyers of real estate properties to cover various processing fees including, but not limited to, fees related to transfer of title such as registration fees, documentary taxes and transfer taxes. Payments made by the Group for the processing of title are charged to this account.

Customers' deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion.

Retentions payable pertains to the amount withheld by the Group on contractor's billings to be released after the guarantee period, usually one (1) year after the completion of the project or upon demand. The retention serves as a security from the contractor when there are claims for defects in projects requiring rework.

Contractors payable represents accrued costs incurred for property development that are not yet billed.

Liability for purchased land pertains to the portion of unpaid unsubdivided land acquired during the year. These are normally payable in quarterly or annual installment payments within three (3) or five (5) years.

Deferred output VAT pertains to output VAT on receivables for which sales recognition has been deferred based on sales collection threshold for VAT recognition purposes.

The Group's subscription payable pertains to ALLHC's investment in Cyber Bay.

On April 25, 1995, Central Bay, a wholly owned subsidiary of Cyber Bay, entered into a Joint Venture Agreement with the Philippine Reclamation Authority (PRA; formerly Public Estates Authority) for the complete and entire reclamation and horizontal development of a portion of the Manila-Cavite Coastal Road and Reclamation Project (the Project) consisting of three partially reclaimed and substantially eroded islands (the Three Islands) along Emilio Aguinaldo Boulevard in Parañaque and Las Piñas, Metro Manila with a combined total area of 157.8 hectares, another area of 242.2 hectares contiguous to the Three Islands and, at Central Bay's option as approved by the PRA, an additional 350 hectares more or less to regularize the configuration of the reclaimed area.

On March 30, 1999, the PRA and Central Bay executed an Amended Joint Venture Agreement (AJVA) to enhance the Philippine Government's share and benefits from the Project which was approved by the Office of the President of the Philippines on May 28, 1999.

On July 9, 2002, the Supreme Court (SC) (in the case entitled "Francisco Chavez vs. Amari Coastal Bay and Reclamation Corp.") issued a ruling declaring the AJVA null and void. Accordingly, PRA and Central Bay were permanently enjoined from implementing the AJVA.

On July 26, 2002, Central Bay filed a Motion for Reconsideration (MR) of said SC decision. On May 6, 2003, the SC En Banc denied with finality Central Bay's MR. On May 15, 2003, Central Bay filed a Motion for Leave to Admit Second MR. In an En Banc Resolution of the SC dated July 8, 2003, the SC resolved to admit the Second MR of Central Bay.

On November 11, 2003, the SC rendered a 7-7 split decision on Central Bay's Second MR. Because of the new issues raised in the SC's latest resolution that were never tried or heard in the case, Central Bay was constrained to file on December 5, 2003 a Motion for Re-deliberation of the SC's latest resolution which motion was denied with finality by the SC.

With the nullification of the AJVA, Central Bay has suspended all Project operations. On August 10, 2007, in view of the failure by the PRA to comply with its obligations and representations under the AJVA, Cyber Bay and Central Bay have filed their claims for reimbursement of Project expenses in the amount of ₱10,200.0 million with the PRA. Cyber Bay and Central Bay provided the PRA with the summary and details of their claims on September 5, 2007. On July 15, 2008, Cyber Bay sent a follow-up letter to the PRA. The PRA, in its letter dated July 18, 2008, informed Cyber Bay that its claim is still being evaluated by the PRA.

As at December 31, 2021 and 2020, the Group has unpaid subscription in Cyber Bay amounting to ₱481.7 million. The investment in Cyber Bay under "financial assets through FVOCI" amounted to ₱472.0 million as of December 31, 2020 (nil in 2021) (see Note 10).

Other liabilities include nontrade payables, accrued payables and warranty payables.

19. Equity

The details of the number of shares follow:

December 31, 2021

	Number of Shares		**Amount**	
	Preferred	**Common**	**Preferred**	**Common**
		(In Thousands)		
Authorized	**15,000,000**	**20,000,000**	**₱1,500,000**	**₱20,000,000**
Issued*	**13,066,495**	**15,257,294**	**₱1,306,649**	**₱15,257,294**
Subscribed	**–**	**123,901**	**–**	**123,901**
	13,066,495	**15,381,195**	**₱1,306,649**	**₱15,381,195**

*Out of the total issued shares (in thousands), 570,069 shares or ₱16,894.4 million as of December 31, 2021 pertain to Treasury shares

December 31, 2020

	Number of Shares		Amount	
	Preferred	Common	Preferred	Common
		(In Thousands)		
Authorized	15,000,000	20,000,000	₱1,500,000	₱20,000,000
Issued*	13,066,495	14,635,298	₱1,306,649	₱14,635,298
Subscribed	–	124,882	–	124,882
	13,066,495	14,760,180	₱1,306,649	₱14,760,180

*Out of the total issued shares (in thousands), 29,785 shares or ₱1,260.8 million as of December 31, 2020 pertain to Treasury shares

December 31, 2019

	Number of Shares		Amount	
	Preferred	Common	Preferred	Common
	(In Thousands)			
Authorized	15,000,000	20,000,000	₱1,500,000	₱20,000,000
Issued*	13,066,495	14,632,062	₱1,306,649	₱14,632,062
Subscribed	–	113,273	–	113,273
	13,066,495	14,745,335	₱1,306,649	₱14,745,335

*Out of the total issued shares (in thousands), 25,373 shares or ₱1,104.4 million as of December 31, 2019 pertain to Treasury shares

The movement in the Parent Company's treasury shares follows:

	2021		2020		2019	
	Shares	**Amount**	Shares	Amount	Shares	Amount
	In thousand	**in millions**	In thousand	in millions	In thousand	in millions
At January 1	**29,785**	**₱1,260.8**	25,373	₱1,104.4	–	₱–
Additions	**540,284**	**15,633.6**	4,412	156.4	25,373	1,104.4
At December 31	**570,069**	**₱16,894.4**	29,785	₱1,260.8	25,373	₱1,104.4

Preferred Shares (₱0.10 par value per share)
The Parent Company's preferred shares prior to 2012 were subscribed and issued through a stock rights offer with the following features: (a) non-voting; (b) dividend rate of 4.6% p.a., payable annually, noncumulative; (c) nonparticipating; (d) convertible at the option of the holder at a ratio of one (1) preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (e) no pre-emptive rights; (f) non-redeemable; (g) non-listed; and, (h) preferred in liquidation to the extent of par value.

The dividends for preferred shares are declared upon the sole discretion of the Parent Company's BOD.

On February 20, 2012, the BOD approved the following restructuring exercise in order to comply with the regulatory requirement on Filipino-ownership following the Supreme Court's ruling that nonvoting shares do not count as equity when computing for a Parent Company's Filipino-ownership level:

a. Redemption and retirement of the 13.0 billion outstanding preferred shares with par value of ₱0.10.
b. Reclassification of the 1,970.0 million unissued preferred shares to voting preferred shares through an amendment of Article Seventh of the Articles of Incorporation.
c. Increase in authorized capital stock by ₱1,300.0 million creating new voting preferred shares and a stock rights offer of 13,000 million voting preferred shares from the increase in the authorized capital stock.

On April 18, 2012, the stockholders ratified the BOD resolution on the capital restructuring. The voting preferred shares shall have the following features, rights, and privileges: (a) voting; (b) dividend rate of 4.7% per annum, equivalent to 90.0% of the 10-year PDST R2 (repriced every ten (10) years from issue date), payable annually, non-cumulative; (c) convertible at the option of the holder at a ratio of one (1) voting preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (d) no pre-emptive rights; (e) redeemable at par at the sole option of the corporation; (f) non-listed; and, (g) preferred in liquidation to the extent of par value.

The SEC approved on January 31, 2013 the following:

a. The decrease in authorized capital stock by ₱1,303.5 million, the aggregate par value of the 13,034.6 million preferred shares which have been redeemed and retired, from ₱22,803.5 million to ₱21,500.0 million, and

b. The amendments to Articles of Incorporation reflecting the decrease in capital stock.

As of December 31, 2021 and 2020 the Parent Company's authorized and outstanding preferred shares amounted to ₱1,500.0 million and ₱1,306.6 million, respectively at ₱0.10 par value per share.

Common Shares (₱1.00 par value per share)
On April 7, 2014, the stockholders resolved to approve the amendment of the Seventh Article of the Articles of Incorporation exempting from pre-emptive rights (1) the issuance of 1 billion common shares for properties or assets needed for the business of the Parent Company or for cash to acquire properties or assets needed for the business of the Parent Company or in payment of a debt contracted prior to the issuance of such shares, and (2) the issuance of common shares covered by the Parent Company's Stock Option Plans for members of the management committees of the Parent Company's subsidiaries or affiliates.

Likewise, the stockholders resolved to approve the amendment of the Stock Option Plan of the Parent Company to include the members of the Management Committees of the Parent Company's subsidiaries and affiliates as eligible grantees of stock options.

The rollforward analysis of the common shares follows:

	Number of Shares			Amount		
	2021	2020	2019	**2021**	2020	2019
			(In Thousands)			
Issued capital stock*						
At beginning of year	**14,635,298**	14,632,062	14,614,387	**₱14,635,298**	₱14,632,062	₱14,614,387
Issued shares	**621,995**	3,236	17,675	**621,995**	3,236	17,675
At end of year	**15,257,294**	14,635,298	14,632,062	**15,257,294**	14,635,298	14,632,062
Subscribed capital stock						
At beginning of year	**124,882**	113,273	120,494	**124,882**	113,273	120,494
Issued shares	**(12,369)**	(3,236)	(17,675)	**(12,369)**	(3,236)	(17,675)
Additional subscriptions	**11,389**	14,845	10,454	**11,389**	14,845	10,454
At end of year	**123,901**	124,882	113,273	**123,901**	124,882	113,273
	15,381,195	14,760,180	14,745,335	**₱15,381,195**	₱14,760,180	₱14,745,335

*Out of the total issued shares (in thousands), 570,069 shares or ₱16,894.4 million as of December 31, 2021, 29,785 shares or ₱1,260.1 million as of December 31, 2020 and 25,373 shares or ₱1,104.4 million as of December 31, 2019 pertain to Treasury shares

No transfer of stock or interest which will reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the books of the Parent Company.

The Parent Company's track record of capital stock is as follows:

Type of Shares	Number of shares registered	Issue/ Offer price	Date of approval	Number of holders of securities as of 2021	Number of holders of securities as of 2020
Class B shares	800,000,000	Par Value - ₱1.00 /Issue Price ₱26.00	April 18, 1991	8,926	8,985
Class B shares	400,000,000	Par Value - ₱1.00*	July 06, 1992		
Class A shares	900,000,000	Par Value - ₱1.00**	July 05, 1993		
Class B shares	600,000,000	Par Value - ₱1.00**	July 05, 1993		

Note: Class A Shares and Class B Shares were declassified into one type of Common Shares on September 12, 1997.
**increase in authorized capital stock, registered to cover the shares held by the directors and 20% stock dividend amounting to ₱108,662,000.00*
***increase in authorized capital stock, registered to cover the 20% stock dividend amounting to P391,240,953.00*

On January 9, 2015, the Executive Committee of the Parent Company approved a top-up placement of 484,848,500 common shares of the Parent Company at a price of ₱33.00 per share. The placement was conducted via an accelerated bookbuilt offering structured as a top-up placement, whereby AC sold 484,848,500 listed common shares of stock to qualified third party buyers and subscribe to the same number of new shares from the Parent Company. The Parent Company completed the placement on January 12, 2015, raising an aggregate of ₱16,000.0 million in paid-up capital. The price was at 3.9% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to ₱194.0 million.

On April 13, 2013, the stockholders resolved to approve the amendment of the Seventh Article of the Company's Articles of Incorporation for the purpose of excluding or exempting treasury shares from the pre-emptive rights of stockholders.

On March 6, 2013, the Parent Company's Board resolved to approve the placement made by AC of its existing 320,000,000 listed common shares of the Company to certain qualified third party buyers or investors at ₱30.50 per share. The Parent Company completed the top-up placement, raising an aggregate of ₱12,200.0 million in paid up capital. The price was at 3.6% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to ₱162.4 million.

On July 10, 2012, the Parent Company's executive committee approved the placement of 680 million listed common shares of stock with par value of ₱1.00 per share, at a price of ₱20.00 per share, and the issuance of equal number of new shares of the Parent Company, at the same price of ₱20.00 per share, with AC as the seller of the placement tranche and subscriber of the subscription tranche. The Parent Company completed the top-up placement, raising an aggregate of ₱13,600 million in paid up capital. The price was at 5.0% discount to the closing price. Transaction cost charged to additional paid-in capital amounted to ₱200.0 million.

On April 2, 2008, the Parent Company's stockholders approved the allotment and subsequent issuance of the shares for the above-mentioned purposes and for the further amendment of the Amended Articles of Incorporation of the Parent Company to exclude the issuance of shares from the pre-emptive rights of the stockholders pursuant to Section 39 of the Philippine Corporation Code.

On February 12, 2008, the BOD approved the allotment and subsequent issuance of up to 1 billion common shares of stock with an aggregate par value of ₱1,000.0 million for the purpose of exchanging such shares for properties or assets and/or to raise funds to acquire properties or assets needed for the business of the Parent Company via issuance of equity or equity-linked instruments, the price and the terms and conditions of which shall be determined by the BOD based on prevailing market conditions or on agreements negotiated.

On July 5, 1991, the Parent Company launched its initial public offering where a total of 400 million common shares were offered at an offering price of ₱26.00 per share. The registration statement was approved on July 20, 1992. The Parent Company has 8,985 and 9,009 existing shareholders as of December 31, 2020 and 2019, respectively.

Treasury Shares
In April and December 2021, Ayala Land, Inc. (ALI) purchased a total of 48,976,900 common shares at an average price of ₱33.90/share for a total consideration of ₱1,656.6 million under its share buyback program.

On December 16, 2021, SEC has approved the merger of CHI, AiO, ASCVC and CBDI with and into ALI, with ALI as the surviving entity (the "Merger"). All of the shares of the absorbed entities owned by their respective stockholders prior to the Merger shall be acquired by ALI, and in exchange for the net assets of the absorbed entities, a total of 609,626,351 ALI common shares will be issued to the stockholders of the absorbed entities. Of these shares, 491,306,375 shares shall be issued to ALI itself and shall be treated as treasury shares with a total consideration of ₱13,977.0 million.

On February 28, March 11, March 12, and March 16, 2020, Ayala Land, Inc. purchased a total of 4,412,000 common shares at an average price of ₱35.67 per share for a total consideration of ₱156.4 million, pursuant to its share buyback program.

On February 21, 2020, the Board of Directors of Ayala Land, Inc. at its regular meeting approved the increase of an additional ₱25 billion to the Company's current share buyback program bringing the available balance to ₱26.1 billion. The program will be implemented through open market purchases executed via the trading facilities of the Philippine Stock Exchange.

On March 5, 2019, the Parent Company purchased a total of 10,372,746 of its common shares at ₱43.20 per share through open market purchases using the trading facilities of the Philippine Stock Exchange for a total purchase price of ₱448.10 million in relation to its share buyback program. On November 26, 2019, the Parent Company also acquired a total of 15,000,000 of its common shares at ₱43.75 per share for a total purchase price of ₱656.25 million.

The amendment of the Articles of Incorporation on April 17, 2013 allowed the re-selling of the 79,528,299 listed common shares as part of the top-up placement transaction completed in July 2013. Treasury common shares were sold at ₱30.50 per share resulting to additional paid-in capital of ₱1,601.6 million.

On August 12, 2008, the BOD approved a share buyback program. It is part of the Parent Company's balance sheet management program and aims to (i) improve the Parent Company's balance sheet structure and capital efficiency and (ii) enhance shareholder value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Parent Company as not reflective of its fair corporate value.

In 2008, the Parent Company repurchased a total of 79,528,228 of its common shares through open market purchases using the trading facilities of the Philippine Stock Exchange for a total purchase price of ₱823.9 million in relation to its share buyback program. These have been reported as treasury shares.

<u>Retained Earnings</u>
The BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.40, ₱0.27 and ₱0.52 per share in 2021, 2020 and 2019, respectively, to all issued and outstanding shares.

On February 23, 2021, the BOD during its meeting approved the declaration of cash dividends of ₱0.26 per outstanding common share. The cash dividend was paid on March 25, 2021 to stockholders of common shares as of record date March 10, 2021.

On October 19, 2021, the BOD during its meeting approved the declaration of cash dividends of ₱0.14 per outstanding common share. The cash dividend was paid on November 18, 2021 to stockholders of common shares as of record date November 3, 2021.

On February 20, 2020, the BOD during its meeting approved the declaration of cash dividends of ₱0.27 per outstanding common share. The cash dividend was paid on March 20, 2020 to stockholders of common shares as of record date March 6, 2020.

On May 26, 2020, the BOD during its meeting approved the declaration of cash dividends of ₱0.00474786 per outstanding preferred share. The cash dividend was paid on June 25, 2020 to stockholders of preferred shares as of record date June 9, 2020.

On February 27, 2019, the BOD approved the declaration of cash dividends amounting to ₱0.26 per outstanding common share and was paid on March 29, 2019 to the shareholders on record as of March 13, 2019.

On May 27, 2019, the BOD declared annual cash dividends of 4.7% per year or ₱0.0047 per share to all shareholders of the Parent Company's unlisted voting preferred shares. These were paid on June 21, 2019 to the shareholders on record as of June 7, 2019.

On October 31, 2019, the BOD approved the declaration of cash dividends amounting to ₱0.26 per outstanding common share and was paid on November 29, 2019 to the shareholders on record as of November 15, 2019.

Total dividends for common shares declared for 2021, 2020 and 2019 amounted to ₱4,001.1 million, ₱3,944.6 million and ₱7,659.5 million, respectively. Total dividends for preferred shares declared for 2021, 2020 and 2019 amounted to ₱62.0 million each year.

As of December 31, 2021 and 2020, retained earnings of ₱25,000.0 million and ₱8,000.0 million are appropriated for future expansion. The increase of ₱17,000.0 million, as approved by the BOD on November 25, 2021, represents a continuing appropriation for land banking activities and planned building construction projects. Each year, the Parent Company incurs capital expenditures for property development which include among others land banking and building construction projects. The appropriation is being fully utilized to cover part of the annual expenditure requirement of the Parent Company.

The Parent Company has earmarked additional funds for expansion projects in the residential, shopping centers, office and hotel business segments, as well as various infrastructure projects for the Parent Company's mixed-use developments.

The following are among the major capital expenditures of the Parent Company which were approved by the BOD on November 25, 2021:

a) Arca South, a 74 hectares lifestyle district in the City of Taguig with residential, office, retail, hotel and other commercial component. Phase 1 of the mixed-use development was approved by the board on November 25, 2014. It consists a retail project with 4k sqm GLA, 2 BPO towers with 34k sqm GLA and a 265-room hotel with total estimated cost of ₱11 billion, for completion in 2026.

b) Vertis North, a 29 hectares estate positioned as the Central Business District of the North with residential, office, retail and hotel component. Phase 1 of the mixed-use development was approved by the board on October 11, 2013. It consists of the completed Vertis mall with 40k sqm GLA, 3 office towers with 125k sqm GLA and a 438 room Seda hotel. For future development consists of the 4th Office Tower with 46k sqm GLA estimated at ₱5 billion, for completion beyond 2026.

c) Vermosa , 700-hectare estate located south of Ayala Alabang. It is a mixed use development with residential and commercial component. Phase 1 of the mixed-use development consists of residential developments, commercial lots, school and sports and lifestyle complex. For future development consists of a mall with 41k sqm GLA approved by the board on May 19, 2017. Estimated cost for this project is at ₱2.5 billion, for completion in phases by 2022-2024.

d) Continuing payments for various acquisitions within the country amounting to ₱14.5 billion to be paid until 2024-2026.

Retained earnings also include undistributed net earnings amounting to ₱101,582.19 million and ₱92,123.69 million as of December 31, 2021 and 2020, respectively, representing accumulated equity in the net earnings of subsidiaries, associates and joint ventures. These are not available for dividend distribution unless declared by subsidiaries and other investees.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2021 and 2020 amounted to ₱39.30 billion and ₱67.87 billion, respectively.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of treasury shares.

In 2021, the Group adopted the provision of PFRS 15 covered by PIC Q&A 2018-12-E on the treatment of land in the calculation of POC. The Group applied the modified retrospective approach to recognize the impact of the change with a reduction in the beginning retained earnings by ₱2,838 million and beginning NCI of ₱16.3 million. Further, the Group started capitalizing borrowing costs to its property and equipment and investment properties under construction. The Group recognized the impact of the change against the beginning retained earnings in 2021 amounting to ₱1,993 million.

Cumulative Translation Adjustment
The cumulative translation adjustments represents exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.

Equity Reserves
On December 16, 2021, the SEC has approved the merger of CHI, AiO, ASCVC and CBDI with and into ALI, with ALI as the surviving entity (the "Merger"). ALI shall be the surviving entity in the Merger and shall possess all the rights, privileges and immunities of CHI, AiO, ASCVC and CDBI (the "Absorbed Corporations"), and all properties and liabilities, and all and every other interest of or belonging to the Absorbed Corporations shall be taken and deemed transferred to ALI without further act or deed. The impact to equity reserve as a result of the merger amounted to ₱276.8 million.

On October 8, 2021, Ayala Land, Inc. and AREIT, Inc. received the approval from the SEC of the property-for-share swap, specifically the subscription of ALI and its subsidiaries namely, Westview Commercial Ventures Corp. and Glensworth Development, Inc. (collectively referred to as Subsidiaries) to 483,254,375 shares of AREIT in exchange for identified properties owned by ALI and the Subsidiaries, under the Deed of Exchange dated June 8, 2021. This resulted in ALI's interest in AREIT from 54% to 66%. The impact to equity reserve amounted to ₱981.1 million.

On August 13, 2020, ALI sold through a public listing its 49.0% effective noncontrolling interest in AREIT, Inc. at ₱27.0 per share. Subsequently during a one-month stabilization process, BPI Capital Corporation acquired a 3.4% interest in AREIT at an average price of ₱26.0/share and redelivered this to ALI. As a result of the sale and buy-back transactions, ALI's ownership interest in AREIT was diluted from 100.00% to 54.4%. In relation to the dilution without loss of control, the impact to ALI's net equity reserve amounted to ₱7,641.7 million. ALI's non-controlling interest increased by ₱4,701.7 million, as a result of the public offering of AREIT Inc. The difference between the consideration and carrying value of the non-controlling interest was credited to equity reserve as shown below:

	2020		
	Consideration received	Carrying value of Non-controlling interests deemed disposed	Difference recognized within Equity as Equity Reserve
		(In Thousands)	
45.6% in AREIT	₱12,343,461	₱4,701,746	₱7,641,715

In September 2019, ALI purchased additional 648,177 shares of VPHI for ₱799.4 million increasing the Parent Company's ownership to 78.41%.

On April 17, 2019 ALI acquired additional 14,913,200 common shares of CHI through open market purchases using the trading facilities of the Philippine Stock Exchange totaling ₱88.7 million resulting in ALI's ownership from 70.4% to 71.1%.

On April 30, 2018, ALI and ALLHC executed a Deed of Exchange where ALI will subscribe to 1,225,370,620 common shares of ALLHC for an aggregate subscription price of ₱3.0 billion in exchange for 30,186 common shares of LTI. The subscription and exchange shall be subject to and deemed effective only upon the issuance by the SEC of the confirmation of valuation of the shares. The SEC issued its approval on February 28, 2019. This increased ALI's ownership to 69.50%. This resulted in a decrease in equity reserve amounting to ₱664.9 million.

On February 4, 2019, The Executive Committee of Ayala Land, Inc. (ALI) approved the purchase of a 20% equity interest owned by Mitsubishi Corporation in Laguna Technopark, Inc. (LTI), equivalent to 8,051 common shares, with a total value of ₱800 million. Subsequently, ALI will exchange the 20% equity interest in LTI for additional shares of stock in Prime Orion Philippines, Inc. (POPI), equivalent to 323,886,640 common shares, subject to conditions to be fulfilled by POPI. On May 10, 2019, Prime Orion Philippines, Inc., changed its corporate name to Ayalaland Logistics Holdings Corp. (ALLHC). On June 10, 2019, ALI sold its 20% equity interest or 8,051 common shares in LTI to ALLHC for a consideration of ₱800 million resulting to increase in ALI's ownership from 69.5% to 70.36%.

On September 9, 2019, OLI sold through a special block sale, 215,090,031 common shares of ALLHC to Avida Land Corporation, a wholly-owned subsidiary of ALI, for a total consideration of ₱628.1 million. Subsequently, these shares were acquired by ALI through a special block sale for a total consideration of ₱628.1 million. This resulted to ALI's effective ownership in ALLHC from 70.36% to 71.46%.

The transactions were accounted for as an equity transaction since there were no changes in control. The movements within equity are accounted for as follows:

	2019		
	Consideration paid	Carrying value of Non-controlling interests acquired	Difference recognized within Equity as Equity Reserve
		(In Thousands)	
8.41% in VPHI	₱799,420	₱68,916	₱730,504
0.69% in CHI	88,734	73,977	14,757
0.86% in ALLHC	800,000	825,447	(25,447)
1.10% in ALLHC	628,100	1,033,335	(405,235)
	₱2,316,254	₱2,001,675	₱314,579

In January 2018, ALI purchased additional 202,774,547 shares of ALLHC from Genez Investment Corporation for ₱497.7 million increasing the Parent Company's ownership from 62.9% to 67%.

In December 2018, ALI acquired 8,051 common shares of LTI for ₱800.0 million increasing its ownership from 75% to 95%.

In 2018, ALI acquired additional 59,631,200 common shares of CHI totaling to ₱352.8 million. Further, an additional 77,742,516 shares was acquired as a result of swap of CPVDC shares for a total consideration of ₱229.3 million which brings Parent Company's ownership to 70.4%.

In March 2018, the Irredeemable Convertible Unsecured Loan Stock of Dato Sri Tong and Tan Sri Barry Go, founders of MCT, were converted into 122,218,357 shares. This resulted in a 6.07% dilution of ALI's stake in MCT as of date of share issuance. As such, the current ownership stake of ALI in MCT is 66.25%. This resulted in an increase in Equity reserve amounting to ₱1,044.5 million.

The transactions were accounted for as an equity transaction since there were no changes in control.

The movements within equity are accounted for as follows:

	2018		
	Consideration paid	Carrying value of Non-controlling interests acquired	Difference recognized within Equity as Equity Reserve
		(In Thousands)	
4.14% in ALLHC	₱497,652	₱315,951	₱181,701
20.00% in LTI	800,000	528,295	271,705
1.53% net reduction in CHI	582,106	826,752	(244,646)
	₱1,879,758	₱1,670,998	₱208,760

In 2017, ALI purchased additional 97,763,900 common shares of CHI from BPI Securities Corporation totaling ₱575.0 million which increased the Company's ownership to 72% of the total outstanding capital stock of CHI.

In February 2017, ALI purchased additional 631,000 common shares of ALLHC from BPI Securities Corporation for ₱1.26 million. ALI's interest remains at 51% of the total ALLHC's outstanding capital stock.

In June 2017, Orion Land, Inc. (OLI), a subsidiary of ALLHC, acquired 512,480,671 common shares equivalent to 11.69% ownership at ₱2.45 share amounting to ₱1,255.58 million. The acquisition of ALLHC shares by OLI was treated as an acquisition of non-controlling interest resulting to a debit to equity reserve of ₱405.18 million. This increased ALI's effective ownership from 51.36% to 63.05%.

The transactions were accounted for as an equity transaction since there were no change in control. The movements within equity are accounted for as follows:

	Consideration paid	Carrying value of Non-controlling interests acquired	Difference recognized within Equity as Equity Reserve
		(In Thousands)	
5.09% in CHI	₱574,994	₱394,907	₱180,087
11.69% in ALLHC	1,258,579	852,656	405,923
	₱1,833,573	₱1,247,563	₱586,010

In August 2017, AHRC entered into a memorandum of agreement with Sicogon Development Corporation (SIDECO) and an individual to develop Sicogon Island into a new leisure destination. The investment of SIDECO and an individual to SITEC changed the ownership interest of AHRC in SITEC from 100% to 77% without a loss of control. The difference between the amount by which non-controlling interest of 23% are adjusted and the fair value of consideration paid is recognized directly to equity amounting to ₱134.1 million.

Below are several acquisitions of shares in existing subsidiaries in 2013 up to 2016 that resulted to equity reserves. Details follow:

	Consideration paid	Carrying value of Non-controlling interests acquired	Difference recognized within Equity as Equity Reserve
		(In Thousands)	
2016			
10.5% in CHI	₱1,209,784	₱748,746	₱461,038
2015			
6.7% in CHI	₱649,927	₱434,074	₱215,853
9.4% in NTDCC	778,356	174,770	603,586
1.9% in API	58,157	45,540	12,617
	₱1,486,440	₱654,384	₱832,056

	Consideration paid	Carrying value of Non-controlling interests acquired	Difference recognized within Equity as Equity Reserve
		(In Thousands)	
2013			
6.7% in CHI	₱3,520,000	₱797,411	₱2,722,589
9.4% in NTDCC	2,000,000	1,413,960	586,040
	₱5,520,000	₱2,211,371	₱3,308,629

Non-controlling interests

The Parent Company considers a subsidiary as a subsidiary with material NCI if its net assets exceed 5% of its total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the subsidiary compared to other operations of the Group. There are no significant restrictions on the Parent Company's ability to use assets and settle liabilities of the Group. The financial information on the Parent Company's significant subsidiaries with material NCI follows:

AREIT, Inc.

AREIT, Inc., was incorporated on September 4, 2006. As of December 31, 2021, it is 53.13% owned by ALI, 6.38% owned by ALO, 4.12% owned by GDI, 2.48% owned by WCVC, and 33.9% public after being listed in the Philippine Stock Exchange (PSE) on August 13, 2020. It was organized primarily as a real estate investment trust, as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including its implementing rules and regulations and other applicable laws.

The related balances for the year ended December 31, 2021 and 2020 follows:

	2021	2020
	(In Thousands, except for %)	
Proportion of equity interests held by non-controlling interests	**33.9%**	45.6%
Accumulated balances of material non-controlling interests	**₱5,040,631**	₱4,489,157
Net income allocated to material non-controlling interests	**927,789**	282,680
Comprehensive income allocated to material non-controlling interests	**927,789**	282,680

The summarized financial information of AREIT, Inc. as of and for the year ended December 31, 2021 and 2020 are provided below. This information is based on amounts before inter-company eliminations.

	2021	2020
	(In Thousands)	
Statements of financial position		
Current assets	**₱1,523,243**	₱2,705,442
Noncurrent assets	**54,980,285**	11,915,782
Current liabilities	**(2,257,257)**	(722,609)
Noncurrent liabilities	**(5,358,681)**	(1,560,237)
Total equity	**48,887,590**	12,338,378
Attributable to:		
Equity holders of AREIT	**48,887,590**	12,338,378
Non-controlling interests	**–**	–
Dividends paid to non-controlling interests	**–**	–

	For the years ended December 31	
	2021	2020
	(In Thousands)	
Statements of comprehensive income		
Revenue	**₱3,316,464**	₱1,951,625
Cost and expenses	**919,264**	617,862
Income before income tax	**2,433,316**	1,333,763
Provision for income tax	**(48)**	(106,576)
Income from operations	**2,433,267**	1,227,187
Other comprehensive (loss) income	**–**	–
Total comprehensive income	**2,433,267**	1,227,187
Attributable to:		
Equity holders of AREIT	**₱2,433,267**	₱1,227,187
Non-controlling interests	**–**	–

	For the years ended December 31	
	2021	2020
	(In Thousands)	
Statements of cash flows		
Operating activities	**₱2,145,006**	₱1,475,827
Investing activities	**(4,137,567)**	(1,849,491)
Financing activities	**2,025,594**	310,461
Effect of exchange rate changes	**33,033**	(63,203)
Net increase in cash and cash equivalents	**₱2,145,006**	₱1,475,827

The fair value of the investment in AREIT, Inc. amounted to ₱38,959.8 million and ₱12,526.4 million as of December 31, 2021 and 2020, respectively.

CHI and Subsidiaries
CHI, a publicly-listed company, was incorporated in the Republic of the Philippines. It is engaged in real estate development, sale of subdivided land, residential and office condominium units, sports club shares, and lease of commercial spaces. The registered office address of CHI is at 20F ACC Tower, Bohol St., Cebu Business Park, Cebu City, Philippines. CHI was merged to ALI on December 16, 2021.

	2020
Proportion of equity interests held by non-controlling interests	28.9%
Accumulated balances of material non-controlling interests	₱2,528,941
Net income allocated to material non-controlling interests	201,523
Comprehensive income allocated to material non-controlling interests	201,523

Prior to the merger in 2021, the summarized financial information of CHI in 2020 is provided below. This information is based on amounts before inter-company eliminations.

	2020
Statements of financial position	
Current assets	₱4,154,937
Noncurrent assets	24,894,482
Current liabilities	(14,911,598)
Noncurrent liabilities	(1,661,300)
Total equity	12,476,521
Attributable to:	
Equity holders of CHI	9,744,862
Non-controlling interests	2,731,659
Dividends paid to non-controlling interests	–

	2020
Statements of comprehensive income	
Revenue	₱2,933,252
Cost and expenses	(2,506,461)
Income before income tax	426,791
Provision for income tax	(26,374)
Income from operations	400,417
Other comprehensive (loss) income	(48,755)
Total comprehensive income	351,662
Attributable to:	
Equity holders of CHI	₱343,132
Non-controlling interests	8,530

	2020
Statements of cash flows	
Operating activities	₱1,170,848
Investing activities	(1,220,472)
Financing activities	(78,000)
Effect of exchange rate changes	(337)
Net increase in cash and cash equivalents	(₱127,961)

The fair value of the investment in CHI amounted to ₱9,050.7 million as of December 31, 2020, respectively.

ALLHC and Subsidiaries
ALLHC was incorporated in the Republic of the Philippines. It is engaged in real estate and property development, manufacturing and retailing/distribution, non-life insurance and other allied services, organized under a number of intermediate holding companies. The Company wholly owns Tutuban Properties, Inc., which holds the lease and development rights over Tutuban Center in downtown Divisoria.

	2021	2020
	(In Thousands, except for %)	
Proportion of equity interests held by non-controlling interests	**29.1%**	29.1%
Accumulated balances of material non-controlling interests	**₱4,412,056**	₱4,192,761
Net income allocated to material non-controlling interests	**219,295**	178,995
Comprehensive income allocated to material non-controlling interests	**219,295**	178,995

The summarized financial information of ALLHC is provided below. This information is based on amounts before inter-company eliminations (In Thousands).

	December 31, 2021	December 31, 2020
Statements of financial position		
Current assets	**₱7,114,121**	₱6,652,483
Noncurrent assets	**13,244,125**	12,768,607
Current liabilities	**3,529,675**	(5,053,355)
Noncurrent liabilities	**4,836,594**	(2,526,349)
Total equity	**11,991,978**	11,841,386
Attributable to:		
Equity holders of ALLHC	**11,971,624**	₱11,564,113
Non-controlling interests	**20,354**	138,637
Dividends paid to non-controlling interests	–	–

	For the years ended December 31	
	2021	2020
Statements of comprehensive income		
Revenue	**₱4,293,068**	₱3,751,070
Cost and expenses	**3,339,428**	(2,915,978)
Income before income tax	**876,028**	835,092
Provision for income tax	**95,474**	(133,079)
Income from operations	**780,554**	702,013
Other comprehensive income	–	–
Total comprehensive income	**780,554**	702,013
Attributable to:		
Equity holders of ALLHC	**784,982**	₱680,864
Non-controlling interests	**(4,428)**	21,149
Statements of cash flows		
Operating activities	**₱966,407**	₱744,162
Investing activities	**(1,768,956)**	(883,705)
Financing activities	**705,739**	139,194
Net decrease in cash and cash equivalents	**(₱96,810)**	(₱349)

The fair value of the investment in ALLHC amounted to ₱30,068.0 million and ₱15,190.4 million as of December 31, 2021 and 2020, respectively.

Capital Management

The primary objective of the Group's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of December 31, 2021 and 2020, the Group had the following ratios:

	2021	2020
Debt to equity	**0.82:1**	0.81:1
Net debt to equity	**0.77:1**	0.74:1

Debt consists of short-term and long-term debts. Net debt includes short-term and long-term debt less cash and cash equivalents, short-term investments and financial assets at FVPL. Equity, which the Group considers as capital, pertains to the total equity. The Group excludes the “Fair value reserve of financial assets at FVOCI” attributable to the equity holders of the Company in computing the debt to equity ratio.

The Group is subject to externally imposed capital requirements due to loan covenants (see Note 16). No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2021 and 2020.

Financial risk assessment
The Group’s financial condition and operating results would not be materially affected by the current changes in interest, currency, credit, liquidity and market conditions.

Exposure to changes in interest rates is reduced by a debt portfolio mix of both fixed and floating interest rates. The Group’s ratio of fixed to floating rate debt stood at 91:9 and 95:5 as of December 31, 2021 and 2020, respectively. As a result, any adverse movement in interest rates is mitigated.

Exposure to foreign currency holdings is at MYR127.3 million and US$102 million as of December 31, 2021, and MYR193.7 million and US$18.0 million as of December 31, 2020, respectively.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Group’s base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Liquidity risk is addressed with long term funding already locked in, while funds are placed on cash equivalents, short term investment and financial assets at FVTPL.

20. Revenue

This account consists of:

	2021	2020	2019
		(In Thousand)	
Revenue from contracts with customers			
Residential development	**₱75,939,410**	₱66,461,372	₱117,580,972
Hotels and resorts	**2,833,075**	3,388,190	7,624,159
Construction	**3,909,051**	3,278,557	3,394,744
Others	**2,466,666**	2,971,238	5,452,595
Rental income (Notes 12 and 33)	**17,797,660**	18,468,871	31,687,075
Equity in net earnings of associates and joint venture	**842,565**	586,502	965,787
Total Revenue	**₱103,788,427**	₱95,154,730	₱166,705,332

The Group derives revenue from the transfer of goods and services over time and at a point in time in different product types. The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

Residential development

	2021	2020	2019
		(In thousands)	
Type of Product			
Middle income housing	**₱24,101,342**	₱21,239,940	₱36,023,183
Coremid	**19,789,427**	20,445,730	34,813,550
Condominium	**23,733,274**	18,231,721	29,326,334
Lot only	**8,315,367**	6,543,981	17,417,905
	₱75,939,410	₱66,461,372	₱117,580,972

All of the Group's real estate sales from residential development are revenue from contracts with customers recognized over time.

Hotels and resorts

	2021	2020	2019
		(In thousands)	
Type of Product			
Rooms	**₱1,581,171**	₱1,775,632	₱4,447,172
Food and beverage	**816,326**	731,812	2,090,953
Others	**213,465**	273,424	324,322
Other operated department	**222,113**	607,322	761,712
	₱2,833,075	₱3,388,190	₱7,624,159

The Group's revenue from hotels and resorts is attributed to the operations from the development and management of hotels and resorts/serviced apartments. In view of the continuing community quarantines and restricted travel, the Group's hotels and resorts segment continues to be adversely affected by the lower number of guests and reduced room rates, both of which have significantly impacted the revenues reported under this segment. Also, many restaurants remain closed or allowed limited operations which impacted the food and beverage revenues of the segment.

The Group's construction revenue pertains to transactions with related parties such as joint ventures and associates.

Others are mainly composed of property management facilities of the Group and third party projects.

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions. Rent discounts and concessions given vary for merchants that are (1) forced to close and those that are still (2) operational. Rental fees and common charges of merchants who were forced to close during the quarantine period were waived with 50% discount in their common area usage expenses.

Set-out below is the reconciliation of contracts with customers with the amounts disclosed in segment information (in millions):

	2021					
	Residential Development	**International**	**Construction**	**Hotels and Resorts**	**Property Management and Others**	**Total**
Sales to external customer	**₱65,260**	**₱3,878**	**₱3,909**	**₱2,833**	**₱2,467**	**₱78,347**
Interest	**6,801**	**–**	**–**	**–**	**–**	**6,801**
Total revenue from contracts with customers	**₱72,061**	**₱3,878**	**₱3,909**	**₱2,833**	**₱2,467**	**₱85,148**

	2020					
	Residential Development	International	Construction	Hotels and Resorts	Property Management and Others	Total
Sales to external customer	₱53,014	₱4,845	₱3,279	₱3,388	₱2,971	₱67,497
Interest	8,603	–	–	–	–	8,603
Total revenue from contracts with customers	₱61,617	₱4,845	₱3,279	₱3,388	₱2,971	₱76,100

	2019					
	Residential Development	International	Construction	Hotels and Resorts	Property Management and Others	Total
Sales to external customer	₱102,981	₱6,709	₱3,395	₱7,624	₱5,453	₱126,162
Interest	7,891	–	–	–	–	7,891
Total revenue from contracts with customers	₱110,872	₱6,709	₱3,395	₱7,624	₱5,453	₱134,053

21. Interest and Investment Income and Other Income

Interest and investment income consists of:

	2021	2020	2019
		(In Thousands)	
Gain on sale of equipment and other properties	**₱106,051**	₱23,265	₱40,870
Interest income from banks	**79,765**	293,354	724,817
Interest income from advances to officers/employees and other companies	**46,546**	75,160	164,531
Others	**20,745**	2,922	227
	₱253,107	₱394,701	₱930,445

Other income consists of:

	2021	2020	2019
		(In Thousands)	
Marketing and management fees	**₱528,345**	₱219,937	₱297,423
Others - net (Notes 11 and 24)	**1,572,726**	503,331	860,512
	₱2,101,071	₱723,268	₱1,157,935

Other income mainly consists of gain on business combination, realized and unrealized gain on financial asset at FVTPL, financial impact of net foreign exchange transactions and gain from disposal of associates and subsidiary.

22. **Costs and Expenses and Other Charges**

Real estate costs and expenses consist of:

	2021	2020	2019
		(In Thousands)	
Cost of real estate sales (Note 8)	**₱38,883,964**	₱32,916,227	₱59,353,001
Depreciation and amortization	**7,162,971**	7,651,383	7,419,920
Manpower costs	**2,654,700**	1,925,639	2,046,960
Hotels and resorts operations	**1,907,908**	2,990,397	3,001,616
Rental	**260,548**	863,622	483,645
Marketing and management fees	**95,753**	1,274,861	4,678,323
Materials and overhead	**54,636**	43,759	999,999
Direct operating expenses:			
Taxes and licenses	**3,663,470**	4,078,001	3,665,445
Light and water	**2,701,440**	439,464	3,934,328
Repairs and maintenance	**2,643,460**	1,663,775	2,213,593
Commission	**2,414,648**	1,912,056	3,946,907
Professional fees	**280,323**	245,787	199,848
Insurance	**232,980**	213,150	204,256
Transportation and travel	**137,865**	67,353	161,113
Entertainment, amusement and recreation	**28,166**	14,756	25,971
Others	**1,518,687**	372,954	2,417,014
	₱64,641,519	₱56,673,184	₱94,751,939

General and administrative expenses consist of:

	2021	2020	2019
		(In Thousands)	
Manpower costs (Notes 26 and 28)	**₱3,717,324**	₱4,166,178	₱4,719,739
Depreciation and amortization	**770,666**	945,283	825,766
Taxes and licenses	**561,136**	1,096,167	1,115,766
Professional fees	**484,133**	419,557	386,146
Repairs and maintenance	**382,734**	332,586	324,277
Dues and fees	**199,639**	52,251	90,733
Security and Janitorial	**116,821**	274,754	691,011
Utilities	**64,717**	266,391	340,805
Advertising	**53,271**	42,970	69,163
Transport and travel	**45,038**	46,996	96,894
Supplies	**42,937**	44,393	70,795
Donations and contribution	**38,624**	57,628	53,482
Insurance	**34,998**	37,306	23,917
Entertainment, amusement and recreation	**12,607**	26,047	38,203
Training and seminars	**11,635**	14,357	46,776
Rent	**–**	10,642	100,295
Others	**2,578**	178,307	373,591
	₱6,538,859	₱8,011,813	₱9,367,359

Manpower costs included in the consolidated statements of income follows:

	2021	2020	2019
		(In Thousands)	
Real estate costs and expenses			
Cost of real estate	**₱2,475,968**	₱1,761,580	₱1,784,450
Hotels and resorts operations	**178,732**	164,059	262,510
General and administrative expenses	**3,717,324**	4,166,178	4,719,739
	₱3,896,056	₱6,091,817	₱6,766,699

Depreciation and amortization expense included in the consolidated statements of income follows:

	2021	2020	2019
		(In Thousands)	
Real estate costs and expenses:			
Cost of real estate	**₱7,162,971**	₱7,651,383	₱7,419,920
Hotels and resorts operations	**886,870**	975,906	813,024
General and administrative expenses	**770,666**	945,283	825,766
	₱8,820,507	₱9,572,572	₱9,058,710

Other expenses consist of:

	2021	2020	2019
		(In Thousands)	
Financial expenses and other charges (Note 7)	**₱3,097,223**	₱2,810,922	₱1,076,207
Net provision for (reversals of) impairment losses on:			
Receivables (Note 7)	**359,129**	752,641	568,775
Investment properties (Note 12)	**180,563**	225,208	–
	₱3,636,915	₱3,788,771	₱1,644,982

Interest and other financing charges consist of:

	2021	2020	2019
		(In Thousands)	
Interest expense on:			
Long-term debt	**₱8,778,056**	₱9,705,852	₱9,153,067
Short-term debt	**391,435**	1,164,767	1,206,577
Lease liabilities (Note 33)	**1,409,177**	1,430,607	1,066,543
Other financing charges	**459,105**	444,494	773,571
	₱11,037,772	₱12,745,720	₱12,199,758

23. **Income Tax**

Net deferred tax assets:

	2021	2020
	(In Thousands)	
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	**₱5,989,367**	₱8,678,138
Lease liabilities	**5,807,896**	3,628,273
Accrued expenses	**2,640,103**	1,131,316
NOLCO	**1,494,484**	1,237,134
Retirement benefits	**506,871**	144,837
Allowance for probable losses	**479,781**	792,783
Unrealized foreign exchange losses	**13,824**	105,275
Others	**763,946**	417,950
	17,696,272	16,135,706
Deferred tax liabilities on:		
Right-of-use assets	**(3,686,194)**	(3,392,285)
Capitalized interest and other expenses	**(539,957)**	(436,181)
Unrealized foreign exchange gains	**(66,377)**	(119,900)
Prepaid expenses	**(29,567)**	–
Others	**(484,055)**	(65,825)
	(4,806,150)	(4,014,191)
	₱12,890,122	₱12,121,515

Net deferred tax liabilities:

	2021	2020
	(In Thousands)	
Deferred tax assets on:		
Accrued expense	**₱88,082**	₱110,114
Unrealized foreign exchange loss	**57,461**	6,502
NOLCO	**23,668**	72,669
Allowance for probable losses	**20,721**	54,074
Difference between tax and book basis of accounting for real estate transactions	**16,896**	301,965
Lease liabilities	**11,913**	535,218
Others	**64,817**	315,267
	283,558	1,395,809
Deferred tax liabilities on:		
Fair value adjustment arising from business combination	**(3,260,288)**	(3,912,586)
Difference between tax and book basis of accounting for real estate transactions	**(3,086,237)**	(3,648,480)
Right-of-use assets	**(27,280)**	(616,339)
Retirement benefits	**(17,532)**	(23,631)
Capitalized interest and other expenses	**(15,126)**	(106,013)
Unrealized foreign exchange gain	**(5,183)**	–
Prepaid expenses	**–**	(5,357)
Others	**(391,975)**	(231,937)
	(6,803,621)	(8,544,343)
	(6,520,063)	(₱7,148,534)

As of December 31, 2021 and 2020 deferred tax liabilities have not been recognized on the undistributed earnings and cumulative translation adjustment of foreign subsidiaries since the timing of the reversal of the temporary difference can be controlled by the Group and management does not expect the reversal of the temporary differences in the foreseeable future.

Certain subsidiaries of the Parent Company have NOLCO amounting to ₱5,732.7 million and ₱4,683.8 million as of December 31, 2021 and 2020, respectively, and MCIT amounting to ₱26.0 million and ₱142.7 million as of December 31, 2021 and 2020, respectively. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. As of December 31, 2021 and 2020, total unrecognized NOLCO amounted to ₱212.1 million and ₱317.7 million, respectively. As of December 31, 2021 and 2020, total unrecognized MCIT amounted to ₱14.3 million and ₱126.4 million, respectively. The subsidiaries will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2021, the Group has incurred NOLCO which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2018	₱990,792	₱990,792	₱–	2021
2019	587,561	–	587,561	2022
	₱1,578,353	₱990,792	₱587,561	

As of December 31, 2021, the Group has incurred NOLCO which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2020	₱3,105,402	₱–	₱3,105,402	2025
2021	2,039,719	–	2,039,719	2026
	₱5,145,121	₱–	₱5,145,121	

The carryover MCIT that can be used as deductions against income tax liabilities is as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2018	₱130,127	₱130,127	₱–	2021
2019	5,576	–	5,576	2022
2020	6,992	–	6,992	2023
2021	13,409	–	13,409	2024
	₱156,104	₱130,127	₱25,977	

Reconciliation between the statutory and the effective income tax rates follows:

	2021	2020	2019
Statutory income tax rate	**25.00%**	30.00%	30.00%
Tax effect of:			
Equity in net earnings of associates and joint ventures	**(4.15)**	(3.90)	(1.90)
Income under tax holiday and other nontaxable income	**(0.13)**	(0.88)	(0.96)
Interest income and capital gains taxed at lower rates	**(0.56)**	(0.25)	(0.53)
Others – net	**2.65**	1.99	(0.42)
Effective income tax rate	**22.81%**	26.96%	26.19%

Deferred tax related to remeasurement gain on defined benefit plans recognized in OCI amounted to ₱274.9 million and ₱206.1 million in 2021 and 2020, respectively.

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE"
President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporation. For domestic corporation with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100.00 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

Imposition of improperly accumulated earnings tax (IAET) is repealed.

Board of Investments (BOI) Incentives
The Board of Investments issued certificates of registrations to the following companies in accordance with the existing Omnibus Investment Code. The projects have been granted an Income Tax Holiday (ITH) for a fixed period from the date of registration or actual start of operations, whichever is earlier.

	Registration Date	**Project Location**	**ITH Start**	**ITH Period**
Econorth Resort Ventures Inc.	November 21, 2017	Seda Lio	March 2018	5 years
Capitol Central Hotel Ventures, Inc.	September 08, 2017	Seda Capitol Central	January 2018	4 years
Bonifacio Hotel Ventures, Inc.	January 11, 2012	Seda BGC	June 2018	6 years
Bonifacio Hotel Ventures, Inc.	May 22, 2019	Seda BGC Expansion	May 2019	3 years
Makati North Hotel Ventures, Inc.	August 16, 2019	Seda Residences Makati	August 2019	4 years

	Registration Date	Project Location	ITH Start	ITH Period
Central Bloc Hotel Ventures, Inc.	June 16, 2020	Seda Central Bloc Cebu	January 2021	4 years
MDC Conqrete, Inc.	October 5, 2020	PBU and WallQrete	January 2021	3 years
Amaia Land Corp	October 31, 2020	Amaia Scapes Rizal	October 2020	4 years
Amaia Land Corp	July 18, 2018	Amaia Scapes Bulacan Sector 3B	July 2018	3 years

24. Acquisition of Non-controlling Interests

Ayala Land Logistics Holdings Corp. (ALLHC)
On April 30, 2018, ALI and ALLHC executed a Deed of Exchange where ALI will subscribe to 1,225,370,620 common shares of ALLHC for an aggregate subscription price of ₱3.0 billion in exchange for 30,186 common shares of LTI. The subscription and exchange shall be subject to and deemed effective only upon the issuance by the SEC of the confirmation of valuation of the shares. The SEC issued its approval on February 28, 2019. This increased ALI's ownership to 69.50%.

On February 4, 2019, The Executive Committee of ALI approved the purchase of a 20% equity interest owned by Mitsubishi Corporation in LTI, equivalent to 8,051 common shares, with a total value of ₱800.0 million. Subsequently, ALI will exchange the 20% equity interest in LTI for additional shares of stock in ALLHC, equivalent to 323,886,640 common shares, subject to conditions to be fulfilled by ALLHC.

On June 10, 2019, ALI sold its 20% equity interest or 8,051 common shares in LTI to ALLHC for a consideration of ₱800.0 million. This increased ALI's ownership to 70.36%.

On September 9, 2019, OLI sold through a special block sale, 215,090,031 common shares of ALLHC to Avida Land Corporation, a wholly-owned subsidiary of ALI, for a total consideration of ₱628.1 million. Subsequently, these shares were acquired by ALI through a special block sale for a total consideration of ₱628.1 million. This increased ALI's effective ownership in ALLHC from 70.36% to 71.46%.

Cebu Holdings, Inc. (CHI)
On December 16, 2021, the SEC approved the merger of CHI, AiO, ASCVC and CBDI with and into ALI, with ALI as the surviving entity (the "Merger"). ALI shall be the surviving entity in the Merger and shall possess all the rights, privileges and immunities of CHI, AiO, ASCVC and CBDI (the "Absorbed Corporations"), and all properties and liabilities, and all and every other interest of or belonging to the Absorbed Corporations shall be taken and deemed transferred to ALI without further act or deed.

As a result of the above merger, ALI's ownership on the seven companies also increased namely Southportal Properties, Inc. (from 65% to 100%), Cebu Leisure Company, Inc. (from 71% to 100%), CBP Theatre Management Inc. (from 71% to 100%), Taft Punta Engaño Property Inc. (from 39% to 55%), Cebu Insular Hotel Company, Inc. (from 26% to 37%), Solinea, Inc (from 25% to 35%), Amaia Southern Properties, Inc. (from 25% to 35%). Summary of financial information of the merged entities are as follow:

	Amount
	(In Thousands)
Current assets	₱7,039,965
Noncurrent assets	26,786,933
Current liabilities	(15,410,125)
Noncurrent liabilities	(1,272,817)
Equity	(17,143,955)

On April 17, 2019 ALI acquired additional 14,913,200 common shares of CHI through open market purchases using the trading facilities of the Philippine Stock Exchange totaling ₱88.7 million resulting sin ALI's ownership from 70.4% to 71.1%.

25. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

In its regular conduct of business, the Group has entered into transactions with its parent company, associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, development, management, underwriting, marketing, leasing and administrative service agreements.

Terms and Conditions of Transactions with Related Parties
Transactions with related parties are made at normal market prices. Outstanding balances at year end are unsecured, interest free and settlement occurs generally in cash, except otherwise indicated. There have been no guarantees provided or received for any related party receivables or payables. The Group does not provide any allowance relating to receivable from related parties.

This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year (in thousands):

a. Transactions with Bank of the Philippine Islands (BPI), an associate of Ayala Corporation (AC)

Cash and cash equivalents earn interest from 2.5% to 6.0% per annum for Philippine Peso-denominated and 1.0% to 3.0% per annum for USD-denominated investments. Investment in FVPL are UITF which earns interest depending on the duration of time invested in the fund. Interest earned with investments in BPI for the year amounted to ₱24.70 million, ₱125.5 million, and ₱129.3 million in 2020, 2019 and 2018, respectively.

Short-term debts are secured peso denominated bank loans with interest rate ranging from 5.5% to 5.6% while long-term debts bear fixed rates ranging from 4.5% to 6.9% and floating rates ranging from 5.4% to 6.5% per annum with remaining terms ranging from less than a year to 9.9 years. Interest expense incurred on borrowings from BPI amounted to ₱723.29 million, ₱740.8 million, and ₱1,460.0 million for the years ended December 31, 2020, 2019 and 2018, respectively.

As of December 31, 2021 and 2020, the Group maintains current and savings account, money market placements and short-term and long-term debt payable with BPI broken down as follows:

	2021	2020
	(In Thousands)	
Cash in bank	**₱3,302,304**	₱3,510,108
Cash equivalents	**29,181**	47,486
Marketable securities	**197,432**	305,136
Short term debt	**1,643,500**	2,600,500
Long-term debt	**6,366,922**	13,196,816

b. Outstanding balances with parent company, associates and other related party

Receivables from/payables to other related parties pertain mostly to advances and reimbursement of operating expenses related to development cost and land acquisitions. Payables to related parties consist of expenses incurred on utilities, professional services and other miscellaneous services as well as purchases of vehicles. These are generally trade-related, noninterest-bearing and settled within one year.

Outstanding balances from/to related parties follow (amounts in thousands):

2021

	Receivable from related parties			**Payable to related parties**		
	Current	**Noncurrent**	**Total**	**Current**	**Noncurrent**	**Total**
AC	**₱85,968**	**₱–**	**₱85,968**	**₱151,145**	**₱–**	**₱151,145**
As Associates	**4,903,412**	**–**	**4,903,412**	**308,758**	**–**	**308,758**
Other related parties:						
Globe Telecom (Globe)	**172,685**	**–**	**172,685**	**9,542**	**–**	**9,542**
Bank of the Philippine Islands	**149,912**	**–**	**149,912**	**45,537**	**–**	**45,537**
Columbus	**1**	**–**	**1**	**267,355**	**–**	**267,355**
Manila Water Philippine Ventures, Inc.	**144,930**	**–**	**144,930**	**8,381**	**–**	**8,381**
Michigan Holdings, Inc.	**3**	**–**	**3**	**–**	**–**	**–**
Manila Water Company Inc.	**357,441**	**–**	**357,441**	**13,825**	**–**	**13,825**
Others	**144,389**	**–**	**144,389**	**118,698**	**–**	**118,698**
	969,361	**–**	**969,361**	**463,338**	**–**	**463,338**
	₱5,958,741	**₱–**	**₱5,958,741**	**₱923,241**	**₱–**	**₱923,241**

2020

	Receivable from related parties			Payable to related parties		
	Current	Noncurrent	Total	Current	Noncurrent	Total
AC	₱55,316	₱–	₱55,316	₱236,815	₱–	₱236,815
Associates	4,753,392	–	4,753,392	446,886	–	446,886
Other related parties:						
Globe Telecom (Globe)	148,435	–	148,435	7,164	–	7,164
Bank of the Philippine Islands	84,064	–	84,064	44,811	–	44,811
Columbus	–	–	0	267,355	–	267,355
Manila Water Philippine Ventures Inc.	160,115	–	160,115	67,242	–	67,242
Michigan Holdings, Inc.	330	–	330	–	–	–
Manila Water Company Inc.	9,280	–	9,280	10,288	–	10,288
Others	278,227	–	278,227	47,631	–	47,631
	680,451	–	680,451	444,491	–	444,491
	₱5,489,159	₱–	₱5,489,159	₱1,128,192	₱–	₱1,128,192

c. Revenue and expenses from related parties

The revenue from parent company, associates and other related parties pertains mostly to income from leasing and development projects while expenses composed of management fees and training expenses. These are usually non-interest bearing and not impaired. Transactions are settled within one year.

Revenue and expenses from related parties follow:

Revenue from related parties:

	2021	2020	2019
		(In Thousands)	
AC	**₱4,208**	₱3,493	₱25,450
Associates	**2,660,806**	2,253,303	4,128,193
Other Related Parties			
Bank of the Philippine Islands	**493,893**	378,319	414,609
Manila Water Philippine Ventures, Inc.	**134,767**	264,628	272,709
Globe Telecom, Inc.	**99,099**	84,656	185,063
Innove Communications	**7,673**	7,982	7,295
Manila Water Company, Inc. (MWCI)	**619,288**	7,151	53,882
Laguna AAA Waterworks Corp. (LAWC)	**1,500**	1,500	1,500
Michigan Holdings, Inc.	**1,203**	1,203	179,739
Others	**76,144**	32,473	1,153
	1,433,567	777,912	1,115,950
Total	**₱4,098,581**	₱3,034,708	₱5,269,593

Expenses from related parties:

	2021	2020	2019
		(In Thousands)	
AC	**₱10,432**	₱10,950	₱4,216
Associates	**298,823**	201,558	322,114
Other Related Parties			
Manila Water Company, Inc.	**204,324**	234,167	398,648
Bank of the Philippine Islands	**299,693**	434,707	213,257
Innove Communications, Inc.	**124,233**	73,060	92,003
AG Counselors Corp.	**41,247**	206,354	199,222
5Globe Telecom, Inc.	**71,291**	66,483	88,188
Manila Water Philippine Ventures, Inc.	**187,534**	125,617	108,765
Others	**1,114,088**	988,788	432,865
	2,042,408	2,129,176	1,532,948
Total	**₱2,351,664**	₱2,341,684	₱1,859,278

The following describe the nature of the material transactions of the Group with related parties as of December 31, 2021 and 2020:

- On January 12, 2016, the Parent Company has entered into a partnership with Manila Water Philippine Ventures, Inc., a wholly owned subsidiary of Manila Water Company, Inc., for the waterworks of ALI's projects nationwide. The MOA was signed by ALI and its subsidiaries and affiliates, Cebu Holdings, Inc. and Cebu Property Ventures and Development Corp. Revenue and expense in 2021 amounted to ₱134.8 million and ₱187.5 million, respectively, and ₱264.6 million and ₱125.6 million amounted in 2020, respectively.
- Revenue from Manila Water Company, Inc. (MWCI) primarily pertains to MDC's project on the design & build of the Calawis Water Treatment Plant in Antipolo. The project started on March 01, 2021 and expected to be completed by the last quarter of 2022.
- Certain credit facilities with BPI with a total carrying value of ₱6,368.9 million and ₱13,231.3 million as of December 31, 2021 and 2020, respectively, are secured by a real estate mortgage. This is in compliance with BSP ruling on directors, officers, stockholders and related interests.

- In October 2012 and July 2013, BG South, a subsidiary of Alveo, entered into a contract with FBDC for the purchase of land in Bonifacio Global City. Land cost amounting to ₱210.6 million and ₱122.7 million were recognized in profit or loss in 2021 and 2020, respectively.
- On May 20, 2013, DirectPower and its customers, which are all within the Ayala Group, entered into a Retail Electricity Supply contract wherein DirectPower agreed to supply electricity at a specific rate pursuant to the provisions and implementing rules and regulations of R.A. No. 9136 or the Electric Power Industry Reform Acts of 2001. Among the customers of Direct Power are FBDC, LDC, BPI, San Lazaro BPO Complex and 6750 Ayala Ave.
- The Group sold residential receivables on a without recourse basis to BPI Family Savings Bank, Inc., a related party, amounting to ₱19,041.0 million and ₱20,458.0 million in 2021 and 2020, respectively. Proceeds of receivables sold to BPI amounted to ₱17,392.9 million and ₱18,431.9 million in 2021 and 2020, respectively. The Group recognized loss on sale (under "Other charges") amounting to ₱1,648.1 million, ₱2,064.0 million and ₱775.2 million in 2021, 2020 and 2019, respectively.
- The Group entered into agreements with BPI Asset Management and Trust Corporation for the assignment of interest-bearing employee receivables amounting ₱43.7 million and ₱16.1 million in 2021 and 2020, respectively.
- Revenue from Globe pertains to development management fee and for lease of spaces.
- As of December 31, 2021 and 2020, the funds include investment in securities of its related parties with carrying value of ₱0.4 billion and ₱1.5 billion, respectively (see Note 26).

d. Remuneration of Key Management Personnel (KMP)

Key management personnel of the Group include all officers with position of vice president and up. Compensation of key management personnel amounted to ₱179.0 million and ₱207.8 million in 2021 and 2020, respectively.

Compensation of key management personnel by benefit type follows:

	2021	2020
	(In Thousands)	
Short-term employee benefits	**₱163,513**	₱192,301
Post-employment benefits (Note 26)	**15,497**	15,497
	₱179,010	₱207,798

The Related Party Transaction Review Committee shall approve all material related party transactions before their commencement. Material related party transactions shall be identified taking into account the related party registry. Transactions amounting to ten percent (10%) or more of the total assets of the corporation that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process requirement.

26. Retirement Plan

The Group has funded, noncontributory tax-qualified defined benefit type of retirement plans (the Plan) covering substantially all of their employees. The benefits are based on a defined benefit formula.

The Plan aims to maintain a full funding, i.e., the Plan's assets fully covered the Plan's liabilities, as measured through generally accepted actuarial methodologies. Such will provide a higher level of assurance that all promised benefits can be paid from existing assets and expected investment returns. The target funded status is within the range of 80% to 100%.

The Group's fund is in the form of a trust fund being maintained by the trustee banks such as BPI Asset Management and Trust Corporation (collectively the "Retirement Fund"). The primary objective of the Retirement Fund is to achieve the highest total rate of return possible, consistent with a prudent level of risk. The investment strategy articulated in the asset allocation policy has been developed in the context of long-term capital market expectations, as well as multi-year projections of actuarial liabilities. Accordingly, the investment objectives and strategies emphasize a long-term outlook, and interim performance fluctuations will be viewed with the corresponding perspective.

The components of expense (included in manpower costs under "General and administrative expenses") in the consolidated statements of income follows:

	2021	2020	2019
		(In Thousands)	
Current service cost	**₱484,161**	₱398,979	₱443,364
Past service cost	**(27,986)**	−	−
Settlement (gain)loss	**(11,213)**	−	−
Net interest cost on benefit obligation	**124,910**	104,867	117,607
Total pension expense	**₱569,872**	₱503,846	₱560,971

The remeasurement effects recognized in other comprehensive income (included in Equity under "Remeasurement loss on defined benefit plans") in the consolidated statements of financial position follow:

	2021	2020	2019
		(In Thousands)	
Return (loss) gain on plan assets (excluding amount included in net interest)	**(₱29,028)**	(₱15,785)	₱75,922
Remeasurement (loss) gain due to liability experience	**709,847**	(47,859)	1,544
Remeasurement (loss) gain due to liability assumption changes - demographic	**−**	(5,641)	145
Remeasurement (loss) gain due to liability assumption changes - economic	**418,766**	(617,702)	(245,365)
Remeasurements in other comprehensive income (loss)	**₱1,099,585**	(₱686,987)	(₱167,754)

The funded status and amounts recognized in the consolidated statement of financial position for the retirement plan as of December 31, 2021 and 2020, are as follows:

	2021	2020
	(In Thousands)	
Benefit obligations	**₱4,280,435**	₱5,094,096
Plan assets	**(2,187,661)**	(2,085,519)
Net pension liability position	**₱2,092,774**	₱3,008,577

As of December 31, 2021 and 2020 pension assets (included under "Other noncurrent assets") amounted to ₱11.0 million and ₱12.2 million, respectively, and pension liabilities amounted to ₱2,103.7 million and ₱3,020.8 million, respectively.

Changes in net defined benefit liability of funded plans in 2021 are as follows (in thousands):

		Net benefit cost in consolidated statement of income					Remeasurements in other comprehensive income							
	January 1, 2021	Current service cost	Past service cost/ Settlement gain	Net interest	Subtotal	Benefits paid	Return on plan Assets*	Remeasurement gain due to liability experience	Remeasurement gain due to liability assumption changes - demographic	Remeasurement gain due to liability assumption changes- economic	Net remeasure-ment loss	Contribution by employer	Transfer in /(out)	December 31, 2021
Present value of defined benefit obligation	**₱5,094,096**	**₱484,161**	**(₱39,199)**	**213,192**	**₱658,154**	**(₱346,515)**	**₱–**	**(₱709,847)**	**₱–**	**(₱418,766)**	**(1,128,613)**	**₱–**	**₱3,313**	**₱4,280,435**
Fair value of plan assets	**(2,085,519)**	–	**–**	**(88,282)**	**(88,282)**	**186,948**	**29,028**	**–**	**–**	**–**	**29,028**	**(229,836)**	**–**	**(2,187,661)**
Net defined benefit liability	**₱3,008,577**	**₱484,161**	**(₱39,199)**	**₱124,910**	**₱569,872**	**(159,567)**	**₱29,028**	**(₱709,847)**	**₱–**	**(₱418,766)**	**(1,099,585)**	**(₱229,836)**	**₱3,313**	**₱2,092,774**

*excluding amount included in net interest

Changes in net defined benefit liability of funded plans in 2020 are as follows (in thousands):

		Net benefit cost in consolidated statement of income					Remeasurements in other comprehensive income							
	January 1, 2020	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan Assets*	Remeasurement loss due to liability experience	Remeasurement loss due to liability assumption changes - demographic	Remeasurement loss due to liability assumption changes- economic	Net remeasure-ment loss	Contribution by employer	Transfer in /(out)	December 31, 2020
Present value of defined benefit obligation	₱4,365,274	₱398,979	₱–	₱210,090	₱609,069	(₱550,903)	₱–	₱47,859	₱5,641	₱617,702	₱671,202	₱–	(₱546)	₱5,094,096
Fair value of plan assets	(2,452,003)	–	–	(105,223)	(105,223)	698,183	15,785	–	–	–	15,785	(242,807)	546	(2,085,519)
Net defined benefit liability	₱1,913,271	₱398,979	₱–	₱104,867	₱503,846	₱147,280	₱15,785	₱47,859	₱5,641	₱617,702	₱686,987	(₱242,807)	₱–	₱3,008,577

*excluding amount included in net interest

All equity and debt instruments held have quoted prices in an active market. The remaining plan assets do not have quoted market prices in an active market.

The plan assets have diverse investments and do not have any concentration risk.

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	December 31	
	2021	2020
	(In Thousands)	
Cash and cash equivalents	**₱18,209**	₱9,246
Equity investments		
Unit Investment Trust Funds	**400,919**	323,553
Holding firms	**176,694**	1,455
Property	**109,259**	78,366
Financials	**90,759**	15,195
Industrials	**17,598**	92,005
Services	**19,757**	17,059
Mutual funds	**3,786**	131,217
	818,772	658,850
Debt investments		
AAA rated debt securities	**503,439**	497,130
Government securities	**452,261**	551,290
Unit Investment Trust Funds	**53,977**	56,970
Mutual funds	**4,032**	5,295
Not rated debt securities	**336,971**	306,738
	1,350,680	1,417,423
	₱2,187,661	₱2,085,519

The Retirement Fund's investments will be appropriately diversified to control overall risk and will exhibit portfolio characteristics similar to the set benchmark for each asset class. In case of securities, the aggregate holdings of any security may not exceed 10% of the Plan assets. The criteria for including an asset class in the strategic policy include: (a) wide recognition and acceptance among institutional investors; (b) low correlation with other accepted asset classes; and (c) a meaningful performance history. The Group expects to make contributions of ₱518.02 million to its retirement fund in 2022.

The allocation of the fair value of plan assets follows:

	2021	2020
Investments in debt securities	**61.74%**	67.97%
Investments in equity securities	**37.43%**	31.59%
Others	**0.83%**	0.44%

Funds invested in debt securities include government securities, corporate notes and bonds and money market placements. Investments in equity securities consist of investments in PSE listed stocks and unit investment trust funds. Others were in the form of cash and cash equivalents.

The Group's transactions with the funds mainly pertain to contributions, benefit payments and settlements.

As of December 31, 2021 and 2020, the funds include investment in securities of its related parties (see Note 25). Details of the investment per type of security are as follows:

	December 31, 2021			December 31, 2020
	Carrying Value	**Fair Value**	**Unrealized (Gain) Loss**	Fair Value
	(In Thousands)			
Investments in debt securities	**₱39,533**	**₱41,796**	**(₱2,264)**	₱916,337
Investments in equity securities	**289,591**	**290,310**	**(719)**	624,975
Others	**55,379**	**55,379**	**–**	13,393
	₱384,503	**₱387,485**	**(₱2,983)**	₱1,554,705

The plan assets include shares of stock of the Parent Company with fair value amounting to ₱54.03 million and 40.58 million as of December 31, 2021 and 2020, respectively. The Parent Company gives the trustee bank the discretion to exercise voting rights over the shares. The plan assets include debt securities of the Parent Company amounting to ₱31.93 million and ₱68.42 million as of December 31, 2021 and 2020, respectively. The gain of the fund arising from investment in debt and equity securities of the Parent Company is ₱0.89 million.

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2021	2020
Discount rates	**3.65 to 5.83%**	3.73 to 5.50%
Future salary increases	**3.00 to 8.00%**	3.00 to 8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

2021

	Effect on income before income tax Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis points**
	(In Thousands)	
Discount rate	**(₱980,588)**	**(₱45,965)**
Salary increase rate	**(79,648)**	**(970,101)**

2020

	Effect on income before income tax Increase (decrease)	
Change in basis points	+ 100 basis points	- 100 basis points
	(In Thousands)	
Discount rate	(₱335,855)	₱508,470
Salary increase rate	489,491	(320,960)

Shown below is the maturity analysis of the undiscounted benefit payments:

Year ending:	**2021**	2020
	(In Thousands)	
1 year and less	**₱104,456**	₱191,339
more than 1 years to 5 years	**722,390**	980,921
more than 5 years to 10 years	**3,503,290**	2,877,953
more than 10 years to 15 years	**9,497,759**	7,263,178
more than 15 years to 20 years	**10,522,147**	8,418,881
more than 20 years	**18,841,385**	14,802,379

The average duration of the defined benefit obligation is 6.0 to 24.0 years and 7.0 to 24.0 years in 2021 and 2020, respectively.

27. Earnings Per Share

The following tables present information necessary to compute EPS (amounts in thousands except EPS):

EPS on net income attributable to equity holders of Ayala Land, Inc. are as follows:

	2021	2020	2019
	(In Thousands)		
Net income attributable to equity holders of Ayala Land, Inc.	**₱12,228,148**	₱8,727,155	₱33,188,399
Less: dividends on preferred stock	**(62,038)**	(62,038)	(62,038)
Net income attributable to equity holders of the Parent Company for basic and diluted earnings per share	**₱12,166,110**	₱8,665,117	₱33,126,361
Weighted average number of common shares for basic EPS	**14,724,716**	14,721,234	14,742,690
Add: dilutive shares arising from stock options	**(2,143)**	2,296	3,783
Adjusted weighted average number of common shares for diluted EPS	**14,722,573**	14,723,530	14,746,473
Basic and diluted EPS	**₱0.83**	₱0.59	₱2.25

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 adjusted for any subsequent stock dividends declared.

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. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

The convertibility of the preferred shares will start on the 10th year from the issue date which was in 2012. This has an antidilutive effect on the computation of diluted EPS.

28. Stock Options and Ownership Plans

The Parent Company has stock option plans for key employees covering 2.5% of the Parent Company's authorized capital stock. The grantee is selected based on certain criteria like outstanding performance over a three-year period.

ESOP
The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of the Parent Company or any of its subsidiaries during the 10-year option period. In case the grantee retires, he is given 3 years to exercise his vested and unvested options. In case the grantee resigns, he is given 90 days to exercise his vested options.

The Parent Company has no ESOP grant and availment during 2021, 2020 and 2019.

ESOWN
In November 2001, the Parent Company offered all its ESOWN subscribers with outstanding ESOWN subscriptions the option to cancel the subscriptions within the 5-year holding period. In December 2001, the program for ESOWN was indefinitely suspended.

In 2005, the Parent Company introduced a revised ESOWN Plan (the Plan) wherein grantees may subscribe in whole or in part to the shares awarded to them based on a discounted market price that was determined by the Compensation Committee as the offer price set at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. The subscription is subject to a holding period stated in the plan. To subscribe, the grantee must be an employee of the Parent Company or any of its subsidiaries during the ten (10)-year payment period. In case the grantee resigns, unsubscribed shares are cancelled, while the subscription may be paid up to the percent of holding period completed and payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares. All shares acquired through the Plan are subject to the Parent Company's right to repurchase.

The subscribed shares are effectively treated as options exercisable within a given period which is the same time as the grantee's payment schedule. The fair values of stock options granted are estimated on the date of grant using the Black-Scholes Merton (BSM) Formula and Binomial Tree Model (BTM), taking into account the terms and conditions upon which the options were granted. The BSM Formula and BTM Model requires six inputs to produce an option stock value namely; market value of the share, book value of the share, time to maturity, volatility rate, dividend yield, and risk free rate. The expected volatility was determined based on an independent valuation.

Movements in the number of options outstanding and weighted average exercise prices (WAEP) under ESOWN follow:

	2021	**WAEP**	2020	WAEP
At January 1	**–**	**₱–**	305,415	₱35.94
Granted	**14,683,519**	**–**	18,194,618	–
Subscribed	**(11,389,265)**	**33.29**	(14,845,498)	27.72
Availment	**434,218**	**–**	39,436	–
Cancelled	**(3,728,472)**	**–**	(3,693,971)	–
At December 31	**–**	**₱–**	–	₱–

The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follow:

	Grant Date							
	March 15, 2021	August 17, 2020	March 21, 2019	March 28, 2018	March 01, 2017	April 05, 2016	March 20, 2015	March 20, 2014
Number of unsubscribed shares	–	–	–	–	–	181,304	–	1,369,887
Fair value of each option	–							
(BTM)	₱–	₱–	₱–	₱–	₱8.48	₱13.61	₱16.03	₱12.60
Fair value of each option (BSM)	₱9.25	₱9.12	₱17.13	₱12.71	₱–	₱18.21	₱20.63	₱12.16
Weighted average share price	₱39.17	₱32.61	₱44.70	₱41.02	₱39.72	₱35.58	₱36.53	₱31.46
Exercise price	₱33.29	₱27.72	₱44.49	₱45.07	₱35.81	₱26.27	₱29.58	₱22.55
Expected volatility	27.19%	25.05%	31.48%	34.04%	30.95%	32.03%	31.99%	33.50%
Dividend yield	0.38%	0.81%	1.16%	1.22%	1.34%	1.27%	1.02%	1.42%
Interest rate	1.03%	1.13%	5.57%	4.14%	4.41%	4.75%	4.11%	3.13%

Total expense (included under “General and administrative expenses”) recognized in 2021, 2020 and 2019 in the consolidated statements of income arising from share-based payments amounted to ₱150.07 million, ₱111.92 million, and ₱142.86 million, respectively (see Note 22).

ALLHC

ALLHC introduced the ESOWN Plan (the Plan) wherein grantees (employees within ALLHC Group) may subscribe in whole or in part to the shares awarded to them based on a discounted market price, but in no case lower than the par value, that was determined at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. To subscribe, the grantee must be an employee, officer or director of ALLHC as of June 30, 2015. In case the grantee resigns, unsubscribed shares are cancelled and returned to the plan pool, while the subscription payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares.

The BOD of ALLHC approved the allocation of 32 million shares (first tranche) for ESOWN plan which will be taken from the remaining unissued shares (with grant date in 2016) and the increase in authorized of stock of ALLHC, which was approved by the SEC in July 2016. In 2017, notice of grant for the 218 million shares (second tranche of ESOWN plan) was issued to employees for the right to subscribe to the common shares of ALLHC at ₱1.68 per share which were fully availed as of December 31, 2018. In 2021 and 2020, ALLHC has no ESOWN grant.

29. Financial Assets and Liabilities

Fair Value Information

The following tables set forth the carrying values and estimated fair values of the Group’s financial assets and liabilities recognized as of December 31, 2021 and 2020:

	December 31, 2021		December 31, 2020	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial Assets at FVTPL	**₱700,803**	**₱700,803**	₱965,171	₱965,171
Financial Assets at FVOCI				
Unquoted equity securities	**583,543**	**583,543**	666,988	666,988
Quoted equity securities	**397,727**	**397,727**	844,455	844,455
	981,270	**981,270**	1,511,443	1,511,443
Investment in bonds	**2,309,440**	**2,309,440**	2,309,440	2,309,440
	₱3,991,513	**₱3,991,513**	₱4,786,054	₱4,786,054

	December 31, 2021		December 31, 2020	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial assets at amortized cost				
Noncurrent trade residential, commercial and office development	**₱42,926,431**	**₱43,149,538**	₱42,547,808	₱45,313,900
Receivable from employees	**755,814**	**755,814**	842,506	844,542
	₱43,682,245	**₱43,905,352**	₱43,390,314	₱46,158,442
Other financial liabilities				
Long-term debt	**₱206,314,239**	**₱195,588,364**	₱202,819,593	₱211,109,769
Deposits and other noncurrent liabilities	**59,686,987**	**51,360,589**	48,582,759	36,367,004
	₱266,001,226	**₱246,948,953**	₱251,402,352	₱247,476,773

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents, short-term investments and current receivables, accounts and other payables and short term debt - Carrying amounts approximate fair values due to the relatively short-term maturities of these financial instruments.

Financial assets at FVPL - These are investments in fund and treasury bills. Fair value of the funds is based on net asset values as of reporting dates.

Financial assets at FVOCI quoted equity securities - fair values are based on quoted prices published in markets.

Financial assets at FVOCI unquoted equity securities – fair values are based on the latest selling price available.

Noncurrent accounts and notes receivables - The fair values of residential, commercial and office development accounts and notes receivable, and receivable from employees, are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 5.50% to 18.00% and 5.75% to 16.00% as of December 31, 2021 and 2020.

Financial assets at FVOCI quoted equity securities - fair values are based on quoted prices published in markets.

Financial assets at FVOCI unquoted equity securities – fair values are based on the latest selling price available.

Liabilities - The fair value of noncurrent unquoted instruments (long-term debt and deposits) are estimated using the discounted cash flow methodology using the Group’s current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged 1.00% to 5.25% and 1.84% to 7.50% as of December 31, 2021 and 2020, respectively. The fair value of noncurrent unquoted debt instruments with floating rates are estimated using discounted cash flow - last repricing method.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The Group categorizes trade receivable, receivable from employees, long-term debt and deposits and other noncurrent liabilities under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

Investment in Arch Capital Fund amounting to ₱293.8 million and ₱328.0 million as of December 31, 2021, and 2020, respectively, were classified under Level 3 (see Note 6).

Investment in Unit Investment Trust Fund (UITF) amounting to ₱407.0 million and ₱378.1 million as of December 31, 2021, and 2020, respectively, were classified under Level 2 (see Note 6).

Investment in Treasury bills amounting to ₱259.2 million as of December 31, 2020 (nil in 2021), were classified under Level 2 (see Note 6).

Quoted FVOCI financial assets amounting to ₱397.7 million and ₱844.5 million as of December 31, 2021, and 2020, respectively, were classified under Level 1 (see Note 10).

Unquoted FVOCI financial assets amounting to ₱583.5 million and ₱667.0 million as of December 31, 2021 and 2020, respectively, were classified under Level 3 (see Note 10).

There have been no reclassifications to and from Level 1, Level 2 and Level 3 categories in 2021 and 2020 for financial assets at FVTPL and FVOCI.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, short-term investment, financial assets at FVPL, AFS quoted and unquoted equity securities, investments in bonds, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Group's operations. The Group has various financial assets such as trade receivables and trade payables which arise directly from the conduct of its operations.

Exposure to liquidity, credit, interest rate, currency and equity risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The use of derivative financial instruments, if any, is solely for management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

There were no changes in the Group's financial risk management objectives and policies in 2021 and 2020.

Liquidity risk

Liquidity risk is defined by the Group as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Group that make it difficult for the Group to raise the necessary funds or that forces the Group to raise funds at significantly higher interest rates than usual.

This is also the possibility of experiencing losses due to the inability to sell or convert marketable securities into cash immediately or in instances where conversion to cash is possible but at a loss due to wider than normal bid-offer spreads.

The Group employs scenario analysis and contingency planning to actively manage its liquidity position and guarantee that all operating, investing and financing needs are met. The Group has come up with a three-layered approach to liquidity through the prudent management of sufficient cash and cash equivalents, the potential sale of accounts receivables and the maintenance of short-term revolving credit facilities.

Cash and cash equivalents are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise. Management develops viable funding alternatives through a continuous program for the sale of its receivables and ensures the availability of ample unused short-term revolving credit facilities from both local and foreign banks as back-up liquidity.

The Group ascertains that its cash is invested in short-term bank placements and special deposit accounts, as well as in high-quality and marketable government and corporate securities.

Credit line
The Group has a total short term credit line up to ₱100.8 billion and ₱84.43 billion with various local banks, of which ₱58.9 billion and ₱58.3 billion remain undrawn as of December 31, 2021 and 2020, respectively.

The table summarizes the maturity profile of the Group's financial liabilities at December 31, 2021 and 2020 based on contractual undiscounted payments:

December 31, 2021

	< 1 year	**>1 to 5 years**	**> 5 years**	**Total**
		(In Thousands)		
Accounts and other payables	**₱115,684,195**	**₱–**	**₱–**	**₱115,684,195**
Short-term debt	**16,782,500**	**–**	**–**	**16,782,500**
Long-term debt	**26,173,997**	**100,766,275**	**79,373,967**	**206,314,239**
Deposits and other current liabilities	**27,231,492**	**–**	**–**	**27,231,492**
Deposits and other noncurrent liabilities	**–**	**59,686,987**	**–**	**59,686,987**
	207,118,208	**160,453,262**	**12,047,706**	**425,699,413**
Interest payable*	**₱5,610,541**	**₱31,522,655**	**₱9,365,613**	**₱46,498,809**

**includes future interest payment*

December 31, 2020

	< 1 year	>1 to 5 years	> 5 years	Total
		(In Thousands)		
Accounts and other payables	₱123,634,745	₱–	₱–	₱123,634,745
Short-term debt	9,131,325	–	–	9,131,325
Long-term debt	18,732,401	127,500,906	56,586,286	202,819,593
Deposits and other current liabilities	25,072,090	–	–	25,072,090
Deposits and other noncurrent liabilities	–	42,521,168	1,771,715	44,292,883
	176,570,561	170,022,074	58,358,001	404,950,636
Interest payable*	₱7,834,302	₱30,705,781	₱14,496,618	₱53,036,701

**includes future interest payment*

Cash and cash equivalents, short-term investments and financial assets at FVTPL are used for the Group's liquidity requirements. Please refer to the terms and maturity profiles of these financial assets shown on the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section. There are no undrawn loan commitments from long-term credit facilities as of December 31, 2021 and 2020.

Credit risk
Credit risk is a risk that a counterparty will not meet its obligation under its financial instrument or customer contract leading to a financial loss.

The Group's credit risks are primarily attributable to installments receivable, rental receivables and other financial assets. To manage credit risks, the Group maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers. Also, to the extent allowed by regulations, certain payments are not returned which minimizes exposure to bad debts.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity. The amount of exposure from bad debts is minimized to the extent of the advance rentals and security deposits from the tenants.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, short-term investments, financial assets at FVTPL and financial assets at FVOCI. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The Group's maximum exposure to credit risk as of December 31, 2021 and 2020 is equal to the carrying values of its financial assets.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate based on days past due of all customers as they have similar loss patterns. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The security deposits and advance rental from tenants are considered in the calculation of impairment as recoveries. As of December 31, 2021 and 2020, the exposure at default amounts to ₱25,010.7 million and ₱12,400.1 million, respectively. The expected credit loss rate is 7.2% and 5.3% that resulted in the ECL of ₱2,294.2 million and ₱1,945.5 million as of December 31, 2021 and December 31, 2020, respectively.

As of December 31, 2021 and 2020, the aging analysis of past due but not impaired trade receivables presented per class follow:

December 31, 2021

	Neither Past Due nor Impaired	Past Due but not Impaired						Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
					(In Thousands)				
Trade:									
Residential, commercial and office development	**₱71,715,540**	**₱8,686,656**	**₱1,358,594**	**₱2,615,314**	**₱2,040,476**	**₱12,010,565**	**₱26,711,605**	**₱62,314**	**₱98,489,459**
Shopping centers	**2,908,306**	**191,539**	**275,175**	**13,421**	**185,070**	**1,006,528**	**1,671,733**	**1,074,658**	**5,654,697**
Corporate business	**1,572,835**	**16,834**	**49,561**	**3,774**	**78,533**	**687,181**	**835,883**	**633,108**	**3,041,826**
Construction contracts	**1,129,267**	**348,967**	**159,900**	**312,955**	**38,708**	**-**	**860,530**	**152,231**	**2,142,028**
Management fees	**38,651**	**1,780**	**25,048**	**13,355**	**14,272**	**18,030**	**72,485**	**16,630**	**127,766**
Others	**2,720,870**	**1,200,224**	**38,190**	**56,746**	**47,535**	**451,165**	**1,793,860**	**221,488**	**4,736,218**
Advances to other companies	**8,623,005**	**1,414,578**	**43,186**	**14,751**	**59,887**	**6,650,972**	**8,183,374**	**133,725**	**16,940,104**
Accrued receivables	**6,189,054**	**342,235**	**43,653**	**22,440**	**132,082**	**1,479,107**	**2,019,517**	**–**	**8,208,571**
Related parties	**5,958,742**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,958,742**
Receivables from employees	**606,397**	**11,986**	**22,264**	**4,596**	**71,083**	**39,488**	**149,417**	**–**	**755,814**
	₱101,462,667	**₱12,214,799**	**₱2,015,571**	**₱3,057,352**	**₱2,667,646**	**₱22,343,036**	**₱42,298,404**	**₱2,294,154**	**₱146,055,225**

December 31, 2020

	Neither Past Due nor Impaired	Past Due but not Impaired						Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
					(In Thousands)				
Trade:									
Residential, commercial and office development	₱87,579,407	₱8,312,810	₱677,149	₱1,854,465	₱585,788	₱2,267,709	₱13,697,921	₱50,767	₱101,328,095
Shopping centers	2,524,233	195,961	298,868	230,567	203,055	901,865	1,830,316	1,060,057	5,414,606
Construction contracts	949,706	77,648	142,559	49,836	100,432	416,782	787,257	37,778	1,774,741
Corporate business	3,402,084	1,309	1,683	–	1,288	22,666	26,946	519,642	3,948,672
Management fees	31,292	2,464	13,335	13,539	554	56,691	86,583	6,678	124,553
Others	3,821,778	472,721	13,640	53,938	76,192	130,086	746,577	149,246	4,717,601
Advances to other companies	9,973,795	2,025	1,086,998	60,143	23,959	6,418,080	7,591,205	121,292	17,686,292
Accrued receivables	6,311,028	191,008	193,169	21,920	10,473	1,058,801	1,475,371	–	7,786,399
Related parties	5,472,155	86	2,661	86	3,664	10,507	17,004	–	5,489,159
Receivables from employees	709,628	10,631	6,638	4,069	561	110,979	132,878	–	842,506
	₱120,775,106	₱9,266,663	₱2,436,700	₱2,288,563	₱1,005,966	₱11,394,166	₱26,392,058	₱1,945,460	₱149,112,624

The table below shows the credit quality of the Company's financial assets as of December 31, 2021 and 2020:

December 31, 2021

	Neither Past Due nor Impaired					Past Due but		
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
				(In Thousands)				
Cash and cash equivalents (excluding cash on hand)	₱13,904,862	₱–	₱–	₱–	₱13,904,862	₱–	₱–	₱13,904,862
Short-term investments	325,641	–	–	–	325,641	–	–	325,641
Financial assets at FVTPL	700,803	–	–	–	700,803	–	–	700,803
Accounts and notes receivables:								
Trade:								
Residential, commercial and office development	61,412,808	7,388,708	2,914,024	–	71,715,540	26,711,605	62,314	98,489,459
Shopping centers	2,141,933	400,914	365,459	–	2,908,306	1,671,733	1,074,658	5,654,697
Construction contracts	1,129,267	-	-	–	1,129,267	860,530	152,231	2,142,028
Corporate business	1,567,085	705	5,045	–	1,572,835	835,883	633,108	3,041,826
Management fees	28,477	4,066	6,108	–	38,651	72,485	16,630	127,766
Others	2,623,734	53,874	43,262	–	2,720,870	1,793,860	221,488	4,736,218
Advances to other companies	8,576,334	16,314	30,357	–	8,623,005	8,183,374	133,725	16,940,104
Accrued receivables	6,140,849	-	48,205	–	6,189,054	2,019,517	–	8,208,571
Related parties	3,522,081	575,391	1,861,270	–	5,958,742	–	–	5,958,742
Receivable from employees	575,514	22,834	8,049	–	606,397	149,417	–	755,814
Financial Assets at FVOCI:								
Unquoted	–	–	–	583,543	583,543	–	–	583,543
Quoted	397,727	–	–	–	397,727	–	–	397,727
	₱103,047,115	₱8,462,806	₱5,281,779	₱583,543	₱117,375,243	₱42,298,404	₱2,294,154	₱161,967,801

December 31, 2020

	Neither Past Due nor Impaired					Past Due but		
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
				(In Thousands)				
Cash and cash equivalents (excluding cash on hand)	₱16,973,044	₱–	₱–	₱–	₱16,973,044	₱–	₱–	₱16,973,044
Short-term investments	358,120	–	–	–	358,120	–	–	358,120
Financial assets at FVTPL	965,171	–	–	–	965,171	–	–	965,171
Accounts and notes receivables:								
Trade:								
Residential, commercial and offce development	75,749,759	6,844,468	4,985,180	–	87,579,407	13,697,921	50,767	101,328,095
Shopping centers	1,538,614	539,226	446,393	–	2,524,233	1,830,316	1,060,057	5,414,606
Construction contracts	932,957	16,749	–	–	949,706	787,257	37,778	1,774,741
Corporate business	3,396,865	1,038	4,181	–	3,402,084	26,946	519,642	3,948,672
Management fees	30,140	–	1,152	–	31,292	86,583	6,678	124,553
Others	3,053,903	694,945	72,930	–	3,821,778	746,577	149,246	4,717,601
Advances to other companies	9,607,267	6,753	359,775	–	9,973,795	7,591,205	121,292	17,686,292
Accrued receivables	6,300,452	48	10,528	–	6,311,028	1,475,371	–	7,786,399
Related parties	2,282,777	615,718	2,573,660	–	5,472,155	17,004	–	5,489,159
Receivable from employees	706,106	795	2,727	–	709,628	132,878	–	842,506
Financial Assets at FVOCI:								
Unquoted	–	–	–	844,455	844,455	–	–	844,455
Quoted	666,988	–	–	–	666,988	–	–	666,988
	₱122,562,163	₱8,719,740	₱8,456,526	₱844,455	₱140,582,884	₱26,392,058	₱1,945,460	₱168,920,402

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, short-term investments, financial assets at FVTPL, financial assets at FVOCI quoted securities - based on the nature of the counterparty and the Group's internal rating system;

Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment;

The unquoted financial assets at FVOCI are unrated.

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

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and increasing the fixed interest component of its debt portfolio. The Company's ratio of fixed to floating rate debt stood at around 91:9 and 95:5 as of December 31, 2021 and 2020, respectively.

The following tables demonstrate the sensitivity of the Group's profit before tax and equity to a reasonably possible change in interest rates on December 31, 2021 and 2020, with all variables held constant, (through the impact on floating rate borrowings):

December 31, 2021

	Effect on income before income tax Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis points**
	(In Thousands)	
Floating rate borrowings	**(₱194,117)**	**₱194,117**

December 31, 2020

	Effect on income before income tax Increase (decrease)	
Change in basis points	+ 100 basis points	- 100 basis points
	(In Thousands)	
Floating rate borrowings	(₱116,402)	₱116,402

The assumed change in rate is based on the currently observable market environment. There is no other impact on the Group's equity other than those already affecting the net income.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with their corresponding nominal amounts and carrying values are shown in the following table (in thousands):

December 31, 2021

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents (excluding cash on hand)	Fixed at the date of investment	Various	₱13,904,862	₱13,904,862	₱–	₱–	₱13,904,862
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	325,641	325,641	–	–	325,641
Receivables from employees	Fixed at the date of sale	Date of sale	755,815	593,939	161,876	–	755,815
			₱14,986,318	₱14,824,442	₱161,876	₱–	₱14,986,318
Parent Company							
Short-term debt							
Floating-Peso	Variable	Monthly	₱ 8,471,000	₱ 8,471,000	₱–	₱–	₱ 8,471,000
Long-term debt							
Fixed							
Peso	Fixed at 6.00%	10 years	5,650,000	5,650,000	–	–	5,650,000
Peso	Fixed at 6.0%	20 years	2,000,000	–	–	1,986,794	1,986,794
Peso	Fixed at 4.5000%	7 years	7,000,000	6,987,688	–	–	6,987,688
Peso	Fixed at 3.892 to 4.85%	7, 9.5 and 10 years	22,000,000	–	21,912,113	–	21,912,113
Peso	Fixed at 5.2624%	10 years	7,000,000	–	6,979,065	–	6,979,065
Peso	Fixed at 3.75% to 4.95%	Up to 10.5 years	81,158,570	903,471	30,616,372	49,211,500	80,731,343
Peso	Fixed at 5.920%	10 years	10,000,000	–	–	9,916,583	9,916,583
Peso	Fixed at 3.1764% to 3.187%	5 years	6,374,875	–	6,374,875	–	6,374,875
Peso	Fixed at 4.76% to 6.37%	5, 7 and 7.25 years	12,000,000	–	11,876,362	–	11,876,362
Peso	Fixed at 3.00% to 3.86%	2 and 5 years	16,250,000	9,970,491	6,192,684	–	16,163,175
Peso	Fixed at 3.63% to 4.08%	4 and 10 years	13,000,000	-	9,903,889	2,977,789	12,881,678
Floating							
Peso	Variable	3 months	306,000	16,821	288,263	–	305,084
Subsidiaries							
Short-term debt							
Floating							
Peso	Variable	Monthly	8,311,500	8,311,500	–	–	8,311,500
Long-term debt							
Fixed							
Peso	Fixed at 3.0445% to 4.75%	2, 5 to 10 years	22,397,309	2,231,816	4,968,133	15,026,300	22,226,249
Floating							
Peso	Variable	3 months	2,323,230	413,710	1,654,520	255,000	2,323,230
			₱224,242,484	₱42,956,497	₱100,766,276	₱79,373,966	₱223,096,739

December 31, 2020

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	₱16,973,044	₱16,973,044	₱–	₱–	₱16,973,044
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	358,120	358,120	–	–	358,120
Receivables from employees	Fixed at the date of sale	Date of sale	842,506	697,283	145,223	–	842,506
			₱18,173,670	₱18,028,447	₱145,223	₱–	₱18,173,670
Parent Company							
Short-term debt							
Floating-Peso	Variable	Monthly	₱6,640,500	₱6,640,500	₱–	₱–	₱6,640,500
Long-term debt							
Fixed							
Peso	Fixed at 6.0000%	10 years	5,650,000	–	5,650,000	–	5,650,000
Peso	Fixed at 5.0% to 6.0%	10.5 and 20 years	17,000,000	–	14,966,062	1,986,730	16,952,792
Peso	Fixed at 5.6250%	11 years	8,000,000	–	7,968,512	–	7,968,512
Peso	Fixed at 4.5000%	7 years	7,000,000	–	6,987,688	–	6,987,688
Peso	Fixed at 5.6250% to 7.5%	5, 10 and 15 years	950,000	9,322	936,778	–	946,100
Peso	Fixed at 4.50 to 6.307%	Up to 10.5 years	45,930,039	2,353,240	17,269,507	26,052,000	45,674,747
Peso	Fixed at 3.8915 to 4.85%	7, 9.5 and 10 years	22,000,000	–	21,912,113	–	21,912,113
Peso	Fixed at 5.2624%	10 years	7,000,000	–	–	6,979,065	6,979,065
Peso	Fixed at 5.9203%	10 years	10,000,000	–	–	9,916,583	9,916,583
Peso	Fixed at 7.0239%	5 years	8,000,000	–	7,962,717	–	7,962,717
Peso	Fixed at 3.1764% to 3.187%	5 years	6,002,875	–	6,002,875	–	6,002,875
Peso	Fixed at 4.2463% to 6.369%	2, 5, 7 and 7.25 years	21,000,000	8,781,628	10,912,739	963,622	20,657,989
Peso	Fixed at 3.00% to 3.86%	2 and 5 years	16,250,000	–	16,163,175	–	16,163,175
Subsidiaries							
Short-term debt							
Floating							
Peso	Variable	Monthly	2,490,825	2,490,825	–	–	2,490,825
Long-term debt							
Fixed							
Peso	Fixed at 4.5% to 5.265%	5 to 10 years	26,349,083	7,412,259	8,999,777	9,828,979	26,241,015
Floating							
Peso	Variable	3 months	2,805,364	175,952	1,768,963	859,307	2,804,222
			₱213,068,686	₱27,863,726	₱127,500,906	₱56,586,286	₱211,950,918

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Financial assets and credit facilities of the Group, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso. The Group's placements in foreign currencies amounted to US$30.73 million and MYR 647.69 million as of December 31, 2021 and US$140.98 million and MYR 838.17 million as of December 31, 2020. The amount of the Group's foreign currency-denominated debt amounting to US$132.8 million and MYR 775.08 million as of December 31, 2021 and $158.68 million and MYR 1,031.9 million as of December 31, 2020. The Group expected a decrease in financial assets due to the impact of COVID-19 outbreak and imposition of community quarantines by the government throughout the Philippines in March 2020, until 2nd and 3rd quarter of 2021. Considering that the Group is in the hospitality sector, the operations of the company were greatly affected. Aside from the aforementioned finding, the Group's foreign currency risk is minimal.

The following table shows the Group's consolidated foreign currency-denominated monetary assets and liabilities and their peso equivalents as of December 31, 2021 and December 31, 2020:

	December 31					
	2021			2020		
	US Dollar	**MYR ringgit**	**Php Equivalent**	US Dollar	MYR ringgit	Php Equivalent
Financial Assets						
Cash and cash equivalents	**$5,605**	**MYR 426,609**	**₱5,507,493**	$10,616	MYR 562,482	₱7,185,405
Short-term investments	**-**	**26,518**	**324,580**	4,790	38,503	686,990
Accounts and notes receivable - net	**23,575**	**136,883**	**2,877,537**	92,220	184,592	6,619,424
Other current assets	**1,168**	**56,450**	**750,504**	32,856	52,594	2,202,034
Other noncurrent assets	**380**	**1,227**	**34,395**	497	–	23,876
Total	**30,728**	**647,687**	**9,494,510**	140,979	838,171	16,717,729
Financial Liabilities						
Accounts and other payables	**4,047**	**772,864**	**9,666,212**	22,858	971,788	12,631,008
Other current liabilities	**463**	**–**	**23,608**	7,758	–	372,540
Short-term debt	**–**	**-**	**-**	–	25,000	296,703
Long-term debt	**125,000**	**102**	**6,374,988**	125,000	147	6,004,625
Other noncurrent liabilities	**3,293**	**2,118**	**193,834**	3,064	34,961	562,058
Total	**132,802**	**775,083**	**16,258,653**	158,680	1,031,896	19,866,934
Net foreign currency denominated financial instruments	**($102,074)**	**(MYR127,396)**	**(₱6,764,143)**	($17,701)	(MYR193,725)	(₱3,149,205)

In translating the foreign currency-denominated monetary assets in peso amounts, the exchange rates used were ₱50.99 to US$1.00 and ₱48.02 to US$1.00, the Philippine Peso - US dollar exchange rates as of December 31, 2021 and 2020, respectively. The Philippine Peso- MY ringgit exchange rate as of December 31, 2021 and 2020 used was ₱12.24 to MYR1.00 and ₱11.87 to MYR1.00, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Effect on income before tax Increase (decrease)	
Change in exchange rate	**2021**	2020
USD		
₱1.00	**2021**	2020
(₱1.00)	**(₱102,074)**	(₱17,701)
	102,074	17,701
MYR		
₱1.00	**(₱127,396)**	(₱193,725)
(₱1.00)	**₱127,396**	₱193,725

There is no other impact on the Group's equity other than those already affecting the net income.

Equity price risk
Quoted financial assets at FVOCI are acquired at a certain price in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, country's economic performance, political stability, domestic inflation rates, these prices change, reflecting how market participants view the developments.

The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each country, sector and market.

The analysis below demonstrates the sensitivity to a reasonably possible change of market index with all other variables held constant, of the Group's equity.

	Effect on equity Increase (decrease)	
Change in PSEi index	**2021**	2020
	(In Thousands)	
+5%	**₱–**	₱27,247
-5%	**–**	(27,247)

Quoted financial assets at FVTPL pertain to investment in UITF (Fund). The Fund, which is structured as a money market UITF, aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments.

As of December 31, 2021 and 2020, the fair value, net income and equity of the Group's investment in the Fund where all other variables held constant, will increase or decrease by ₱1.7 million with a duration of 0.66 year and ₱2.6 million with a duration of 0.70 year, respectively, for a 100 basis points decrease or increase in interest rates.

30. Segment Information

The industry segments where the Group and its associates and joint ventures operate follows:

- Property developments - sale of high-end and upper middle-income residential lots and units, affordable housing units and lots, economic housing and leisure community developments; lease of residential developments under joint venture; acquisition, development and sale of large-scale, mixed-use, master-planned communities; sale of override units or the Company's share in properties made available to subsidiaries for development
- International – development and sale of residential lots and units in MCT Berhad
- Shopping centers - development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities, gas stations and carparks in these shopping centers; management and operation of malls which are co-owned with partners
- Offices - development and lease or sale of office buildings; sale of industrial lots and lease of factory building
- Hotels and Resorts - development and management of hotels and resorts/serviced apartments and lease of land to hotel tenants
- Construction - land development and construction of the Group and third-party projects
- Property management and others - facilities management of the Group and third-party projects

Assets, liabilities, revenues and expenses of the Strategic Landbank Management and Visayas-Mindanao segment were reallocated to other business segments namely, shopping centers, corporate businesses and residential developments according to the nature of the products and services provided.

The Company and its subsidiaries generally account for inter-segment sales and transfers as if the sales and transfers were to third parties at current market prices.

Management committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

For the years ended December 31, 2021, 2020 and 2019, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

Business segments
The following tables regarding business segments present assets and liabilities as of December 31 and revenue and profit information for each of the three years in the period ended December 31 (in millions):

2021

	Property Development	International	Shopping Centers	Offices	Hotels and Resorts	Construction	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue										
Revenues from contracts with customers	₱65,260	₱3,878	₱–	₱–	₱2,833	₱3,909	₱2,467	₱–	₱–	₱78,347
Interest income from real estate sales	6,801	–	–	–	–	–	–	–	–	6,801
Rental revenue	–	–	7,925	9,872	–	–	–	–	–	17,797
Intersegment sales	–	–	–	–	–	36,578	–	–	(36,578)	–
Equity in net earnings of associates and joint ventures	971	–	7	-	–	3	(16)	(122)	–	843
Total revenue	73,032	3,878	7,932	9,872	2,833	40,490	2,451	(122)	(36,578)	103,788
Real estate costs and expenses	49,401	2,897	5,204	2,803	4,095	39,062	2,735	228	(35,254)	71,180
Gross margin (loss)	23,631	982	2,728	7,069	(1,262)	1,428	(285)	(351)	(1,332)	32,608
Interest and investment income										253
Other charges										(3,637)
Interest and other financing charges										(11,038)
Other income										2,101
Provision for income tax										(4,628)
Net income										₱15,659
Net income attributable to:										
Equity holders of Ayala Land, Inc.										₱12,228
Non-controlling interests										3,431
										₱15,659
Other Information										
Segment assets	₱559,516	₱20,190	₱226,352	₱135,653	₱59,038	₱48,601	₱11,549	₱94,146	(₱450,625)	₱704,422
Investment in associates and joint ventures	28,890	–	36	–	–	55	172	-	–	28,153
	587,405	20,190	226,388	135,653	59,038	48,656	11,721	94,146	(450,625)	732,574
Deferred tax assets	1,900	163	1,732	389	436	114	183	1,299	6,675	12,890
Total assets	₱589,306	₱20,353	₱228,120	₱136,042	₱59,474	₱48,770	₱11,904	₱95,445	(₱443,950)	₱745,464
Segment liabilities	235,677	979	95,934	29,687	25,986	38,035	6,158	200,436	(164,449)	468,442
Deferred tax liabilities	2,619	0	177	225	4	0	(2)	(196)	3,693	6,520
Total liabilities	₱238,296	₱979	₱96,111	₱29,911	₱25,990	₱38,035	₱6,156	₱200,240	(₱160,756)	₱474,962
Segment additions to:										
Property and equipment	₱2,035	₱–	₱298	₱4	₱285	₱555	₱14	₱24	₱–	₱3,215
Investment properties	₱12,426	₱508	₱8,141	₱1,100	₱146	₱103	₱–	₱1,757	₱–	₱24,181
Depreciation and amortization	₱733	₱	₱4,360	₱1,908	₱887	₱237	₱475	₱221	₱–	₱8,821
Non-cash expenses other than depreciation and amortization	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Impairment losses	₱11	₱–	₱22	₱114	₱–	₱114	₱98	₱181	₱–	₱540

2020

	Property Development	International	Shopping Centers	Offices	Hotels and Resorts	Construction	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue										
Revenues from contracts with customers	₱53,014	₱4,845	₱–	₱–	₱3,388	₱3,279	₱2,971	₱–	₱–	₱67,497
Interest income from real estate sales	8,603	–	–	–	–	–	–	–	–	8,603
Rental revenue	–	–	9,063	9,405	–	–	–	–	–	18,468
Intersegment sales	–	–	–	–	–	32,601	–	–	(32,601)	–
Equity in net earnings of associates and joint ventures	148	–	2	380	–	(4)	(4)	65	–	587
Total revenue	61,765	4,845	9,065	9,785	3,388	35,876	2,967	65	(32,601)	95,155
Real estate costs and expenses	40,897	3,917	7,156	1,653	4,079	34,886	5,244	225	(33,372)	64,685
Gross margin (loss)	20,868	928	1,909	8,132	(691)	990	(2,277)	(160)	771	30,470
Interest and investment income										395
Other charges										(3,789)
Interest and other financing charges										(12,746)
Other income										723
Provision for income tax										(4,059)
Net income										₱10,994
Net income attributable to:										
Equity holders of Ayala Land, Inc.										8,727
Non-controlling interests										2,267
										₱10,994
Other Information										
Segment assets	₱557,840	₱23,233	₱205,505	₱106,848	₱55,147	₱49,218	₱11,607	₱93,761	(₱420,388)	₱682,771
Investment in associates and joint ventures	17,101	–	38	–	–	52	188	9,222	–	26,601
	574,941	23,233	205,543	106,848	55,147	49,270	11,795	102,983	(420,388)	709,372
Deferred tax assets	1,818	96	1,178	309	324	145	220	1,485	6,547	12,122
Total assets	₱576,759	₱23,329	₱206,721	₱107,157	₱55,471	₱49,415	₱12,015	₱104,468	(₱413,841)	₱721,494
Segment liabilities	₱235,380	₱12,605	₱79,334	₱24,521	₱19,059	₱40,451	₱5,989	₱197,589	(₱160,762)	₱454,166
Deferred tax liabilities	2,888	–	186	127	12	1	21	(112)	4,026	7,149
Total liabilities	₱238,268	₱12,605	₱79,520	₱24,648	₱19,071	₱40,452	₱6,010	₱197,477	(₱156,736)	₱461,315
Segment additions to:										
Property and equipment	₱211	₱83	₱73	₱40	₱991	₱335	₱630	₱735	₱–	₱3,098
Investment properties	₱1,032	₱463	₱1,188	₱1,030	₱46	₱68	₱23	₱1,766	₱–	₱5,616
Depreciation and amortization	₱618	₱189	₱4,411	₱1,779	₱875	₱998	₱483	₱220	₱–	₱9,573
Non-cash expenses other than depreciation and amortization	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Impairment losses	₱37	₱–	₱288	₱331	₱–	₱–	₱97	₱225	₱–	₱978

2019

	Property Development	International	Shopping Centers	Offices	Hotels and Resorts	Construction	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue										
Revenues from contracts with customers	₱102,981	₱6,709	₱–	₱–	₱7,624	₱3,395	₱5,453	₱–	₱–	₱126,162
Interest income from real estate sales	7,891		–	–	–	–	–	–	–	7,891
Rental revenue	–	–	22,019	9,668	–	–	–	–	–	31,687
Intersegments sales	–	–	–	–	–	61,557	–		(61,557)	–
Equity in net earnings of associates and joint ventures	698	–	14	–	–	–	–	254	–	966
Total revenue	111,570	6,709	22,033	9,668	7,624	64,952	5,453	254	(61,557)	166,706
Real estate costs and expenses	75,986	4,665	8,921	3,197	5,667	60,423	5,778	976	(61,494)	104,119
Gross margin (loss)	35,584	2,044	13,112	6,471	1,957	4,529	(325)	(722)	(63)	62,587
Interest and investment income										930
Other charges										(1,645)
Interest and other financing charges										(12,200)
Other income										1,158
Provision for income tax										(13,315)
Net income										₱37,515
Net income attributable to:										
Equity holders of Ayala Land, Inc.										33,188
Non-controlling interests										4,327
										₱37,515
Other Information										
Segment assets	₱556,914	₱–	₱204,115	₱105,863	₱81,288	₱55,349	₱6,731	₱63,481	(₱396,663)	₱677,078
Investment in associates and joint ventures	24,938	–	36	–	–	55	192	97	–	25,318
	581,852	–	204,151	105,863	81,288	55,404	6,923	63,578	(396,663)	702,396
Deferred tax assets	1,890	–	811	170	333	85	60	1,351	6,827	11,527
Total assets	₱583,742	₱–	₱204,962	₱106,033	₱81,621	₱55,489	₱6,983	₱64,929	(₱389,836)	₱713,923
Segment liabilities	₱242,826	₱–	₱135,933	₱55,563	₱64,617	₱46,101	₱3,274	₱52,870	(₱136,057)	₱465,127
Deferred tax liabilities	1,902	–	189	125	9	–	–	24	3,842	6,091
Total liabilities	₱244,728	₱–	₱136,122	₱55,688	₱64,626	₱46,101	₱3,274	₱52,894	(₱132,215)	₱471,218
Segment additions to:										
Property and equipment	₱254	₱1,891	₱1,652	₱41	₱4,151	₱1,752	₱131	₱648	₱–	₱10,520
Investment properties	₱4,970	₱8,733	₱19,446	₱3,012	₱201	₱163	₱262	₱232	₱–	₱37,019
Depreciation and amortization	₱ 676	₱ 85	₱ 3,949	₱1,769	₱ 783	₱975	₱ 454	₱ 368	₱–	₱9,059
Non-cash expenses other than depreciation and amortization	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Impairment losses	₱–	₱–	₱256	₱–	₱–	₱11	₱189	₱113	₱–	₱569

31. **Performance Obligations**

Information about the Group's performance obligations are summarized below:

Real estate sales
The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of real estate unit may cover the contract for either the (i) serviced lot; (ii) service lot and house, and (iii) condominium unit and the Group concluded that there is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% of the contract price spread over a certain period (e.g., one to two years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule from each of the customer does not necessarily coincide with the progress of construction, which results to either an unbilled receivable or customers' deposit.

After the delivery of the completed real estate unit, the Group provides one year warranty to repair minor defects on the delivered serviced lot and house and condominium unit. This is assessed by the Group as a quality assurance warranty and not treated as a separate performance obligation.

Hotels and resorts
Rooms revenue from hotel and resort operations is recognized when the services are rendered. Revenue from banquets and other special events are recognized when the events take place.

Construction
Revenue from fixed price construction contracts are recognized overtime using the milestone-based revenue recognition which is in reference to output method. The output method is determined based on the start and completion of a task of the contract work inclusive of uninstalled goods and materials delivered to the site.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2021 and 2020 are as follows:

	2021	2020
	(In Thousands)	
Within one year	**₱45,005,469**	₱31,535,337
More than one year	**55,587,158**	62,554,555
	₱100,592,627	₱94,089,892

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Group's real estate projects. The Group's condominium units are completed within three to five years from start of construction while serviced lots and serviced lots and house are expected to be completed within two to three years from start of development.

32. Registration with Philippine Economic Zone Authority (PEZA)

Ayala Land Inc., the Parent Company, was registered with PEZA last December 13, 2017 as a Developer/Operator of the Southpark Corporate Center.

North Eastern Commercial Corporation, a wholly owned subsidiary, was registered with PEZA last July 05, 2017 as a Developer/Operator of the 30th Corporate Center.

Ayala Land Inc., the Parent Company, was registered with PEZA last November 6, 2017 as a Developer/Operator of the Vertis North IT Park.

Central Block Developers, Inc., a wholly owned subsidiary, was registered with PEZA last June 19, 2017 as a Ecozone Facilities Enterprise of the Central Bloc 1 & 2.

Ayalaland Metro North, Inc., a wholly owned subsidiary, was registered with PEZA last January 16, 2017 as a Developer/Operator of the UP Town Corporate Center.

Pangulasian Island Resort Corporation (PIRC), a subsidiary of Ten Knots Development Corporation which is a subsidiary of Ayala Land, Inc., is registered with the Philippine Economic Zone Authority (PEZA) under the Certificate of Registration number 16-055 and Registration Agreement dated March 21, 2016. The registration shall entitle PIRC to conduct activities limited to resort operations, travel/tours/leisure and recreation-related activities, and the importation of raw materials, machinery, equipment, tools, goods, wares, articles, or merhandise directly used in its registered operations inside the Green Tourism Ecozone - Pangulasian.

Nuevo Centro, a wholly-owned subsidiary of Ayala Land, Inc., is registered with PEZA with Certificate of Registration number EZ 16-30 under Registration Agreement dated July 19, 2016. The registration as a Special Economic Zone Developer/Operator shall entitle Nuevo Centro, Inc. to establish, develop, administer, manage, and operate a Special Economic Zone to be known as Alviera Industrial Park. It has been designated a 311,954-square meter area located at Barangays Dolores and Banaba, Porac, Pampanga. The Company shall be exempt from payment of all national and local taxes, except real property taxes on land and shall pay a 5% final tax on gross income.

33. Leases

Operating Leases - Group as Lessor

The Group entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals receivable under noncancellable operating leases of the Group follows:

	2021	2020
	(In Thousands)	
Within one year	**₱5,591,888**	₱9,961,331
After one year but not more than five years	**15,982,405**	33,927,015
More than five years	**56,106,720**	30,014,821
	₱77,681,012	₱73,903,167

In 2021 and 2020, the Group granted rent concessions to its tenants which were affected by the community quarantine imposed by the government amounting to ₱7.15 billion and ₱6.15 billion, respectively. These rent concessions did not qualify as a lease modification, thus, were accounted for as a variable lease payments and reported as reduction of lease income in 2021 and 2020 (see Note 3).

Group as Lessee
The Group entered into lease agreements with third parties. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals payable under noncancellable operating leases of the Group follows:

	2021	2020
	(In Thousands)	
Within one year	**₱3,003,107**	₱2,761,184
After one year but not more than five years	**7,973,751**	7,534,150
More than five years	**53,597,269**	52,179,626
	₱64,574,127	₱62,474,960

Set out below are the carrying amounts of right-of-use assets recognized and the movements in 2021 and 2020:

			2021		
	Land	**Building**	**Aircraft**	**Others**	**Total**
			(in thousands)		
Cost					
At January 1	**₱14,710,930**	**₱242,324**	**₱1,701,823**	**₱284,573**	**₱16,939,650**
Additions	**457,725**	**4,099**	**–**	**100,596**	**562,420**
At December 31	**14,961,850**	**246,243**	**1,701,823**	**385,169**	**17,502,070**
Accumulated Depreciation and Amortization					
At January 1	**3,209,405**	**178,056**	**435,794**	**108,220**	**3,931,475**
Depreciation	**274,689**	**116,442**	**139,346**	**92,795**	**623,272**
Adjustments	**273,007**	**115,729**	**138,492**	**92,226**	**619,454**
Capitalized as investment property (Note 12)	**86,627**	**78,421**	**–**	**6,581**	**171,629**
At December 31	**3,843,728**	**488,648**	**713,632**	**299,822**	**5,345,830**
Net Book Value	**₱10,867,202**	**₱242,405**	**₱988,191**	**₱85,347**	**₱12,156,240**

			2020		
	Land	Building	Aircraft	Others	Total
			(in thousands)		
Cost					
At January 1	₱14,710,930	₱216,836	₱1,595,614	₱219,920	₱16,743,300
Additions	–	25,488	106,209	64,653	196,350
At December 31	14,710,930	242,324	1,701,823	284,573	16,939,650
Accumulated Depreciation and Amortization					
At January 1	2,769,184	139,603	245,608	24,433	3,178,828
Depreciation	440,221	32,270	190,186	83,056	745,733
Capitalized as investment property	–	6,183	–	731	6,914
At December 31	3,209,405	178,056	435,794	108,220	3,931,475
Net Book Value	₱11,501,525	₱64,268	₱1,266,029	₱176,353	₱13,008,175

The rollforward analysis of lease liabilities follows:

	2021	2020
At January 1	**₱17,755,843**	₱17,463,705
Additions	**104,695**	171,901
Accretion of interest expense (Note 22)	**1,409,177**	1,430,607
Capitalized interest	**–**	24,210
Foreign exchange gain (loss)	**–**	94
Payments	**(1,432,361)**	(1,334,674)
As at December 31	**₱17,837,354**	₱17,755,843
Current lease liabilities	**599,363**	466,801
Noncurrent lease liabilities	**₱17,237,991**	₱17,289,042

The following are the amounts recognized in the consolidated statement of income:

	2021	2020
Depreciation expense of right-of-use assets	**₱623,272**	₱745,733
Accretion of interest expense on lease liabilities (Note 22)	**1,409,177**	1,430,607
Rent expense - short-term leases	**9,426**	4,562
Rent expense - variable lease payments	**168,963**	306,813
Foreign exchange (gain) loss	**210**	94
Total amounts recognized in the consolidated statement of income	**₱2,213,069**	₱2,489,829

The Group has lease contracts for land that contains variable payments based on a certain percentage of gross rental income of the commercial centers. These terms are negotiated by management for certain commercial spaces without steady customer demand. Management's objective is to align the lease expense with the revenue earned. The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

	2021		
	Fixed Payments	Variable Payments	Total
Fixed	**₱1,471,313**	**₱–**	**₱1,471,313**
Variable rent with minimum payment	**19,533**	**1,299**	**20,832**
Variable rent only	**–**	**19,543**	**19,543**
At December 31	**₱1,490,846**	**₱20,842**	**₱1,511,688**

	2020		
	Fixed Payments	Variable Payments	Total
Fixed	₱1,504,945	₱–	₱1,504,945
Variable rent with minimum payment	115,669	164,885	280,554
Variable rent only	–	146,490	146,490
At December 31	₱1,620,614	₱311,375	₱1,931,989

The significant leases entered into by the Group are as follows:

Parent Company
On January 2017, the Parent Company signed a Lease Agreement with Philippine Racing Club, Inc. for the lease of land located in Circuit Makati, Brgy. Carmona, Makati City with an aggregate area of 12,793 sqm. The term of the lease shall be twenty-three years and three months commencing from Delivery Date. The Lessee shall have the option to renew the lease under the same terms and conditions for another period of five years, provided that renewal period shall be mutually agreed by the Parties. For the period commencing from delivery date until sixty-three (63) months thereafter, the Lessee shall pay the Lessor the rent amounting to ₱100.00 million. Commencing on the sixty fourth

month from execution of the contract until the end of the lease term, the Lessee shall pay the Lessor the rent equal to fifty percent (50%) of the Gross Income of the Lessee.

In September 2018, the Parent Company signed a Lease Agreement with Manila Seedling Bank Foundation, Inc. (MSBFI) for the lease of a 4.5-hectare portion of land located at the corner of EDSA and Quezon Avenue, Diliman, Quezon City. The term of the lease shall be coterminous with the Lessor's usufruct over the Leased Premises, or until September 20, 2027.

Bay City
On September 2, 2014, Parent Company signed a Lease Agreement with D.M. Wenceslao & Associates Inc. for the lease of several parcels of land along Asean Avenue and Macapagal Boulevard, Aseana City, Paranaque City with an aggregate area of 92,317 sqm. Parent Company signed a 45-year lease contract with an option to renew for another 45 years subject to such terms and conditions as may be mutually agreed upon by the lessor and the Parent Company. The Parent Company assigned the parcels of land to Bay City in December 2017.

ALI also signed the Air Rights and Basement Rights over the leased property with an aggregate area of 1,686.48 sqm and 8,294 sqm, respectively, subject to the same terms and conditions as the contract of lease dated September 2, 2014.

AMNI
On January 28, 2011, the Board of Regents of the University of the Philippines awarded to the Parent Company the ₱4.0 billion development of a 7.4-hectare lot at the University of the Philippines' Diliman East Campus, also known as the UP Integrated School, along Katipunan Avenue, Quezon City. The Parent Company signed a 25-year lease contract for the property last June 22, 2011, with an option to renew for another 25 years subject to mutual agreement of the parties. The lease payments shall commence as soon as sales are registered by the merchants. The rights were subsequently assigned by ALI to the Company in 2015.

A retail establishment with about 63,000 sqm of gross leasable area and an office/BPO building about 8,000 sqm of gross leasable area have been constructed on the property.

NTDCC
The Company entered into an assignment agreement with MRTDC wherein the latter has assigned its development rights to the Company in exchange for the Company's assumption of DRP obligation beginning January 1, 2006. The DRP obligation is payable annually for 42 years from the date of assumption, renewable upon expiration with escalation rate of 3% annually starting inception.

In consideration of the lease, the Group will be charged an annual rent related to the original DRP obligation on the MRTDC and 5% of the rental income from the Group's commercial center business. Of the 5% variable amount due, 2.42% shall be directly paid by the Group to the minority shareholders of Monumento Rail Transit Corporation, 28.47% shall be paid directly to Metro Global Holdings Corporation and the remaining 69.11% shall be applied against receivables.

On January 13, 2006, the deed of assignment between MRTDC and NTDCC was acknowledged by DOTC making MRTDC and NTDCC jointly and severally liable for the DRP and all other obligations attached thereto. NTDCC has been paying rent to DOTC in behalf of MRTDC since January 1, 2006. The DRP obligation is payable annually for 42 years from the date of assumption, renewable upon expiration. As of December 31, 2020 and 2019, the DRP obligation amounted to ₱3,703.3 million and ₱3,778.2 million, respectively. Total DRP obligation paid amounted to ₱244.0 million and ₱236.4 million in 2020 and 2019, respectively.

On October 29, 2015, the Company entered into a non-cancellable land lease agreement with GERI for the lease of an aggregate of 10,994.86 square meters undivided portions of the North Avenue Lot Pad A and North Avenue Lot Pad B to which the latter is entitled to development rights. The agreement shall be effective until August 8, 2047, subject to the extension of the development rights period.

During 2016, the Company entered into non-cancellable land lease agreement with Anglo, DBH and Allante which shall be effective until August 8, 2047.

ALICAP
In December 2017, the Company entered into 120-month lease agreement with NAC Aviation for a brand new ATR72-600 with MSN 1440 which will commence at the date of delivery. Commitment fee or refundable deposit required for the lease amounted to US$0.42 million. The ATR72-600 with MSN 1440 was delivered to the Company in February 2018 and has started flight operations in March 2018. The Company, per lease contract, has the option to purchase the ATR72-600 with MSN 1440 at the end of lease term for US$14.16 million.

In June 2018, the Company entered into another 120-month lease agreement with NAC Aviation for a brand new ATR72-600 with MSN 1492 which will commence at the date of delivery. Commitment fee or refundable deposit required for the lease amounted to US$0.42 million. The ATR72-600 with MSN 1492 was delivered to the Company on the same month and has started flight operations in August 2018. The Company, per lease contract, has the option to purchase the ATR72-600 with MSN 1440 at the end of lease term amounting to US$14.16 million.

AHRC
On January 30, 2018, the Company signed a Lease Agreement with Dunes & Eagle Land Development Corporation for the lease of ten parcels of land located at Barangay Mactan, Lapu-Lapu City, Mactan Island, Cebu with an aggregate area of 144,087 sqm. The term of the lease shall be for a period of fifty (50) years commencing from the date of execution of the agreement. Rent payment should be as follows: (a) ₱70 million per annum for the first 5 years (b) 5% of Gross Revenues or ₱70 million per annum whichever is higher for the 6th year to the 30th year, and (c) 5.5% of Gross Revenues or ₱70 million per annum whichever is higher for the 31st year to the 50th year.

On July 26, 2012, ALI entered into a renewable contract of lease with Province of Negros Occidental for 40,481 square meters area of land with a monthly lease of ₱73.00 per square meter which shall be escalated every five years by ten percent (10%) of the current rate of rent. The term of the lease shall be for a period of fifty (50) years commencing from the date of delivery subject to renewal by mutual agreement of the parties under such terms and conditions as may be mutually acceptable. The Company has assessed that the lease agreement is a non-cancellable lease. On December 23, 2014, ALI assigned its rights and obligations to Capitol Central Hotel Ventures, Inc. under the Contract of Lease Assignment over a portion on which Seda Capitol Central was constructed equivalent to an area of 3,714.80 square meters. The agreement on lease assignment transfers and conveys the Company to take over the lease of the assigned portion subject to the same terms and conditions contained in the contract of lease.

Bonifacio Hotel Ventures, Inc. entered into a non-cancellable and renewable contract of lease with Fort Bonifacio Development Corporation for the land on which Seda BGC Tower 1 was constructed with initial term of twenty-five (25) years commencing from the date that the Hotel first commences business or start of commercial operation. The lease agreement provides for the payment of rent based on 3% of the Hotel's gross income for its 1st year of operation, 4% of the Hotel's gross income for its 2nd year of operation, and 5% of the Hotel's gross income for the succeeding years or ₱350 per square meter for the 1st year, ₱375 per square meter for the 2nd year and ₱400 per square meter for the 3rd year, whichever is higher, and starting on the 4th year of operations, rent shall be escalated at a rate of 3% per year until the end of the lease period. The Company entered into another non-cancellable and renewable contract of lease with Fort Bonifacio Development Corporation for the land on which the Seda BGC Tower 2 was constructed with initial term of twenty-five (25) years commencing from the date that the Hotel first commences business or start of commercial operation. The lease agreement provides for the payment of rent based on 3% of the Hotel's gross income for its 1st year of operation, 4% of the Hotel's gross income for its 2nd year of operation, and 5% of the Hotel's gross income for the succeeding years or ₱575 per square meter for the 1st year, ₱616.06 per square meter for the 2nd year and ₱657.15 per square meter for the 3rd year, whichever is higher, and starting on the 4th year of operations, rent shall be escalated at a rate of 3% per year until the end of the lease period.

ALLHC
On August 28, 1990, the Company, through a Deed of Assignment, acquired all the rights, titles, interests and obligations of Gotesco Investment, Inc. in a contract of lease of the land owned by PNR for the Tutuban Terminal. The contract provided for a payment of a guaranteed minimum annual rental plus a certain percentage of gross sales. The lease covers a period of 25 years until 2014 and is automatically renewable for another 25 years, subject to compliance with the terms and conditions of the lease agreement. On December 22, 2009, ALLHC entered into an agreement with PNR for the renewal of its lease contract for another 25 years beginning September 5, 2014 until 2039.

SSECC
The Company has an existing contract with Bases Conversion and Development Authority (BCDA) to develop, under a lease agreement signed on July 2000, a mall with an estimated gross leasable area of 152,000 sqm on a 9.8-hectare lot inside Fort Bonifacio. Subsequently, the Company transferred its rights and obligations granted to or imposed under the lease agreement to SSECC, a subsidiary, in exchange for equity. The lease agreement covers 25 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to ₱106.5 million while the variable rent ranges from 5% to 20% of gross revenues.

Capitol
On April 26, 2012 Parent Company signed a Lease Agreement with the Province of Negros Occidental for the lease of a parcel of land with an aggregate area of 40,481 sq. m. located along Gatuslao cor. North and South Capitol Roads, Bacolod City, registered in the name of the Province of Negros Occidental. The Parent Company signed a 50-year lease contract with an option to renew as may be mutually agreed upon by the lessor and the Company. The Parent Company assigned the parcels of land to Capitol in December 2017.

Arvo
On October 15, 2014, Arvo entered into a property lease agreement with Rotonda Development Corporation for the construction, development and operation of a commercial and mall center. The terms of the lease shall be 42 years, with an option to renew for another 40 years subject to mutual agreement of the parties. The lease agreement provided rent-free period of 2 years and lease payments shall commence thereafter. Lease payments shall be paid annually at ₱60.00 per sqm, subject to an annual escalation of 4%.

The Group performed impairment testing on its right-of-use assets with a carrying value of ₱1,360.0 million and ₱1,034.9 million as of December 31, 2021 and 2020, respectively, by assessing its recoverable amount through estimation of its value in use. Based on the impairment testing, there is no impairment loss on the Group's hotel and resorts right-of-use assets (see Note 3).

34. Interest in Joint Operation

MDC has a 51.0% interest in Makati Development Corporation - First Balfour, Inc. Joint Venture (the Joint Venture), a joint operation whose purpose is to design and build St. Luke's Medical Center (the Project) in Fort Bonifacio Global City, Taguig. The application of PFRS 11 does not have significant impact on the Group's accounting of its interest in joint operation since it already reported its share in interest in joint operation using proportionate consolidation.

The Project, which started on January 31, 2007, is a world-class medical facility comprising, more or less, of a 611-bed hospital and a 378-unit medical office building, with an approximate gross floor area of 154,000 sqm, which meets international standards, and all standards and guidelines of applicable regulatory codes of the Philippines and complies with the criteria of the Environment of Care of the Joint Commission International Accreditation. The project was completed on October 30, 2009. Activities in 2011 to 2021 mainly pertain to winding down operations.

MDC classified its joint arrangement with First Balfour, Inc. as “Joint Operation” since the joint arrangement’s legal form does not confer separation between the parties and separate vehicle, the parties have the rights to the assets and obligations for the liabilities in proportion to the interests agreed by parties and there is an indication that the parties have no rights to the net assets of the Joint Operation.

The share of MDC in the net assets and liabilities of the Joint Operation as at December 31, 2021 and 2020 which are included in the consolidated financial statements follow:

	2021	2020
	(In Thousands)	
Current assets:		
Cash and cash equivalents	**₱7,123**	₱7,078
Other current assets	**37,368**	37,368
Total assets	**₱44,491**	₱44,446
Total liabilities	**₱–**	₱–

The following is the share of the MDC on the net income of the Joint Operation:

	2021	2020
	(In Thousands)	
Construction costs	**₱–**	(₱7)
Interest and other income (charges)	**46**	(14)
Income before income tax	**46**	(21)
Provision for final tax	**(1)**	(1)
Net income	**₱45**	₱45

There were no dividends declared in 2021 and 2020. Provision for income tax pertains to the final tax on interest income.

35. Long-term Commitments and Contingencies

Commitments

a. On December 8, 2017, ALI assigned to NTDCC development rights on certain portions of the North Triangle lot pads covered by a Deed of Assignment and Encroachment Settlement Agreement amounting to ₱631.2 million.

b. ALI and LT Group, Inc. (LTG) entered into an agreement on January 21, 2016 to jointly develop a project along the C5 corridor. The project is envisioned to be an estate development that spans portions of Pasig City and Quezon City. A new company named, ALI-ETON Property Development Corporation, was incorporated on May 13, 2016.

   On January 15, 2018, the estate, named Parklinks was launched and is the greenest urban estate of Ayala Land in partnership with Eton Properties Inc. The first residential project of Ayala Land Premier, Parklinks North Tower was launched on the same year, while the Parklinks lifestyle mall broke ground as well, expected to provide a new destination for residents and office workers within the area when it opens in 2025. With the brisk residential sales of ALP’s first project, the Parklinks South tower was launched in 2019, together with Alveo’s first residential development “The Lattice”.

   Also set to rise within the estate will be an iconic bridge that will conveniently connect the QC and Pasig parcels, offering a new route that can help ease vehicular traffic in the north eastern and eastern portions of Metro Manila. The bridge is expected to be completed by Q2 of 2022.

c. On August 11, 2015, the Group won the bid for the Integrated Transport System Project – South Terminal ("ITS South Project"). The Company was awarded by the Department of Transportation and Communications ("DOTC") with a 35-year concession agreement to build and operate the ITS South Project and will likewise have the right to develop and operate commercial leasing facilities on the same 5.57 hectare former Food Terminal Inc. property on which the future transport terminal will be built. The site of the ITS South Project is right next to ARCA South, where the Company is developing an integrated mixed-use estate.

d. On June 30, 2015, the Parent Company, through SM-ALI Group Consortium (the Consortium), participated and won in the bidding for Lot No. 8-B-1, containing an area of 263,384 sqm, which is portion of Cebu City-owned lot located at the South Road Properties, Cebu City covered by Transfer Certificate of Title No. 107-2011000963. The Consortium is a consortium among SMPHI, the Company and CHI (together with the Company collectively referred to as the "ALI Group"). Consistent with the agreed payment schedule in the Deed of Absolute Sale, as of August 1, 2018 the ALI Group has fully paid ₱4.56 billion, excluding taxes. The SM-ALI Group finished the joint masterplan and secured the development permit last November 2019 from the Cebu City Council.

   On January 29, 2020, SM-ALI Group broke ground the 263,384 sqm development and the construction of road networks and underground utilities commence on February 18, 2020.

   As of December 2021, the construction completion is at 80% and is forecasted to be finished in June 2022.

   The development is positioned to be the Entertainment Capital of the Region which are the epicenter of fun, strategically located and accessible and celebrated Cebu experience.

   It is envisioned to create a commercially viable mixed-use development and to create a living, vibrant community with world-class facilities, a well-designed urban setting, and lush, extensive landscaping.

e. On August 8, 1997, an "Assignment Agreement" was executed between Department of Transportation and Communications (DOTC), Metro Rail and MRTDC whereby MRTDC agreed to be bound by all obligations in respect of the Development Rights and make payments to DOTC.

f. On June 4, 2014, AHRC, a wholly owned subsidiary of the Parent Company has signed a long-term management agreement with the Mandarin Oriental Hotel Group to develop and operate luxury hotel in Makati City. Set to open its doors by 2023, the new Mandarin Oriental Manila will be featuring 276 spacious rooms complemented by an extensive range of modern amenities including premium selection of restaurants and a signature spa. AHRC is committed to pay US$5 million (₱223.6 million) to Manila Mandarin Hotel, Inc. upon the opening of the New Hotel or June 30, 2017, whichever is earlier. In 2017, the Group fully paid the said amount.

g. On May 12, 2014, ALI has signed the terms of reference with Sureste Properties, Inc. (SPI), a wholly owned subsidiary of Bloomberry Resorts Corp. (BLOOM) for the retail area to be opened in the new Phase 1-A of Solaire Resort & Casino. The Company will be the leasing and marketing agent of the said area with gross leasable area of more than 5,000 sqm.

h. On February 26, 2021, The Group entered into agreements to restructure the long-outstanding receivables from Mercado General Hospital, Inc., Panay Medical Ventures, Inc., Mercado General Hospital Sta. Rosa, Inc. and Mercado General Hospital San Jose Del Monte, Inc. amounting to ₱209.0 million, ₱79.0 million, ₱5.0 million and ₱129.1 million, respectively, to a 5-year loan with interest rate of 4% per annum.

Contingencies
The Group has various contingent liabilities arising in the ordinary conduct of business including a case related to property restriction violation. The estimate of the probable cost for the resolution of this claim has been developed in consultation with outside counsel handling the defense in this matter and is based upon an analysis of potential results. In the opinion of management and its legal counsel the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. Accordingly, no provision for any liability has been made in the consolidated financial statements.

Disclosures required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, were not provided as it may prejudice the Group's position in ongoing claims and it can jeopardize the outcome of the claims and contingencies.

36. Concession Agreement with Department of Transportation (DOTr)

On January 26, 2016, the Group through ASITI entered into a Concession Agreement (CA) with the Department of Transportation (DOTr). The CA sets forth the rights and obligations of ASITI as concessionaire, including the construction and operation of the South Integrated Transport System Project (the Project) of DOTr. During the concession period, DOTr will monitor and review the performance of the concessionaire.

The concession will run for a period of 35 years from the start of the construction of the Project. Under the terms of the concession agreement, ASITI will design, engineer, construct, operate and maintain a mass transportation intermodal terminal at the outskirts of Metro Manila. The operation of the Project includes the collection and remittance of terminal fees to DOTr of the concessionaire during the concession period. In addition, ASITI will be permitted to develop and operate commercial leasing facilities.

Upon the start of the construction of the Project, DOTr will give ASITI the full, exclusive and uninterrupted use and possession of a 5.57 hectare property known as the Project Land. Ownership of the Project Land shall remain with DOTr at all times while the possession, custody and risk of loss or deterioration of the Project and commercial assets shall vest in the concessionaire during the concession period. ASITI shall transfer the Project and the related assets, free from any liens or encumbrances, to DOTr at the end of the concession period. ASITI will be entitled to annual payments from DOTr amounting to ₱277.9 million during the 35-year concession period, subject to meeting benchmarks set for certain key performance indicators enumerated in the CA.

As of December 31, 2021, construction of the Project has not yet commenced.

37. Notes to Consolidated Statements of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

2021

	January 1, 2021	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2021
			(In Thousands)		
Short-term debt	**₱9,131,325**	**₱7,651,175**	**₱–**	**₱–**	**₱16,782,500**
Current long-term debt	**18,732,401**	**(18,732,401)**	**26,173,997**	**–**	**26,173,997**
Non-current long-term debt	**184,087,192**	**21,483,082**	**(25,829,931)**	**399,899**	**180,140,242**
Dividends payable (Note 15)	**241,606**	**(5,375,409)**	**5,820,785**	**–**	**686,982**
Lease liabilities	**17,755,843**	**(1,432,361)**	**1,513,872**	**–**	**17,837,354**
Deposits and other noncurrent liabilities	**50,040,170**	**10,695,432**	**–**	**–**	**60,735,602**
Total liabilities from financing activities	**₱279,988,537**	**₱14,289,518**	**₱7,678,723**	**₱399,899**	**₱302,356,677**

2020

	January 1, 2020	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2020
			(In Thousands)		
Short-term debt	₱18,032,830	(₱8,901,505)	₱–	₱–	₱9,131,325
Current long-term debt	17,250,706	(17,250,706)	18,732,401	–	18,732,401
Non-current long-term debt	175,813,346	27,332,917	(18,732,401)	(326,670)	184,087,192
Dividends payable (Note 15)	632,000	(5,328,246)	4,937,852	–	241,606
Lease liabilities	17,463,705	(1,334,674)	1,626,718	94	17,755,843
Deposits and other noncurrent liabilities	44,003,636	5,706,022	330,512	–	50,040,170
Total liabilities from financing activities	₱273,196,223	₱223,808	₱6,895,082	(₱(326,576)	₱279,988,537

The noncash activities of the Group pertain the following:

2021
- Transfer from investment properties to inventories amounting to ₱4,062.9 million
- Transfer from property and equipment to investment properties amounting to ₱1.2 million
- Transfer from inventories to investment properties amounting to ₱4,106.9 million
- Transfer from inventories to property and equipment amounting ₱2.6 million
- Capitalized interest amounted to ₱745.7 million

2020
- Transfer from investment properties to inventories amounting to ₱18,563.9 million
- Transfer from investment properties to property and equipment amounting to ₱591.6 million
- Transfer from investment properties and property and equipment to building classified as held for sale amounting to ₱950.1 million and ₱2.1 million, respectively
- Transfer from inventories to investment properties amounting to ₱2,361.2 million
- Transfer from right-of-use assets and lease liabilities to investment properties amounting to ₱6.9 million and ₱24.2 million, respectively
- Capitalized interest amounted to ₱40.1 million

38. Events After Reporting Date

On January 20, 2022, the Board of Directors of Ayala Land, Inc. approved a property-for-share swap with Ayala Corporation and Mermac, Inc.. Under the transaction, AC and Mermac will transfer assets to ALI in exchange for its primary common shares. The transaction is still subject to the regulatory approvals.

On February 24, 2022, the BOD approved the following:

a. The raising of up to ₱45 billion in debt capital to refinance maturing debt and partially finance general corporate requirements through the issuance of retail bonds and/or corporate notes for listing on the Philippine Dealing and Exchange Corporation and/or execution of bilateral term loans.

b. The 2022 stock option program under our Employee Stock Ownership Plan (the “Plan”) which authorizes the grant to qualified executives, in accordance with the terms of the Plan, of stock options covering up to a total of 17,250,890 common shares at a subscription price of ₱30.29 per share, which is the average price of our common shares at the Philippine Stock Exchange over the last 30-day trading period as of February 14, 2022, less a 15% discount.

c. The declaration of cash dividends of ₱0.1352 per outstanding common share payable on March 25, 2022 to stockholders of common shares as of record date March 11, 2022. This reflects a 49% decrease from the cash dividends declared in the first half of 2020 amounting to ₱0.268 per share.

39. **Other Matters**

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions in the Group's business activities. While there are recent signs of increased market activity with the easing of quarantine measures in key areas in the Philippines, management believes that the impact of COVID-19 situation remains fluid and evolving and the pace of recovery remains uncertain.

As of reporting date, all shopping malls have reopened at adjusted operating hours and construction works for commercial and residential projects have resumed while following the safety protocols mandated by the national government. Most hotels remained open throughout the community quarantine period, catering mostly to business process outsourcing employees and returning overseas Filipino workers.

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Ayala Land, Inc.
31st Floor, Tower One and Exchange Plaza, Ayala Triangle
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ayala Land, Inc. and its subsidiaries as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, included in this Form 17-A and have issued our report thereon dated February 24, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole are prepared in all material respects, in accordance with the Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
Tax Identification No. 160-302-865
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0664-AR-4 (Group A)
November 11, 2019, valid until November 10, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023
PTR No. 8854360, January 3, 2022, Makati City

February 24, 2022

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Ayala Land, Inc.
31st Floor, Tower One and Exchange Plaza, Ayala Triangle
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ayala Land, Inc. and Subsidiaries (the Group) as at December 31, 2021 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated February 24, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
Tax Identification No. 160-302-865
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0664-AR-4 (Group A)
November 11, 2019, valid until November 10, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023
PTR No. 8854360, January 3, 2022, Makati City

February 24, 2022

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	5	2	7	4	7					

COMPANY NAME

AYALA LAND, INC. AND SUBSIDIARIES

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

31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
iru@ayalaland.com.ph	7 908-3677	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
13,181	04/27	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ma. Luisa D. Chiong	chiong.malou@ayalaland.com.ph	7 908-3681	

CONTACT PERSON's ADDRESS

30th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

NOTE1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

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

SGVFS169453

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Ayala Land, Inc.
31st Floor, Tower One and Exchange Plaza, Ayala Triangle
Ayala Avenue, Makati City

Opinion

We have audited the accompanying consolidated financial statements of Ayala Land, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) as described in Note 2 to the consolidated financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs as issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the 2022 consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Real Estate Revenue Recognition

The Group’s revenue recognition process, policies and procedures are significant to our audit because these involve the application of significant judgment and estimation on the following: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) determination of the transaction price; and (3) application of the output method as the measure of progress in determining real estate revenue.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer’s initial payments (buyer’s equity) in relation to the total contract price. Collectability is also assessed by considering factors such as past history with buyers, age of residential and office development receivables and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of coronavirus pandemic, if it would still support its current threshold of buyers’ equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Group’s specialists (project engineers). This is based on the monthly project accomplishment report prepared by the third party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the Group itself.

In determining the actual costs incurred to be recognized as cost of sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Group uses percentage of completion (POC) method in amortizing sales commission consistent with the Group’s revenue recognition policy.

The disclosures related to real estate revenue are included in Notes 2 and 3 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group’s real estate revenue recognition process, policies and procedures.

For the buyers’ equity, we evaluated management’s basis of the buyer’s equity by comparing this to the historical analysis of sales cancellations from buyers with accumulated payments above the collection threshold. We also considered the impact of the coronavirus pandemic to the level of cancellations during the year. We traced the analysis to supporting documents such as deed of cancellations.

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers. For selected contracts, we compared the amounts excluded from the transaction price against the expected amounts required to be remitted to the government based on existing tax rules and regulations (e.g., documentary stamp taxes, transfer taxes and real property taxes).

For the application of the output method, in determining real estate revenue, we obtained an understanding of the Group’s processes for determining the POC, and performed tests of the relevant controls. We obtained the certified POC reports prepared by the project engineers and assessed their competence and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries, including inquiries on how the coronavirus pandemic affected the POC during the period and obtained the supporting details of POC reports showing the completion of the major activities of project construction.

For the cost of real estate sales, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed, to supporting documents such as invoices and accomplishment reports from the contractors and official receipts.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and the portion recognized in profit or loss, particularly the following: (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (i.e., net contract price) against the related contract to sell, and (c) the POC against the POC used in recognizing the related revenue from real estate sales.

Consolidation Process

The consolidated financial statements of the Group represents the consolidation of the financial statements of Ayala Land, Inc. and its various direct and indirect subsidiaries. We consider the Group's consolidation process as a key audit matter because of the complexity arising from the numerous component entities within the Group requiring layers of consolidation, voluminous intercompany transactions within the Group that require elimination, monitoring of fair value adjustments arising from business combinations, and adjustments to non-controlling interests. Note 1 to the consolidated financial statements provides the relevant information on the Group's subsidiaries.

Audit Response

We obtained an understanding of the Group's consolidation process and the Group's process for identifying related parties and related party transactions and the reconciliation of intercompany balances. We tested significant consolidation adjustments, including elimination, deferral and realization of profit or recoveries from intercompany transactions and balances, amortization/depreciation/reversal of fair value adjustments arising from business combinations, the currency translation adjustments, movements in non-controlling interests and other equity adjustments. We evaluated whether the accounting policies of the Group has been consistently applied.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20 IS (Definitive Information Statement), SEC Form 17 A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20 IS (Definitive Information Statement), SEC Form 17 A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, as modified by the application of financial reporting relief issued and approved by the SEC as described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in accordance with PFRSs, as modified by the application of financial reporting relief issued and approved by the SEC as described in Note 2 to the consolidated financial statements.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Michael C. Sabado.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
Tax Identification No. 160-302-865
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0664-AR-4 (Group A)
Valid to cover audit of 2022 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9564691, January 3, 2023, Makati City

February 21, 2023

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 29)	**₱11,885,329**	₱13,971,437
Short-term investments (Notes 5 and 29)	**330,500**	325,641
Financial assets at fair value through profit or loss (Notes 6 and 29)	**291,989**	700,803
Accounts and notes receivable (Notes 7 and 29)	**102,151,267**	100,097,451
Inventories (Note 8)	**180,348,474**	148,156,725
Other current assets (Note 9)	**64,849,846**	65,300,897
Total Current Assets	**359,857,405**	328,552,954
Noncurrent Assets		
Noncurrent accounts and notes receivable (Notes 7 and 29)	**49,032,711**	43,663,620
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 10 and 29)	**1,033,481**	981,270
Investments in associates and joint ventures (Note 11)	**31,917,095**	28,152,733
Right-of-use assets (Note 33)	**12,418,841**	12,156,240
Investment properties (Note 12)	**245,525,507**	243,397,632
Property and equipment (Note 13)	**36,153,839**	41,778,353
Deferred tax assets - net (Note 23)	**13,889,287**	12,890,122
Other noncurrent assets (Notes 14, 26 and 29)	**29,826,354**	33,891,439
Total Noncurrent Assets	**419,797,115**	416,911,409
	₱779,654,520	₱745,464,363
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Notes 16 and 29)	**₱6,547,272**	₱16,782,500
Accounts and other payables (Notes 15 and 29)	**143,952,127**	136,690,396
Income tax payable	**845,073**	506,638
Current portion of lease liabilities (Note 33)	**710,160**	599,363
Current portion of long-term debt (Notes 16 and 29)	**19,258,289**	26,173,997
Deposits and other current liabilities (Notes 17 and 29)	**31,211,023**	27,471,315
Total Current Liabilities	**202,523,944**	208,224,209
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 16 and 29)	**210,233,290**	180,140,242
Pension liabilities (Note 26)	**1,871,186**	2,103,735
Lease liabilities - net of current portion (Note 33)	**17,992,406**	17,237,991
Deferred tax liabilities - net (Note 23)	**5,849,288**	6,520,263
Deposits and other noncurrent liabilities (Notes 18 and 29)	**47,519,881**	60,735,602
Total Noncurrent Liabilities	**283,466,051**	266,737,833
Total Liabilities	**485,989,995**	474,962,042

(Forward)

	December 31	
	2022	2021
Equity (Note 19)		
Equity attributable to equity holders of Ayala Land, Inc.		
Paid-in capital	**₱97,636,864**	₱79,897,468
Retained earnings	**183,535,858**	168,980,632
Remeasurement loss on defined benefit plans (Note 26)	**106,942**	(33,279)
Fair value reserve of financial assets at FVOCI (Note 10)	**(877,913)**	(880,895)
Cumulative translation adjustments	**437,996**	261,612
Equity reserves (Note 1)	**(6,506,845)**	1,289,611
Treasury stock	**(19,080,714)**	(16,894,380)
	255,252,188	232,620,769
Non-controlling interests (Note 19)	**38,412,337**	37,881,552
Total Equity	**293,664,525**	270,502,321
	₱779,654,520	₱745,464,363

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Figures)

	Years Ended December 31		
	2022	2021	2020
REVENUE (Note 20)			
Real estate sales (Notes 20 and 30)	**₱116,356,382**	₱96,144,850	₱85,965,453
Interest income from real estate sales (Notes 7 and 20)	**6,694,930**	6,801,012	8,602,775
Equity in net earnings of associates and joint ventures (Notes 11 and 20)	**1,429,795**	842,565	586,502
	124,481,107	103,788,427	95,154,730
Interest and investment income (Notes 6, 21 and 25)	**387,083**	253,107	394,701
Other income (Note 21)	**1,687,624**	2,101,071	723,268
	2,074,707	2,354,178	1,117,969
	126,555,814	106,142,605	96,272,699
COSTS AND EXPENSES			
Cost of real estate sales (Note 22)	**75,628,711**	64,641,519	56,673,184
General and administrative expenses (Notes 22, 26 and 28)	**7,264,339**	6,538,859	8,011,813
Interest and other financing charges (Note 22)	**11,446,669**	11,037,772	12,745,720
Other expenses (Note 22)	**3,996,044**	3,636,915	3,788,771
	98,335,763	85,855,065	81,219,488
INCOME BEFORE INCOME TAX	**28,220,051**	20,287,540	15,053,211
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	**6,943,074**	5,984,642	4,687,956
Deferred	**(1,247,276)**	(1,356,465)	(628,983)
	5,695,798	4,628,177	4,058,973
NET INCOME	**₱22,524,253**	₱15,659,363	₱10,994,238
Net income attributable to:			
Equity holders of Ayala Land, Inc. (Note 27)	**₱18,617,234**	₱12,228,148	₱8,727,155
Non-controlling interests	**3,907,019**	3,431,215	2,267,083
	₱22,524,253	₱15,659,363	₱10,994,238
Earnings Per Share (Note 27)			
Net income attributable to equity holders of Ayala Land, Inc.:			
Basic and diluted	**₱1.25**	**₱0.83**	₱0.59

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
NET INCOME	**₱22,524,253**	₱15,659,363	₱10,994,238
Other comprehensive income (loss)			
Item that will be reclassified to profit or loss in subsequent years:			
Cumulative translation adjustment	**229,224**	265,284	(237,531)
Items that will not be reclassified to profit or loss in subsequent years:			
Fair value reserve of financial assets at FVOCI (Note 10)	**(16,905)**	(97,378)	(426,088)
Remeasurement gain (loss) on pension liabilities (Note 26)	**186,961**	1,099,585	(686,987)
Income tax effect	**(46,740)**	(274,896)	206,096
	352,540	992,595	(1,144,510)
TOTAL COMPREHENSIVE INCOME	**₱22,876,793**	₱16,651,958	₱9,849,728
Total comprehensive income attributable to:			
Equity holders of Ayala Land, Inc.	**₱18,936,821**	₱13,049,676	₱7,872,357
Non-controlling interests	**3,939,972**	3,602,282	1,977,371
	₱22,876,793	₱16,651,958	₱9,849,728

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Attributable to equity holders of Ayala Land, Inc.													
	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Subscriptions Receivable	Appropriated Retained Earnings (Note 19)	Unappropriated Retained Earnings (Note 19)	Remeasurement Gain (Loss) on Defined Benefit Plans (Note 26)	Fair value reserve of financial assets at FVOCI (Note 10)	Cumulative Translation Adjustments (Note 19)	Equity Reserves (Note 19)	Treasury Stocks (Note 19)	Total	Non-Controlling Interests	Total Equity
As of January 1, 2022	**₱16,687,844**	**₱65,494,263**	**(₱2,284,639)**	**₱25,000,000**	**₱143,980,632**	**(₱33,279)**	**(₱880,895)**	**₱261,612**	**₱1,289,611**	**(₱16,894,380)**	**₱232,620,769**	**₱37,881,552**	**₱270,502,321**
Net income	**–**	**–**	**–**	**–**	**18,617,234**	**–**	**–**	**–**	**–**	**–**	**18,617,234**	**3,907,019**	**22,524,253**
Other comprehensive income (loss)	**–**	**–**	**–**	**–**	**–**	**140,221**	**2,982**	**176,384**	**–**	**–**	**319,587**	**32,953**	**352,540**
Total comprehensive income	**–**	**–**	**–**	**–**	**18,617,234**	**140,221**	**2,982**	**176,384**	**–**	**–**	**18,936,821**	**3,939,972**	**22,876,793**
Cost of stock options	**–**	**78,860**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**78,860**	**–**	**78,860**
Collection of subscription receivable	**–**	**–**	**200,365**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**200,365**	**–**	**200,365**
Stock options exercised	**14,172**	**451,829**	**(391,994)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**74,007**	**–**	**74,007**
Stock issuance for properties	**75,046**	**4,112,495**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,187,541**	**–**	**4,187,541**
Acquisition of treasury shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,186,334)**	**(2,186,334)**	**–**	**(2,186,334)**
Acquisition of non-controlling interest	**236,534**	**12,962,089**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,796,456)**	**–**	**5,402,167**	**–**	**5,402,167**
Net change in non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,755,347)**	**(1,755,347)**
Cash dividends declared	**–**	**–**	**–**	**–**	**(4,062,008)**	**–**	**–**	**–**	**–**	**–**	**(4,062,008)**	**(1,653,840)**	**(5,715,848)**
As of December 31, 2022	**₱17,013,596**	**₱83,099,536**	**(₱2,476,268)**	**₱25,000,000**	**₱158,535,858**	**₱106,942**	**(₱877,913)**	**₱437,996**	**(₱6,506,845)**	**(₱19,080,714)**	**₱255,252,188**	**₱38,412,337**	**₱293,664,525**
As of January 1, 2021	₱16,066,829	₱49,149,512	(₱2,262,756)	₱8,000,000	₱150,822,683	(₱818,101)	(₱748,220)	₱167,395	₱585,256	(₱1,260,780)	₱219,701,818	₱37,623,175	₱257,324,993
Net income	–	–	–	–	14,221,177	–	–	–	–	–	14,221,177	3,431,215	17,652,392
Other comprehensive income (loss)	–	–	–	–	–	824,689	(97,378)	94,217	–	–	821,528	171,067	992,595
Total comprehensive income	–	–	–	–	14,221,177	824,689	(97,378)	94,217	–	–	15,042,705	3,602,282	18,644,987
Appropriation of retained earnings	–	–	–	17,000,000	(17,000,000)	–	–	–	–	–	–	–	–
Cost of stock options	–	150,072	–	–	–	–	–	–	–	–	150,072	–	150,072
Collection of subscription receivable	–	–	324,725	–	–	–	–	–	–	–	324,725	–	324,725
Stock options exercised	11,389	335,219	(346,608)	–	–	–	–	–	–	–	–	–	–
Statutory merger	609,626	15,859,460	–	–	–	(39,867)	(35,297)		(276,774)	(13,976,965)	2,140,183	(2,140,183)	–
Acquisition of treasury shares	–	–	–	–	–	–	–	–	–	(1,656,635)	(1,656,635)	–	(1,656,635)
Acquisition of non-controlling interest	–	–	–	–	–	–	–	–	981,129	–	981,129	–	981,129
Net change in non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	553,837	553,837
Cash dividends declared	–	–	–	–	(4,063,228)	–	–	–	–	–	(4,063,228)	(1,757,559)	(5,820,787)
As of December 31, 2021	₱16,687,844	₱65,494,263	(₱2,284,639)	₱25,000,000	₱143,980,632	(₱33,279)	(₱880,895)	₱261,612	₱1,289,611	(₱16,894,380)	₱232,620,769	₱37,881,552	₱270,502,321

				Attributable to equity holders of Ayala Land, Inc.										
	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Subscriptions Receivable	Appropriated Retained Earnings (Note 19)	Unappropriated Retained Earnings (Note 19)	Stock Options Outstanding	Remeasurement Gain (Loss) on Defined Benefit Plans (Note 26)	Fair value reserve of financial assets at FVOCI (Note 10)	Cumulative Translation Adjustments (Note 19)	Equity Reserves (Note 19)	Treasury Stocks (Note 19)	Total	Non-Controlling Interests	Total Equity
As of January 1, 2020	₱16,051,984	₱48,598,641	(₱1,878,179)	₱8,000,000	₱148,940,236	₱42,279	(₱337,210)	(₱457,358)	₱250,440	(₱7,056,459)	(₱1,104,353)	₱211,050,021	₱31,655,547	₱242,705,568
Net income	–	–	–	–	8,727,155	–	–	–	–	–	–	8,727,155	2,267,083	10,994,238
Other comprehensive loss	–	–	–	–	–	–	(480,891)	(290,862)	(83,045)	–	–	(854,798)	(289,712)	(1,144,510)
Total comprehensive income	–	–	–	–	8,727,155	–	(480,891)	(290,862)	(83,045)	–	–	7,872,357	1,977,371	9,849,728
Cost of stock options	–	154,199	–	–	–	(42,279)	–	–	–	–	–	111,920	–	111,920
Collection of subscription receivable	–	–	26,940	–	–	–	–	–	–	–	–	26,940	–	26,940
Stock options exercised	14,845	396,672	(411,517)	–	–	–	–	–	–	–	–	–	–	–
Acquisition of treasury shares	–	–	–	–	–	–	–	–	–	–	(156,427)	(156,427)	–	(156,427)
Disposal of non-controlling interest	–	–	–	–	–	–	–	–	–	7,641,715	–	7,641,715	–	7,641,715
Increase in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	4,937,740	4,937,740
Cash dividends declared	–	–	–	–	(4,006,667)	–	–	–	–	–	–	(4,006,667)	(931,185)	(4,937,852)
As of December 31, 2020	₱16,066,829	₱49,149,512	(₱2,262,756)	₱8,000,000	₱153,660,724	₱–	(₱818,101)	(₱748,220)	₱167,395	₱585,256	(₱1,260,780)	₱222,539,859	₱37,639,473	₱260,179,332

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱28,220,051**	₱20,287,540	₱15,053,211
Adjustments for:			
Interest and other financing charges (Note 22)	**11,446,669**	11,037,772	12,745,720
Depreciation and amortization (Notes 12, 13, 14, 22 and 33)	**9,688,718**	8,820,507	9,572,572
Dividends received from investees (Note 11)	**589,221**	321,617	758,714
Provision for impairment losses (Note 22)	**253,738**	539,692	977,849
Cost of share-based payments (Note 28)	**78,860**	150,072	111,920
Unrealized (gain) loss on financial assets at fair value through profit or loss (Note 6)	**333,413**	(99,372)	40,116
Gain on sale of property and equipment (Note 21)	**–**	–	(23,265)
Equity in net earnings of associates and joint ventures (Note 11)	**(1,429,795)**	(842,565)	(586,502)
Gain on sale of investment in associates and jointly controlled entities (Note 11)	**–**	(807,618)	–
Interest income	**(7,082,013)**	(7,054,119)	(8,971,289)
Operating income before changes in working capital	**42,098,862**	32,353,526	29,679,046
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts and notes receivable – trade	**(2,046,107)**	251,492	683,154
Inventories (Note 8)	**(15,136,166)**	(1,459,729)	(10,253,170)
Other current assets (Note 9)	**509,713**	(7,279,935)	(8,477,188)
Increase (decrease) in:			
Accounts and other payables	**14,018,427**	(7,690,011)	(16,164,090)
Deposits and other current liabilities (Note 17)	**(3,542,142)**	2,154,067	(155,341)
Pension liabilities (Note 26)	**(92,328)**	(92,362)	346,206
Cash generated from (used in) operations	**35,810,259**	18,237,048	(4,341,383)
Interest received	**6,638,191**	7,008,224	8,925,394
Income tax paid	**(6,604,639)**	(6,933,615)	(5,355,723)
Interest paid	**(9,495,457)**	(10,385,580)	(11,735,785)
Net cash provided by (used in) operating activities	**26,348,354**	7,926,077	(12,507,497)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale/redemption of short-term investments	**–**	41,160	397,875
Sale/redemption of financial assets at FVTPL	**4,065,795**	1,168,987	1,917,237
Sale of investments in FVOCI (Note 10)	**16,371**	–	21,112
Disposal of property and equipment (Note 13)	**1,390,786**	483,360	161,997
Disposal of investment properties (Note 12)	**764,475**	294,149	2,203,774
Disposal of investments in associates and jointly controlled entities	**–**	807,618	326,602

(Forward)

	Years Ended December 31		
	2022	2021	2020
Additions to:			
Short-term investments	**₱–**	(₱8,680)	(₱138,846)
Financial assets at fair value through profit or loss	**(4,179,683)**	(805,248)	(2,437,088)
Financial assets at FVOCI (Note 10)	**–**	–	(98,951)
Investments in associates and joint ventures (Note 11)	**(2,705,023)**	(778,748)	(1,837,901)
Investment properties (Note 12)	**(15,587,700)**	(22,030,868)	(5,544,790)
Property and equipment (Note 13)	**(4,424,285)**	(3,215,492)	(3,098,436)
Net decrease (increase) in:			
Accounts and notes receivable - nontrade (Note 7)	**(5,210,278)**	(12,981)	2,046,114
Other noncurrent assets (Note 14)	**2,944,192**	(2,171,784)	2,865,904
Net cash used in investing activities	**(22,925,350)**	(26,228,527)	(3,215,397)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Short and long-term debt (Note 16)	**162,816,824**	191,282,758	226,900,910
Capital stock subscriptions (Note 19)	**274,373**	324,724	26,940
IPO sponsorship (Note 19)		–	12,343,461
Payments of short and long-term debt (Note 16)	**(149,899,033)**	(180,536,836)	(225,720,204)
Payments of principal portion of lease liability (Note 33)	**(1,316,469)**	(1,432,361)	(1,334,674)
Increase (decrease) in deposits and other noncurrent liabilities	**(12,584,594)**	10,695,432	5,706,022
Acquisition of non-controlling interest (Note 19)	**1,675,369**	1,534,967	–
Increase in equity reserves	**2,004,323**	–	235,994
Acquisition of treasury shares (Note 19)	**(2,186,334)**	(1,656,635)	(156,427)
Dividends paid to non-controlling interests	**(1,653,840)**	(1,324,396)	(931,185)
Dividends paid to equity holders of Ayala Land, Inc. (Note 19)	**(4,667,960)**	(4,051,013)	(4,397,061)
Net cash provided by (used in) financing activities	**(5,537,341)**	14,836,640	12,673,776
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,114,337)**	(3,465,810)	(3,049,118)
EFFECT OF CHANGES IN FOREIGN CURRENCY	**28,229**	399,900	(326,576)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**13,971,437**	17,037,347	20,413,041
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱11,885,329**	₱13,971,437	₱17,037,347

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Ayala Land, Inc. (the Parent Company or ALI) is domiciled and was incorporated on June 30, 1988 in the Republic of the Philippines with corporate life of fifty years. The Parent Company's parent is Ayala Corporation (AC). AC is a publicly listed company which is 47.91%-owned by Mermac, Inc. and the rest by the public as of December 31, 2022. The Parent Company's registered office and principal place of business is 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The Parent Company and its Subsidiaries (the Group) are incorporated to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, residential including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property; to acquire, purchase, hold, manage, develop and sell subdivision lots, with or without buildings or improvements; to erect, construct, alter, manage, operate, lease, in whole or in part, buildings and tenements of the Group or of other persons; and to engage or act as real estate broker. The Group is also involved in hotels and resorts operations.

The consolidated financial statements of Ayala Land, Inc. and Subsidiaries as of December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 were endorsed for approval by the Audit Committee on February 16, 2023 and were approved and authorized for issue by the Board of Directors (BOD) on February 21, 2023.

The consolidated financial statements represent the consolidation of the financial statements of the Parent Company and the following domestic and foreign subsidiaries:

	December 31	
	2022*	2021*
Real Estate:		
Alveo Land Corporation (Alveo)	100%	100%
Serendra, Inc.	39	39
Solinea, Inc. (Solinea)	65	65
BGSouth Properties, Inc. (BGS)	50	50
Portico Land Corp. (Portico)	60	60
Serendra, Inc.	28	28
Amorsedia Development Corporation (ADC)	100	100
OLC Development Corporation and Subsidiary	100	100
HLC Development Corporation	100	100
Allysonia International Ltd.	100	100
Avida Land Corporation (Avida)	100	100
Buklod Bahayan Realty and Development Corp.	100	100
Avida Sales Corp.	100	100
Amicassa Process Solutions, Inc.	100	100
Avencosouth Corp. (Avencosouth)	70	70
BGNorth Properties, Inc. (BGN)	50	50
Amaia Land Co. (Amaia)	100	100
Amaia Southern Properties, Inc. (ASPI)	65	65
AyalaLand Premier, Inc.	100	100
Ayala Land International Sales, Inc. (ALISI)	100	100
Ayala Land International Marketing, Inc. (AIMI)	100	100
Ayala Land International (Singapore) Pte. Ltd	100	100

	December 31	
	2022*	2021*
Ayala Land International Marketing (Hong Kong) Ltd	100%	100%
Ayala Land International Marketing, SRL (ALIM SRL)	100	100
Ayala Land International Marketing London	100	100
Ayala Land Sales, Inc.	100	100
Southportal Properties, Inc. (Southportal)	100	100
Buendia Landholdings, Inc.	100	100
Crans Montana Holdings, Inc.	100	100
Crimson Field Enterprises, Inc.	100	100
Ecoholdings Company, Inc. (ECI)	100	100
NorthBeacon Commercial Corporation (NBCC)	100	100
Red Creek Properties, Inc.	100	100
Regent Time International, Limited (Regent Time) (British Virgin Islands)	100	100
North Eastern Commercial Corp. (NECC)	100	100
Westview Commercial Ventures Corp. (Westview)	100	100
North Ventures Commercial Corporation	100	100
Hillsford Property Corporation (Hillsford)	100	100
Primavera Towncentre, Inc. (PTI)	100	100
Summerhill Commercial Ventures Corporation (Summerhill)	100	100
Sunnyfield E-Office Corporation (Sunnyfield)	100	100
Subic Bay Town Centre, Inc. (SBTCI)	100	100
Regent Wise Investments Limited (Regent Wise) (Hongkong company)	100	100
AyalaLand Real Estate Investments Inc. (Canada)	100	100
AyalaLand Advisory Broadway Inc. (Canada)	100	100
AyalaLand Development (Canada) Inc.	100	100
AyalaLand OpenAsia Holdings PTE, Ltd (Singapore)	100	100
Blue Horizons Holdings PTE, Ltd (Singapore)	100	100
Modular Construction Technology (MCT) Bhd. (Malaysia)	66	66
AREIT Fund Manager, Inc. (formerly AyalaLand Commercial REIT, Inc. (ALCRI))	100	100
Arvo Commercial Corporation (Arvo)	100	100
BellaVita Land Corporation (BellaVita)	100	100
Nuevo Centro, Inc. (Nuevo Centro)	54	54
Alviera Country Club, Inc. (Alviera)	50	50
Cavite Commercial Town Center, Inc. (CCTCI)	100	100
AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.)	66	66
AyalaLand Offices, Inc. (ALO)	100	100
First Gateway Real Estate Corp.	100	100
Glensworth Development, Inc. (Glensworth)	100	100
UP North Property Holdings, Inc.	100	100
ALO Prime Realty Corporation	100	100
Makati Cornerstone Leasing Corp. (MCLC)	100	100
Capitol Central Commercial Ventures Corp.	100	100
Bay City Commercial Venture Corp. (BCCVC)	100	100
Aurora Properties Incorporated	81	81
Soltea Commercial Corp.	16	16
Vesta Property Holdings, Inc. (VPHI)	84	78
Altaraza Prime Realty Corporation	100	100
Altaraza Development Corporation	51	51
Prow Holdings, Inc.	55	55

	December 31	
	2022*	2021*
Station Square East Commercial Corporation (SSECC)	69%	69%
AREIT Property Managers, Inc. (formerly Next Urban Alliance Development Corp.)	100	100
Accendo Commercial Corp. (Accendo)	67	67
Avencosouth Corp.	20	20
Aviana Development Corporation	7	7
Aviana Development Corporation	50	50
Cagayan de Oro Gateway Corp. (CDOGC)	70	70
Ceci Realty, Inc. (Ceci)	60	60
Soltea Commercial Corp.	12	12
Soltea Commercial Corp.	60	60
CMPI Holdings, Inc.	60	60
ALI-CII Development Corporation (ALI-CII)	50	50
Roxas Land Corporation (RLC)	50	50
Adauge Commercial Corporation (Adauge)	60	60
AyalaLand Estates, Inc	100	100
Prima Gaedi Development Corp	100	–
Redheap Holdings Inc.	100	–
Rookwood Properties, Inc.	100	–
Wedgemore Property Inc	100	–
Javantiger, Inc.	100	–
Ayalaland MetroNorth, Inc. (AMNI)	100	100
Verde Golf Development Corp.	100	100
North Triangle Depot Commercial Corporation (NTDCC)	73	73
Ayalaland-Tagle Properties, Inc.	55	55
BGWest Properties, Inc. (BGW)	50	50
Lagdigan Land Corp. (Lagdigan)	60	60
Central Bloc Hotel Ventures, Inc.	100	100
Cebu Leisure Company, Inc.	100	100
CBP Theatre Management Inc.	100	100
Taft Punta Engaño Property Inc. (TPEPI)	55	55
Cebu Insular Hotel Company, Inc. (CIHCI)	37	37
Solinea, Inc.	35	35
Amaia Southern Properties, Inc. (ASPI)	35	35
Alabang Commercial Corporation (ACC)	50	50
South Innovative Theater Management (SITMI)	50	50
ALI Commercial Center, Inc.	100	100
AMC Japan Concepts, Inc.	75	75
AyalaLand Malls Vismin, Inc.	100	–
AyalaLand Logistics Holdings Corp. (ALLHC) (formerly Prime Orion Philippines, Inc.)	71	71
A-Flow Land I Corp.	60	–
Orion Solutions, Inc.	71	71
Orion I Holdings Philippines, Inc.	71	71
OE Holdings, Inc.	71	71
Orion Land, Inc.	71	71
Lepanto Ceramics, Inc.	71	71
Laguna Technopark, Inc. and Subsidiary	71	71
Unity Realty & Development Corp. (URDC)	71	71
FLT Prime Insurance Corporation	56	56
Ayalaland Malls Synergies, Inc.	100	100
Ayala Malls Zing (AMZING), Inc.	100	100
Ayalaland Malls, Inc. (formerly Solerte, Inc.)	–	100
Ayalaland Malls Vismin, Inc.	–	100

	December 31	
	2022*	2021*
Ayalaland Malls NorthEast, Inc.	−%	100%
Construction:		
Makati Development Corporation (MDC)	100	100
MDC Subic, Inc.	100	100
MDC Build Plus, Inc.	100	100
MDC Conqrete, Inc. (MCI)	100	100
MDC Equipment Solutions, Inc. (MESI)	100	100
MDBI Construction Corp.	67	67
Hotels and Resorts:		
Ayala Hotels, Inc. (AHI)	100	50
AyalaLand Hotels and Resorts Corporation (AHRC) and Subsidiaries	100	100
ALI Makati Hotel & Residences, Inc.	80	80
ALI Makati Hotel Property, Inc.	80	80
Ten Knots Phils., Inc. (TKPI)	40	40
Ten Knots Development, Corp. (TKDC)	40	40
Regent Horizons Conservation Company, Inc.	100	100
Enjay Hotels, Inc. (Enjay)	100	100
Greenhaven Property Venture, Inc. (GPVI)	100	100
Cebu Insular Hotel Company, Inc. (CIHCI)	63	63
Bonifacio Hotel Ventures, Inc.	100	100
Southcrest Hotel Ventures, Inc.	67	67
Northgate Hotel Ventures, Inc.	70	70
North Triangle Hotel Ventures, Inc.	100	100
Ecosouth Hotel Ventures, Inc.	100	100
Sentera Hotel Ventures, Inc.	100	100
Econorth Resorts Ventures, Inc.	100	100
ALI Triangle Hotel Ventures, Inc.	100	100
Circuit Makati Hotel Ventures, Inc.	100	100
Capitol Central Hotel Ventures, Inc.	100	100
Arca South Hotel Ventures, Inc.	100	100
Sicogon Town Hotel, Inc.	100	100
Bay Area Hotel Ventures, Inc.	100	100
Makati North Hotel Ventures, Inc. (MNHVI)	100	100
One Makati Hotel Ventures, Inc. (OMHVI)	100	100
Sicogon Island Tourism Estate Corp. (SITE Corp.)	77	77
Asiatown Hotel Ventures, Inc.	100	100
One Makati Residential Ventures, Inc.	100	100
ALI Makati Hotels & Residences, Inc.	20	20
ALI Makati Hotel Property, Inc.	20	20
Ten Knots Phils., Inc. (TKPI)	60	60
Bacuit Bay Development Corporation	60	60
Lio Resort Ventures, Inc.	60	60
North Liberty Resort Ventures, Inc.	60	60
Turista.ph (formerly Paragua Eco-Resort Ventures Inc.)	60	60
Lio Tourism Estate Management Corporation	60	60
Ten Knots Development, Corp. (TKDC)	60	60
Chirica Resorts Corp.	60	60
Kingfisher Capital Resources Corp.	60	60
Pangulasian Island Resort Corporation	60	60
Integrated Eco-resort Inc.	100	100
Property Management:		
Ayala Property Management Corporation (APMC)	100	100
Prime Support Services, Inc.	100	100

	December 31	
	2022*	2021*
Ayala Theatres Management, Inc. (ATMI) and Subsidiaries	100%	100%
DirectPower Services, Inc. (DirectPower)	100	100
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	100	100
Entertainment:		
Five Star Cinema, Inc.	100	100
Leisure and Allied Industries Philippines, Inc. (LAIP)	50	50
Others:		
ALInet.com, Inc. (ALInet)	–	100
Darong Agricultural Development Corporation (DADC)	100	–
First Longfield Investments Limited (First Longfield) (Hongkong Company)	100	100
Green Horizons Holdings Limited and Subsidiaries	100	100
Aprisa Business Process Solutions, Inc. (Aprisa)	100	100
AyalaLand Club Management, Inc.	100	100
ALI Capital Corp. (formerly Varejo Corp.) (ALICap)	100	100
Airswift Transport, Inc. (formerly Island Transvoyager, Inc.) (Airswift)	100	100
Swift Aerodrome Services, Inc. (SASI)	100	100
Arca South Integrated Terminal, Inc. (ASITI)	100	100
Whiteknight Holdings, Inc.	100	100
Ayalaland Medical Facilities Leasing, Inc.	100	100
Anvaya Cove Beach and Nature Club, Inc. (Anvaya Cove Beach)	73	73
Anvaya Cove Golf and Sports Club, Inc. (Anvaya Cove Golf)	76	76

*represents the Group's percentage and effective ownership

The above companies are domiciled in the Philippines except for the foreign entities which are domiciled and incorporated in the country as mentioned above.

The Parent Company, through its 50.0% effective ownership and by virtue of a management contract or shareholders' agreement, exercises control over the operations and management of ACC, BGWest, BGNorth, BGSouth, RLC, ALI-CII and LAIP. Accordingly, the accounts of ACC, BGWest, BGNorth, BGSouth, RLC, ALI-CII and LAIP are consolidated to the accounts of the Parent Company (see Note 3).

<u>The following were the changes in the group structure during 2022:</u>

a. On March 9, 2022, the Executive Committee of ALI approved the subscription to 252,136,383 AREIT primary common shares, in exchange for six office buildings located in Cebu with an aggregate value of ₱11,257.89 million, under a property-for-share swap as validated by a third-party fairness opinion.

   The transaction was approved by AREIT shareholders at their annual meeting held on April 21, 2022, but is still subject to approval by pertinent regulatory bodies.

On May 19, 2022, ALI and AREIT executed the Deed of Exchange on the property-for-share swap transaction involving the issuance of 252,136,383 primary common shares of AREIT (Shares) to ALI, at an issue price of ₱44.65 per share in exchange for identified properties valued at ₱11,257.89 million . This was approved by the SEC on December 29, 2022.

On December 29, 2022, ALI and AREIT executed the Amendment to the Deed of Exchange to set October 1, 2022 as the effective date of assignment by ALI of the income of the properties and the tenant lease contracts and permits to AREIT.

On April 27, 2022, ALI sold 87,370,000 shares of AREIT at a transaction price of ₱39.70 per share, equivalent to ₱3.47 billion (exclusive of fees and taxes). ALI's net equity reserve from the sale of AREIT shares aggregated to ₱2.53 billion out of the ₱3.40 billion net proceeds. This transaction was executed in relation to the property-for-share swap transaction with AREIT (Note 19) and accounted as involving entities under control (Note 2).

b. The Parent Company acquired additional 187,985 common shares and 149,007 preferred shares of Vesta Property Holdings, Inc. for a value of ₱415.62 million in April 2022. As a result of the additional investments in common and preferred shares, the ownership interest in Vesta increased from 78% in 2021 to 84% in 2022. The acquisition is accounted as involving entities under control (Note 2). As a holder of preferred share, the parent Company has voting rights same as that attached to common shares. Impact to equity reserves as a result of this transaction amounted to ₱523.36 million in 2022.

c. AyalaLand Estates, Inc. (ALEI) purchased 100% equity interest in the following companies and these transactions are accounted as acquisition of asset (Note 2):

Company Name	Acquisition Date	No. of Common Shares	Amount
Redheap Holdings Inc.	1-Jun-22	100,000	₱1,000,000
Prima Gaedi Development Corp.	13-Jun-22	100,000	1,000,000
Rookwood Properties, Inc.	22-Jun-22	125,000	1,250,000
Javantiger, Inc.	5-Jul-22	100,000	1,000,000
Wedgemore Properties, Inc.	9-Nov-22	100,000	1,000,000

d. A-FLOW Land I Corp (FLOW LandCo) was incorporated on August 2, 2022. ALLHC owns 60% of FLOW LandCo. Its primary purpose is to acquire and own the land on which the A-FLOW Properties I Corp. will construct its data center project.

e. On January 20, 2022, the Board of Directors of ALI approved a property-for-share swap with AC and Mermac, Inc. (Mermac). Under the transaction, AC will subscribe to 309,597,711 primary common shares for assets valued at ₱17,275.55 million, and Mermac will subscribe to 1,982,289 primary common shares for assets worth ₱110.61 million, totaling 311,580,000 primary common shares at a value of ₱55.80 per share, as validated by a third-party fairness opinion.

The primary common shares to be issued by ALI to AC and Mermac will come from the unissued shares in the 1-Billion Common Shares Carve Out approved by ALI shareholders in 2014. The said shares are not subject to pre-emptive rights and do not require stockholders' approval under the Seventh Article of the Articles of Incorporation of Ayala Land, Inc.

On December 29, 2022, SEC approved the transaction which resulted to additional 50% stake in AHI through acquisition involving common control with impact to equity reserves amounting to ₱9,800.78 million and a 100% holdings in DADC which regarded as an asset acquisition. SEC approved the transaction which resulted to additional 50% stake in AHI and a 100% holdings in DADC. As a result., ALI received 258,023,645 common share of Ayala Hotels Inc. (AHI) representing additional 50% ownership of the entity which resulted to 100% ownership after the transaction. This transaction was accounted as acquisition involving entities under common control with an impact to equity reserves amounting to ₱9,800.78 million (Notes 2 and 19).

Additionally, ALI received 714,116 common shares of DADC representing 100% ownership of the company. This transaction was accounted as an asset acquisition (Notes 2 and 19).

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency and all values are rounded to the nearest thousand (₱000), except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. While there are recent signs of increased market activity with the easing of quarantine measures in key areas in the Philippines, management believes that the impact of COVID-19 situation remains fluid and evolving and the pace of recovery remains uncertain.

<u>Statement of Compliance</u>
The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting relief on the accounting for significant financing component as issued and approved by the SEC in response to the COVID-19 pandemic.

The Group has availed of the relief granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of PIC Q&A 2018-12-D (assessment if the transaction price includes a significant financing component) until December 31, 2023.

SEC MC No. 4-2020 deferring the adoption of IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, *Borrowing Cost* (the IFRIC Agenda Decision on Borrowing Cost) and is not applicable to the Group as is it is already in full compliance with the requirements of the IFRIC Agenda Decision.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the Adoption of New and Amended Accounting Standards and Interpretations section of Note 2.

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

<u>Basis of Consolidation</u>
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions. The portion of profit or loss and net assets in subsidiaries not wholly owned are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position, separately from the Parent Company's equity. Non-controlling interests are net of any outstanding subscription receivable.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction and recognized as equity reserves in the consolidated statement of changes in equity (see Notes 1 and 19). If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

<u>Adoption of New and Amended Accounting Standards and Interpretations</u>
The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new accounting pronouncements which became effective January 1, 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16 , *Plant and Equipment: Proceeds before Intended Use*
  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and 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 the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

- *Annual Improvements* to PFRSs 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are 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 lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged

on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*
  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*
  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

  The new standard is not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

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 the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

  The Group is currently assessing the impact of adopting these amendments.

- Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)
  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. The PIC Q&A provisions covered by the SEC deferral that the Group availed in 2021 follows:

	Deferral Period
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)	Until December 31, 2023

  The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

  a. The accounting policies applied.
  b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
  c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
  d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

  After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

The Group availed of the SEC relief on the accounting for significant financing component of PIC Q&A No. 2018-12. Had this provision been adopted, the Group assessed that the impact would have been as follows:

The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable, provision for deferred income tax, deferred tax asset or liability for all years presented, and the opening balance of retained earnings. These would have impacted the cash flows from operations and cash flows from financing activities for all years presented. While there maybe instances that the performance obligation differs from the buyer's amortization schedule, initial calculation showed SFC but the consolidated impact is expected to be not material to the Group. Assumptions are still under assessment and evaluation, and the refinement to the calculation to determine the SFC is ongoing.

Current and Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve (12) months after reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

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

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

The principal or the most advantageous market must be accessible to 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by corporate finance after discussion with and approval by the Parent Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The Group, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of change in value.

<u>Financial Instruments</u>
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Financial assets

Initial recognition of financial instruments
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables, except for contracts with customers in residential, commercial and office development receivables, are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Interest income and impairment losses or reversals are recognized in the consolidated statement of comprehensive income. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, short-term investments and accounts and notes receivables.

Disposal of financial assets at amortized cost
When financial assets at amortized cost are disposed, these are assessed whether the Group is consistent with its objective of collecting contractual cash flows until maturity. In the event that disposals have been concluded as infrequent and insignificant, the financial assets continue to be accounted at amortized cost (see Note 7).

Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

This category includes investment in bonds classified as financial assets at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group's financial assets at fair value through OCI includes investments in quoted and unquoted equity instruments.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

Investments in Unit Investment Trust Fund (UITF), treasury bills and investment in ARCH Capital Asian Partners L.P. (ARCH Capital Fund) are held for trading and classified as financial assets at FVPL.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Modification of financial assets
The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated statement of income.

Impairment of Financial Assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for trade receivables and a vintage analysis for residential, commercial and office development receivables that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such as accrued receivable, receivable from related parties and advances to other companies, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such 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. The Group uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables in default when contractual payments are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Directly attributable transaction costs are documentary stamp tax, underwriting and selling fees, regulatory filing fees and other fees.

The Group's financial liabilities include "Accounts and other payables" (other than "Taxes payable" which is covered by another accounting standard), "Short-term and long-term debts", "Deposits and Other Liabilities" and "Lease liabilities".

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Only if the criteria in PFRS 9 are satisfied, the designation of financial liabilities at fair value through profit or loss at the initial date of recognition is allowed. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to short term and long term debt.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

<u>Derivatives</u>
The Group uses derivative financial instruments, such as non-deliverable forwards, cross currency swaps, interest rate swaps and principal only swaps contracts to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Refundable Deposits
Refundable deposits are measured initially at fair value. After initial recognition, refundable deposits are subsequently measured at amortized cost using the effective interest method.

The difference between the cash received and its fair value is deferred and amortized using the straight-line method under the “Real estate revenue” account in the consolidated statement of income.

Non-refundable deposits that are applicable against costs of services incurred or goods delivered are measured at fair value.

Concession Receivable
The Group accounts for its concession arrangement with the DOTr under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial asset for its construction services from or at the direction of the grantor. Under the concession arrangement, the Group is awarded the right to build and operate an integrated transport terminal for Metro Manila and its adjacent provinces. The legal title to these assets shall be transferred to the government at the end of the concession period.

The “Concession Financial Receivable” (shown as part of “Other Noncurrent Assets”) pertains to the fair value of the Annual Grantor Payment related to the operating and maintenance services and recovery of construction costs of the terminal facility. These are amortized using the effective interest rate over the life of the related concession.

In addition, the Group recognizes and measures construction revenues and costs in accordance with ‘percentage of completion method’. Contract revenue and costs from construction works are recognized as “Construction Revenue” and “Construction Costs”, respectively, in profit or loss in the period in which the work is performed.

Inventories
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:
- Land cost
- Land improvement cost
- Amounts paid to contractors for construction and development
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Inventories that are leased out at market rates to earn revenues to partly cover for expenses on the condition that the intent to sell in the ordinary course of business has not changed are accounted and presented as inventory. The rent income from inventories that are leased out is included in other income in the consolidated statement of comprehensive income.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

Prepaid Expenses
Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, and insurance. With the exception of commission which is amortized using percentage of completion, other prepaid expenses are amortized as incurred.

Input Value-Added Tax (VAT)
Input VAT arises from the purchase of goods and services. These are applied against output VAT. The remaining balance is recoverable in future periods. These are carried at cost less allowance for impairment loss, if any. Impairment loss is recognized when input VAT can no longer be recovered.

Materials, Parts and Supplies
Materials, parts and supplies are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

An allowance for inventory losses is provided for slow-moving, obsolete and defective materials, parts and supplies based on management's physical inspection and evaluation. When inventories are sold, the cost and related allowance is removed from the account and the difference is charged against operations.

Advances to Other Companies and Advances to Contractors and Suppliers
Advances to other companies and advances to contractors and suppliers are carried at cost less impairment losses, if any.

Investments in Associates and Joint Ventures
Investments in associates and joint ventures (investee companies) are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate entity in which each venturer has an interest.

An investment is accounted for using the equity method from the day it becomes an associate or joint venture. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as subsumed goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and instead included in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment in values. The consolidated statement of income reflects the share of the results of the operations of the investee companies. The Group's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Unless otherwise, additional losses are not recognized when the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the investee companies, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

Interest in Joint Operation

Makati Development Corporation (MDC), a subsidiary of the Parent Company, has an interest in joint arrangement, whereby the parties have a contractual arrangement that establishes joint control. MDC recognizes its share of jointly held assets, liabilities, income and expenses of the joint operation with similar items, line by line, in its financial statements.

The financial statements of the joint operation are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Investment Properties

Investment properties comprise completed property and property under construction or under re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the companies in the Group.

The Group uses the cost model in measuring investment properties since this represents the historical value of the properties subsequent to initial recognition. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Assets that are under construction are carried at cost (including borrowing costs) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation or under the condition as intended by the Group.

Depreciation of investment properties are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of investment properties which comprised of buildings, range from 20-40 years.

Investment properties are derecognized when either they 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 statement of income in the year of retirement or disposal.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

The Group discloses the fair values of its investment properties in accordance with PAS 40. The Group engages independent valuation specialist to assess the fair values as at December 31, 2022 and 2021. The Group's investment properties consist of land and building pertaining to land properties, retail (malls) and office properties. These are valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property and income approach by reference to the value of income, cash flow or cost saving generated by the asset.

Property and Equipment
Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and are computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Buildings and improvements	20-40
Machinery and construction equipment	5
Furniture, fixtures and equipment	3-10
Transportation equipment	3-5
Hotel property and equipment	20-50

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

When property and equipment items are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Leasehold rights with finite lives are amortized using the straight-line method over the estimated useful life of 20 to 23 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income.

As of December 31, 2022 and 2021 intangible asset pertaining to leasehold right is included under "Other noncurrent assets" (See Note 14).

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method which involves recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interests in the acquiree. The identifiable assets acquired and liabilities assumed of the acquiree are recognized as of the acquisition date and measured at fair value as at that date. For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value of the acquiree's identifiable net assets. Acquisition related costs are expensed in the period which the costs are incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as bargain purchase gain. The Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure amounts to be recognized at the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve (12) months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the period before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Combinations of entities under common control
Business combinations of entities under common control are accounted for using the pooling of interest method. The pooling of interest method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity, as equity reserve (see Note 19).
- The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparatives are presented as if the entities had always been combined.

The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the current period presented and on retained earnings at the beginning of the current period presented are eliminated to the extent possible.

Asset Acquisitions
If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business as defined under PFRS 3, the transaction is accounted for as an asset acquisition (see Note 19). The Group identifies and recognizes the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets) and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired (e.g., investments in associates and joint ventures, investment properties, property and equipment and right-of-use assets). If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value 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 of continuing operations are

recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following criteria are also applied in assessing impairment of specific assets:

Investments in associates and joint ventures
After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investment in associates or joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the investee company and recognizes the difference in the consolidated statement of income.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) 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. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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 interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Pension Cost
Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes: a) service costs comprising current service costs, past-service costs, b) gains and losses on curtailments and non-routine settlements, and c) net interest cost on benefit obligation.

Remeasurements, comprising of actuarial gains or losses, the effect of the asset ceiling, excluding net interest cost and the return on plan assets (excluding net interest), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by using risk-free interest rates of long-term government bonds that have terms to maturity approximating the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

Share-based Payments

The Group has equity-settled, share-based compensation plans with its employees.

PFRS 2 Options

For options granted after November 7, 2002 that have not vested on or before January 1, 2005, the cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using the Black-Scholes model, further details of which are given in Note 28.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instrument that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Pre-PFRS 2 Options

For options granted before November 7, 2002 that has vested before January 1, 2005, the intrinsic value of stock options determined as of grant date is recognized as expense over the vesting period.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 28).

Employee Stock Ownership Plan

The Parent Company has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Parent Company's shares. The Parent Company recognizes stock compensation expense over the holding period. The Parent Company treats its ESOWN plan as option exercisable within a given period. These are accounted for similar to the PFRS 2 options. Dividends paid on the awards that have vested are deducted from equity and those paid on awards that are unvested are charged to profit or loss. For the unsubscribed shares where the employees still have the option to subscribe in the future, these are accounted for as options.

Equity
When the shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Subscriptions receivable pertains to the uncollected portion of the subscribed shares.

Retained earnings represent accumulated earnings of the Group less dividends declared.

Equity reserves pertain to the excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid shall be recognized directly in equity and included under "Equity reserves" account in the equity section of the consolidated statement of financial position (see Note 19).

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. 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 when the shares were issued and to retained earnings for the remaining balance.

Revenue from Contract with Customers
The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Except for the provisioning of water, electricity, air-conditioning and common use service area in its mall retail spaces, wherein it is acting as agent, the Group has generally concluded that it is the principal in its revenue arrangements.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Real estate sales
The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue and the related trade receivables on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized as trade receivables under residential and office development receivables account. Any excess of collections over the total of recognized trade receivables is included in the “customer’s deposit” account in the liabilities section of the consolidated statement of financial position. The impact of the significant financing component on the transaction price has not been considered since the Group availed of the relief granted by the SEC under Memorandum Circular No. 34, which has been extended until December 31, 2023.

Cost recognition
The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance which are determined based on standard cost method. The standard cost method is revisited regularly and adjusted to approximate actual cost. Contract cost also includes warranties, provisions and post construction works. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Marketing fees, management fees from administration and property management are recognized as expense when services are incurred.

Hotel and resorts revenue (part of real estate sales in the consolidated statement of income)
The Group recognizes room accommodation services over time since the guest simultaneously receives and consumes the services provided by the Group. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. Revenue from banquets and other special events are recognized when the events take place.

Cost of hotel operations (part of cost of real estate sales in the consolidated statement of income)
Cost of hotel operations pertains to expenses incurred in relation to sale of goods and rendering of services. These are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen than can be measured reliably. These are recognized when incurred and measured at the amount paid or payable.

Construction revenue (part of real estate sales in the consolidated statement of income) and cost
Revenue from fixed price construction contracts are recognized over time using the milestone-based revenue recognition which is in reference to the output method. The output method is determined based on the start and completion of a task of the contract work inclusive of uninstalled goods and materials delivered to the site.

Contract costs, which is determined using the standard cost method, include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, warranties, post constructions works and final contract settlements which may result in revisions to estimated costs (e.g., standard cost to actual cost) and gross margins are recognized in the year in which the changes are determined.

Rental income (part of real estate sales in the consolidated statement of income)
Rental income under noncancellable and cancellable leases on investment properties is recognized in the consolidated statement of income on a straight-line basis over the lease term and the terms of the lease, respectively, and/or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

No rental income is recognized when the Group waives its right to collect rent and other charges. This is recognized as a rent concession and reported as a variable payment (see Note 33).

Rooms revenue from hotel and resort operations is recognized when the services are rendered. Revenue from banquets and other special events are recognized when the events take place.

Interest income is recognized as it accrues using the effective interest method.

Dividend income is recognized when the Group's right to receive the payment is established.

Common use service area (CUSA) charges
The contract for the commercial spaces leased out by the Group to its tenants includes the right to charge for the electricity usage, water usage, air-conditioning charges and CUSA like maintenance, janitorial and security services.

For the electricity and water usage, the Group determined that it is acting as an agent because the promise of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Group, are primarily responsible for the provisioning of the utilities while the Group administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air-conditioning of the Buildings, the Group acts as a principal because it retains the right to direct the service provider of air-conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the CUSA and air-conditioning charges.

Customers' deposit
Customers' deposit is a contract liability which is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a customers' deposit is recognized when the payment is made or the payment is due (whichever is earlier). Customers' deposit are recognized as revenue when the control of the goods or services are transferred to the customers by the Group which is essentially fulfillment of its performance obligation under the contract.

Customers' deposit also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Costs to obtain contract
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization, de-recognition and impairment of capitalized costs to obtain a contract
Following the pattern of real estate revenue recognition, the Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion. The amortization is included within cost of sales.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price is removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Expense Recognition
Expenses are recognized in the consolidated statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in the consolidated statement of income as follow:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure has been assessed as no future economic benefits or when, and to the extent that future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Direct operating expenses and general and administrative expenses are recognized as they are incurred.

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 (included in “Investment properties” and “Property and equipment” accounts in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which 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. Where 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 borrowing costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of cost to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Building	20-40
Aircraft	10
Others	5

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of nonfinancial assets section.

ii) Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases
The Group applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Current Tax
Current tax assets and liabilities for the current and prior periods 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 are enacted or substantively enacted as at the end of the reporting period.

Deferred Tax
Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, 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, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax 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 carryforward benefits of unused tax credits and NOLCO can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

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 assets 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 all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period 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. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period (see Note 23).

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

Foreign Currency Transactions
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. The exchange differences arising on the translation are taken directly to a separate component of equity under “Cumulative translation adjustments” account. Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of income.

Investments in foreign associates are translated to Philippine Peso using the closing exchange rate prevailing at reporting date. The Group’s share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

Earnings Per Share (EPS)
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 adjusted for any subsequent stock dividends declared. 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. Calculation of dilutive EPS considers the potential ordinary shares of subsidiaries, associates and joint ventures that have dilutive effect on the basic EPS of the Parent Company. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

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 representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 30 to the consolidated financial statements.

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

Events after the Reporting Period
Post year-end events that provide additional information about the Group’s position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

3. **Significant Accounting Judgments and Estimates**

The preparation of the accompanying consolidated financial statements in conformity with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management’s evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

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

Existence of a contract
The Group's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other duly executed and signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress
The Group concluded that revenue for real estate sales is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

The Group has determined that the output method used in measuring the progress of the performance obligation (i.e., percentage of completion) faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Distinction of land between real estate inventories and investment properties
The Group determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate inventories) and even if the real estate inventories are leased out, the classification remains on the condition that the intent to sell remains. All other properties that are not yet determined to be sold in the normal operating cycle are classified as investment properties.

Consolidation of entities in which the Group holds only 50% or less than majority of voting rights
The Group considers that it controls the following entities even though it owns 50% or less than majority of the voting rights. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee.

ACC
For ACC, ALI holds 50% of the voting rights, and is also the single largest shareholder and the remaining 50% of the equity shares are held by several shareholders. The second largest stockholder of ACC holds 8.3% share while the other shareholders' equity interest ranges from 2.1% to 8.3%. In addition, ALI has an existing management services agreement with ACC which gives ALI the exclusive control and decision over the relevant activities of ACC.

BG Entities (BGWest, BGNorth and BGSouth)
For the BG entities, wherein ALI and the other shareholder each own 50% of the voting rights, ALI controls the investee through exercise of its exclusive project development and marketing agreement as well as the ability to decide on the financing, operating and strategic policies of the investees. This enabled ALI to conclude that it has control.

RLC, ALI-CII and LAIP
ALI has an existing management services agreement with RLC, ALI-CII and LAIP which gives ALI the exclusive control and decision over the relevant activities of RLC, ALI-CII and LAIP.

Service concession agreement
The Group has made a judgment that the concession agreement with DOTr qualifies under Philippine Interpretation IFRIC 12, *Service Concession Arrangements* (see Note 35). Management has assessed that DOTr controls and regulates the service, determines to whom this service will be provided and controls the price. In addition, management has also determined that the DOTr has the significant control over the residual interest of the Terminal at the end of the term. Management has also made a judgment that the Terminal and commercial assets (mall facilities) are physically separable and are capable of being operated independently.

Management has further assessed that said concession agreement qualifies under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial assets (i.e., the Annual Grantor Payment) for its construction, operating and maintenance services directly from DOTr.

Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense of these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's consolidated financial statements (see Note 34).

Sale of real estate receivables
The Group has entered into arrangements with banks wherein it discounted its real estate receivables without recourse. The Group believes that the sales transactions are not more than infrequent and that the receivables discounted is insignificant in value both individually and in aggregate. Accordingly, the Group continues to present trade receivables at amortized cost as it remains to hold trade receivables with the objective of collecting contractual cash flows until maturity.

Definition of default and credit-impaired financial assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria – for residential, commercial and office development receivables, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria
The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financial covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. Concessions or deferrals have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty (e.g., Bayanihan Acts I and II considerations)
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Determination of lease term of contracts with renewal and termination options – Group as a lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether the provisions to renew or terminate the lease is enforceable. For leases where the Group has the unilateral option to renew or terminate, it then applies judgment on whether it is reasonably certain or not to exercise the option. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Assessment on whether lease concessions granted constitute a lease modification
In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

The Group applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, the Group determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Group assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

The rent concessions granted by the Group for the year ended December 31, 2022 and 2021 amounted to ₱2.90 billion and ₱7.15 billion, respectively.

Judgements made in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates applying paragraph 122 of PAS 1, Presentation of Financial Statements.
Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment, in consultation with its tax counsel, that it is probable that its uncertain income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

Management's Use of Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition on real estate projects
The Group's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues. The Group's revenue from real estate is recognized based on the percentage of completion and this is measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists (project engineers).

Following the pattern of real estate revenue recognition, the cost to sell and cost to obtain a contract (e.g., commission), is determined using the percentage of completion. To determine the cost of sales, the POC is applied to the standard cost which is regularly reviewed and adjusted to actual cost. In view of the continuing community quarantines and restricted mobility, the progress of the Group's performance obligation is adversely affected which resulted to lower percentage-of-completion in 2022 and 2021 as compared to previous years.

Evaluation of net realizable value of real estate inventories
The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the inventories. NRV for completed real estate inventories 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 inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete 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. In line with the impact of COVID-19, the Group experienced limited selling activities that resulted to lower sales in 2022 and 2021.

In evaluating NRV, recent market conditions and current market prices have been considered. See Note 8 for the related balances.

Share-based payments
The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Group. See Note 28 for the related balances.

Estimating pension liabilities and other retirement benefits
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. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Significant assumptions are disclosed in Note 26 and include among others, discount rate and salary increase rate.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on 1994 Group Annuity Mortality Table and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions could materially affect retirement obligations. See Note 26 for the related balances.

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded or disclosed in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at their fair values by using the discounted cash flow methodology. See Note 29 for the related balances.

Provision for expected credit losses of trade receivables
The Group uses a provision matrix to calculate ECLs for trade receivables other than residential, commercial and office development receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and GDP growth rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Group uses vintage analysis approach to calculate ECLs for residential, commercial and office development receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group has considered the impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables from sale of real estate during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

The information about the ECLs on the Group's trade receivables is disclosed in Notes 7 and 29.

Estimating the incremental borrowing rate for leases
The Group uses its incremental borrowing rate (IBR) to measure lease liabilities because the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities as of December 31, 2022 and 2021 amounted to ₱19,412.7 million and ₱17,837.4 million, respectively (see Note 33).

Evaluation of impairment of nonfinancial assets
The Group assesses whether there are any indicators of impairment for all nonfinancial assets (i.e., property and equipment, investment properties, right of use assets and other current assets) at each financial reporting date. These nonfinancial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs, 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.

In view of the improving economy that was severely impacted by the pandemic and the government's easing travel and mobility restrictions (both domestic and international), the Group's hotels and resorts segment has registered positive growth in its revenues during the year. The hotel and resorts properties continue to post significant improvements in revenues and net income from higher occupancies due to easing of health and travel restrictions, surging leisure demand and increased guests spending. In addition, many restaurants and food outlets have reopened and operated, improving the food and beverage revenues of the segment. With a better economic outlook and market forecast, the segment is expected to continue its recovery in the future. Accordingly, there are no impairment indicators in 2022 requiring the assessment of the recoverable amount of the property and equipment and right of use assets.

In 2021, the Group's hotels and resorts segment were adversely affected by the lower number of guests and reduced room rates, both of which have significantly impacted the revenues reported for this segment. Also, many restaurants remain closed or allowed limited operations which impacted the food and beverage revenues of the segment.

Unlike in 2022, there are impairment indicators in 2021. The Group estimates the recoverable amount through value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of these assets of the hotels and resorts segment, the Group is required to make estimates and assumptions that may affect the nonfinancial assets. The significant assumptions used in the valuation are discount rates of 9.6% to 11.0% with an average growth rate of 5.00% to 6.00%. The Group also considered in its assumptions the impact of the pandemic on the occupancy rate, room rates and gross margin which are not expected to normalize until 2024. No impairment loss was recognized in 2021.

The carrying value of the property and equipment and right-of-use assets of the hotels and resorts segment amounted to ₱20,499.6 million and ₱1,431.3 million and ₱21,219.8 million and ₱1,360.0 million, respectively, as of December 31, 2022 and 2021. Impairment of investment properties in 2022 and 2021 amounted to nil and ₱129.6 million, respectively (Note 22).

Unlike in 2022, there are impairment indicators in 2021. The Group estimates the recoverable amount through value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of these assets of the hotels and resorts segment, the Group is required to make estimates and assumptions that may affect the nonfinancial assets. The significant assumptions used in the valuation are discount rates of 9.6% to 11.0% with an average growth rate of 5.00% to 6.00%. The Group also considered in its assumptions the impact of the pandemic on the occupancy rate, room rates and gross margin which are not expected to normalize until 2024. No impairment loss was recognized in 2022 and 2021.

4. Cash and Cash Equivalents

This account consists of:

	2022	2021
	(In Thousands)	
Cash on hand	**₱67,273**	₱66,575
Cash in banks	**10,227,350**	11,745,823
Cash equivalents	**1,590,706**	2,159,039
	₱11,885,329	₱13,971,437

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term rates.

The annual interest rates of the cash equivalents are as follows:

	2022	2021
Philippine Peso	**5.00% to 6.00%**	0.35% to 1.2%
US Dollar	**3.25% to 4.30%**	–

There is no restriction on the Group’s cash and cash equivalents balances as of December 31, 2022 and 2021.

5. Short-term Investments

Short-term investments in foreign currency consist of money market placements made for varying periods of more than three (3) months and up to one (1) year and earn interest at the respective short-term investment rates.

The annual interest rates of the short-term investments are as follows:

	2022	2021
US Dollar	**4.50%**	–
Malaysian Ringgit	**1.43% to 2.30%**	1.00% to 1.80%

6. Financial Assets at FVTPL

This account consists of:

	2022	2021
	(In Thousands)	
Investment in Unit Investment Trust Funds (UITF)	**₱84,793**	₱407,025
Investment in ARCH Capital Fund	**207,196**	293,778
	₱291,989	₱700,803

The Group invests in money market UITF which aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments and with no minimum holding period requirement.

The Group's investment in UITF includes investment in BPI (Note 25).

As of December 31, 2022, the Group invested in UITF with a fair value of ₱60 million for BPI Money Market Fund and ₱5 million for BPI USD Short Term Funds. The Funds' Net Asset Value (NAV) was at ₱39,946.5 million with duration of 124 days and ₱33,852.2 million with duration of 120 days, respectively.

As of December 31, 2021, the Group invested in UITF with a fair value of ₱179 million for BPI Money Market Fund, ₱9.6 million for BPI USD Short Term Funds. The Funds' Net Asset Value (NAV) was at ₱61,969.7 million with duration of 241 days and ₱45,783.84 million with duration of 267 days, respectively.

Investment in ARCH Capital Fund pertains to monetary interest in a fund in which the management takes the view that these are held for trading and it is a portfolio of identified property funds invested and managed by professional managers.

The following table provides the fair value hierarchy of the Group's financial assets at FVTPL which are measured at fair value as of December 31, 2022 and 2021:

2022

		Fair value measurement using			
	Date of Valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
			(In Thousands)		
Investment in Unit Investment Trust Fund (UITF)	**December 31, 2022**	**₱84,793**	**₱–**	**₱84,793**	**₱–**
Investment in ARCH Capital Fund	**December 31, 2022**	**207,196**	**–**	**–**	**207,196**

2021

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			(In Thousands)		
Investment in Unit Investment Trust Fund (UITF)	December 31, 2021	₱407,025	₱–	₱407,025	₱–
Investment in ARCH Capital Fund	December 31, 2021	293,778	–	–	293,778

The fair value of the investment in UITF is based on net asset values as of reporting dates.

The fair value of the investment in ARCH Capital Fund is determined using the discounted cash flow (DCF) method. Under the DCF method in fund fair valuation, it is estimated using assumptions regarding the benefits and liabilities of ownership over the underlying asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream, associated with the underlying asset. The exit yield is normally separately determined and differs from the discount rate. Significant inputs considered were rental, growth and discount rates. The higher the rental and growth rates, the higher the fair value. The higher the discount rates, the lower the fair value.

Reconciliation of fair value measurement of Investment in ARCH Fund is shown below:

	2022	2021
	(In Thousands)	
Balance at beginning of year	**₱293,778**	₱327,953
Net redemptions	**(13,378)**	(108,913)
Unrealized gain (loss) included under "Other income"	**(73,204)**	74,738
Balance at end of year	**₱207,196**	₱293,778

Reconciliation of fair value measurement of Investment in UITF is shown below:

	2022	2021
	(In Thousands)	
Balance at beginning of year	**₱407,025**	**₱378,066**
Redemptions	**(4,052,417)**	**(800,922)**
Additions	**4,179,683**	**805,248**
Unrealized gains/(loss) included under "Other income" (Note 21)	**(260,209)**	**24,633**
Reclassification to escrow account included under "Other current assets" (Notes 9 and 37)	**(189,289)**	**–**
Balance at end of year	**₱84,793**	**₱407,025**

7. **Accounts and Notes Receivable**

Accounts and notes receivable account consists of:

	2022	2021
	(In Thousands)	
Trade:		
Residential, commercial and office development	**₱101,797,458**	₱98,489,459
Shopping centers	**6,315,550**	5,654,697
Corporate business	**3,676,026**	3,041,826
Construction contracts	**2,826,924**	2,142,028
Management fees	**231,510**	127,766
Others	**5,791,638**	4,736,218
Advances to other companies	**15,858,263**	16,940,104
Accrued receivables	**9,370,342**	8,208,571
Receivables from related parties (Note 25)	**6,927,883**	5,958,742
Receivables from employees	**927,787**	755,814
	153,723,381	146,055,225
Less allowance for impairment losses	**2,539,403**	2,294,154
	151,183,978	143,761,071
Less noncurrent portion	**49,032,711**	43,663,620
	₱102,151,267	₱100,097,451

The classes of trade receivables of the Group are as follows:

- Residential, commercial and office development - pertain to receivables from the sale of high-end, upper middle-income and affordable residential lots and units; economic and socialized housing units and sale of commercial lots; sale of office units; and leisure community developments.
- Shopping centers - pertain to lease receivables from retail spaces
- Corporate business - pertain to lease receivables from office and factory buildings and receivables from sale of industrial lots
- Construction contracts - pertain to receivables from third party construction projects
- Management fees - pertain to receivables from facilities management services
- Others - pertain to receivables from hotel operations and other support services

Residential, commercial and office development receivables are collectible in monthly installments over a period of one (1) to ten (10) years. These are carried at amortized cost using the effective interest rate method with annual interest rates ranging from 5.50% to 16.00%. Titles to real estate properties are transferred to the buyers only once full payment has been made.

Corporate business receivables are collectible on a monthly or quarterly basis depending on the terms of the lease contracts.

Receivables from shopping centers, construction contracts and management fees are due within 30 days upon billing.

Receivables from hotel operations and other support services included under other trade receivables are normally due within 30 to 90 days upon billing.

Advances to other companies includes advances made to joint venture partners that have been made in consideration of project costs and purchases of land that are still subject to completion. The documentation for these advances provides that these will be payable over a fixed term or on demand in order to allow for repayment of the advances when closing does not occur or not settled. The advances are liquidated when proceeds from the sale of the related projects are applied.

Advances to other companies also includes receivables from MRT Development Corporation (MRTDC) shareholders which pertains to interest-bearing advances made by NTDCC to MRTDC equivalent to the Pre-2006 Development Rights Payment (DRP) Payables and the Residual Depot DRP which is due more than one year, in relation to the funding and repayment agreement. As of December 31, 2022 and 2021, receivables including interest from MRTDC shareholders amounted to ₱308.6 million and ₱467.9 million, respectively.

On December 17, 2014, NTDCC and MRTDC shareholders executed a “funding and repayment agreement” wherein the latter agrees to repay NTDCC, for the account of MRTDC, its respective pro rata share in the Total Depot DRP Advances (the Pre-2006 DRP Payables and the Residual Depot DRP, including 15% interest rate accrued on such DRP payables).

Commencing on January 1, 2015, the MRTDC Shareholders shall effect the repayment of their respective pro rata share in the Total Depot DRP Payables, through a set-off against their respective share in the commercial center royalties to be received from the Group.

Set off shall be effective as of the beginning of every calendar month, commencing January 30, 2015 and shall result in the settlement of the portion of the Total DRP Payables to the extent of the amount of the commercial center royalties then the balance will fall due to the relevant MRTDC Shareholders.

Accrued receivables and receivables from related parties are due and demandable. Receivables from employees pertain to housing, car, salary and other loans granted to the Group’s employees which are collectible through salary deduction, are interest-bearing (6.0% per annum) and payable on various maturity dates.

Receivables amounting to ₱2,539.4 million and ₱2,294.2 million as of December 31, 2022 and 2021, respectively, were impaired and fully provided for. Movements in the allowance for impairment losses follow:

2022

	Trade							
	Residential and office Development	**Shopping Centers**	**Construction Contracts**	**Corporate Business**	**Management Fees**	**Others**	**Advances to Other Companies**	**Total**
				(In Thousands)				
Balance at beginning of year	**₱62,314**	**₱1,074,658**	**₱152,231**	**₱633,108**	**₱16,630**	**₱221,488**	**₱133,725**	**₱2,294,154**
Provisions during the year (Note 22)	**2,188**	**146,520**	**3,466**	**37,005**	**–**	**8,276**	**56,283**	**253,738**
Reversal (Note 22)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Accounts written off	**(410)**	**(3,761)**	**–**	**–**	**–**	**(4,318)**	**–**	**(8,489)**
Balance at end of year	**₱64,092**	**₱1,217,417**	**₱155,697**	**₱670,113**	**₱16,630**	**₱225,446**	**₱190,008**	**₱2,539,403**

2021

	Trade							
	Residential and office Development	Shopping Centers	Construction Contracts	Corporate Business	Management Fees	Others	Advances to Other Companies	Total
				(In Thousands)				
Balance at beginning of year	₱50,767	₱1,060,057	₱37,778	₱519,642	₱6,678	₱149,246	₱121,292	₱1,945,460
Provisions during the year (Note 22)	11,547	56,855	115,398	113,466	9,952	85,462	12,433	405,113
Reversal (Note 22)	–	(35,039)	(945)	–	_	(10,000)	_	(45,984)
Accounts written off	–	(7,215)	–	–	–	(3,220)	–	(10,435)
Balance at end of year	₱62,314	₱1,074,658	₱152,231	₱633,108	₱16,630	₱221,488	₱133,725	₱2,294,154

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act (“Bayanihan 1 Act”) was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act (“Bayanihan 2 Act”), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans.

Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

As of December 31, 2022 and 2021, nominal amounts of trade receivables from residential, commercial and office development totaling ₱101,665.1 million and ₱106,936.8 million, respectively, were recorded initially at fair value. The fair values of the receivables were obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Movements in the unamortized discount of the Group's receivables as of December 31, 2022 and 2021 follow:

	2022	2021
	(In Thousands)	
Balance at beginning of year	**₱8,447,356**	₱14,079,688
Additions during the year	**3,277,699**	1,168,680
Accretion for the year (Note 20)	**(6,694,930)**	(6,801,012)
Balance at end of year	**₱5,030,125**	₱8,447,356

The Group entered into agreements with BPI Asset Management and Trust Corporation for the assignment of interest-bearing employee receivables amounting to nil and ₱43.7 million in 2022 and 2021, respectively. The transactions were without recourse and did not result to any gain or loss.

The Group sold residential receivables on a without recourse basis to partner mortgage banks, which include Bank of the Philippine Islands, a related party, amounting to ₱15,270.2 million and ₱21,884.5 million in 2022 and 2021. These were sold at a discount with total proceeds of ₱12,366.1 million and ₱19,794.7 million, respectively. The Group recognized loss on sale (under "Other expenses") amounting to ₱2,904.1 million and ₱2,089.8 million in 2022 and 2021, respectively (see Note 22).

8. Inventories

This account consists of:

	2022	2021
	(In Thousands)	
Real estate - at cost		
Residential and condominium units	**₱98,094,648**	₱58,590,787
Residential and commercial lots	**80,333,349**	87,509,406
Offices - at cost	**1,920,477**	2,056,532
	₱180,348,474	₱148,156,725

A summary of the movements in inventories is set out below:

<u>2022</u>

	Residential and commercial lots	**Residential and condominium units**	**Offices**	**Total**
		(In Thousands)		
Balances at beginning of year	**₱58,590,787**	**₱87,509,406**	**₱2,056,532**	**₱148,156,725**
Land acquired during the year	**2,312,910**	**2,565,329**	**-**	**4,878,239**
Construction/development costs incurred	**11,857,664**	**35,642,819**	**549,044**	**48,049,527**
Disposals (recognized as cost of real estate sales) (Note 22)	**(9,302,984)**	**(27,622,905)**	**(685,099)**	**(37,610,988)**
Transfers from (to) investment properties (Notes 12 and 37)	**16,874,971**	**-**	**-**	**16,874,971**
Balances at end of year	**₱80,333,348**	**₱98,094,649**	**₱1,920,477**	**₱180,348,474**

2021

	Residential and commercial lots	Residential and condominium units	Offices	Total
	(In Thousands)			
Balances at beginning of year	₱61,137,607	₱84,011,309	₱1,594,676	₱146,743,592
Land acquired during the year	306,263	3,688,555	782,338	4,777,156
Construction/development costs incurred	7,987,509	26,493,655	1,085,374	35,566,538
Disposals (recognized as cost of real estate sales) (Note 22)	(14,903,447)	(22,584,577)	(1,395,940)	(38,883,964)
Transfers from (to) investment properties (Notes 12 and 37)	4,062,855	(4,099,536)	(9,916)	(46,597)
Balances at end of year	₱58,590,787	₱87,509,406	₱2,056,532	₱148,156,725

The Group has no purchase commitments pertaining to its inventories as of December 31, 2022 and 2021.

There are no liens and encumbrances on the Group's real estate inventories.

9. Other Current Assets

This account consists of:

	2022	2021
	(In Thousands)	
Advances to contractors and suppliers	**₱17,104,282**	₱23,641,576
Prepaid expenses	**19,402,131**	19,174,874
Value-added input tax	**12,413,545**	12,387,774
Creditable withholding taxes	**9,528,091**	8,096,828
Investment in bonds (Note 29)	**2,309,440**	–
Materials, parts and supplies - at cost	**1,444,083**	810,731
Others (Note 6)	**2,648,274**	1,189,114
	₱64,849,846	₱65,300,897

Advances to contractors and suppliers represents prepayments for the construction of inventories. These are recouped from billings which are expected to occur in a short period of time.

Prepaid expenses consist of prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance. The cost to obtain contracts which includes prepaid commissions and advances to brokers amounted to ₱3,302 million and ₱2,866.4 million in 2022 and 2021, respectively. In line with the Group's accounting policy, as set out in Note 2, if a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgment was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits (Note 14).

Value-added input tax is applied against value-added output tax. The remaining balance is recoverable in future periods.

Creditable withholding taxes are applied against income tax payable.

Investment in bonds pertain to non-interest bearing bonds with a term of 36-months. The Group recorded the investment as financial asset at fair value through other comprehensive income. The fair value of the investment in bonds is determined using the binomial lattice approach. The fair value of the investment is categorized under Level 3.

Materials, parts and supplies pertain to inventories to be used in the construction and maintenance of projects.

Others include deferred charges and letters of credit. Deferred charges pertain to project-related costs already paid but not yet consumed in the actual construction activities.

10. Financial Assets at Fair Value through OCI

This account consists of:

	2022	2021
	(in Thousands)	
Shares of stock:		
Quoted	**₱522,807**	₱1,411,239
Unquoted	**440,811**	583,543
	963,618	1,994,782
Net unrealized gain/(loss)	**69,863**	(1,013,512)
	₱1,033,481	₱981,270

Investments in quoted shares of stock include shares held for clubs wherein the Group does not exercise control or demonstrate significant influence.

Investments in unquoted shares of stock include unlisted shares of public utility companies which the Group will continue to carry as part of the infrastructure that it provides to its real estate projects.

In 2022, the Group disposed equity securities amounting to ₱16.4 million and recorded a gain of ₱1.3 million from the disposal. No additional investments are made during the year.

In 2021, there were no additional investment and disposal made.

Movements in the reserves for financial assets at FVOCI as of December 31, 2022 and 2021 are as follows:

	2022	2021
	(In Thousands)	
Balance at beginning of year	**(₱1,013,512)**	(₱880,837)
Fair value changes during the year	**1,083,375**	(132,675)
Balance at end of year	**₱69,863**	(₱1,013,512)

The Group entered into and designated interest rate swaps as hedging instruments as a cashflow hedge from loans bearing interest at floating rate. The fair value of the interest rate swap is estimated using valuation techniques with observable inputs, which uses present value calculations and incorporate various input including interest rate curves. Total fair value amounted to ₱141 million and ₱330 million in 2022 and 2021, respectively.

As of December 31, 2022 and 2021 reserves for financial assets at FVOCI attributable to non-controlling interests amounted to ₱33.0 million and ₱132.6 million, respectively.

The following table provides the fair value hierarchy of the Group's financial assets at fair value through OCI which are measured at fair value as of December 31, 2022 and 2021 (in thousands):

December 31, 2022

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:					
Quoted					
Tourism and leisure	**December 31, 2022**	**₱325,181**	**₱325,181**	**₱–**	**₱–**
Retail	**December 31, 2022**	**1,993**	**1,993**	**–**	**–**
Real estate	**December 31, 2022**	**29,552**	**29,552**	**–**	**–**
Utilities and energy	**December 31, 2022**	**13,984**	**13,984**	**–**	**–**
Financial asset management	**December 31, 2022**	**55,666**	**55,666**	**–**	**–**
Telecommunication	**December 31, 2022**	**3,556**	**3,556**	**–**	**–**
Unquoted					
Tourism and leisure	**Various**	**483,613**	**–**	**–**	**483,613**
Financial asset management	**Various**	**1,676**	**–**	**–**	**1,676**
Utilities and energy	**Various**	**42,851**	**–**	**–**	**42,851**
Real estate	**Various**	**22,361**	**–**	**–**	**22,361**
Retail	**Various**	**53,042**			**53,042**
Telecommunication	**Various**	**6**	**–**	**–**	**6**
		₱1,033,481	**₱429,932**	**₱–**	**₱603,549**

December 31, 2021

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:					
Quoted					
Tourism and leisure	December 31, 2021	₱287,231	₱287,231	₱–	₱–
Retail	December 31, 2021	54,499	54,499	–	–
Real estate	December 31, 2021	18,593	18,593	–	–
Utilities and energy	December 31, 2021	15,245	15,245	–	–
Financial asset management	December 31, 2021	14,328	14,328	–	–
Telecommunication	December 31, 2021	7,831	7,831	–	–
Unquoted					
Tourism and leisure	Various	478,704	–	–	478,704
Financial asset management	Various	76,711	–	–	76,711
Utilities and energy	Various	19,787	–	–	19,787
Real estate	Various	7,468	–	–	7,468
Telecommunication	Various	873	–	–	873
		₱981,270	₱397,727	₱–	₱583,543

11. **Investments in Associates and Joint Ventures**

This account consists of:

	2022	2021
	(In Thousands)	
Investment in stocks – cost		
Balance at beginning of year	**₱22,946,577**	₱22,533,689
Additions	**2,705,023**	778,748
Disposals*	**–**	(365,860)
Balance at end of year	**25,651,600**	22,946,577
Accumulated equity in net earnings:		
Balance at beginning of year	**5,081,248**	4,194,440
Equity in net earnings	**1,429,795**	842,565
Dividends received	**(589,221)**	(321,617)
Disposal*	**–**	365,860
Balance at end of year	**5,921,822**	5,081,248
Subtotal	**31,573,422**	28,027,825
Equity share in cumulative translation adjustment	**343,673**	124,908
	₱31,917,095	₱28,152,733

**MGHI in 2021*

The equity share in cumulative translation adjustments represents exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.

Details of the Group's investments in associates and joint ventures and the related percentages of ownership are shown below:

	Percentages of Ownership		**Carrying Amounts**	
	2022	2021	**2022**	2021
			(In Thousands)	
Joint ventures:				
Emerging City Holdings, Inc. (ECHI)	50%	50%	**₱3,999,608**	₱3,871,455
ALI-ETON Property Development Corporation (ALI ETON)	50	50	**7,616,202**	5,084,364
AKL Properties, Inc. (AKL)	50	50	**3,230,774**	3,108,096
Berkshires Holdings, Inc. (BHI)	50	50	**1,970,587**	1,915,164
Cebu District Property Enterprise, Inc. (CDPEI)	35	35	**1,735,065**	1,629,807
Alveo-Federal Land Communities, Inc.	50	50	**947,037**	1,122,005
AyaGold Retailers, Inc. (AyaGold)	50	50	**141,605**	145,537
BYMCW, Inc.	30	30	**60,607**	54,717
SIAL Specialty Retailers, Inc. (SIAL Specialty)	50	50	**26,462**	26,462
A-FLOW Properties I Corp	50	50	**181,145**	-
			19,909,092	16,957,607
Associates:				
OCLP Holdings, Inc. (OHI)	21	21	**9,525,402**	9,016,865
Bonifacio Land Corp. (BLC)	10	10	**1,451,942**	1,401,225
Rize-Ayalaland (Kingsway) GP, Inc. (Rize-Ayalaland)	49	49	**794,185**	541,604
Tianjin Eco-City Ayala Land Development Co., Ltd (Tianjin Eco-City)	40	40	**199,259**	199,259
Lagoon Development Corporation	30	30	**37,215**	36,173
			12,008,003	11,195,126
			₱31,917,095	₱28,152,733

The Parent Company considers an associate and a joint venture with material interest if its net assets exceed 5% of its total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the associate and joint venture compared to other operations of the Group. The financial information on the Parent Company's significant associates and joint ventures with material interest follows:

Financial information of the associate with material interest

OHI

Consistent with its thrust of expanding its operations to other areas within and outside of Metro Manila through partnerships, ALI acquired a 21.1% stake in OHI. The acquisition was made possible via the purchase of shares from existing OHI shareholders. OHI owns 99.5% interest in Ortigas & Company Limited Partnership (OCLP), an entity engaged in real estate development and leasing businesses.

Set out below is the summarized financial information for OHI:

	2022	2021
	(In Thousands)	
Current assets	**₱25,207,970**	₱25,229,814
Noncurrent assets	**23,705,727**	19,702,848
Current liabilities	**(12,793,028)**	(14,584,974)
Noncurrent liabilities	**(22,068,593)**	(18,784,134)
Equity	**14,052,076**	11,563,554
Proportion of Group's ownership	**21.1%**	21.1%
Group's share in identifiable net assets	**2,964,988**	2,439,910
Carrying amount of the investment	**9,525,402**	9,016,865
Fair value adjustments	**6,574,466**	6,602,256
Negative Goodwill	**(₱148,046)**	(₱148,046)
Dividends received	**₱71,447**	₱33,558

Net assets attributable to the equity holders of OHI amounted to ₱14,052.0 million and ₱11,563.5 million as of December 31, 2022 and 2021, respectively.

	2022	2021
	(In Thousands)	
Revenue	**₱11,187,455**	₱8,418,096
Cost and expenses	**(8,498,323)**	(6,646,415)
Net income (continuing operations)	**2,689,132**	1,771,681
Group's share in net income for the year	**560,924**	373,825
Total comprehensive income	**2,671,067**	1,771,681
Group's share in total comprehensive income for the year	**560,924**	373,825

BLC

The Group has a 10% interest in BLC, which is involved in the purchase, subscription or otherwise disposal of real and personal properties. BLC is a private company incorporated on October 20, 1994 and there is no quoted market price available for its shares. Its registered office and principal place of business is Taguig City, Philippines.

Set out below is the summarized financial information for BLC:

	2022	2021
	(In Thousands)	
Current assets	**₱10,493,988**	₱8,474,309
Noncurrent assets	**32,427,255**	32,866,620
Current liabilities	**(2,439,245)**	(2,204,975)
Noncurrent liabilities	**(7,723,742)**	(7,351,740)
Equity	**32,758,256**	31,784,214
Less: noncontrolling interest	**14,693,397**	14,054,976
Equity attributable to Parent Company	**18,064,859**	17,729,238
Proportion of Group's ownership	**10.1%**	10.1%
Group's share in identifiable net assets	**1,824,551**	1,790,653
Carrying amount of the investment	**1,451,942**	1,401,225
Negative goodwill	**(₱372,609)**	(₱389,428)
Dividends received	**₱66,689**	₱35,125

Net assets attributable to the equity holders of BLC amounted ₱18,064.9 million and ₱17,729.3 million as of December 31, 2022 and 2021, respectively.

	2022	2021
	(In Thousands)	
Revenue	**₱5,068,151**	₱3,685,650
Cost and expenses	**(2,875,984)**	(2,543,308)
Net income (continuing operations)	**2,192,167**	1,142,342
Net loss attributable to minority interest	**(1,029,723)**	(526,941)
Net income attributable to Parent Company	**1,162,444**	615,401
Group's share in net income for the year	**117,407**	62,156
Total comprehensive income attributable to equity holders of the Parent Company	**1,162,444**	615,401
Group's share in total comprehensive income for the year	**117,407**	62,156

Aggregate financial information on the associates with immaterial interest (Rize-Ayalaland, Tianjin Eco-City and LDC) follows:

	2022	2021
	(In Thousands)	
Carrying amount	**₱1,030,659**	₱777,036
Share in net loss from continuing operations	**44,455**	(113,230)
Share in total comprehensive loss	**44,455**	(113,230)
Dividends received	**9,000**	9,000

Financial information of joint ventures

ECHI

	2022	2021
	(In Thousands)	
Current assets	**₱10,551,614**	₱8,532,495
Noncurrent assets	**32,427,265**	32,871,398
Current liabilities	**(2,767,955)**	(2,677,269)
Noncurrent liabilities	**(7,723,742)**	(7,351,740)
Equity	**32,487,182**	31,374,884
Less: noncontrolling interest	**23,923,304**	22,230,335
Equity attributable to Parent Company	**8,563,878**	9,144,549
Proportion of Group's ownership	**50%**	50%
Group's share in identifiable net assets	**4,281,939**	4,572,275
Carrying amount of the investment	**3,999,608**	3,871,455
Dividends received	**₱170,750**	₱170,750

Net assets attributable to the equity holders of ECHI amounted to ₱8,563.8 million and ₱9,144.5 million as of December 31, 2022 and 2021, respectively.

	2022	2021
	(In Thousands)	
Revenue	**₱5,070,254**	₱3,685,991
Cost and expenses	**(2,883,590)**	(2,546,834)
Net income (continuing operations)	**2,186,664**	1,139,157
Net loss attributable to noncontrolling interest	**(1,590,007)**	(826,786)
Net income attributable to Parent Company	**596,657**	312,371
Group's share in net income for the year	**298,329**	156,186
Total comprehensive income attributable to equity holders of the Parent Company	**597,171**	312,371
Group's share in total comprehensive income for the year	**298,586**	156,186

ALI Eton

	2022	2021
	(In Thousands)	
Current assets	**₱20,526,458**	₱13,811,748
Noncurrent assets	**4,377,413**	4,014,578
Current liabilities	**(8,420,911)**	(5,822,376)
Noncurrent liabilities	**(922,411)**	(928,951)
Equity	**15,560,549**	11,074,999
Proportion of Group's ownership	**50%**	50%
Group's share in identifiable net assets	**7,780,275**	5,537,499
Carrying amount of the investment	**7,616,202**	5,084,364

Net assets attributable to the equity holders of ALI Eton amounted to ₱15,560.5 million and ₱11,074.9 million as of December 31, 2022 and 2021, respectively.

	2022	2021
	(In Thousands)	
Revenue	**₱1,974,714**	₱825,159
Cost and expenses	**(1,721,039)**	(708,347)
Net income (continuing operations)	**253,675**	116,812
Group's share in net income for the year	**126,837**	58,406
Total comprehensive income attributable to equity holders of the Parent Company	**253,675**	116,812
Group's share in total comprehensive income for the year	**126,837**	58,406

Aggregate financial information on joint ventures with immaterial interest (BHI, CDPEI, Alveo-Federal, SIAL Specialty, AyaGold, BYMCW, Inc., AKL, and A-Flow) is as follows:

	2022	2021
	(In Thousands)	
Carrying amount	**₱8,112,137**	₱8,001,788
Share in net income from continuing operations	**293,772**	305,223
Share in total comprehensive income	**293,772**	305,223
Dividends received	**73,185**	73,185

The following are the significant transactions affecting the Group's investments in associates and joint ventures:

Investments in BLC, ECHI, and BHI
As of December 31, 2022 and 2021, the Group's effective interest in BLC is 45.1%. The Parent Company's 5.3% direct investment in BLC and 4.8% through Regent Time aggregating 10.1% are accounted for using the equity method because the Parent Company has significant influence over BLC.

On April 17, 2003, the following transactions were consummated pursuant to the terms and conditions of the Assignment Agreement (Agreement), dated February 8, 2003, among the Parent Company, Evergreen Holdings, Inc. (EHI), Greenfield Development Corporation and Larouge, B.V. (Larouge), as amended, and the Agreement, dated November 23, 2002, among the Company, EHI and Neo Oracle Holdings, Inc. [formerly Metro Pacific Corporation (MPC)] as amended:

(a) The assignment to the Parent Company and EHI of the rights and obligations of Larouge under the loan agreement between Larouge and MPC, pursuant to which, Larouge extended MPC a loan in the principal amount of US$90.0 million, together with all the rights, title and interests of Larouge in the pledge constituted on 50.4% of the outstanding shares in BLC. The consideration paid by the Company and EHI for such assignment was approximately US$90.0 million, subject in part to foreign exchange adjustment.
(b) The assignment to the Parent Company and EHI, acting in this instance through the joint venture corporation, Columbus Holdings, Inc. (Columbus), of the controlling interest in BLC representing 50.4% of BLC's outstanding capital stock. This assignment was effected by MPC under a dacion en pago arrangement, and included an assignment of payables of BLC in the principal amount of ₱655.0 million together with its underlying security in the form of shares in Fort Bonifacio Development Corporation (FBDC) representing 5.6% of its outstanding capital stock.

The Agreement, as amended, also provides for the constitution of a pledge over 5.0% of BLC's unencumbered shares as security for contingent liabilities and breach of representation and warranties. The pledge lien over the 5.0% BLC shares shall continue to subsist until the third anniversary of the closing date.

The Parent Company and EHI jointly hold the 50.4% equity interest in BLC through ECHI and BHI. The Parent Company and EHI assigned the notes receivable from MPC to ECHI and BHI, which acquired the shares of stock of Columbus. Columbus directly owns the 50.4% interest in BLC. BLC owns 55.0% interest in FBDC, the primary developer of certain areas in Fort Bonifacio Global City for residential, commercial and business development. Columbus accounted for the acquisition of the 50.4% interest in BLC using the purchase method.

Subsequent to this, the Parent Company and EHI acquired additional shares of BLC through a combination of direct acquisition and through its associates at varying dates:

On July 31, 2008, the Group acquired, through the Parent Company, Regent Time and Columbus, additional 4,360,178 shares of BLC from FBDC amounting to ₱689.0 million, equivalent to 7.7% ownership in BLC. In January and October 2009, a total of 2,295,207 BLC shares were acquired from Development Bank of the Philippines and MPC, pertaining to the pledged shares, through Columbus amounting to ₱362.6 million. This resulted in an increase in Group's effective interest in BLC to 45.4% and unchanged thereafter.

Investment in Rize-Ayalaland
Rize-Ayalaland (Kingsway) GP, Inc. was incorporated on January 25, 2013 under the laws of British Columbia, Canada. The Company's effective ownership is 49.0% through its Vancouver-based subsidiary, AyalaLand Real Estate Investments, Inc.

Investment in Tianjin Eco-City
Tianjin Eco-City is a registered Sino-foreign equity joint venture between RWIL and Sino-Singapore Tianjin Eco-City Investment & Development Co. (SSTEC) under the law of the People's Republic of China to operate for 50 years until 2060. The agreement was entered into to develop a 19-tower residential complex in China, marking its initially foray into the growing China market. It's principal activities include property development rental, management property and parking lot management.

In 2020, Tianjin Eco-City reduced its registered capital from RMB292.75 million to RMB176.25 million, with each shareholder getting back capital in proportion to its current share of ownership. After the capital reduction, the shareholders' share of ownership remains unchanged. The Group's share in the capital reduction amounted to ₱326.60 million.

Investment in Cebu District Property Enterprise, Inc.
Cebu District Property Enterprise, Inc. (CDPEI) was incorporated on February 20, 2014 and is a 50:50 joint venture between the Company and Aboitiz Land, Inc. CDPEI's main purpose is to create a mixed-use commercial and residential district with the 15.4-hectare property in Subangdaku, Mandaue. In 2021, the Group made additional equity infusions to CDPEI amounting to ₱217.0 million.

Investment in Alveo-Federal Land Communities, Inc.
Alveo Land Corp. signed a Joint Venture Agreement (JVA) with Federal Land, Inc. last April 29, 2015 for equal ownership over AFLCI. The JV is for the development of Venido and Aveia projects located in Laguna near Nuvali.

Investment in ALI-ETON Property Development Corporation
ALI-ETON Property Development Corporation was incorporated on March 13, 2016. The company is a joint venture between Ayala Land, Inc. and LT Group, Inc. ALI and LT Group, Inc. entered into an agreement on January 21, 2016 to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City.

In 2021, the Parent Company and LT Group, Inc. made additional equity infusions to ALI-Eton to fund the development requirements of Parklinks amounting to ₱2,405.0 million and ₱527.0 million as of December 31, 2021.

Investment in BYMCW, Inc.
On August 2, 2017, Bouygues Travaux Publics Philippines Inc. (BYTPPI) incorporated BYMCW Inc. (BYMCW) to engage in general building and contracting business. BYMCW's registered office address is at 2nd floor, Welfare Building, LRTA Compound, Aurora Blvd., Barangay 189, Pasay City, Metro Manila.

Investment in AyaGold Retailers, Inc.
AyaGold Retailers, Inc., a joint venture between Entenso Equities Incorporated (EEI, a wholly owned subsidiary of Puregold Price Club, Inc.) and ALI Capital Corp. (a wholly owned subsidiary of the Company and the holding company for its retail-related initiatives), was incorporated on October 2, 2013. It is organized primarily to finance, build and operate mid-market supermarkets for some of Company's new integrated and mixed-use developments. The mid-market supermarkets will be carried under a new brand to be jointly developed by both ALI Capital Corp. and EEI. The partnership with EEI will enable the Company to support its mixed-use developments and, at the same time, grow its recurring income portfolio.

Investment in SIAL Specialty
SIAL Specialty was incorporated on September 27, 2012 as a joint venture between ALI Capital Corp. and Store Specialist, Inc. (SSI). ALICap is a wholly owned subsidiary of the Parent Company. SSI is one of the largest specialty retail companies in the Philippines with the exclusive distribution rights to a variety of brands from around the world.

The partnership, which combines the ALI Capital Corp.'s expertise in developing mixed-use developments and SSI's proven track record in retail, is aimed at pursuing retail solutions to address the growing and changing lifestyle needs of the market.

SIAL Specialty was organized primarily for the investment and operation of mid-market department stores and to pursue other investment opportunities in the Philippine retail sector.

Investment in MGHI
In July 2013, the Parent Company entered into an agreement with the Mercado Family to acquire Whiteknight Holdings, Inc. (WHI), a 33% equity stockholder of MGHI. Its acquisition of WHI will allow the Parent Company to build a strategic partnership with the Mercado Group and support MGHI's future growth. This partnership also enhances the potential of Ayala Land's development of mixed-use communities by offering the critical component of medical services to complement the residential, shopping centers, office and hotel developments therein.

On February 26, 2021, White Knight Holdings Inc., a wholly-owned subsidiary of ALI completed the sale of its 39.20% share in the outstanding capital stock of Mercado General Hospital, Inc., the holding company for the Qualimed network of hospital and clinics to Healthway Philippines Inc., a wholly-owned subsidiary of Ayala Healthcare Holdings, Inc. The cost of the investment amounted to ₱365.9 million and the sale resulted to a gain of ₱807.6 million recorded under other income account (see Note 21).

Investment in AKL
In 2018, the Parent Company invested ₱1,959.7 million in AKL, which is a 50:50 joint venture between the Parent Company and Royal Asia Land, Inc. (RALI), and is organized primarily for future mixed-use development in South Luzon area.

On June 26, 2019, the Parent Company approved the equity call to fund the advance payment to Manila Jockey Club, Inc. (MJCI) upon signing the Memorandum of Agreement (MOA) for the 60 hectares. property in Carmona, Cavite between AKL and MJCI. The Parent Company's share in the additional total capital requirement amounted to ₱250.0 million.

On September 12, 2019, the Parent Company approved the equity call for the minimum subscription to increase the Authorized Capital Stock (ACS) of AKL from ₱4,545.0 million to ₱7,250.0 million which was approved in the AKL board meeting on May 14, 2019. The increase in the ACS shall cover the land acquisition requirements in Carmona and Silang, Cavite for the next 3 years. The 50% share of the Parent Company in the minimum paid-up capital (25% of the minimum subscription) of the increase amounted to ₱84.7 million.

On July 13, 2020, the Parent Company paid the equity call for the existing subscription and for the additional subscription to AKL for a total of ₱508.4 million. The additional subscription will cover the scheduled infusion of the parcels for the first phase of Project Newton Residential as per joint venture agreement (JVA). RALI also entered with the same subscription agreement with AKL.

On December 7, 2020, the Parent Company entered into another subscription agreement with AKL amounting to ₱246.0 million which will cover the amount due for the DOAS of Dolfo and Ledesco parcels of land for the first phase of Project Newton Residential. RALI also entered with the same subscription agreement with AKL.

On January 22, 2021, the Parent Company entered into another subscription agreement with AKL amounting to ₱12.8 million which will cover the amount of parcels of land for the first phase of Project Newton Residential. RALI also entered with the same subscription agreement with AKL.

On November 17, 2021, the Parent Company entered into another subscription agreement with AKL amounting to ₱21.9 million CALAX Link Lots located in Silang, Cavite. RALI also entered with the same subscription agreement with AKL.

Investment in A-Flow Properties I Corp

On October 4, 2022, ALLHC entered into Joint Venture agreement with Flow Luna I Property Pte. Ltd (FLOW) representing 50% interest in A-FLOW Properties I Corp (FLOW PropCo)., a joint venture that will engage in the business of providing data center, colocation and other related services, including both space and power, to various entities such as hyperscalers1 and domestic enterprises, and will acquire and/or construct data center.

12. Investment Properties

The rollforward analysis of this account follows:

2022

	Land	Buildings	Construction in Progress	Total
		(In Thousands)		
Cost				
Balance at beginning of year	**₱74,543,473**	**₱135,599,847**	**₱77,270,287**	**₱287,413,607**
Additions	**7,066,502**	**8,837,270**	**3,793,406**	**19,697,178**
Disposals	**(764,475)**	**(3,227,683)**	**–**	**(3,992,158)**
Cumulative translation difference	**107,141**	**92,759**	**–**	**199,900**
Transfers (Notes 8,13 and 37)	**(11,754,536)**	**14,197,110**	**(13,805,554)**	**(11,362,980)**
Balance at end of year	**69,198,105**	**155,499,303**	**67,258,139**	**291,955,547**
Accumulated Depreciation				
Balance at beginning of year	**–**	**43,507,379**	**–**	**43,507,379**
Depreciation (Note 22)	**–**	**5,642,851**	**–**	**5,642,851**
Disposals	**–**	**(3,227,683)**	**–**	**(3,227,683)**
Cumulative translation difference	**–**	**(1,103)**	**–**	**(1,103)**
Balance at end of year	**–**	**45,921,444**	**–**	**45,921,444**
Accumulated impairment losses				
Balance at beginning and end of year	**160,378**	**348,218**	**–**	**508,596**
Net Book Value	**₱69,037,727**	**₱109,229,641**	**₱67,258,139**	**₱245,525,507**

2021

	Land	Buildings	Construction in Progress	Total
		(In Thousands)		
Cost				
Balance at beginning of year	₱70,764,540	₱127,032,731	₱65,938,191	₱263,735,462
Additions	4,024,563	8,824,653	11,332,096	24,181,312
Disposals	(262,952)	(303,472)	–	(566,424)
Cumulative translation difference	(11,993)	30,042	–	18,049
Transfers (Notes 8,13, and 37)	29,315	15,893	–	45,208
Balance at end of year	74,543,473	135,599,847	77,270,287	287,413,607
Accumulated Depreciation				
Balance at beginning of year	–	40,722,579	–	40,722,579
Depreciation (Note 22)	–	3,645,318	–	3,645,318
Disposals	–	(860,573)	–	(860,573)
Cumulative translation difference	–	55	–	55
Balance at end of year	–	43,507,379	–	43,507,379
Accumulated impairment losses				
Balance at beginning of year	102,825	225,208	–	328,033
Impairment losses (Note 22)	57,553	123,010	–	180,563
Balance at the end of year	160,378	348,218	–	508,596
Net Book Value	₱74,383,095	₱91,744,250	₱77,270,287	₱243,397,632

Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements (such as buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit.

Construction in progress pertain to buildings under construction to be leased as retail and office spaces upon completion. The development and construction period normally range from three years to five years and depends heavily on the size of the assets.

The aggregate fair value of the Group's investment properties amounted to ₱483,640.6 million and ₱485,358.7 million as of December 31, 2022 and 2021, respectively.

The fair values of the investment properties were determined by independent professionally qualified appraisers.

The following table provides the fair value hierarchy of the Group's investment properties as of December 31, 2022 and 2021:

2022

			Fair value measurement using		
	Date of Valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
			(In Thousands)		
Land properties	**Various**	**₱241,486,227**	**₱–**	**₱–**	**₱241,486,227**
Retail properties	**Various**	**83,890,525**	**–**	**–**	**83,890,525**
Office properties	**Various**	**157,471,235**	**–**	**–**	**157,471,235**
Hospital properties	**Various**	**792,637**	**–**	**–**	**792,637**

2021

	Date of Valuation	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			(In Thousands)		
Land properties	Various	₱287,151,049	₱–	₱–	₱287,151,049
Retail properties	Various	90,873,025	–	–	90,873,025
Office properties	Various	106,293,498	–	–	106,293,498
Hospital properties	Various	1,014,323	–	–	1,014,323

The values of the land were arrived using the Market Data Approach. Market Data Approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. This approach was used for the land as it is commonly used in the property market since inputs and data for this approach are available. For Market Data Approach, the higher the price per sqm., the higher the fair value.

The values of the buildings (retail, office, hospital) were arrived using the Income Approach. Income Approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

The significant unobservable inputs to valuation of investment properties ranges from ₱1,500-₱278,000 per sqm.

In 2021, the Group started capitalizing borrowing costs to its investment properties under construction. Interest capitalized amounted to ₱783.22 million in 2022 and ₱574.1 million in 2021. As of 2020, total capitalized interest aggregated to ₱1,993 million. The capitalization rates are 3.84% - 4.17% (see Note 16).

Consolidated rental income from investment properties amounted to ₱27,196.5 million, ₱17,797.7 million and ₱18,468.9 million in 2022, 2021 and 2020, respectively (see Note 20). Consolidated direct operating expenses arising from the investment properties in 2022, 2021 and 2020 amounted to ₱8,884.7, ₱7,663.1 million and ₱7,467.0 million, respectively (see Note 22).

Depreciation and amortization expense pertaining to investment properties amounted to ₱5,642.9 million, ₱3,645.3 million and ₱5,590.1 million in 2022, 2021 and 2020, respectively (see Note 22).

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Certain short-term and long-term debt are secured by real estate mortgages dated September 2, 2014 and March 14, 2016 covering both land and building of the Greenbelt Mall. Net book value of the investment property amounted to ₱2,974.8 million and ₱2,907.2 million as of December 31, 2022 and 2021, respectively (see Note 16).

13. Property and Equipment

The rollforward analysis of this account as of December 31 follow:

	2022					
	Land, Buildings and Improvements	**Machinery and Construction Equipment**	**Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Hotel Property and Equipment**	**Total**
			(In Thousands)			
Cost						
Balance at beginning of year	**₱18,417,909**	**₱13,824,961**	**₱9,390,543**	**₱3,495,419**	**₱25,218,185**	**₱70,347,017**
Additions	**2,578,544**	**633,051**	**849,884**	**238,095**	**124,711**	**4,424,285**
Disposals	**(1,222,348)**	**(482,715)**	**(140,454)**	**(92,106)**	**–**	**(1,937,623)**
Foreign currency exchange difference	**71,232**	**38,404**	**3,417**	**716**	**–**	**113,769**
Transfers (Notes 12 and 37)	**(5,597,249)**	**86,034**	**(778)**	**–**	**–**	**(5,511,993)**
Balance at end of year	**14,248,088**	**14,099,735**	**10,102,612**	**3,642,124**	**25,342,896**	**67,435,455**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**₱7,651,424**	**₱10,188,003**	**₱5,072,260**	**₱1,658,590**	**₱3,998,388**	**₱28,568,665**
Depreciation and amortization (Note 22)	**790,928**	**792,055**	**358,035**	**443,202**	**844,904**	**3,229,124**
Foreign currency exchange difference	**11,114**	**16,057**	**2,920**	**573**	**–**	**30,664**
Disposals	**(60,650)**	**(63,302)**	**(167,939)**	**(254,946)**	**–**	**(546,837)**
Balance at end of year	**8,392,816**	**10,932,813**	**5,265,276**	**1,847,419**	**4,843,292**	**31,281,616**
Net Book Value	**₱5,855,272**	**₱3,166,922**	**₱4,837,336**	**₱1,794,705**	**₱20,499,604**	**₱36,153,839**

	2021					
	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Total
			(In Thousands)			
Cost						
Balance at beginning of year	₱15,813,109	₱14,333,110	₱9,279,284	₱3,356,921	₱24,933,163	₱67,715,587
Additions	2,450,606	106,158	212,872	160,836	285,022	3,215,494
Disposals	(5,395)	(869,355)	(28,549)	(22,749)	–	(926,048)
Foreign currency exchange difference	80,133	255,048	4,111	1,304	–	340,596
Transfers (Notes 12 and 37)	79,456	–	(77,175)	(893)	–	1,388
Balance at end of year	18,417,909	13,824,961	9,390,543	3,495,419	25,218,185	70,347,017
Accumulated Depreciation and Amortization						
Balance at beginning of year	4,949,034	9,327,981	4,905,266	1,680,185	3,406,153	24,268,619
Depreciation and amortization (Note 22)	2,632,657	868,312	214,016	136,541	592,235	4,443,761
Foreign currency exchange difference	72,119	230,057	(3,204)	–	–	298,972
Disposals	(2,386)	(238,347)	(43,818)	(158,136)	–	(442,687)
Balance at end of year	7,651,424	10,188,003	5,072,260	1,658,590	3,998,388	28,568,665
Net Book Value	₱10,766,485	₱3,636,959	₱4,318,283	₱1,836,829	₱21,219,797	₱41,778,353

The depreciation and amortization of property and equipment (included under various consolidated statements of income accounts) amounted to ₱3,229.1 million, ₱4,443.8 million and ₱3,050.0 million in 2022, 2021 and 2020, respectively. No interest was capitalized in 2022 and 2021 (see Note 16).

The Group has no restrictions on its property and equipment and none of these have been pledged as security for its obligations. Capital expenditures for hotel buildings in the course of construction amounted to ₱952.8 and ₱1,133.59 million as of December 31, 2022 and 2021, respectively, and are included in property and equipment. The total contractual commitments arising from awarded contracts for the acquisition, development and construction of property and equipment amounted to ₱685.78 million in 2022.

The Group performed impairment testing on its hotel property and equipment with a carrying value of ₱20,499.6 million and ₱21,219.8 million as of December 31, 2022 and 2021, by assessing its recoverable amount through estimation of its value in use (VIU). VIU is the present value of the future cash flows expected to be derived from an asset. The significant assumptions used in the valuation are discount rates of 5.00% to 13.00% with an average growth rate of 3.00%. The Group also considered in its assumptions the impact of the pandemic on the occupancy rate and room rates which are not expected to normalize until 2024. Based on the impairment testing, there is no impairment loss on the Group's hotel property and equipment (see Note 3).

14. **Other Noncurrent Assets**

This account consists of:

	2022	2021
	(In Thousands)	
Prepaid expenses	**₱13,478,639**	₱14,954,424
Advances to contractors and suppliers	**9,256,936**	8,453,875
Leasehold rights	**3,293,472**	3,398,659
Deposits - others	**2,142,815**	2,005,003
Deferred input VAT	**1,114,468**	1,515,092
Net pension assets (Note 26)	**52,529**	10,961
Development rights	**37,678**	37,678
Investment in bonds	**-**	2,309,440
Others	**449,817**	1,206,307
	₱29,826,354	₱33,891,439

Prepaid expenses consist of project costs incurred for unlaunched projects of the Group, advance rental payments and noncurrent prepaid management fees. This also includes the noncurrent portion of cost to obtain contracts (see Note 9) which includes prepaid commissions and advances to brokers, which amounted to ₱766.36 million and ₱1,070.9 million in 2022 and 2021, respectively.

Advances to contractors and suppliers represents prepayments for the construction of investment properties and property and equipment.

Leasehold rights consist of the following:
- Through the acquisition of ALLHC, ALI acquired leasehold rights arising from their lease agreement with Philippine National Railways (PNR) which amounted to ₱2,750.17 million and ₱2,748.11 million as of December 31, 2022 and 2021, respectively (see Note 33).
- TKPI's leasehold rights pertains to the right to use the property in Apulit Island located in Taytay, Palawan expiring on December 31, 2029 which amounted to ₱46.73 million and ₱53.41 million as of December 31, 2022 and 2021, respectively.
- NTDCC's leasehold rights refer to development rights on an 8.3-hectare portion of the MRT Development Corporation, which is located on the North Triangle property, and enabled the Group to develop and construct a commercial center which amounted to ₱491.2 million and ₱515.93 million as of December 31, 2022 and 2021, respectively.

Movements of leasehold rights follow:

	2022	2021
	(In Thousands)	
As of January 1, 2021	**₱3,398,659**	₱3,506,816
Additions	**1,179**	–
Amortizations	**(106,365)**	(108,157)
Balance at end of year	**₱3,293,472**	₱3,398,659

Deposits - others pertain to various utility deposits and security deposits for leases.

Investment in bonds pertain to non-interest bearing bonds with a term of 36-months. The Group recorded the investment as financial asset at fair value through other comprehensive income. The fair value of the investment in bonds is determined using the binomial lattice approach. The fair value of the investment is categorized under Level 3.

Deferred input VAT pertains to unamortized VAT portion from purchases of capital goods.

Development rights pertain to the saleable and non-saleable development rights acquired by the Parent Company. The non-saleable portion is allocated to the gross floor area of a structure in a particular lot that can be developed in the future. The amortization of development rights are capitalized as additional cost of the structure once the development commences.

Others pertain to prepayments for expenses that is amortized for more than one year.

15. Accounts and Other Payables

This account consists of:

	2022	2021
	(In Thousands)	
Accounts payable	**₱95,187,175**	₱87,252,257
Taxes payable	**20,536,540**	19,413,474
Liability for purchased land	**8,136,983**	9,576,947
Accrued salaries and employee benefits	**6,269,161**	5,309,047
Retentions payable	**4,937,454**	5,198,897
Interest payable	**2,104,183**	1,592,727
Accrued professional and management fees	**1,479,837**	2,034,248
Accrued advertising and promotions	**925,552**	922,513
Accrued repairs and maintenance	**689,554**	2,027,742
Payable to related parties (Note 25)	**630,525**	923,241
Accrued utilities	**465,642**	552,337
Accrued rentals	**88,639**	91,477
Dividends payable	**81,030**	686,982
Other accrued expenses	**2,419,852**	1,108,507
	₱143,952,127	₱136,690,396

Accounts payable and accrued expenses are noninterest-bearing and are normally settled on 30- to 60-day terms.

Taxes payable pertains to the Group's output VAT, expanded withholding tax, capital gains tax and fringe benefit tax.

Liability for purchased land pertains to the current portion of unpaid unsubdivided land acquired payable during the year. These are normally payable in quarterly or annual installment payments or upon demand.

Retentions payable pertains to the amount withheld by the Group on contractor's billings to be released after the guarantee period, usually one (1) year after the completion of the project or upon demand. The retention serves as a security from the contractor should there be defects in the project.

Other accrued expenses consist mainly of accruals from commissions, royalty, transportation and travel, janitorial and security, postal and communication and other expenses.

16. **Short-term and Long-term Debts**

The short-term debt amounting to ₱6,547.3 million and ₱16,782.5 million as of December 31, 2022 and December 31, 2021, respectively, represents both peso and foreign currency-denominated bank loans. Peso-denominated short-term loans had a weighted average cost of 2.58% and 2.14% per annum for in 2022 and 2021, respectively.

In compliance with BSP rules on directors, officers, stockholders and related interests, certain long-term debt with a carrying value of ₱4,623.2 million and ₱6,368.9 million as of December 31, 2022 and 2021 are secured by real estate mortgages dated September 2, 2014 and March 14, 2016 covering both land and building of the Greenbelt Mall. Net book value of the property amounted to ₱2,974.7 million and ₱2,288.3 million as of December 31, 2022 and 2021, respectively, which is accounted as part of the "Investment properties" account.

Long-term debt consists of:

	December 31, 2022 Audited	December 31, 2021 Audited
	(In Thousands)	
Parent Company:		
Bonds:		
Due 2022	**₱–**	₱22,650,000
Due 2023	**7,000,000**	7,000,000
Due 2024	**15,000,000**	3,000,000
Due 2025	**23,250,000**	23,250,000
Due 2026	**16,000,000**	16,000,000
Due 2027	**15,000,000**	8,000,000
Due 2028	**22,000,000**	10,000,000
Due 2029	**14,000,000**	-
Due 2031	**3,000,000**	3,000,000
Due 2033	**2,000,000**	2,000,000
Fixed rate corporate notes (FXCNs)	**4,500,000**	4,650,000
Php - denominated long-term loans	**68,244,727**	76,814,570
US Dollar - denominated long-term loans	**3,066,525**	6,374,875
	193,061,252	182,739,445
Subsidiaries:		
Bank loans - Philippine Peso	**34,338,748**	21,719,292
Bonds	**3,000,000**	3,000,000
Bank loans - Malaysian Ringgit	**442,470**	1,246
	37,781,218	24,720,538
	230,842,470	207,459,983
Less unamortized transaction costs	**1,350,891**	1,145,744
	229,491,580	206,314,239
Less current portion	**19,258,289**	26,173,997
	₱210,233,291	₱180,140,242

ALI Parent
Below is the summary of the outstanding Peso bonds issued by the Parent Company:

Year Issued	Term (Years)	Interest rate	Principal Amount (In thousands)	Carrying Value (In thousands) 2022	2021	Features
2012	10	6.00%	5,650,000	**₱–**	₱5,650,000	Fixed rate bond due 2022
2013	20	6.00%	2,000,000	**1,987,589**	1,986,794	Fixed rate bond due 2033
2015	7	4.50%	7,000,000	**–**	6,987,688	Fixed rate bond due 2022
2016	9.5	4.75%	7,000,000	**6,976,738**	6,969,407	Fixed rate bond due 2025
2016	10	4.85%	8,000,000	**7,970,112**	7,961,918	Fixed rate bond due 2026
2016	7	3.89%	7,000,000	**6,990,957**	6,980,787	Fixed rate bond due 2023
2017	10	5.26%	7,000,000	**6,982,556**	6,979,065	Fixed rate bond due 2027
2018	10	5.92%	10,000,000	**9,927,761**	9,916,583	Fixed rate bond due 2028
2019	7	6.37%	8,000,000	**7,947,809**	7,934,304	Fixed rate bond due 2026
2019	5	4.76%	3,000,000	**2,985,944**	2,978,436	Fixed rate bond due 2024
2019	7.3	4.99%	1,000,000	**969,971**	963,622	Fixed rate bond due 2027
2020	2	3.00%	10,000,000	**–**	9,970,491	Fixed rate bond due 2022
2020	5	3.86%	6,250,000	**6,207,139**	6,192,684	Fixed rate bond due 2025
2021	4	3.63%	10,000,000	**9,931,347**	9,903,889	Fixed rate bond due 2025
2021	10	4.08%	3,000,000	**2,979,655**	2,977,789	Fixed rate bond due 2031
2022	6	5.81%	12,000,000	**11,918,358**	–	Fixed rate bond due 2028
2022	2	4.40%	12,000,000	**11,897,140**	–	Fixed rate bond due 2024
2022	5	6.21%	7,000,000	**6,927,960**	–	Fixed rate bond due 2027
2022	7	6.80%	14,000,000	**13,851,289**	–	Fixed rate bond due 2029
Total				**₱116,452,325**	₱94,353,457	

Philippine Rating Services Corporation (PhilRatings) rated the Parent Company's 2022 and 2021 bond issuances "PRS Aaa" with a stable outlook, and maintained the "PRS Aaa" rating with a stable outlook for all other outstanding bonds. PRS Aaa is the highest credit rating possible on PhilRatings' rating scale for long-term issuances, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong and that it has the smallest degree of investment risk. A Stable Outlook indicates that the rating is likely to be maintained or to remain unchanged in the next twelve months.

Bonds:
Philippine Peso 10-year Bonds due 2022
In April 2012, the Parent Company issued its ₱5,650.0 million bonds due 2022 at a fixed rate equivalent to 6.0% p.a. PhilRatings assigned a PRS Aaa rating on the bonds. The Parent Company fully paid the bonds in April 2022.

Philippine Peso 7.0 Billion Fixed Rate Bonds due 2022
In April 2015, the Parent Company issued a total of ₱7,000.0 million bonds due 2022 at a fixed rate equivalent to 4.50% p.a. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook by PhilRatings. The Parent Company fully paid the bonds in April 2022.

Philippine Peso 2-year Bonds due 2022
In June 2020, the Parent Company issued and listed on the PDEx its ₱10,000.0 million fixed rate bonds due 2022 at a rate equivalent to 3.0% p.a. The Bonds form part of the fourth tranche of debt securities issued under the Parent Company's ₱50,000.0 million Debt Securities Program registered and rendered effective by the SEC on April 22, 2019 (the "2019 Program"). The Bonds were rated PRS Aaa with a Stable Outlook by PhilRatings. The Parent Company fully paid the bonds in June 2022.

Philippine Peso 7-year Bonds due 2023
In October 2016, the Parent Company issued and listed on the PDEx a total of ₱7,000.0 million fixed rate bonds due 2023 at a rate equivalent to 3.89% p.a. The Bonds represent the third tranche of the Parent Company's ₱50,000.0 million Debt Securities Program registered and rendered effective by the SEC on March 8, 2016 (the "2016 Program"). The Bonds were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 5-year Bonds due 2024
In September 2019, the Parent Company issued and listed on the PDEx its ₱3,000.0 million bonds due 2024 at a fixed rate equivalent to 4.76% p.a. The Bonds represent the second tranche of debt securities issued under the Parent Company's 2019 Program, and were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 9-year and 6-month Bonds due 2025
In April 2016, the Parent Company issued and listed on the PDEx a total of ₱7,000.0 million bonds due 2025 at a fixed rate equivalent to 4.75% p.a. The Bonds is the second tranche of debt securities issued under the Parent Company's 2016 Program. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook by PhilRatings.

Philippine Peso 5-year Bonds due 2025
In September 2020, the Parent Company issued and listed on the PDEx its ₱6,250.0 million fixed rate bonds due 2025 at a rate equivalent to 3.86% p.a. The Bonds represent the fifth tranche of debt securities issued under the Parent Company's 2019 Program. The Bonds were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 4-year Bonds due 2025
In May 2021, the Parent Company issued and listed on the PDEx its ₱10,000.0 million fixed rate bonds due 2025 at a rate equivalent to 3.63% p.a. The Bonds represent the sixth tranche of debt securities issued under the Parent Company's 2019 Program. The Bonds were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 7-year and 10-year Bonds due 2026
In March 2016, the Parent Company issued and listed on the PDEx a total of ₱8,000.0 million bonds due 2026 at a fixed rate equivalent to 4.85% p.a. This is the first tranche of the tranche of debt securities issued under the Parent Company's 2016 Program. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook by PhilRatings. In May 2019, the Parent Company issued and listed on the PDEx ₱8,000.0 million fixed rate bonds due 2026 at a rate equivalent to 6.37% p.a. The Bonds, the first tranche of Parent Company's 2019 Program, were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 7-year and 3-month and 10-year Bonds due 2027
In May 2017, the Parent Company issued its ₱7,000.0 million fixed rate bond due 2027 at a rate equivalent to 5.26% p.a. The Bonds, the fourth tranche of the Parent Company's 2016 Program, were listed on the PDEx and were rated PRS Aaa with a Stable Outlook by PhilRatings. In November 2019, the Parent Company issued a ₱1,000.0 million fixed rate bond due 2027 at a rate equivalent to 4.99% p.a. The Bonds, the third tranche of bonds issued under the Parent Company’s 2019 Program, were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 10-year Bonds due 2028
In April 2018, the Parent Company issued and listed on the PDEx a total of ₱10,000.0 million fixed rate bonds due 2028 at a rate equivalent to 5.92% p.a. and subject to repricing on 27 April 2023, the fifth anniversary of the Issue Date, at the higher of 5.92% p.a. or the prevailing 5-year benchmark plus 75 bps. The Bonds represent the fifth tranche of the of debt securities issued under the Parent Company's 2016 Program. The Bonds were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 6-year Bonds due 2028
In May 2022, the Parent Company issued a total of ₱12,000.0 million bonds due 2028 at a fixed rate equivalent to 5.81% p.a. The offering is composed of ₱9,500.0 million as the second tranche of debt securities issued under the Parent Company's ₱50,000.0 million Debt Securities Program registered and rendered effective by the SEC on October 11, 2021 (the “2021 Program”) while ₱2,500.0 million represent the eighth and final tranche of debt securities that were issued under the 2019 Program. The Bonds were listed on the PDEx and were assigned an issue credit rating of PRS Aaa, with a Stable Outlook by PhilRatings.

Philippine Peso 2-Year, 5-Year and 7-year Bonds due 2024, 2027 and 2029
In July 2022, the Parent Company issued a total of ₱33,000.0 million fixed rate bonds, broken down into ₱12,000.0 million bonds due 2024 at a rate equivalent to 4.40% p.a., ₱7,000.0 million bonds due 2027 at a rate equivalent to 6.21% p.a. and a ₱14,000.0 million bond due 2029 at a rate equivalent to 6.81% p.a. The offering is the third tranche of debt securities issued under the Parent Company's 2021 Program. The Bonds were listed on the PDEx and were assigned an issue credit rating of PRS Aaa, with a Stable Outlook by PhilRatings.

Philippine Peso 10-year Bonds due 2031
In October 2021, the Parent Company issued a total of ₱3,000.0 million bonds due 2031 at a fixed rate equivalent to 4.08% p.a. and subject to repricing on 26 October 2026, the fifth anniversary of the Issue Date, at the higher of 4.08% p.a. or the prevailing 5-year benchmark plus 70 bps. The offering which was listed on the PDEX is composed of ₱2,750.0 million issued as the first tranche of Parent Company's 2021 Program while ₱250.0 million representing the seventh tranche of debt securities were issued under the Company's 2019 Program. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook by PhilRatings.

Philippine Peso 7-Year and 20-year Bonds due 2020 and 2033
In October 2013, the Parent Company issued a total of ₱6,000.0 million bonds, broken down into a ₱4,000.0 million bonds due 2020 at a fixed rate equivalent to 4.63% p.a. and a ₱2,000.0 million bond due 2033 at a fixed rate equivalent to 6.0% p.a. CRISP assigned a "AAA" rating on the bonds indicating that it has a minimal credit risk owing to the Parent Company's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP. The Parent Company fully paid the ₱4,000.0 million bonds that matured in October 2020 while the ₱2,000.0 million bonds is due 2033.

<u>Philippine-denominated Long-term Loans:</u>
Philippine Peso 10-year and 3-month Notes due 2023
In December 2012, the Parent Company executed a ₱5,000.0 million committed Corporate Note facility with a local bank, of which an initial ₱3,500.0 million was drawn in 2012. The balance of ₱1,500.0 million was subsequently drawn in January 2013. Notes currently bear a fixed interest rate of 4.50% p.a. The Corporate Notes will mature on the third month succeeding the tenth anniversary of the initial drawdown date. As of December 31, 2022 and 2021, the remaining balance of the notes amounted to ₱4,500.0 million and ₱4,650.0 million, respectively.

Philippine Peso-denominated Long-term Loans
In August to September 2015, the Parent Company assumed an aggregate of ₱15,526.9 million various long-term facilities of some subsidiaries from various banks. The loans bear fixed interest rates ranging from 4.50% to 4.70% p.a. and terms ranging from 4.4 years to 10.5 years. In March 2016, the Company additionally assumed from ALI Makati Hotel Property, Inc. US$30.0 million in long-term loans from the Bank of the Philippine Islands. The loan carried a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR) and is repriceable quarterly. The loan was prepaid in December 2018. In August 2022, coinciding with the repricing date of the Parent Company's ₱10,000.0 million 10.5-year long-term facility, the Company executed a Deed of Assignment with a domestic bank. The Parent Company assigned the remaining balance of the loan amounting to ₱7,872.0 million to Avida Land, Corp. (₱4,086.0 million), Alveo Land, Corp. ((₱2,880.0 million) and Accendo Commercial, Corp. (₱906.0 million) (collectively the "Assigned Loan"). The Assigned Loan carries a floating rate applicable for the remaining 3.5 years of the long -term facility. As of December 31, 2022 and 2021, the remaining balance of the assumed long-term facilities amounted to ₱1,903.6 million and ₱9,820.9 million, respectively.

In March 2017, the Parent Company executed a ₱10,000.0 million long-term facility with a domestic bank, in which the Parent Company had simultaneously drawn an initial ₱5,000.0 million. The balance of ₱5,000.0 million was drawn in April 2017. The loan carries a fixed interest rate of 4.95% p.a. and a term of 10 years. As of December 31, 2022 and 2021, the remaining balance of long-term facilities amounted to ₱9,175.0 million and ₱9,475.0 million, respectively.

In March 2018, the Parent Company executed a ₱5,000.0 million long-term facility with a domestic bank, in which the Parent Company had simultaneously drawn the entire facility amount. As of December 31, 2022 and 2021, the remaining balance of long-term facility amounted to ₱4,762.5 million and ₱4,812.5 million, respectively.

In January 2020, the Parent Company executed and availed a ₱5,000.0 million 10-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 4.50% p.a. for the initial 5 years. In December 2020, the Parent Company also executed and availed a ₱10,000.0 million 10-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 4.0% p.a. for the first 7 years. Both loans will be repriced on the 5th and 7th anniversary with the remaining balance of ₱4,962.5 million and ₱9,584.0 million, respectively.

In July 2021, the Company executed a ₱10,000.0 million 10-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 3.88% p.a. for the initial 5 years. In August 2021, the Company executed a ₱5,000.0 million 10-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 3.88% p.a. for the initial 5 years. Another ₱4,900.0 million 6-year long-term facility was drawn in October 2021 at an interest rate of 3.78% p.a. for the initial 3 years. In October 2021, the Company executed a ₱5,000.0 million 10-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 3.75% p.a. for the initial 5 years. In November 2021, the Company also executed a ₱5,000.0 million 9-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 3.95% p.a. for the initial 5 years. In December 2021, the Company executed a ₱7,100.0 million 8-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 3.87% p.a. for the initial 3 years.

On December 16, 2021, the SEC approved and made effective the merger of CHI, AiO, ASCVC and CBDI with and into ALI, with ALI as the surviving entity (the “Merger”). ALI shall be the surviving entity in the Merger and shall possess all the rights, privileges and immunities of CHI, AiO, ASCVC and CDBI (the “Absorbed Corporations”), and all properties and liabilities, and all and every other interest of or belonging to the Absorbed Corporations shall be taken and deemed transferred to ALI without further act or deed. With that, the Parent Company assumed an aggregate of ₱914.1 million long-term facilities of AiO from a domestic bank. As of December 31, 2022 and 2021, the remaining balance of long-term facilities amounted to ₱857.1 million and ₱914.1 million, respectively.

As of December 31, 2022 and 2021, remaining aggregate balance of the Peso-denominated long-term loans amounted to ₱68,244.7 million and ₱76,814.6 million, respectively.

US Dollar-denominated Long-term Loans:
In November 2019, the Parent Company executed and had simultaneously drawn a US$125.0 million long-term facility. The loan bears a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR), repriceable quarterly. All proceeds were onlent to MCT to refinance its existing loans. The loan will mature on the fifth anniversary of the initial drawdown date. The Parent Company initiated a partial payment of US$70.0 million in November 2022.

As of December 31, 2022 and 2021, the remaining aggregate balance of US Dollar-denominated long term loans amounted to ₱3,066.5 million and ₱6,374.9 million, respectively.

Subsidiaries
The subsidiaries’ loans will mature on various dates up to 2032. Peso-denominated loans bear various floating interest rates at 50 bps to 90 bps spread over the benchmark 91-day PHP BVAL Reference Rate (previously PDST-R2) and/or fixed interest rates ranging from 3.27% to 4.83% p.a. Certain loans which are subject to floating interest rates are subject to floor floating interest rates equivalent to (i) 95.0% or par of the Overnight Reverse Repurchase Agreement Rate of the Bangko Sentral ng Pilipinas (BSPOvernightRate) or (ii) the BSP Overnight Rate plus a spread of 20 bps to 75 bps p.a. or (iii) the average of the Bangko Sentral ng Pilipinas Overnight Deposit Rate and Term Deposit Facility with a term closed to the 90-day interest period.

In 2022 and 2021, the subsidiaries made a total bank loan availment of ₱15,455.0 million (including the Assigned Loan) and ₱5,830.0 million, respectively. As of December 31, 2022 and 2021, the subsidiaries paid a total bank loan of ₱2,835.5 million and ₱7,349.83 million, respectively. The total outstanding balance of the subsidiaries' loans as of December 31, 2022 and 2021 amounted to ₱34,781.2 million and ₱21,720.54 million loans, respectively.

Philippine Peso 3.0 Billion Fixed Rate Bonds due 2023
In December 2021, AREIT, Inc. issued a total of ₱3,000.0 million bonds due 2023 at a fixed rate equivalent to 3.04% p.a. The Bonds represent the first tranche of debt securities issued under its ₱15,000.0 million Debt Securities Program registered with the SEC and listed on the PDEx.The Bonds were rated PRS Aaa with a Stable Outlook by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.

The loan agreements contain some or all of the following restrictions: material changes in nature of business; maintenance of debt-to-equity ratio; payment of dividends and additional loans maturing beyond a year which will result to non-compliance of the required debt-to-equity ratios; merger or consolidation where the Company/subsidiary is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all assets. These restrictions and requirements were complied with by the Group as of December 31, 2022 and 2021.

Interest capitalized amounted to ₱783.22 million, ₱560.14 million, ₱40.1 million in 2022, 2021 and 2020, respectively. The capitalization rates are 2.04% - 4.50% in 2022, 2.14% -3.44%% in 2021 and 2.63% - 5.18% in 2020 (see Note 8 and 12).

Transaction costs capitalized amounted to ₱497.5 million, ₱500.0 million, ₱423.0 million, in 2022, 2021 and 2020, respectively. Amortization amounted to ₱292.35 million, ₱472.07 million, and ₱ 216.93 million in 2022, 2021 and 2020, respectively, and included under "Interest and other financing charges" (see Note 22).

Certain credit facilities with BPI with a total carrying value of ₱4,623.2 million and ₱6,368.9 million as of December 31, 2022 and 2021, respectively, are secured by a real estate mortgage. This is in compliance with BSP ruling on directors, officers, stockholders and related interests.

The Group is required to maintain a debt-to-equity ratio not exceeding 3:1. The Group has complied with the debt covenant as of December 31, 2022 and 2021.

17. Deposits and Other Current Liabilities

This account consists of:

	2022	2021
	(In Thousands)	
Current portion of customers' deposits	**₱26,688,566**	₱23,858,675
Security deposits	**3,197,804**	3,372,817
Others	**1,324,653**	239,823
	₱31,211,023	₱27,471,315

Customers' deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion.

The amount of revenue recognized from amounts included in customers' deposits at the beginning of the year amounted to ₱16,779.9 million, ₱30,239.3 million and ₱21,087.9 million in 2022, 2021 and 2020, respectively.

Security deposits are equivalent to three (3) to six (6) months' rent of tenants with cancellable lease contracts and whose lease term will end in the succeeding year. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts. Other current liabilities mostly pertain to accrued project costs and unearned income.

18. Deposits and Other Noncurrent Liabilities

This account consists of:

	2022	2021
	(In Thousands)	
Deposits	**₱16,970,031**	₱21,682,003
Liability for purchased land	**10,185,888**	12,835,369
Customers' deposit - noncurrent portion	**9,751,887**	17,032,950
Contractors payable	**5,479,129**	3,167,215
Retentions payable	**3,331,070**	4,174,016
Deferred output VAT	**856,698**	1,048,615
Subscriptions payable	**728,633**	256,068
Other liabilities	**216,545**	539,366
	₱47,519,881	₱60,735,602

Deposits include security deposits from tenants of retail and office spaces and deferred credits arising from sale of real estate properties. Security deposits are equivalent to three (3) to six (6) months' rent of long-term tenants with noncancellable leases. This will be refunded to the lessees at the end of the lease term or applied to the last months' rentals on the related contracts. Deferred credits pertain to advances from buyers of real estate properties to cover various processing fees including, but not limited to, fees related to transfer of title such as registration fees, documentary taxes and transfer taxes. Payments made by the Group for the processing of title are charged to this account.

Customers' deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion.

Retentions payable pertains to the amount withheld by the Group on contractor's billings to be released after the guarantee period, usually one (1) year after the completion of the project or upon demand. The retention serves as a security from the contractor when there are claims for defects in projects requiring rework.

Contractors payable represents accrued costs incurred for property development that are not yet billed.

Liability for purchased land pertains to the portion of unpaid unsubdivided land acquired during the year. These are normally payable in quarterly or annual installment payments within three (3) or five (5) years.

Deferred output VAT pertains to output VAT on receivables for which sales recognition has been deferred based on sales collection threshold for VAT recognition purposes.

The Group's subscription payable pertains to ALLHC's investment in Cyber Bay.

On April 25, 1995, Central Bay, a wholly owned subsidiary of Cyber Bay, entered into a Joint Venture Agreement with the Philippine Reclamation Authority (PRA; formerly Public Estates Authority) for the complete and entire reclamation and horizontal development of a portion of the Manila-Cavite Coastal Road and Reclamation Project (the Project) consisting of three partially reclaimed and substantially eroded islands (the Three Islands) along Emilio Aguinaldo Boulevard in Parañaque and Las Piñas, Metro Manila with a combined total area of 157.8 hectares, another area of 242.2 hectares contiguous to the Three Islands and, at Central Bay's option as approved by the PRA, an additional 350 hectares more or less to regularize the configuration of the reclaimed area.

On March 30, 1999, the PRA and Central Bay executed an Amended Joint Venture Agreement (AJVA) to enhance the Philippine Government's share and benefits from the Project which was approved by the Office of the President of the Philippines on May 28, 1999.

On July 9, 2002, the Supreme Court (SC) (in the case entitled "Francisco Chavez vs. Amari Coastal Bay and Reclamation Corp.") issued a ruling declaring the AJVA null and void. Accordingly, PRA and Central Bay were permanently enjoined from implementing the AJVA.

On July 26, 2002, Central Bay filed a Motion for Reconsideration (MR) of said SC decision. On May 6, 2003, the SC En Banc denied with finality Central Bay's MR. On May 15, 2003, Central Bay filed a Motion for Leave to Admit Second MR. In an En Banc Resolution of the SC dated July 8, 2003, the SC resolved to admit the Second MR of Central Bay.

On November 11, 2003, the SC rendered a 7-7 split decision on Central Bay's Second MR. Because of the new issues raised in the SC's latest resolution that were never tried or heard in the case, Central Bay was constrained to file on December 5, 2003 a Motion for Re-deliberation of the SC's latest resolution which motion was denied with finality by the SC.

With the nullification of the AJVA, Central Bay has suspended all Project operations. On August 10, 2007, in view of the failure by the PRA to comply with its obligations and representations under the AJVA, Cyber Bay and Central Bay have filed their claims for reimbursement of Project expenses in the amount of ₱10,200.0 million with the PRA. Cyber Bay and Central Bay provided the PRA with the summary and details of their claims on September 5, 2007. On July 15, 2008, Cyber Bay sent a follow-up letter to the PRA. The PRA, in its letter dated July 18, 2008, informed Cyber Bay that its claim is still being evaluated by the PRA.

As at December 31, 2022 and 2021, the Group has unpaid subscription in Cyber Bay amounting to ₱481.7 million.

Other liabilities include nontrade payables, accrued payables and warranty payables.

19. Equity

The details of the number of shares follow:

December 31, 2022

	Number of Shares		Amount	
	Preferred	**Common**	**Preferred**	**Common**
		(In Thousands)		
Authorized	**15,000,000**	**20,000,000**	**₱1,500,000**	**₱20,000,000**
Issued*	**13,066,495**	**15,580,699**	**₱1,306,649**	**₱15,580,699**
Subscribed		**126,248**		**126,248**
	13,066,495	**15,706,947**	**₱1,306,649**	**₱15,706,947**

*Out of the total issued shares, 642,283,806 common and 623,970,536 preferred shares or ₱704.68 million as of December 31, 2022 pertain to Treasury shares

December 31, 2021

	Number of Shares		Amount	
	Preferred	Common	Preferred	Common
		(In Thousands)		
Authorized	15,000,000	20,000,000	₱1,500,000	₱20,000,000
Issued*	13,066,495	15,257,294	₱1,306,649	₱15,257,294
Subscribed	–	123,901	–	123,901
	13,066,495	15,381,195	₱1,306,649	₱15,381,195

*Out of the total issued shares, 29,785 shares or ₱1,260.8 million as of December 31, 2020 pertain to Treasury shares

December 31, 2020

	Number of Shares		Amount	
	Preferred	Common	Preferred	Common
		(In Thousands)		
Authorized	15,000,000	20,000,000	₱1,500,000	₱20,000,000
Issued*	13,066,495	14,635,298	₱1,306,649	₱14,635,298
Subscribed	–	124,882	–	124,882
	13,066,495	14,760,180	₱1,306,649	₱14,760,180

*Out of the total issued shares, 25,373 shares or ₱1,104.4 million as of December 31, 2019 pertain to Treasury shares

The movement in the Parent Company's treasury shares follows:

	2022		2021		2020	
	Shares	**Amount**	Shares	Amount	Shares	Amount
		(in millions)		(in millions)		(in millions)
Common						
At January 1	**570,069,282**	₱16,894.4	29,785	₱1,260.8	25,373	₱1,104.4
Additions	**72,214,524**	**2,186.3**	570,039,497	15,633.6	4,412	156.4
At December 31	**642,283,806**	**₱19,080.7**	570,069,282	₱16,894.4	29,785	₱1,260.8
Preferred						
At January 1	**–**	**₱–**	–	₱–	–	₱–
Additions	**623,970,536**	**62.9**	–	–	–	–
At December 31	**623,970,536**	**₱62.9**	–	₱–	–	₱–
	1,266,254,342	**₱19,143.60**	570,069,282	₱16,894.4	29,785	₱1,260.8

Preferred Shares (₱0.10 par value per share)
The Parent Company's preferred shares prior to 2012 were subscribed and issued through a stock rights offer with the following features: (a) non-voting; (b) dividend rate of 4.6% p.a., payable annually, noncumulative; (c) nonparticipating; (d) convertible at the option of the holder at a ratio of one (1) preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (e) no pre-emptive rights; (f) non-redeemable; (g) non-listed; and, (h) preferred in liquidation to the extent of par value.

The dividends for preferred shares are declared upon the sole discretion of the Parent Company's BOD.

On February 20, 2012, the BOD approved the following restructuring exercise in order to comply with the regulatory requirement on Filipino-ownership following the Supreme Court's ruling that nonvoting shares do not count as equity when computing for a Parent Company's Filipino-ownership level:

a. Redemption and retirement of the 13.0 billion outstanding preferred shares with par value of ₱0.10.
b. Reclassification of the 1,970.0 million unissued preferred shares to voting preferred shares through an amendment of Article Seventh of the Articles of Incorporation.
c. Increase in authorized capital stock by ₱1,300.0 million creating new voting preferred shares and a stock rights offer of 13,000 million voting preferred shares from the increase in the authorized capital stock.

On April 18, 2012, the stockholders ratified the BOD resolution on the capital restructuring. The voting preferred shares shall have the following features, rights, and privileges: (a) voting; (b) dividend rate of 4.7% per annum, equivalent to 90.0% of the 10-year PDST R2 (repriced every ten (10) years from issue date), payable annually, non-cumulative; (c) convertible at the option of the holder at a ratio of one (1) voting preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (d) no pre-emptive rights; (e) redeemable at par at the sole option of the corporation; (f) non-listed; and, (g) preferred in liquidation to the extent of par value.

The SEC approved on January 31, 2013 the following:

a. The decrease in authorized capital stock by ₱1,303.5 million, the aggregate par value of the 13,034.6 million preferred shares which have been redeemed and retired, from ₱22,803.5 million to ₱21,500.0 million, and

b. The amendments to Articles of Incorporation reflecting the decrease in capital stock.

On June 24, 2022, 623,392,160 Voting Preferred Shares (VPS) has been redeemed. The remaining number of outstanding VPS is 12,443,102,599. All of the redeemed VPS will be retired subject to the final approval of the SEC.

As of December 31, 2022, 2021 and 2020 the Parent Company's authorized and outstanding preferred shares amounted to ₱1,500.0 million and ₱1,500.0 million, respectively, at ₱0.10 par value per share.

Common Shares (₱1.00 par value per share)
On April 7, 2014, the stockholders resolved to approve the amendment of the Seventh Article of the Articles of Incorporation exempting from pre-emptive rights (1) the issuance of 1 billion common shares for properties or assets needed for the business of the Parent Company or for cash to acquire properties or assets needed for the business of the Parent Company or in payment of a debt contracted prior to the issuance of such shares, and (2) the issuance of common shares covered by the Parent Company's Stock Option Plans for members of the management committees of the Parent Company's subsidiaries or affiliates.

Likewise, the stockholders resolved to approve the amendment of the Stock Option Plan of the Parent Company to include the members of the Management Committees of the Parent Company's subsidiaries and affiliates as eligible grantees of stock options.

The rollforward analysis of the common shares follows:

	Number of Shares			**Amount**		
	2022	2021	2020	**2022**	2021	2020
			(In Thousands)			
Issued capital stock*						
At beginning of year	**15,257,294**	14,635,298	14,632,062	**₱15,257,294**	₱14,635,298	₱14,632,062
Issued shares	**323,405**	621,996	3,236	**323,405**	621,996	3,236
At end of year	**15,580,699**	15,257,294	14,635,298	**15,580,699**	15,257,294	14,635,298
Subscribed capital stock						
At beginning of year	**123,901**	124,882	113,273	**123,901**	124,882	113,273
Issued shares	**(11,825)**	(12,369)	(3,236)	**(11,825)**	(12,369)	(3,236)
Additional subscriptions	**14,172**	11,388	14,845	**14,172**	11,388	14,845
At end of year	**126,248**	123,901	124,882	**126,248**	123,901	124,882
	15,706,947	15,381,195	14,760,180	**₱15,706,947**	₱15,381,195	₱14,760,180

*Out of the total issued shares, 642,283,806 shares or ₱19,017.8 million as of December 31 2022, 570,069,282 shares or ₱16,894.4 million as of December 31, 2021, and 29,785 shares or ₱1,260.1 million as of December 31, pertain to Treasury shares

No transfer of stock or interest which will reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the books of the Parent Company.

The Parent Company's track record of capital stock is as follows:

Type of Shares	Number of shares registered	Issue/ Offer price	Date of approval	Number of holders of securities as of 2021	Number of holders of securities as of 2020
Class B shares	800,000,000	Par Value - ₱1.00 /Issue Price ₱26.00	April 18, 1991	13,181	8,985
Class B shares	400,000,000	Par Value - ₱1.00*	July 06, 1992		
Class A shares	900,000,000	Par Value - ₱1.00**	July 05, 1993		
Class B shares	600,000,000	Par Value - ₱1.00**	July 05, 1993		

Note: Class A Shares and Class B Shares were declassified into one type of Common Shares on September 12, 1997.
**increase in authorized capital stock, registered to cover the shares held by the directors and 20% stock dividend amounting to ₱108,662,000.00*
***increase in authorized capital stock, registered to cover the 20% stock dividend amounting to P391,240,953.00*

On January 9, 2015, the Executive Committee of the Parent Company approved a top-up placement of 484,848,500 common shares of the Parent Company at a price of ₱33.00 per share. The placement was conducted via an accelerated bookbuilt offering structured as a top-up placement, whereby AC sold 484,848,500 listed common shares of stock to qualified third party buyers and subscribe to the same number of new shares from the Parent Company. The Parent Company completed the placement on January 12, 2015, raising an aggregate of ₱16,000.0 million in paid-up capital. The price was at 3.9% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to ₱194.0 million.

On April 13, 2013, the stockholders resolved to approve the amendment of the Seventh Article of the Company's Articles of Incorporation for the purpose of excluding or exempting treasury shares from the pre-emptive rights of stockholders.

On March 6, 2013, the Parent Company's Board resolved to approve the placement made by AC of its existing 320,000,000 listed common shares of the Company to certain qualified third party buyers or investors at ₱30.50 per share. The Parent Company completed the top-up placement, raising an aggregate of ₱12,200.0 million in paid up capital. The price was at 3.6% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to ₱162.4 million.

On July 10, 2012, the Parent Company's executive committee approved the placement of 680 million listed common shares of stock with par value of ₱1.00 per share, at a price of ₱20.00 per share, and the issuance of equal number of new shares of the Parent Company, at the same price of ₱20.00 per share, with AC as the seller of the placement tranche and subscriber of the subscription tranche. The Parent Company completed the top-up placement, raising an aggregate of ₱13,600 million in paid up capital. The price was at 5.0% discount to the closing price. Transaction cost charged to additional paid-in capital amounted to ₱200.0 million.

On April 2, 2008, the Parent Company's stockholders approved the allotment and subsequent issuance of the shares for the above-mentioned purposes and for the further amendment of the Amended Articles of Incorporation of the Parent Company to exclude the issuance of shares from the pre-emptive rights of the stockholders pursuant to Section 39 of the Philippine Corporation Code.

On February 12, 2008, the BOD approved the allotment and subsequent issuance of up to 1 billion common shares of stock with an aggregate par value of ₱1,000.0 million for the purpose of exchanging such shares for properties or assets and/or to raise funds to acquire properties or assets needed for the business of the Parent Company via issuance of equity or equity-linked instruments, the price and the terms and conditions of which shall be determined by the BOD based on prevailing market conditions or on agreements negotiated.

On July 5, 1991, the Parent Company launched its initial public offering where a total of 400 million common shares were offered at an offering price of ₱26.00 per share. The registration statement was approved on July 20, 1992. The Parent Company has 13,181 and 11,789 existing shareholders as of December 31, 2022 and 2021, respectively.

Treasury Shares

Under its buyback program in 2022, ALI purchased a total of 72,792,900 common shares at an average price of ₱27.95 per share for a total consideration of ₱2,124.0 million and 623,970,536 preferred shares at an average price of ₱0.10 per share for a total consideration of ₱62.9 million which aggregated to ₱2,186.9 million.

In April and December 2021, ALI purchased a total of 48,976,900 common shares at an average price of ₱33.90 per share for a total consideration of ₱1,656.6 million under its share buyback program.

On December 16, 2021, SEC has approved the merger of CHI, AiO, ASCVC and CBDI with and into ALI, with ALI as the surviving entity (the “Merger”). All of the shares of the absorbed entities owned by their respective stockholders prior to the Merger shall be acquired by ALI, and in exchange for the net assets of the absorbed entities, a total of 609,626,351 ALI common shares will be issued to the stockholders of the absorbed entities. Of these shares, 491,306,375 shares shall be issued to ALI itself and shall be treated as treasury shares with a total consideration of ₱13,977.0 million.

On February 28, March 11, March 12, and March 16, 2020, Ayala Land, Inc. purchased a total of 4,412,000 common shares at an average price of ₱35.67 per share for a total consideration of ₱156.4 million, pursuant to its share buyback program.

On February 21, 2020, the Board of Directors of Ayala Land, Inc. at its regular meeting approved the increase of an additional ₱25 billion to the Company’s current share buyback program bringing the available balance to ₱26.1 billion. The program will be implemented through open market purchases executed via the trading facilities of the Philippine Stock Exchange.

On March 5, 2019, the Parent Company purchased a total of 10,372,746 of its common shares at ₱43.20 per share through open market purchases using the trading facilities of the Philippine Stock Exchange for a total purchase price of ₱448.10 million in relation to its share buyback program. On November 26, 2019, the Parent Company also acquired a total of 15,000,000 of its common shares at ₱43.75 per share for a total purchase price of ₱656.25 million.

The amendment of the Articles of Incorporation on April 17, 2013 allowed the re-selling of the 79,528,299 listed common shares as part of the top-up placement transaction completed in July 2013. Treasury common shares were sold at ₱30.50 per share resulting to additional paid-in capital of ₱1,601.6 million.

On August 12, 2008, the BOD approved a share buyback program. It is part of the Parent Company’s balance sheet management program and aims to (i) improve the Parent Company’s balance sheet structure and capital efficiency and (ii) enhance shareholder value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Parent Company as not reflective of its fair corporate value.

In 2008, the Parent Company repurchased a total of 79,528,228 of its common shares through open market purchases using the trading facilities of the Philippine Stock Exchange for a total purchase price of ₱823.9 million in relation to its share buyback program. These have been reported as treasury shares.

Retained Earnings
The BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.28, ₱0.40 and ₱0.27 per share in 2022, 2021 and 2020, respectively, to all issued and outstanding shares.

On March 11, 2022, the BOD during its meeting approved the declaration of cash dividends of ₱0.14 per outstanding common share. The cash dividend was paid on March 25, 2022 to stockholders of common shares as of record date March 8, 2022.

On November 8, 2022, the BOD during its meeting approved the declaration of cash dividends of ₱0.14 per outstanding common share. The cash dividend was paid on Nove,ber 18, 2022 to stockholders of common shares as of record date November 3, 2022.

On February 23, 2021, the BOD during its meeting approved the declaration of cash dividends of ₱0.26 per outstanding common share. The cash dividend was paid on March 25, 2021 to stockholders of common shares as of record date March 10, 2021.

On October 19, 2021, the BOD during its meeting approved the declaration of cash dividends of ₱0.14 per outstanding common share. The cash dividend was paid on November 18, 2021 to stockholders of common shares as of record date November 3, 2021.

Total dividends for common shares declared for 2022, 2021 and 2020 amounted to ₱4,062.0 million, ₱4,063.2 million and ₱4,006.67 million, respectively. Total dividends for preferred shares declared for 2022, 2021 and 2020 amounted to ₱62.0 million each year.

As of December 31, 2022 and 2021, retained earnings of ₱25,000.0 million and ₱8,000.0 million as of December 31, 2020 are appropriated for future expansion. The increase of ₱17,000.0 million, as approved by the BOD on November 25, 2021, represents a continuing appropriation for land banking activities and planned building construction projects. Each year, the Parent Company incurs capital expenditures for property development which include among others land banking and building construction projects. The appropriation is being fully utilized to cover part of the annual expenditure requirement of the Parent Company.

The Parent Company has earmarked additional funds for expansion projects in the residential, shopping centers, office and hotel business segments, as well as various infrastructure projects for the Parent Company's mixed-use developments.

The following are among the major capital expenditures of the Parent Company which were approved by the BOD on November 25, 2021:

a) Arca South, a 74 hectares lifestyle district in the City of Taguig with residential, office, retail, hotel and other commercial component. Phase 1 of the mixed-use development was approved by the board on November 25, 2014. It consists of a retail project with 20k sqm GLA, 2 BPO towers with 31k sqm GLA and a 265-room hotel with total estimated cost of ₱11 billion, for completion in 2026. As of December 31, 2022, a total of ₱6 billion has already been completed.

b) Vertis North, a 29 hectares estate positioned as the Central Business District of the North with residential, office, retail and hotel component. Phase 1 of the mixed-use development was approved by the board on October 11, 2013. It consists of the completed Vertis mall with 40k sqm GLA, 3 office towers with 125k sqm GLA and a 438 room Seda hotel. For future development consists of the 4th Office Tower with 46k sqm GLA estimated at ₱5 billion, for completion beyond 2026. A total of ₱113 million were incurred as of December 31, 2022.

c) Vermosa , 700-hectare estate located south of Ayala Alabang. It is a mixed use development with residential and commercial component. Phase 1 of the mixed-use development consists of residential developments, commercial lots, school and sports and lifestyle complex. For future development consists of a mall with 41k sqm GLA approved by the board on May 19, 2017.

Estimated cost for this project is at ₱2.5 billion, for completion in phases by 2022-2024. As of December 31, 2022, ₱202 million were incurred.

d) Continuing payments for various acquisitions within the country amounting to ₱14.5 billion to be paid until 2024-2026. A sum of ₱2.9 billion has been spent as of December 31, 2022.

Retained earnings also include undistributed net earnings amounting to ₱108,047.70 million and ₱101,582.19 million as of December 31, 2022 and 2021, respectively, representing accumulated equity in the net earnings of subsidiaries, associates and joint ventures. These are not available for dividend distribution unless declared by subsidiaries and other investees.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2022 and 2021 amounted to ₱55.36 billion and ₱39.30 billion, respectively.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of treasury shares.

Cumulative Translation Adjustment

The cumulative translation adjustments represent exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.

Equity Reserves

On January 20, 2022, the Board of Directors of Ayala Land, Inc. (ALI) approved a property-for-share swap with Ayala Corporation (AC) and Mermac, Inc. (Mermac). Under the transaction, AC will subscribe to 309,597,711 primary common shares for assets valued at ₱17,275.55 million, and Mermac will subscribe to 1,982,289 primary common shares for assets worth ₱110.61 million, totaling 311,580,000 primary common shares at a value of ₱55.80 per share, as validated by a third-party fairness opinion.

The primary common shares to be issued by ALI to AC and Mermac will come from the unissued shares in the 1-Billion Common Shares Carve Out approved by ALI shareholders in 2014. The said shares are not subject to pre-emptive rights and do not require stockholders' approval under the Seventh Article of the Articles of Incorporation of Ayala Land, Inc.

On December 29, 2022, the property-for-share swap has been approved by the SEC. As a result, ALI received 258,023,645 common share of Ayala Hotels Inc. (AHI) representing 50% ownership of the entity. This transaction was regarded as acquisition involving common control with an impact to equity reserves amounting to ₱9,800.78 million in 2022.

Ayala Land, Inc. acquired additional 187,985 common shares and 149,007 preferred shares of Vesta Property Holdings, Inc. for a value of ₱415.62 million in April 2022. As a result of the additional investments in common and preferred shares, the ownership interest in Vesta increased from 78% in 2021 to 84% in 2022. The acquisition is accounted as entities under control. As a holder of preferred share, the parent Company has voting rights same as that attached to common shares. Impact to equity reserves as a result of this transaction amounted to ₱523.36 million.

On April 27, 2022, Ayala Land, Inc. sold 87,370,000 shares of AREIT, Inc. (AREIT) at a transaction price of ₱39.70 per share, equivalent to ₱3.47 billion (exclusive of fees and taxes). ALI's net equity reserve from the sale of AREIT shares aggregated to a decrease of ₱2.53 billion out of the ₱3.40 billion net proceeds. This transaction was executed in relation to the property-for-share swap transaction with AREIT.

On May 19, 2022, Ayala Land, Inc. (ALI) and AREIT, Inc. (AREIT) executed the Deed of Exchange on the property-for-share swap transaction involving the issuance of 252,136,383 primary common shares of AREIT (Shares) to ALI, at an issue price of ₱44.65 per share in exchange for identified properties valued at ₱11,257.89 million. This was approved by the SEC on December 29, 2022.

On December 29, 2022, ALI and AREIT executed the Amendment to the Deed of Exchange to set October 1, 2022 as the effective date of assignment by ALI of the income of the properties and the tenant lease contracts and permits to AREIT.

The resulting equity reserve from 2022 transactions amounted to ₱7,792.46 million.

On December 16, 2021, the SEC has approved the merger of CHI, AiO, ASCVC and CBDI with and into ALI, with ALI as the surviving entity (the “Merger”). ALI shall be the surviving entity in the Merger and shall possess all the rights, privileges and immunities of CHI, AiO, ASCVC and CDBI (the “Absorbed Corporations”), and all properties and liabilities, and all and every other interest of or belonging to the Absorbed Corporations shall be taken and deemed transferred to ALI without further act or deed. The impact of merger is a decrease to equity reserve amounting to P276.8 million.

On October 8, 2021, Ayala Land, Inc. and AREIT, Inc. received the approval from the SEC of the property-for-share swap, specifically the subscription of ALI and its subsidiaries namely, Westview Commercial Ventures Corp. and Glensworth Development, Inc. (collectively referred to as Subsidiaries) to 483,254,375 shares of AREIT in exchange for identified properties owned by ALI and the Subsidiaries, under the Deed of Exchange dated June 8, 2021. This resulted in ALI’s interest in AREIT from 54% to 66%. The impact to equity reserve amounted to ₱981.1 million.

On August 13, 2020, ALI sold through a public listing its 49.0% effective noncontrolling interest in AREIT, Inc. at ₱27.0 per share. Subsequently during a one-month stabilization process, BPI Capital Corporation acquired a 3.4% interest in AREIT at an average price of ₱26.0/share and redelivered this to ALI. As a result of the sale and buy-back transactions, ALI’s ownership interest in AREIT was diluted from 100.00% to 54.4%. In relation to the dilution without loss of control, the impact to ALI’s net equity reserve amounted to ₱7,641.7 million. ALI’s non-controlling interest increased by ₱4,701.7 million, as a result of the public offering of AREIT Inc. The difference between the consideration and carrying value of the non-controlling interest was credited to equity reserve as shown below:

	2020		
	Consideration received	Carrying value of Non-controlling interests deemed disposed	Difference recognized within Equity as Equity Reserve
		(In Thousands)	
45.6% in AREIT	₱12,343,461	₱4,701,746	₱7,641,715

<u>Non-controlling interests</u>
The Parent Company considers a subsidiary as a subsidiary with material NCI if its net assets exceed 5% of its total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the subsidiary compared to other operations of the Group. There are no significant restrictions on the Parent Company’s ability to use assets and settle liabilities of the Group. The financial information on the Parent Company’s significant subsidiaries with material NCI follows:

AREIT, Inc.
AREIT, Inc., was incorporated on September 4, 2006. As of December 31, 2022, it is 54.88% owned by ALI, 5.47% owned by ALO, 3.53% owned by GDI, 2.13% owned by WCVC, and 33.9% public after being listed in the Philippine Stock Exchange (PSE) on August 13, 2020. It was organized primarily as a real estate investment trust, as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including its implementing rules and regulations and other applicable laws.

The related balances for the year ended December 31, 2022 follows:

	2022	2021
	(In Thousands, except for %)	
Proportion of equity interests held by non-controlling interests	**40.0%**	33.9%
Accumulated balances of material non-controlling interests	**₱5,563,707**	₱5,040,631
Net income allocated to material non-controlling interests	**763,912**	927,789
Comprehensive income allocated to material non-controlling interests	**763,912**	927,789

The summarized financial information of AREIT, Inc. as of and for the year ended December 31, 2022 and 2021 are provided below. This information is based on amounts before inter-company eliminations.

	2022	2021
	(In Thousands)	
Statements of financial position		
Current assets	**₱2,137,763**	₱1,523,243
Noncurrent assets	**65,548,226**	54,980,285
Current liabilities	**(5,019,325)**	(2,257,257)
Noncurrent liabilities	**(2,593,774)**	(5,358,681)
Total equity	**60,072,890**	48,887,590
Attributable to:		
Equity holders of AREIT	**60,072,890**	48,887,590
Non-controlling interests	**–**	–
Dividends paid to non-controlling interests	**–**	–

	For the years ended December 31	
	2022	2021
	(In Thousands)	
Statements of comprehensive income		
Revenue	**₱5,072,846**	₱3,316,464
Cost and expenses	**2,185,159**	919,264
Income before income tax	**2,887,687**	2,397,200
Provision for income tax	**(124)**	(48)
Income from operations	**2,887,563**	2,397,152
Other comprehensive (loss) income	**–**	–
Total comprehensive income	**2,887,563**	2,397,152
Attributable to:		
Equity holders of AREIT	**₱2,887,563**	₱2,433,267
Non-controlling interests	**–**	–

	For the years ended December 31	
	2022	2021
	(In Thousands)	
Statements of cash flows		
Operating activities	**₱3,833,174**	₱2,145,006
Investing activities	**(263,046)**	(4,137,567)
Financing activities	**(3,599,385)**	2,025,594
Effect of exchange rate changes	–	33,033
Net increase in cash and cash equivalents	**(₱29,257)**	₱66,066

The fair value of the investment in AREIT, Inc. amounted to ₱41,145.1 million and ₱48,479.7 million as of December 31, 2022 and 2021, respectively.

CHI and Subsidiaries
CHI, a publicly-listed company, was incorporated in the Republic of the Philippines. It was engaged in real estate development, sale of subdivided land, residential and office condominium units, sports club shares, and lease of commercial spaces. The registered office address of CHI was at 20F ACC Tower, Bohol St., Cebu Business Park, Cebu City, Philippines. CHI was merged to ALI on December 16, 2021.

Proportion of equity interests held by non-controlling interests	28.9%
Accumulated balances of material non-controlling interests	₱2,528,941
Net income allocated to material non-controlling interests	201,523
Comprehensive income allocated to material non-controlling interests	201,523

Prior to the merger in 2021, the summarized financial information of CHI in 2020 is provided below. This information is based on amounts before inter-company eliminations.

Statements of financial position	
Current assets	₱4,154,937
Noncurrent assets	24,894,482
Current liabilities	(14,911,598)
Noncurrent liabilities	(1,661,300)
Total equity	12,476,521
Attributable to:	
Equity holders of CHI	9,744,862
Non-controlling interests	2,731,659
Dividends paid to non-controlling interests	–

	2020
Statements of comprehensive income	
Revenue	₱2,933,252
Cost and expenses	(2,506,461)
Income before income tax	426,791
Provision for income tax	(26,374)
Income from operations	400,417
Other comprehensive (loss) income	(48,755)
Total comprehensive income	351,662
Attributable to:	
Equity holders of CHI	₱343,132
Non-controlling interests	8,530

	2020
Statements of cash flows	
Operating activities	₱1,170,848
Investing activities	(1,220,472)
Financing activities	(78,000)
Effect of exchange rate changes	(337)
Net increase in cash and cash equivalents	(₱127,961)

The fair value of the investment in CHI amounted to ₱9,050.7 million as of December 31, 2021, respectively.

ALLHC and Subsidiaries
ALLHC was incorporated in the Republic of the Philippines. It is engaged in real estate and property development, manufacturing and retailing/distribution, non-life insurance and other allied services, organized under a number of intermediate holding companies. The Company wholly owns Tutuban Properties, Inc., which holds the lease and development rights over Tutuban Center in downtown Divisoria.

	2022	2021
	(In Thousands, except for %)	
Proportion of equity interests held by non-controlling interests	**28.5%**	29.1%
Accumulated balances of material non-controlling interests	**₱4,008,230**	₱4,412,056
Net income allocated to material non-controlling interests	**261,064**	219,295
Comprehensive income allocated to material non-controlling interests	**261,064**	219,295

The summarized financial information of ALLHC is provided below. This information is based on amounts before inter-company eliminations (In Thousands).

	December 31, 2022	December 31, 2021
Statements of financial position		
Current assets	**₱7,538,773**	₱7,114,121
Noncurrent assets	**20,031,125**	13,244,125
Current liabilities	**(7,242,901)**	(3,529,675)
Noncurrent liabilities	**(5,874,649)**	(4,836,594)
Total equity	**14,452,348**	11,991,978
Attributable to:		
Equity holders of ALLHC	**14,425,627**	11,971,624
Non-controlling interests	**26,721**	20,354
Dividends paid to non-controlling interests	**–**	–

	For the years ended December 31	
	2022	2021
Statements of comprehensive income		
Revenue	**₱4,184,753**	₱4,293,068
Cost and expenses	**2,979,222**	3,339,428
Income before income tax	**1,205,531**	953,640
Provision for income tax	**198,285**	95,474
Income from operations	**1,007,246**	858,166
Other comprehensive loss	**(6,222)**	–
Total comprehensive income	**1,001,024**	858,166
Attributable to:		
Equity holders of ALLHC	**1,009,118**	865,106
Non-controlling interests	**(8,095)**	(6,940)
Statements of cash flows		
Operating activities	**₱750,548**	₱966,407
Investing activities	**(3,198,568)**	(1,768,956)
Financing activities	**2,811,365**	705,739
Net increase (decrease) in cash and cash equivalents	**₱363,345**	(₱96,810)

The fair value of the investment in ALLHC amounted to ₱13,267.3 million and ₱30,068.0 million as of December 31, 2022 and 2021, respectively.

Capital Management
The primary objective of the Group's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of December 31, 2022 and 2021, the Group had the following ratios:

	2022	2021
Debt to equity	**0.80:1**	0.82:1
Net debt to equity	**0.76:1**	0.77:1

Debt consists of short-term and long-term debts. Net debt includes short-term and long-term debt less cash and cash equivalents, short-term investments and financial assets at FVPL. Equity, which the Group considers as capital, pertains to the total equity. The Group excludes the "Fair value reserve of financial assets at FVOCI" attributable to the equity holders of the Company in computing the debt to equity ratio.

The Group is subject to externally imposed capital requirements due to loan covenants (see Note 16). No changes were made in the objectives, policies or process capital during the years ended December 31, 2022 and 2021.

Financial risk assessment
The Group's financial condition and operating results would not be materially affected by the current changes in interest, currency, credit, liquidity and market conditions.

Exposure to changes in interest rates is reduced by a debt portfolio mix of both fixed and floating interest rates. The Group's ratio of fixed to floating rate debt stood at 90:10 and 91:9 as of December 31, 2022 and 2021, respectively. As a result, any adverse movement in interest rates is mitigated.

Exposure to foreign currency holdings is at MYR175.6 million and US$34.8 million as of December 31, 2022, and MYR127.3 million and US$102 million as of December 31, 2021, respectively.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Group's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Liquidity risk is addressed with long term funding already locked in, while funds are placed on cash equivalents, short term investment and financial assets at FVTPL.

20. **Revenue**

This account consists of:

	2022	2021	2020
		(In Thousand)	
Revenue from contracts with customers			
Residential development	**₱81,244,149**	₱75,939,410	₱66,461,372
Hotels and resorts	**6,194,072**	2,833,075	3,388,190
Construction	**4,235,503**	3,909,051	3,278,557
Others	**4,181,058**	2,466,666	2,971,238
Rental income (Notes 12 and 33)	**27,196,530**	17,797,660	18,468,871
Equity in net earnings of associates and joint venture	**1,429,795**	842,565	586,502
Total Revenue	**₱124,481,107**	₱103,788,427	₱95,154,730

The Group derives revenue from the transfer of goods and services over time and at a point in time in different product types. The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

Residential development

	2022	2021	2020
		(In thousands)	
Type of Product			
Middle income housing	**₱23,539,723**	₱24,101,342	₱21,239,940
Coremid	**19,831,937**	19,789,427	20,445,730
Condominium	**25,218,522**	23,733,274	18,231,721
Lot only	**12,653,967**	8,315,367	6,543,981
	₱81,244,149	₱75,939,410	₱66,461,372

All of the Group's real estate sales from residential development are revenue from contracts with customers recognized over time.

Hotels and resorts

	2022	2021	2020
		(In thousands)	
Type of Product			
Rooms	**₱3,464,771**	₱1,581,171	₱1,775,632
Food and beverage	**1,933,309**	816,326	731,812
Others	**453,477**	213,465	273,424
Other operated department	**342,515**	222,113	607,322
	₱6,194,072	₱2,833,075	₱3,388,190

The Group's revenue from hotels and resorts is attributed to the operations from the development and management of hotels and resorts/serviced apartments. In view of the continuing community quarantines and restricted travel, the Group's hotels and resorts segment continues to be adversely affected by the lower number of guests and reduced room rates, both of which have significantly impacted the revenues reported under this segment. Also, many restaurants remain closed or allowed limited operations which impacted the food and beverage revenues of the segment.

The Group's construction revenue pertains to transactions with related parties such as joint ventures and associates.

Others are mainly composed of property management facilities of the Group and third party projects.

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions. Rent discounts and concessions given vary for merchants that are (1) forced to close and those that are still (2) operational. Rental fees and common charges of merchants who were forced to close during the quarantine period were waived with 50% discount in their common area usage expenses.

Set-out below is the reconciliation of contracts with customers with the amounts disclosed in segment information (in millions):

	2022					
	Residential Development	**International**	**Construction**	**Hotels and Resorts**	**Property Management and Others**	**Total**
Sales to external customer	**₱71,792**	**₱2,757**	**₱4,236**	**₱6,194**	**₱4,181**	**₱89,160**
Interest	**6,695**	**–**	**–**	**–**	**–**	**6,695**
Total revenue from contracts with customers	**₱78,487**	**₱2,757**	**₱4,236**	**₱6,194**	**₱4,181**	**₱95,855**

	2021					
	Residential Development	International	Construction	Hotels and Resorts	Property Management and Others	Total
Sales to external customer	₱65,260	₱3,878	₱3,909	₱2,833	₱2,467	₱78,347
Interest	6,801	–	–	–	–	6,801
Total revenue from contracts with customers	₱72,061	₱3,878	₱3,909	₱2,833	₱2,467	₱85,148

	2020					
	Residential Development	International	Construction	Hotels and Resorts	Property Management and Others	Total
Sales to external customer	₱53,014	₱4,845	₱3,279	₱3,388	₱2,971	₱67,497
Interest	8,603	–	–	–	–	8,603
Total revenue from contracts with customers	₱61,617	₱4,845	₱3,279	₱3,388	₱2,971	₱76,100

21. Interest and Investment Income and Other Income

Interest and investment income consists of:

	2022	2021	2020
		(In Thousands)	
Gain on sale of equipment and other properties	**₱–**	₱106,051	₱23,265
Interest income from banks	**85,121**	79,765	293,354
Interest income from short term investments	**58,938**	–	–
Interest income from advances to officers/employees and other companies	**187,668**	46,546	75,160
Others	**55,356**	20,745	2,922
	₱387,083	₱253,107	₱394,701

Other income consists of:

	2022	2021	2020
		(In Thousands)	
Marketing and management fees	**₱693,144**	₱528,345	₱219,937
Others - net (Notes 11 and 24)	**994,480**	1,572,726	503,331
	₱1,687,624	₱2,101,071	₱723,268

Other income mainly consists on gain from disposal of associates and subsidiary, financial impact of net foreign exchange transactions, fair value movement in UITF and other miscellaneous income.

22. Costs and Expenses and Other Charges

Real estate costs and expenses consist of:

	2022	2021	2020
		(In Thousands)	
Cost of real estate sales (Note 8)	**₱37,610,988**	₱38,883,964	₱32,916,227
Depreciation and amortization	**7,880,751**	7,162,971	7,651,383
Hotels and resorts operations	**5,399,588**	1,907,908	2,990,397
Manpower costs	**5,208,820**	2,654,700	1,925,639
Rental	**305,465**	260,548	863,622
Marketing and management fees	**860,521**	95,753	1,274,861
Materials and overhead	**258,066**	54,636	43,759
Direct operating expenses:			
Light and water	**4,364,283**	2,701,440	439,464
Taxes and licenses	**4,109,408**	3,663,470	4,078,001
Repairs and maintenance	**2,749,054**	2,643,460	1,663,775
Commission	**2,720,178**	2,414,648	1,912,056
Insurance	**298,804**	232,980	213,150
Professional fees	**225,795**	280,323	245,787
Transportation and travel	**195,121**	137,865	67,353
Entertainment, amusement and recreation	**42,494**	28,166	14,756
Others	**3,399,375**	1,518,687	372,954
	₱75,628,711	₱64,641,519	₱56,673,184

General and administrative expenses consist of:

	2022	2021	2020
		(In Thousands)	
Manpower costs (Notes 26 and 28)	**₱3,876,043**	₱3,717,324	₱4,166,178
Depreciation and amortization	**951,210**	770,666	945,283
Taxes and licenses	**658,149**	561,136	1,096,167
Professional fees	**473,277**	484,133	419,557
Repairs and maintenance	**406,659**	382,734	332,586
Utilities	**239,435**	64,717	266,391
Security and Janitorial	**126,827**	116,821	274,754
Rent	**99,951**	–	10,642
Insurance	**85,857**	34,998	37,306
Transport and travel	**80,573**	45,038	46,996
Advertising	**70,264**	53,271	42,970
Dues and fees	**62,811**	199,639	52,251
Supplies	**57,238**	42,937	44,393
Entertainment, amusement and recreation	**27,105**	12,607	26,047
Training and seminars	**24,207**	11,635	14,357
Donations and contribution	**15,212**	38,624	57,628
Others	**9,521**	2,579	178,307
	₱7,264,339	₱6,538,859	₱8,011,813

Manpower costs included in the consolidated statements of income follows:

	2022	2021	2020
		(In Thousands)	
Real estate costs and expenses			
Cost of real estate	**₱5,208,820**	₱2,475,968	₱1,761,580
Hotels and resorts operations	**222,014**	178,732	164,059
General and administrative expenses	**3,876,043**	3,717,324	4,166,178
	₱9,306,877	₱6,372,024	₱6,091,817

Depreciation and amortization expense included in the consolidated statements of income follows:

	2022	2021	2020
		(In Thousands)	
Real estate costs and expenses:			
Cost of real estate	**₱7,880,751**	₱7,162,971	₱7,651,383
Hotels and resorts operations	**856,768**	886,870	975,906
General and administrative expenses	**951,210**	770,666	945,283
	₱9,688,729	₱8,820,507	₱9,572,572

Other expenses consist of:

	2022	2021	2020
		(In Thousands)	
Financial expenses and other charges (Note 7)	**₱3,742,306**	₱3,097,223	₱2,810,922
Net provision for (reversals of) impairment losses on:			
Receivables (Note 7)	**253,738**	359,129	752,641
Investment properties (Note 12)	**-**	180,563	225,208
	₱3,996,044	₱3,636,915	₱3,788,771

Interest and other financing charges consist of:

	2022	2021	2020
		(In Thousands)	
Interest expense on:			
Long-term debt	**₱9,198,060**	₱8,778,056	₱9,705,852
Short-term debt	**383,094**	391,435	1,164,767
Lease liabilities (Note 33)	**1,439,756**	1,409,177	1,430,607
Other financing charges	**425,758**	459,104	444,494
	₱11,446,668	₱11,037,772	₱12,745,720

23. **Income Tax**

Net deferred tax assets:

	2022	2021
	(In Thousands)	
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	**₱7,922,784**	₱5,989,367
Lease liabilities	**4,088,076**	5,807,896
Accrued expenses	**1,669,844**	2,640,103
NOLCO	**1,295,590**	1,494,484
Unrealized foreign exchange losses	**521,998**	13,824
Allowance for probable losses	**355,047**	479,781
Retirement benefits	**285,623**	506,871
Others	**1,172,398**	763,946
	17,311,360	17,696,272
Deferred tax liabilities on:		
Right-of-use assets	**(1,974,313)**	(3,686,194)
Capitalized interest and other expenses	**(736,613)**	(539,957)
Unrealized foreign exchange gains	**(100,216)**	(66,377)
Prepaid expenses	**(15,460)**	(29,567)
Others	**(595,471)**	(484,055)
	(3,422,073)	(4,806,150)
	₱13,889,287	₱12,890,122

Net deferred tax liabilities:

	2022	2021
	(In Thousands)	
Deferred tax assets on:		
NOLCO	**₱337,908**	23,668
Accrued expense	**61,331**	₱88,082
Retirement benefits	**45,125**	–
Allowance for probable losses	**11,990**	20,721
Difference between tax and book basis of accounting for real estate transactions	**–**	16,896
Unrealized foreign exchange loss	**–**	57,461
Lease liabilities	**13,359**	11,913
Others	**58,656**	64,817
	528,369	283,558
Deferred tax liabilities on:		
Fair value adjustment arising from business combination	**(3,445,212)**	(3,260,288)
Difference between tax and book basis of accounting for real estate transactions	**(1,771,278)**	(3,086,237)
Unrealized foreign exchange gain	**(128,854)**	(5,183)
Right-of-use assets	**(32,785)**	(27,280)
Capitalized interest and other expenses	**(6,448)**	(15,126)
Retirement benefits	**–**	(17,532)
Others	**(993,080)**	(392,175)
	(6,377,657)	(6,803,821)
	(₱5,849,288)	(6,520,263)

As of December 31, 2022 and 2021 deferred tax liabilities have not been recognized on the undistributed earnings and cumulative translation adjustment of foreign subsidiaries since the timing of the reversal of the temporary difference can be controlled by the Group and management does not expect the reversal of the temporary differences in the foreseeable future.

Certain subsidiaries of the Parent Company have NOLCO amounting to ₱2,052 million and ₱5,732.7 million as of December 31, 2022 and 2021, respectively, and MCIT amounting to ₱32.8 million and ₱26.0 million as of December 31, 2022 and 2021, respectively. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. As of December 31, 2022 and 2021, total unrecognized NOLCO amounted to ₱349.9 million and ₱212.1 million, respectively. As of December 31, 2022 and 2021, total unrecognized MCIT amounted to ₱0.75 million and ₱14.3 million, respectively. The subsidiaries will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2022, the Group has incurred NOLCO which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2018	₱990,792	₱990,792	₱−	2021
2019	587,561	587,561	−	2022
	₱1,578,353	₱1,578,353	₱−	

As of December 31, 2022, the Group has incurred NOLCO which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years, as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2020	₱3,105,402	₱1,625,656	₱1,479,746	2025
2021	2,039,719	146,661	1,893,058	2026
2022	2,052,441	33,943	2,018,498	2025
	₱7,197,562	₱1,806,260	₱5,391,302	

The carryover MCIT that can be used as deductions against income tax liabilities is as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2019	5,576	5,576	−	2022
2020	6,992	6,992	−	2023
2021	13,409	1,070	12,339	2024
2022	32,844	330	32,514	2025
	₱55,821	₱13,968	₱44,853	

Reconciliation between the statutory and the effective income tax rates follows:

	2022	2021	2020
Statutory income tax rate	**25.00%**	25.00%	30.00%
Tax effect of:			
Equity in net earnings of associates and joint ventures	**(5.07)**	(4.15)	(3.90)
Income under tax holiday and other nontaxable income	**(0.76)**	(0.13)	(0.88)
Interest income and capital gains taxed at lower rates	**(1.87)**	(0.56)	(0.25)
Others - net	**1.36**	2.65	1.99
Effective income tax rate	**20.18%**	22.81%	26.96%

Deferred tax related to remeasurement gain on defined benefit plans recognized in OCI amounted to ₱330.7 million and ₱274.9 million in 2022 and 2021, respectively.

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE"
To attract more investments and maintain fiscal prudence and stability in the Philippines, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law on March 26, 2021. RA 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect in April 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporation. For domestic corporation with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100.00 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

Imposition of improperly accumulated earnings tax (IAET) is repealed.

Board of Investments (BOI) Incentives
The Board of Investments issued certificates of registrations to the following companies in accordance with the existing Omnibus Investment Code. The projects have been granted an Income Tax Holiday (ITH) for a fixed period from the date of registration or actual start of operations, whichever is earlier.

	Registration Date	**Project Location**	**ITH Start**	**ITH Period**
Econorth Resort Ventures Inc.	November 21, 2017	Seda Lio	March 2018	5 years
Capitol Central Hotel Ventures, Inc.	September 08, 2017	Seda Capitol Central	January 2018	4 years
Bonifacio Hotel Ventures, Inc.	January 11, 2012	Seda BGC	June 2018	6 years
Bonifacio Hotel Ventures, Inc.	May 22, 2019	Seda BGC Expansion	May 2019	3 years
Makati North Hotel Ventures, Inc.	August 16, 2019	Seda Residences Makati	August 2019	4 years
Central Bloc Hotel Ventures, Inc.	June 16, 2020	Seda Central Bloc Cebu	January 2021	4 years
MDC Conqrete, Inc.	October 5, 2020	PBU and WallQrete	January 2021	3 years
Amaia Land Corp	October 31, 2020	Amaia Scapes Rizal	October 2020	4 years
Amaia Land Corp	July 18, 2018	Amaia Scapes Bulacan Sector 3B	July 2018	3 years

24. Acquisition of Non-controlling Interests

Ayala Hotels, Inc. (AHI)
On January 20, 2022, the Board of Directors of ALI approved a property-for-share swap with AC and Mermac. Under the transaction, AC will subscribe to 309,597,711 primary common shares for assets valued at ₱17,275.55 million, and Mermac will subscribe to 1,982,289 primary common shares for assets worth ₱110.61 million, totaling 311,580,000 primary common shares at a value of ₱55.80 per share, as validated by a third-party fairness opinion. The total assets include 258,023,645 common share of AHI and 714,116 common shares of DADC representing 50% and 100% stake of the companies, respectively.

The primary common shares to be issued by ALI to AC and Mermac will come from the unissued shares in the 1-Billion Common Shares Carve Out approved by ALI shareholders in 2014. The said shares are not subject to pre-emptive rights and do not require stockholders' approval under the Seventh Article of the Articles of Incorporation of Ayala Land, Inc.

On December 29, 2022, SEC approved the transaction which resulted to additional 50% stake in AHI through acquisition involving common control with impact to equity reserves amounting to ₱9,800.78 million and a 100% holdings in DADC which regarded as an asset acquisition.

Vesta Property Holdings Inc.
The Parent Company acquired additional 187,985 common shares and 149,007 preferred shares of Vesta Property Holdings, Inc. for a value of ₱415.62 million in April 2022. As a result of the additional investments in common and preferred shares, the ownership interest in Vesta increased from 78% in 2021 to 84% in 2022. The acquisition is accounted as common control. As a holder of preferred share, the parent Company has voting rights same as that attached to common shares. Impact to equity reserves as a result of this transaction amounted to ₱523.36 million.

Cebu Holdings, Inc. (CHI)
On December 16, 2021, the SEC approved the merger of CHI, AiO, ASCVC and CBDI with and into ALI, with ALI as the surviving entity (the “Merger”). ALI shall be the surviving entity in the Merger and shall possess all the rights, privileges and immunities of CHI, AiO, ASCVC and CBDI (the “Absorbed Corporations”), and all properties and liabilities, and all and every other interest of or belonging to the Absorbed Corporations shall be taken and deemed transferred to ALI without further act or deed.

As a result of the above merger, ALI’s ownership on the seven companies also increased namely Southportal Properties, Inc. (from 65% to 100%), Cebu Leisure Company, Inc. (from 71% to 100%), CBP Theatre Management Inc. (from 71% to 100%), Taft Punta Engaño Property Inc. (from 39% to 55%), Cebu Insular Hotel Company, Inc. (from 26% to 37%), Solinea, Inc (from 25% to 35%), Amaia Southern Properties, Inc. (from 25% to 35%). Summary of financial information of the merged entities are as follow:

	Amount
	(In Thousands)
Current assets	₱7,039,965
Noncurrent assets	26,786,933
Current liabilities	(15,410,125)
Noncurrent liabilities	(1,272,817)
Equity	(17,143,955)

25. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

In its regular conduct of business, the Group has entered into transactions with its parent company, associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, development, management, underwriting, marketing, leasing and administrative service agreements.

Terms and Conditions of Transactions with Related Parties
Transactions with related parties are made at normal market prices. Outstanding balances at year end are unsecured, interest free and settlement occurs generally in cash, except otherwise indicated. There have been no guarantees provided or received for any related party receivables or payables. The Group does not provide any allowance relating to receivable from related parties. The Group has an active intercompany lending program and intercompany receivables are short-term. Related party borrowers are assessed to have financial capacity based on operational performance and cash flow requirements.

This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year (in thousands):

a. Transactions with Bank of the Philippine Islands (BPI), an associate of Ayala Corporation (AC)

   Cash and cash equivalents earn interest from 2.5% to 6.0% per annum for Philippine Peso-denominated and 1.0% to 3.0% per annum for USD-denominated investments. Investment in FVPL are UITF which earns interest depending on the duration of time invested in the fund. Interest earned with investments in BPI for the year amounted to ₱30.99 million, ₱12.30 million, and ₱24.70 million in 2022, 2021 and 2020, respectively.

   Short-term debts are secured peso denominated bank loans with interest rate ranging from 5.5% to 5.6% while long-term debts bear fixed rates ranging from 4.5% to 6.9% and floating rates ranging from 5.4% to 6.5% per annum with remaining terms ranging from less than a year to 9.9 years. Interest expense incurred on borrowings from BPI amounted to ₱220.7 million, ₱451.2 million, and ₱723.29 million for the years ended December 31, 2022, 2021 and 2020, respectively.

   As of December 31, 2022 and 2021, the Group maintains current and savings account, money market placements and short-term and long-term debt payable with BPI broken down as follows:

	2022	2021
	(In Thousands)	
Cash in bank	**₱6,074,938**	₱3,302,304
Cash equivalents	**357,929**	29,181
Marketable securities	**66,444**	197,432
Short term debt	**1,636,000**	1,643,500
Long-term debt	**4,623,237**	6,366,922

b. Outstanding balances with parent company, associates and other related party

   Receivables from/payables to other related parties pertain mostly to advances and reimbursement of operating expenses related to development cost and land acquisitions. Payables to related parties consist of expenses incurred on utilities, professional services and other miscellaneous services as well as purchases of vehicles. These are generally trade-related, noninterest-bearing and settled within one year.

Outstanding balances from/to related parties follow (amounts in thousands):

2022

	Receivable from related parties			Payable to related parties		
	Current	**Noncurrent**	**Total**	**Current**	**Noncurrent**	**Total**
AC	**₱90,805**	**₱–**	**₱90,805**	**₱151,143**	**₱–**	**₱151,143**
As Associates	**5,444,563**	**–**	**5,444,563**	**321,912**	**–**	**321,912**
Other related parties:						
Globe Telecom (Globe)	**213,324**	**–**	**213,324**	**10,800**	**–**	**10,800**
Bank of the Philippine Islands	**389,057**	**–**	**389,057**	**18,193**	**–**	**18,193**
Columbus	**42,922**	**–**	**42,922**	**–**	**–**	**–**
Manila Water Philippine Ventures, Inc.	**345,760**	**–**	**345,760**	**20,814**	**–**	**20,814**
Michigan Holdings, Inc.	**–**	**–**	**–**	**–**	**–**	**–**
Manila Water Company Inc.	**223,075**	**–**	**223,075**	**29,861**	**–**	**29,861**
Others	**178,377**	**–**	**178,377**	**78,057**	**–**	**78,057**
	1,392,515	**–**	**1,392,515**	**157,725**	**–**	**157,725**
	₱6,927,883	**₱–**	**₱6,927,883**	**₱630,780**	**₱–**	**₱630,780**

2021

	Receivable from related parties			Payable to related parties		
	Current	Noncurrent	Total	Current	Noncurrent	Total
AC	₱85,968	₱–	₱85,968	₱151,145	₱–	₱151,145
Associates	4,903,412	–	4,903,412	308,758	–	308,758
Other related parties:						
Globe Telecom (Globe)	172,685	–	172,685	9,542	–	9,542
Bank of the Philippine Islands	149,912	–	149,912	45,537	–	45,537
Columbus	1	–	1	267,355	–	267,355
Manila Water Philippine Ventures Inc.	144,930	–	144,930	8,381	–	8,381
Michigan Holdings, Inc.	3	–	3	–	–	–
Manila Water Company Inc.	357,441	–	357,441	13,825	–	13,825
Others	144,389	–	144,389	118,698	–	118,698
	969,361	–	969,361	463,338	–	463,338
	₱5,958,741	₱–	₱5,958,741	₱923,241	₱–	₱923,241

c. Revenue and expenses from related parties

The revenue from parent company, associates and other related parties pertains mostly to income from leasing and development projects while expenses composed of management fees and training expenses. These are usually non-interest bearing and are assessed for impairment. There are no impairment on these related receivables. Transactions are settled within one year.

Revenue and expenses from related parties follow:

Revenue from related parties:

	2022	2021	2020
		(In Thousands)	
AC	**₱7,727**	₱4,208	₱3,493
Associates	**2,254,914**	2,660,806	2,253,303
Other Related Parties			
Bank of the Philippine Islands	**764,546**	493,893	378,319
Manila Water Philippine Ventures, Inc.	**170,445**	134,767	264,628
Globe Telecom, Inc.	**103,011**	99,099	84,656
Innove Communications	**10,671**	7,673	7,982
Manila Water Company, Inc. (MWCI)	**722,225**	619,288	7,151
Laguna AAA Waterworks Corp. (LAWC)	**1,500**	1,500	1,500
Michigan Holdings, Inc.	**1,203**	1,203	1,203
Others	**87,685**	76,144	32,473
	1,861,286	1,433,567	777,912
Total	**₱4,123,927**	₱4,098,581	₱3,034,708

Expenses from related parties:

	2022	2021	2020
		(In Thousands)	
AC	**₱9,913**	₱10,432	₱10,950
Associates	**193,082**	298,823	201,558
Other Related Parties			
Manila Water Company, Inc.	**261,417**	204,324	234,167
Bank of the Philippine Islands	**208,570**	299,693	434,707
Innove Communications, Inc.	**102,283**	124,233	73,060
AG Counselors Corp.	**58,823**	41,247	206,354
Globe Telecom, Inc.	**43,812**	71,291	66,483
Manila Water Philippine Ventures, Inc.	**299,329**	187,534	125,617
Others	**867,662**	1,114,088	988,788
	1,841,896	2,042,408	2,129,176
Total	**₱2,044,891**	₱2,351,664	₱2,341,684

The following describe the nature of the material transactions of the Group with related parties as of December 31, 2022 and 2021:

- On January 12, 2016, the Parent Company has entered into a partnership with Manila Water Philippine Ventures, Inc., a wholly owned subsidiary of Manila Water Company, Inc., for the waterworks of ALI's projects nationwide. The MOA was signed by ALI and its subsidiaries and affiliates, Cebu Holdings, Inc. and Cebu Property Ventures and Development Corp. Revenue and expense in 2022 amounted to ₱170.4 million and ₱299.3 million, respectively, and ₱134.8 million and ₱187.5 million amounted in 2021, respectively.
- Revenue from Manila Water Company, Inc. (MWCI) primarily pertains to MDC's project on the design & build of the Calawis Water Treatment Plant in Antipolo. The project started on March 01, 2021 and expected to be completed by the last quarter of 2022.
- Certain credit facilities with BPI with a total carrying value of ₱4,623.2 million and ₱6,368.9 million as of December 31, 2022 and 2021, respectively, are secured by a real estate mortgage. This is in compliance with BSP ruling on directors, officers, stockholders and related interests.
- In October 2012 and July 2013, BG South, a subsidiary of Alveo, entered into a contract with FBDC for the purchase of land in Bonifacio Global City. Land cost amounting to ₱117.4 million and ₱210.6 million were recognized in profit or loss in 2022 and 2021, respectively.
- On May 20, 2013, DirectPower and its customers, which are all within the Ayala Group, entered into a Retail Electricity Supply contract wherein DirectPower agreed to supply electricity at a specific rate pursuant to the provisions and implementing rules and regulations of R.A. No. 9136 or the Electric Power Industry Reform Acts of 2001. Among the customers of Direct Power are FBDC, LDC, BPI, San Lazaro BPO Complex and 6750 Ayala Ave.
- The Group sold residential receivables on a without recourse basis to Bank of the Philippine Islands, a related party, amounting to nil and 19,041.0 million in 2022 and 2021, respectively. Proceeds of receivables sold to BPI amounted to nil and ₱17,392.9 million in 2022 and 2021, respectively. The Group recognized loss on sale (under "Other charges") amounting to nil, ₱1,648.1 million and ₱2,064.0 million in 2022, 2021 and 2020, respectively.
- The Group entered into agreements with BPI Asset Management and Trust Corporation for the assignment of interest-bearing employee receivables amounting nil and ₱43.7 million in 2022 and 2021, respectively.
- Revenue from Globe pertains to development management fee and for lease of spaces.

- As of December 31, 2021, the funds include investment in securities of its related parties with carrying value of ₱0.4 billion (see Note 26).

d. Remuneration of Key Management Personnel (KMP)

Key management personnel of the Group include all officers with position of vice president and up. Compensation of key management personnel amounted to ₱199.5 million and ₱179.0 million in 2022 and 2021, respectively.

Compensation of key management personnel by benefit type follows:

	2022	2021
	(In Thousands)	
Short-term employee benefits	**₱183,969**	₱163,513
Post-employment benefits (Note 26)	**15,497**	15,497
	₱199,466	₱179,010

The Related Party Transaction Review Committee shall approve all material related party transactions before their commencement. Material related party transactions shall be identified taking into account the related party registry. Transactions amounting to ten percent (10%) or more of the total assets of the corporation that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process requirement.

26. Retirement Plan

The Group has funded, noncontributory tax-qualified defined benefit type of retirement plans (the Plan) covering substantially all of their employees. The benefits are based on a defined benefit formula.

The Plan aims to maintain a full funding, i.e., the Plan's assets fully covered the Plan's liabilities, as measured through generally accepted actuarial methodologies. Such will provide a higher level of assurance that all promised benefits can be paid from existing assets and expected investment returns. The target funded status is within the range of 80% to 100%.

The Group's fund is in the form of a trust fund being maintained by the trustee banks such as BPI Asset Management and Trust Corporation (collectively the "Retirement Fund"). The primary objective of the Retirement Fund is to achieve the highest total rate of return possible, consistent with a prudent level of risk. The investment strategy articulated in the asset allocation policy has been developed in the context of long-term capital market expectations, as well as multi-year projections of actuarial liabilities. Accordingly, the investment objectives and strategies emphasize a long-term outlook, and interim performance fluctuations will be viewed with the corresponding perspective.

The components of expense (included in manpower costs under "General and administrative expenses") in the consolidated statements of income follows:

	2022	2021	2020
		(In Thousands)	
Current service cost	**₱410,726**	₱484,161	₱398,979
Past service cost	**20,192**	(27,986)	−
Settlement (gain)loss	**(4,431)**	(11,213)	−
Net interest cost on benefit obligation	**107,590**	124,910	104,867
Total pension expense	**₱ 534,077**	₱569,872	₱503,846

The remeasurement effects recognized in other comprehensive income (included in Equity under "Remeasurement loss on defined benefit plans") in the consolidated statements of financial position follow:

	2022	2021	2020
		(In Thousands)	
Return (loss) gain on plan assets (excluding amount included in net interest)	**₱12,195**	(₱29,028)	(₱15,785)
Remeasurement (loss) gain due to liability experience	**106,793**	709,847	(47,859)
Remeasurement (loss) gain due to liability assumption changes - demographic	**(108,921)**	–	(5,641)
Remeasurement (loss) gain due to liability assumption changes - economic	**176,893**	418,766	(617,702)
Remeasurements in other comprehensive income (loss)	**(₱186,861)**	₱1,099,585	(₱686,987)

The funded status and amounts recognized in the consolidated statement of financial position for the retirement plan as of December 31, 2022 and 2021, are as follows:

	2022	2021
	(In Thousands)	
Benefit obligations	**₱3,581,087**	₱4,280,435
Plan assets	**(2,068,413)**	(2,187,661)
Net pension liability position	**₱1,512,674**	₱2,092,774

As of December 31, 2022 and 2021 pension assets (included under "Other noncurrent assets") amounted to ₱52.5 million and ₱11.0 million, respectively, and pension liabilities amounted to ₱1,871.2 million and ₱2,103.7 million, respectively.

Changes in net defined benefit liability of funded plans in 2022 are as follows (in thousands):

		Net benefit cost in consolidated statement of income					**Remeasurements in other comprehensive income**							
	January 1, 2022	**Current service cost**	**Past service cost/ Settlement gain**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan Assets***	**Remeasurement gain due to liability experience**	**Remeasurement gain due to liability assumption changes - demographic**	**Remeasurement gain due to liability assumption changes- economic**	**Net remeasure-ment loss**	**Contribution by employer**	**Transfer in /(out)**	**December 31, 2022**
Present value of defined benefit obligation	₱4,280,435	**₱ 410,726**	**₱15,761**	**179,848**	**₱606,335**	**(₱416,320)**	**(₱49,033)**	**₱84,657**	**(100,616)**	**(₱152,878)**	**(217,870)**	**(₱678,974)**	**₱ 7,482**	**₱3,581,087**
Fair value of plan assets	(2,187,661)	–	**–**	**(72,258)**	**(72,258)**	**210,374**	**61,228**	**22,136**	**(8,305)**	**329,772**	**404,831**	**–**	**(2,952)**	**2,068,413**
Net defined benefit liability	₱2,092,774	**₱ 410,726**	**₱15,761**	**₱ 107,590**	**₱534,077**	**(₱626,694)**	**₱12,195**	**₱106,793**	**(₱108,921)**	**₱176,893**	**₱186,961**	**(₱678,974)**	**₱4,530**	**₱1,512,674**

*excluding amount included in net interest

Changes in net defined benefit liability of funded plans in 2021 are as follows (in thousands):

		Net benefit cost in consolidated statement of income					Remeasurements in other comprehensive income							
	January 1, 2021	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan Assets*	Remeasurement loss due to liability experience	Remeasurement loss due to liability assumption changes - demographic	Remeasurement loss due to liability assumption changes- economic	Net remeasure-ment loss	Contribution by employer	Transfer in /(out)	December 31, 2021
Present value of defined benefit obligation	₱5,094,096	₱484,161	(₱39,199)	213,192	₱658,154	(₱346,515)	₱–	(₱709,847)	₱–	(₱418,766)	(1,128,613)	₱–	₱3,313	₱4,280,435
Fair value of plan assets	(2,085,519)	–	–	(88,282)	(88,282)	186,948	29,028	–	–	–	29,028	(229,836)	–	(2,187,661)
Net defined benefit liability	₱3,008,577	₱484,161	(₱39,199)	₱124,910	₱569,872	(159,567)	₱29,028	(₱709,847)	₱–	(₱418,766)	(1,099,585)	(₱229,836)	₱3,313	₱2,092,774

*excluding amount included in net interest

All equity and debt instruments held have quoted prices in an active market. The remaining plan assets do not have quoted market prices in an active market.

The plan assets have diverse investments and do not have any concentration risk.

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	December 31	
	2022	2021
	(In Thousands)	
Cash and cash equivalents	**₱55,100**	₱18,209
Equity investments		
Unit Investment Trust Funds	**373,006**	400,919
Holding firms	**201,763**	176,694
Property	**284,836**	109,259
Services	**36,704**	19,757
Financials	**34,272**	90,759
Industrials	**7,171**	17,598
Mutual funds	**3,885**	3,786
	941,637	818,772
Debt investments		
AAA rated debt securities	**544,674**	503,439
Government securities	**294,914**	452,261
Unit Investment Trust Funds	**144,204**	53,977
Mutual funds	**27,341**	4,032
Not rated debt securities	**60,543**	336,971
	1,071,676	1,350,680
	₱2,068,413	₱2,187,661

The Retirement Fund's investments will be appropriately diversified to control overall risk and will exhibit portfolio characteristics similar to the set benchmark for each asset class. In case of securities, the aggregate holdings of any security may not exceed 10% of the Plan assets. The criteria for including an asset class in the strategic policy include: (a) wide recognition and acceptance among institutional investors; (b) low correlation with other accepted asset classes; and (c) a meaningful performance history. The Group expects to make contributions of ₱518.02 million to its retirement fund in 2022.

The allocation of the fair value of plan assets follows:

	2022	2021
Investments in debt securities	**52.17%**	61.74%
Investments in equity securities	**29.56%**	37.43%
Others	**18.27%**	0.83%

Funds invested in debt securities include government securities, corporate notes and bonds and money market placements. Investments in equity securities consist of investments in PSE listed stocks and unit investment trust funds. Others were in the form of cash and cash equivalents.

The Group's transactions with the funds mainly pertain to contributions, benefit payments and settlements.

As of December 31, 2022 and 2021, the funds include investment in securities of its related parties (see Note 25). Details of the investment per type of security are as follows:

	December 31, 2022			December 31, 2021
	Carrying Value	**Fair Value**	**Unrealized Gain**	Fair Value
	(In Thousands)			
Investments in debt securities	**₱900,641**	**₱ 873,618**	**(₱14,777)**	₱41,796
Investments in equity securities	**656,280**	**589,709**	**(61,561)**	290,310
Others	**228,240**	**221,620**	**(5,695)**	55,379
	₱1,785,161	**₱1,684,947**	**(₱82,003)**	₱387,485

The plan assets include shares of stock of the Parent Company with fair value amounting to ₱50.85 million and ₱54.03 million as of December 31, 2022 and 2021, respectively. The Parent Company gives the trustee bank the discretion to exercise voting rights over the shares. The plan assets include debt securities of the Parent Company amounting to ₱11.56 million and ₱31.93 million as of December 31, 2022 and 2021, respectively. The gain of the fund arising from investment in debt and equity securities of the Parent Company is ₱0.89 million.

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2022	2021
Discount rates	**4.94 to 7.65%**	3.65 to 5.83%
Future salary increases	**4.00 to 9.00%**	3.00 to 8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

2022

	Effect on income before income tax Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis points**
	(In Thousands)	
Discount rate	**(₱251,501)**	**₱325,793**
Salary increase rate	**309,550**	**(245,352)**

2021

	Effect on income before income tax Increase (decrease)	
Change in basis points	+ 100 basis points	- 100 basis points
	(In Thousands)	
Discount rate	(₱980,588)	(₱45,965)
Salary increase rate	(79,648)	(970,101)

Shown below is the maturity analysis of the undiscounted benefit payments:

Year ending:	**2022**	2021
	(In Thousands)	
1 year and less	**₱392,219**	₱104,456
more than 1 years to 5 years	**623,555**	722,390
more than 5 years to 10 years	**2,475,139**	3,503,290
more than 10 years to 15 years	**17,626,358**	9,497,759
more than 15 years to 20 years	**2,017,630**	10,522,147
more than 20 years	**14,661,951**	18,841,385

The average duration of the defined benefit obligation is 12 to 22 years and 6.0 to 24.0 years in 2022 and 2021, respectively.

27. Earnings Per Share

The following tables present information necessary to compute EPS (amounts in thousands except EPS):

EPS on net income attributable to equity holders of Ayala Land, Inc. are as follows:

	2022	2021	2020
	(In Thousands)		
Net income attributable to equity holders of Ayala Land, Inc.	**₱18,617,234**	₱12,228,148	₱8,727,155
Less: dividends on preferred stock	**(62,038)**	(62,038)	(62,038)
Net income attributable to equity holders of the Parent Company for basic and diluted earnings per share	**₱18,555,196**	₱12,166,110	₱8,665,117
Weighted average number of common shares for basic EPS	**14,777,782**	14,724,716	14,721,234
Add: dilutive shares arising from stock options	**(5,582)**	(2,143)	2,296
Adjusted weighted average number of common shares for diluted EPS	**14,772,200**	14,722,573	14,723,530
Basic and diluted EPS	**₱1.26**	₱0.83	₱0.59

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 adjusted for any subsequent stock dividends declared.

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. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

The convertibility of the preferred shares will start on the 10th asyear from the issue date which was in 2012. This has an antidilutive effect on the computation of diluted EPS.

28. Stock Options and Ownership Plans

The Parent Company has stock option plans for key employees covering 2.5% of the Parent Company's authorized capital stock. The grantee is selected based on certain criteria like outstanding performance over a three-year period.

ESOP
The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of the Parent Company or any of its subsidiaries during the 10-year option period. In case the grantee retires, he is given 3 years to exercise his vested and unvested options. In case the grantee resigns, he is given 90 days to exercise his vested options.

The Parent Company has no ESOP grant and availment during 2022, 2021 and 2020.

ESOWN
In November 2001, the Parent Company offered all its ESOWN subscribers with outstanding ESOWN subscriptions the option to cancel the subscriptions within the 5-year holding period. In December 2001, the program for ESOWN was indefinitely suspended.

In 2005, the Parent Company introduced a revised ESOWN Plan (the Plan) wherein grantees may subscribe in whole or in part to the shares awarded to them based on a discounted market price that was determined by the Compensation Committee as the offer price set at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. The subscription is subject to a holding period stated in the plan. To subscribe, the grantee must be an employee of the Parent Company or any of its subsidiaries during the ten (10)-year payment period. In case the grantee resigns, unsubscribed shares are cancelled, while the subscription may be paid up to the percent of holding period completed and payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares. All shares acquired through the Plan are subject to the Parent Company's right to repurchase.

The subscribed shares are effectively treated as options exercisable within a given period which is the same time as the grantee's payment schedule. The fair values of stock options granted are estimated on the date of grant using the Black-Scholes Merton (BSM) Formula and Binomial Tree Model (BTM), taking into account the terms and conditions upon which the options were granted. The BSM Formula and BTM Model requires six inputs to produce an option stock value namely; market value of the share, book value of the share, time to maturity, volatility rate, dividend yield, and risk free rate. The expected volatility was determined based on an independent valuation.

Movements in the number of options outstanding and weighted average exercise prices (WAEP) under ESOWN follow:

	2022	**WAEP**	2021	WAEP
At January 1	**–**	**₱–**	–	₱–
Granted	**17,349,169**	**–**	14,683,519	–
Subscribed	**(14,170,576)**	**30.29**	(11,389,265)	33.29
Availment	**1,067,483**	**–**	434,218	–
Cancelled	**(4,246,076)**	**–**	(3,728,472)	–
At December 31	**–**		–	

The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follow:

	Grant Date							
	March 31, 2022	March 15, 2021	August 17, 2020	March 21, 2019	March 28, 2018	March 01, 2017	April 05, 2016	March 20, 2015
Number of unsubscribed shares	–	–	–	–	–	–	181,304	–
Fair value of each option (BTM)	₱–	₱–	₱–	₱–	₱–	₱8.48	₱13.61	₱16.03
Fair value of each option (BSM)	₱12.62	₱9.25	₱9.12	₱17.13	₱12.71	₱–	₱18.21	₱20.63
Weighted average share price	₱35.63	₱39.17	₱32.61	₱44.70	₱41.02	₱39.72	₱35.58	₱36.53
Exercise price	₱30.29	₱33.29	₱27.72	₱44.49	₱45.07	₱35.81	₱26.27	₱29.58
Expected volatility	24%	27.19%	25.05%	31.48%	34.04%	30.95%	32.03%	31.99%
Dividend yield	0.77%	0.38%	0.81%	1.16%	1.22%	1.34%	1.27%	1.02%
Interest rate	1.18%	1.03%	1.13%	5.57%	4.14%	4.41%	4.75%	4.11%

Total expense (included under “General and administrative expenses”) recognized in 2022, 2021 and 2020 in the consolidated statements of income arising from share-based payments amounted to ₱152.87 million, ₱150.07 million, and ₱111.92 million, respectively (see Note 22).

ALLHC

ALLHC introduced the ESOWN Plan (the Plan) wherein grantees (employees within ALLHC Group) may subscribe in whole or in part to the shares awarded to them based on a discounted market price, but in no case lower than the par value, that was determined at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. To subscribe, the grantee must be an employee, officer or director of ALLHC as of June 30, 2015. In case the grantee resigns, unsubscribed shares are cancelled and returned to the plan pool, while the subscription payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares.

The BOD of ALLHC approved the allocation of 32 million shares (first tranche) for ESOWN plan which will be taken from the remaining unissued shares (with grant date in 2016) and the increase in authorized of stock of ALLHC, which was approved by the SEC in July 2016. In 2017, notice of grant for the 218 million shares (second tranche of ESOWN plan) was issued to employees for the right to subscribe to the common shares of ALLHC at ₱1.68 per share which were fully availed as of December 31, 2018. In 2021 and 2020, ALLHC has no ESOWN grant.

29. Financial Assets and Liabilities

Fair Value Information

The following tables set forth the carrying values and estimated fair values of the Group’s financial assets and liabilities recognized as of December 31, 2022 and 2021:

	December 31, 2022		December 31, 2021	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial Assets at FVTPL (Note 6)	**₱291,989**	**₱291,989**	₱700,803	₱700,803
Financial Assets at FVOCI (Note 10)				
Unquoted equity securities	**440,811**	**440,811**	583,543	583,543
Quoted equity securities	**522,807**	**522,807**	397,727	397,727
	1,255,607	**1,255,607**	981,270	981,270
Investment in bonds (Note 9)	**2,309,440**	**2,309,440**	2,309,440	2,309,440
	₱3,565,047	**₱3,565,047**	₱3,991,513	₱3,991,513

	December 31, 2022		December 31, 2021	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial assets at amortized cost (Note 7)				
Noncurrent trade residential, commercial and office development	**₱48,400,251**	**₱50,628,112**	₱42,926,431	₱43,149,538
Receivable from employees	**927,787**	**927,787**	755,814	755,814
	₱49,328,038	**₱51,555,899**	₱43,682,245	₱43,905,352
Other financial liabilities				
Long-term debt (Note 16)	**229,491,580**	**229,141,647**	₱206,314,239	₱195,588,364
Deposits and other noncurrent liabilities (Note 18)*	**46,578,921**	**47,138,408**	59,686,987	51,360,589
	₱276,070,501	**₱276,280,055**	₱266,001,226	₱246,948,953

**excluding deferred output VAT*

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents, short-term investments and current receivables, accounts and other payables and short term debt - Carrying amounts approximate fair values due to the relatively short-term maturities of these financial instruments.

Financial assets at FVPL - These are investments in fund and treasury bills. Fair value of the funds is based on net asset values as of reporting dates.

Financial assets at FVOCI quoted equity securities - fair values are based on quoted prices published in markets.

Financial assets at FVOCI unquoted equity securities – fair values are based on the latest selling price available.

Liabilities - The fair value of noncurrent unquoted instruments (long-term debt and deposits) are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged 2.70% to 7.40% and 1.00% to 5.25% as of December 31, 2022 and 2021, respectively. The fair value of noncurrent unquoted debt instruments with floating rates are estimated using discounted cash flow - last repricing method.

Noncurrent accounts and notes receivables - The fair values of residential, commercial and office development accounts and notes receivable, and receivable from employees, are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged 2.70% to 7.40% and 1.00% to 5.25% as of December 31, 2022 and 2021, respectively. The fair value of noncurrent unquoted debt instruments with floating rates are estimated using discounted cash flow - last repricing method.

<u>Fair Value Hierarchy</u>
The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The Group categorizes trade receivable, receivable from employees, long-term debt and deposits and other noncurrent liabilities under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

Investment in Arch Capital Fund amounting to ₱207.2 million and ₱293.8 million as of December 31, 2022 and 2021, respectively, were classified under Level 3 (see Note 6).

Investment in Unit Investment Trust Fund (UITF) amounting to ₱84.8 million and ₱407.0 million as of December 31, 2022, and 2021, respectively, were classified under Level 2 (see Note 6).

Quoted FVOCI financial assets amounting to ₱573.0 million and ₱397.7 million as of December 31, 2022 and 2021, respectively, were classified under Level 1 (see Note 10).

Unquoted FVOCI financial assets amounting to ₱440.8 million and ₱583.5 million as of December 31, 2022 and 2021, respectively, were classified under Level 3 (see Note 10).

There have been no reclassifications to and from Level 1, Level 2 and Level 3 categories in 2022 and 2021 for financial assets at FVTPL and FVOCI.

<u>Financial Risk Management Objectives and Policies</u>
The Group's principal financial instruments comprise of cash and cash equivalents, short-term investment, financial assets at FVPL, AFS quoted and unquoted equity securities, investments in bonds, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Group's operations. The Group has various financial assets such as trade receivables and trade payables which arise directly from the conduct of its operations.

Exposure to liquidity, credit, interest rate, currency and equity risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The use of derivative financial instruments, if any, is solely for management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

There were no changes in the Group's financial risk management objectives and policies in 2022 and 2021.

Liquidity risk
Liquidity risk is defined by the Group as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Group that make it difficult for the Group to raise the necessary funds or that forces the Group to raise funds at significantly higher interest rates than usual.

This is also the possibility of experiencing losses due to the inability to sell or convert marketable securities into cash immediately or in instances where conversion to cash is possible but at a loss due to wider than normal bid-offer spreads.

The Group employs scenario analysis and contingency planning to actively manage its liquidity position and guarantee that all operating, investing and financing needs are met. The Group has come up with a three-layered approach to liquidity through the prudent management of sufficient cash and cash equivalents, the potential sale of accounts receivables and the maintenance of short-term revolving credit facilities.

Cash and cash equivalents are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise. Management develops viable funding alternatives through a continuous program for the sale of its receivables and ensures the availability of ample unused short-term revolving credit facilities from both local and foreign banks as back-up liquidity.

The Group ascertains that its cash is invested in short-term bank placements and special deposit accounts, as well as in high-quality and marketable government and corporate securities.

Credit line
The Group has a total short term credit line up to ₱110.8 billion and ₱100.8 billion with various local banks, of which ₱70.3 billion and ₱58.9 billion remain undrawn as of December 31, 2022 and 2021, respectively.

The table summarizes the maturity profile of the Group's financial liabilities at December 31, 2022 and 2021 based on contractual undiscounted payments:

December 31, 2022

	1 year & below	**>1 to 5 years**	**> 5 years**	**Total**
		(In Thousands)		
Accounts and other payables	**₱143,952,127**	**₱–**	**₱–**	**₱143,952,127**
Short-term debt	**6,574,271**	**–**	**–**	**6,574,271**
Long-term debt	**19,258,289**	**95,613,291**	**114,620,000**	**229,491,580**
Deposits and other current liabilities	**31,211,023**	**–**	**–**	**31,211,023**
Deposits and other noncurrent liabilities*	**–**	**47,519,882**	**–**	**47,519,882**
	200,995,710	**143,133,173**	**114,620,000**	**458,748,883**
Interest payable**	**₱9,024,578**	**₱32,939,330**	**₱12,562,650**	**₱54,526,559**

**excludes deferred output vat*
***includes future interest payment*

December 31, 2021

	1 year & below	>1 to 5 years	> 5 years	Total
		(In Thousands)		
Accounts and other payables	₱115,684,195	₱–	₱–	₱115,684,195
Short-term debt	16,782,500	–	–	16,782,500
Long-term debt	26,173,997	100,766,275	79,373,967	206,314,239
Deposits and other current liabilities	27,231,492	–	–	27,231,492
Deposits and other noncurrent liabilities	–	59,686,987	–	59,686,987
	207,118,208	160,453,262	12,047,706	425,699,413
Interest payable*	₱5,610,541	₱31,522,655	₱9,365,613	₱46,498,809

**includes future interest payment*

Cash and cash equivalents, short-term investments and financial assets at FVTPL are used for the Group's liquidity requirements. Please refer to the terms and maturity profiles of these financial assets shown on the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section. There are no undrawn loan commitments from long-term credit facilities as of December 31, 2022 and 2021.

Credit risk
Credit risk is a risk that a counterparty will not meet its obligation under its financial instrument or customer contract leading to a financial loss.

The Group's credit risks are primarily attributable to installments receivable, rental receivables and other financial assets. To manage credit risks, the Group maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers. Also, to the extent allowed by regulations, certain payments are not returned which minimizes exposure to bad debts.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity. The amount of exposure from bad debts is minimized to the extent of the advance rentals and security deposits from the tenants.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, short-term investments, financial assets at FVTPL and financial assets at FVOCI. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The Group has an active intercompany lending program and intercompany receivable that are short term. To minimize credit exposures, the Group assesses the financial capacity of the affiliated entities and operating cash flows.

The Group's maximum exposure to credit risk as of December 31, 2022 and 2021 is equal to the carrying values of its financial assets.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate based on days past due of all customers as they have similar loss patterns. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. Intercompany receivables are also evaluated for impairment. The security deposits and advance rental from tenants are considered in the calculation of impairment as recoveries. As of December 31, 2022 and 2021, the exposure at default amounts to ₱23,587.7 million and ₱25,010.7 million, respectively. The average expected credit loss rates are 1.67% and 1.57% (over total receivables) that resulted in the ECL of ₱2,539.4 million and ₱2,294.2 million as of December 31, 2022 and December 31, 2021, respectively.

As of December 31, 2022 and 2021, the analysis of past due but not impaired trade receivables presented per class follow:

December 31, 2022

	Neither Past Due nor Impaired	Past Due but not Impaired <30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	Impaired	Total
					(In Thousands)				
Trade:									
Residential, commercial and office development	**₱81,207,777**	**₱5,045,060**	**₱1,734,959**	**₱1,697,084**	**₱2,825,851**	**₱9,222,635**	**₱20,525,589**	**₱64,092**	**₱101,797,458**
Shopping centers	**3,456,504**	**214,593**	**276,044**	**126,431**	**376,215**	**648,346**	**1,641,629**	**1,217,417**	**6,315,550**
Corporate business	**1,879,764**	**30,810**	**510,631**	**14,382**	**94,852**	**475,474**	**1,126,149**	**670,113**	**3,676,026**
Construction contracts	**912,307**	**799,310**	**278,208**	**225,769**	**173,619**	**282,014**	**1,758,920**	**155,697**	**2,826,924**
Management fees	**97,585**	**–**	**41,215**	**21,708**	**21,870**	**32,502**	**117,295**	**16,630**	**231,510**
Others	**4,993,685**	**343,315**	**62,862**	**9,580**	**53,855**	**102,895**	**572,507**	**225,446**	**5,791,638**
Advances to other companies	**8,148,743**	**139,602**	**1,752**	**17,516**	**425,156**	**6,935,486**	**7,519,512**	**190,008**	**15,858,263**
Accrued receivables	**7,281,604**	**276,212**	**–**	**12,729**	**46,845**	**1,752,952**	**2,088,738**	**–**	**9,370,342**
Related parties	**6,927,883**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,927,883**
Receivables from employees	**772,866**	**13,223**	**11,854**	**12,742**	**4,088**	**113,014**	**154,921**	**–**	**927,787**
	₱115,678,718	**₱6,862,125**	**₱2,917,525**	**₱2,137,941**	**₱4,022,351**	**₱19,565,318**	**₱35,505,260**	**₱2,539,403**	**₱153,723,381**

December 31, 2021

	Neither Past Due nor Impaired	Past Due but not Impaired <30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	Impaired	Total
					(In Thousands)				
Trade:									
Residential, commercial and office development	₱71,715,540	₱8,686,656	₱1,358,594	₱2,615,314	₱2,040,476	₱12,010,565	₱26,711,605	₱62,314	₱98,489,459
Shopping centers	2,908,306	191,539	275,175	13,421	185,070	1,006,528	1,671,733	1,074,658	5,654,697
Corporate business	1,572,835	16,834	49,561	3,774	78,533	687,181	835,883	633,108	3,041,826
Construction contracts	1,129,267	348,967	159,900	312,955	38,708	-	860,530	152,231	2,142,028
Management fees	38,651	1,780	25,048	13,355	14,272	18,030	72,485	16,630	127,766
Others	2,720,870	1,200,224	38,190	56,746	47,535	451,165	1,793,860	221,488	4,736,218
Advances to other companies	8,623,005	1,414,578	43,186	14,751	59,887	6,650,972	8,183,374	133,725	16,940,104
Accrued receivables	6,189,054	342,235	43,653	22,440	132,082	1,479,107	2,019,517	–	8,208,571
Related parties	5,958,742	–	–	–	–	–	–	–	5,958,742
Receivables from employees	606,397	11,986	22,264	4,596	71,083	39,488	149,417	–	755,814
	₱101,462,667	₱12,214,799	₱2,015,571	₱3,057,352	₱2,667,646	₱22,343,036	₱42,298,404	₱2,294,154	₱146,055,225

The table below shows the credit quality of the Company's financial assets as of December 31, 2022 and 2021:

December 31, 2022

	Neither Past Due nor Impaired					Past Due but		
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
				(In Thousands)				
Cash and cash equivalents (excluding cash on hand)	₱11,818,056	₱–	₱–	₱–	₱11,818,056	₱–	₱–	₱11,818,056
Short-term investments	330,500	–	–	–	330,500	–	–	330,500
Financial assets at FVTPL	291,989	–	–	–	291,989	–	–	291,989
Accounts and notes receivables:								
Trade:								
Residential, commercial and office development	72,403,724	5,493,083	3,310,970	–	81,207,777	20,525,589	64,092	101,797,458
Shopping centers	2,092,054	688,530	675,920	–	3,456,504	1,641,629	1,217,417	6,315,550
Construction contracts	841,177	57,881	13,249	–	912,307	1,758,920	155,697	2,826,924
Corporate business	1,369,710	503,095	6,959	–	1,879,764	1,126,149	670,113	3,676,026
Management fees	97,585	-	-	–	97,585	117,295	16,630	231,510
Others	4,639,176	178,530	175,979	–	4,993,685	572,507	225,446	5,791,638
Advances to other companies	6,743,814	40,054	1,364,875	–	8,148,743	7,519,512	190,008	15,858,263
Accrued receivables	6,810,233	1,093	470,278	–	7,281,604	2,088,738	–	9,370,342
Related parties	4,207,106	173,844	2,546,933	–	6,927,883	–	–	6,927,883
Receivable from employees	724,804	20,925	27,137	–	772,866	154,921	–	927,787
Financial Assets at FVOCI:								
Unquoted	–	–	–	440,811	440,811	–	–	440,811
Quoted	522,807	–	–	–	522,807	–	–	522,807
	₱112,892,735	₱7,157,035	₱8,592,300	₱440,811	₱129,082,881	₱35,505,260	₱2,539,403	₱167,127,544

December 31, 2021

	Neither Past Due nor Impaired					Past Due but		
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
	(In Thousands)							
Cash and cash equivalents (excluding cash on hand)	₱13,904,862	₱–	₱–	₱–	₱13,904,862	₱–	₱–	₱13,904,862
Short-term investments	325,641	–	–	–	325,641	–	–	325,641
Financial assets at FVTPL	700,803	–	–	–	700,803	–	–	700,803
Accounts and notes receivables:								
Trade:								
Residential, commercial and office development	61,412,808	7,388,708	2,914,024	–	71,715,540	26,711,605	62,314	98,489,459
Shopping centers	2,141,933	400,914	365,459	–	2,908,306	1,671,733	1,074,658	5,654,697
Construction contracts	1,129,267	-	-	–	1,129,267	860,530	152,231	2,142,028
Corporate business	1,567,085	705	5,045	–	1,572,835	835,883	633,108	3,041,826
Management fees	28,477	4,066	6,108	–	38,651	72,485	16,630	127,766
Others	2,623,734	53,874	43,262	–	2,720,870	1,793,860	221,488	4,736,218
Advances to other companies	8,576,334	16,314	30,357	–	8,623,005	8,183,374	133,725	16,940,104
Accrued receivables	6,140,849	-	48,205	–	6,189,054	2,019,517	–	8,208,571
Related parties	3,522,081	575,391	1,861,270	–	5,958,742	–	–	5,958,742
Receivable from employees	575,514	22,834	8,049	–	606,397	149,417	–	755,814
Financial Assets at FVOCI:								
Unquoted	–	–	–	583,543	583,543	–	–	583,543
Quoted	397,727	–	–	–	397,727	–	–	397,727
	₱103,047,115	₱8,462,806	₱5,281,779	₱583,543	₱117,375,243	₱42,298,404	₱2,294,154	₱161,967,801

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The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, short-term investments, financial assets at FVTPL, financial assets at FVOCI quoted securities - based on the nature of the counterparty and the Group's internal rating system;

Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment;

The unquoted financial assets at FVOCI are unrated.

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

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by lever
on its premier credit rating and increasing the fixed interest component of its debt portfolio. The Company's ratio of fixed to floating rate debt stood at around 90:10 and 91:9 as of December 31, 2022 and 2021, respectively.

The following tables demonstrate the sensitivity of the Group's profit before tax and equity to a reasonably possible change in interest rates on December 31, 2022 and 2021, with all variables held constant, (through the impact on floating rate borrowings):

December 31, 2022

	Effect on income before income tax Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis points**
	(In Thousands)	
Floating rate borrowings	**(₱243,172)**	**₱243,172**

December 31, 2021

	Effect on income before income tax Increase (decrease)	
Change in basis points	+ 100 basis points	- 100 basis points
	(In Thousands)	
Floating rate borrowings	(₱194,117)	₱194,117

The assumed change in rate is based on the currently observable market environment. There is no other impact on the Group's equity other than those already affecting the net income.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with their corresponding nominal amounts and carrying values are shown in the following table (in thousands):

December 31, 2022

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	₱11,885,329	₱11,885,329	₱–	₱–	₱11,885,329
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	330,500	330,500	–	–	330,500
Receivables from employees	Fixed at the date of sale	Date of sale	927,787	772,866	154,921	–	927,787
			₱13,143,616	₱12,988,695	₱154,921	₱–	₱13,143,616
Parent Company							
Short-term debt							
Floating-Peso	Variable	Monthly	₱688,000	₱ 688,000	₱–	₱–	₱ 688,000
Long-term debt							
Fixed							
Peso	Fixed at 6.00%	10 years	2,000,000	-	–	1,666,347	1,666,347
Peso	Fixed at 6.0%	20 years	22,000,000	6,865,033	13,846,461	–	20,711,493
Peso	Fixed at 4.5000%	7 years	7,000,000	–	6,343,553	–	6,343,553
Peso	Fixed at 3.892 to 4.85%	7, 9.5 and 10 years	72,455,727	62,494,696	11,313,724	20214935	94,023,355
Peso	Fixed at 5.2624%	10 years	10,000,000	–	–	9,162,218	9,162,218
Peso	Fixed at 3.75% to 4.95%	Up to 10.5 years	6,250,000	–	5,680,329	–	5,680,329
Peso	Fixed at 5.920%	10 years	12,000,000	–	11,481,913	–	11,481,913
Peso	Fixed at 3.1764% to 3.187%	5 years	45,000,000	-	24,060,520	13,188,640	37,249,160
Peso	Fixed at 4.76% to 6.37%	5, 7 and 7.25 years	13,000,000	-	9,182,310	2,230,628	11,412,939
Peso	Fixed at 3.00% to 3.86%	2 and 5 years					
Peso	Fixed at 3.63% to 4.08%	4 and 10 years	289,000	25,187	227,844	–	253,031
Floating							
Peso	Variable	3 months					
Subsidiaries							
Short-term debt			5,859,271	5,859,271	–	–	5,859,271
Floating							
Peso	Variable	Monthly					
Long-term debt			20,300,250	3,937,785	3,527,142	9,047,038	16,511,964
Fixed							
Peso	Fixed at 3.0445% to 4.75%	2, 5 to 10 years	17,480,968	1,937,112	9,157,146	3,901,020	14,995,277
Floating							
Peso	Variable	3 months					
			₱234,323,216	₱81,807,084	₱94,820,942	₱59,410,826	₱236,038,850

December 31, 2021

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	₱13,904,862	₱13,904,862	₱–	₱–	₱13,904,862
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	325,641	325,641	–	–	325,641
Receivables from employees	Fixed at the date of sale	Date of sale	755,815	593,939	161,876	–	755,815
			₱14,986,318	₱14,824,442	₱161,876	₱–	₱14,986,318
Parent Company							
Short-term debt							
Floating-Peso	Variable	Monthly	₱ 8,471,000	₱ 8,471,000	₱–	₱–	₱ 8,471,000
Long-term debt							
Fixed							
Peso	Fixed at 6.00%	10 years	5,650,000	5,650,000	–	–	5,650,000
Peso	Fixed at 6.0%	20 years	2,000,000	–	–	1,986,794	1,986,794
Peso	Fixed at 4.5000%	7 years	7,000,000	6,987,688	–	–	6,987,688
Peso	Fixed at 3.892 to 4.85%	7, 9.5 and 10 years	22,000,000	–	21,912,113	–	21,912,113
Peso	Fixed at 5.2624%	10 years	7,000,000	–	6,979,065	–	6,979,065
Peso	Fixed at 3.75% to 4.95%	Up to 10.5 years	81,158,570	903,471	30,616,372	49,211,500	80,731,343
Peso	Fixed at 5.920%	10 years	10,000,000	–	–	9,916,583	9,916,583
Peso	Fixed at 3.1764% to 3.187%	5 years	6,374,875	–	6,374,875	–	6,374,875
Peso	Fixed at 4.76% to 6.37%	5, 7 and 7.25 years	12,000,000	–	11,876,362	–	11,876,362
Peso	Fixed at 3.00% to 3.86%	2 and 5 years	16,250,000	9,970,491	6,192,684	–	16,163,175
Peso	Fixed at 3.63% to 4.08%	4 and 10 years	13,000,000	-	9,903,889	2,977,789	12,881,678
Floating							
Peso	Variable	3 months	306,000	16,821	288,263	–	305,084
Subsidiaries							
Short-term debt							
Floating							
Peso	Variable	Monthly	8,311,500	8,311,500	–	–	8,311,500
Long-term debt							
Fixed							
Peso	Fixed at 3.0445% to 4.75%	2, 5 to 10 years	22,397,309	2,231,816	4,968,133	15,026,300	22,226,249
Floating							
Peso	Variable	3 months	2,323,230	413,710	1,654,520	255,000	2,323,230
			₱224,242,484	₱42,956,497	₱100,766,276	₱79,373,966	₱223,096,739

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Financial assets and credit facilities of the Group, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso. The Group's placements in foreign currencies amounted to US$33.06 million and MYR666.47 million as of December 31, 2022 and US$30.73 million and MYR647.69 million as of December 31, 2021. The amount of the Group's foreign currency-denominated debt amounting to US$67.90 million and MYR490.78 million as of December 31, 2022 and US$132.8 million and MYR775.08 million as of December 31, 2021. The Group expected a decrease in financial assets due to the impact of COVID-19 outbreak and imposition of community quarantines by the government throughout the Philippines in March 2020, until 2nd and 3rd quarter of 2021. Considering that the Group is in the hospitality sector, the operations of the company were greatly affected. Aside from the aforementioned finding, the Group's foreign currency risk is minimal.

The following table shows the Group's consolidated foreign currency-denominated monetary assets and liabilities and their peso equivalents as of December 31, 2022 and December 31, 2021:

	December 31					
	2022			2021		
	US Dollar	**MYR ringgit**	**Php Equivalent**	US Dollar	MYR ringgit	Php Equivalent
Financial Assets						
Cash and cash equivalents	**$5,491**	**MYR405,201**	**₱1,010,733**	$5,605	MYR 426,609	₱5,507,493
Short-term investments	**–**	**–**	**–**	-	26,518	324,580
Accounts and notes receivable - net	**24,163**	**175,457**	**3,587,493**	23,575	136,883	2,877,537
Other current assets	**3,027**	**84,903**	**1,234,780**	1,168	56,450	750,504
Other noncurrent assets	**380**	**908**	**29,191**	380	1,227	34,395
Total	**33,061**	**666,469**	**5,862,196**	30,728	647,687	9,494,510
Financial Liabilities						
Accounts and other payables	**8,631**	**422,676**	**5,791,517**	4,047	772,864	9,666,212
Other current liabilities	**690**	**–**	**35,019**	463	–	23,608
Short-term debt	**–**	**31,050**	**391,521**	–	-	-
Long-term debt	**55,000**	**35,091**	**3,508,995**	125,000	102	6,374,988
Other noncurrent liabilities	**3,578**	**1,961**	**209,400**	3,293	2,118	193,834
Total	**67,899**	**490,778**	**9,936,453**	132,802	775,083	16,258,653
Net foreign currency denominated financial instruments	**($34,838)**	**MYR175,692**	**(₱4,074,257)**	($102,074)	(MYR127,396)	(₱6,764,143)

In translating the foreign currency-denominated monetary assets in peso amounts, the exchange rates used were ₱55.76 to US$1.00 and ₱50.99 to US$1.00, the Philippine Peso - US dollar exchange rates as of December 31, 2022 and 2021, respectively. The Philippine Peso- MY ringgit exchange rate as of December 31, 2022 and 2021 used was ₱12.61 to MYR1.00 and ₱12.24 to MYR1.00, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Effect on income before tax Increase (decrease)	
Change in exchange rate	**2022**	2021
USD		
₱1.00	**(₱34,838)**	(₱102,074)
(₱1.00)	**34,838**	102,074
MYR		
₱1.00	**(₱175,692)**	(₱127,396)
(₱1.00)	**₱175,692**	₱127,396

There is no other impact on the Group's equity other than those already affecting the net income.

Equity price risk
Quoted financial assets at FVOCI are acquired at a certain price in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, country's economic performance, political stability, domestic inflation rates, these prices change, reflecting how market participants view the developments.

The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each country, sector and market.

Quoted financial assets at FVTPL pertain to investment in UITF (Fund). The Fund, which is structured as a money market UITF, aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments.

As of December 31, 2022 and 2021, the fair value, net income and equity will increase (decrease) by: (i) BPI UITF Money Market ₱0.20 million with a duration of 0.34 year and ₱1.19 million with a duration of 0.66 year , respectively; (ii) BPI UITF USD Short Term ₱0.02 million with a duration of 0.33 year and ₱0.07 million with a duration of 0.73 year , respectively; for a 100 basis points decrease (increase) in interest rates

30. **Segment Information**

The industry segments where the Group and its associates and joint ventures operate follows:

- Property developments - sale of high-end and upper middle-income residential lots and units, affordable housing units and lots, economic housing and leisure community developments; lease of residential developments under joint venture; acquisition, development and sale of large-scale, mixed-use, master-planned communities; sale of override units or the Company's share in properties made available to subsidiaries for development
- International – development and sale of residential lots and units in MCT Berhad
- Shopping centers - development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities, gas stations and carparks in these shopping centers; management and operation of malls which are co-owned with partners
- Offices - development and lease or sale of office buildings; sale of industrial lots and lease of factory building
- Hotels and Resorts - development and management of hotels and resorts/serviced apartments and lease of land to hotel tenants
- Construction - land development and construction of the Group and third-party projects
- Property management and others - facilities management of the Group and third-party projects

Assets, liabilities, revenues and expenses of the Strategic Landbank Management and Visayas-Mindanao segment were reallocated to other business segments namely, shopping centers, corporate businesses and residential developments according to the nature of the products and services provided.

The Company and its subsidiaries generally account for inter-segment sales and transfers as if the sales and transfers were to third parties at current market prices.

Management committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

For the years ended December 31, 2022, 2021 and 2020, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

Business segments
The following tables regarding business segments present assets and liabilities as of December 31 and revenue and profit information for each of the three years in the period ended December 31 (in millions):

2022

	Property Development	International	Shopping Centers	Offices	Hotels and Resorts	Construction	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue										
Revenues from contracts with customers	₱71,792	₱2,757	₱–	₱–	₱6,194	₱4,236	₱4,181	₱–	₱–	₱89,160
Interest income from real estate sales	6,695	–	–	–	–	–	–	–	–	6,695
Rental revenue	–	–	16,075	11,121	–	–	–	–	–	27,196
Intersegment sales	–	–	–	–	–	38,257	–	–	(38,257)	–
	1,419	–	10	–	–	6	(5)	–	–	1,430
earnings of associates and joint ventures										
Total revenue	79,906	2,757	16,085	11,121	6,194	42,499	4,176	–	(38,257)	124,481
Real estate costs and expenses	54,286	2,074	7,573	2,545	5,982	39,117	6,497	2,868	(38,049)	82,893
Gross margin (loss)	25,620	683	8,512	8,576	212	3,382	(2,321)	(2,868)	(208)	41,588
Interest and investment income										387
Other charges										(3,996)
Interest and other financing charges										(11,447)
Other income										1,688
Provision for income tax										(5,696)
Net income										₱22,524
Net income attributable to:										
Equity holders of Ayala Land, Inc.										₱18,617
Non-controlling interests										3,907
										₱22,524
Other Information										
Segment assets	₱589,589	₱17,440	₱215,705	₱155,712	₱54,615	₱44,480	₱13,557	₱102,294	(₱459,543)	₱733,849
Investment in associates and joint ventures	31,252	–	37	–	–	61	349	218	–	31,917
	620,841	17,440	215,742	155,712	54,615	44,541	13,906	102,512	(459,543)	765,766
Deferred tax assets	2,074	33	1,980	341	423	126	102	1,076	7,734	13,889
Total assets	₱622,915	₱17,473	₱217,722	₱156,053	₱55,038	₱44,667	₱14,008	₱103,588	(₱451,809)	₱779,655
Segment liabilities	236,536	6,421	94,346	25,122	20,916	33,705	7,724	195,016	(139,645)	480,141
Deferred tax liabilities	1,599	–	255	354	18	–	–	(229)	3,852	5,849
Total liabilities	₱238,135	₱6,421	₱94,601	₱25,476	₱20,934	₱33,705	₱7,724	₱194,787	(₱135,793)	₱485,990
Segment additions to:										
Property and equipment	₱141	₱50	₱1,484	₱74	₱351	₱440	₱1,406	₱478	₱–	₱4,424
Investment properties	₱7,773	₱655	₱18,529	₱3,149	₱–	₱26	₱2	₱4,543	₱–	₱34,677
Depreciation and amortization	₱542	₱162	₱4,420	₱2,340	₱920	₱552	₱504	₱249	₱–	₱9,689
Non-cash expenses other than depreciation and amortization	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Impairment losses	₱56	₱–	158	₱62	₱1	₱–	₱3	₱1	₱–	₱281

2021

	Property Development	International	Shopping Centers	Offices	Hotels and Resorts	Construction	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue										
Revenues from contracts with customers	₱65,260	₱3,878	₱–	₱–	₱2,833	₱3,909	₱2,467	₱–	₱–	₱78,347
Interest income from real estate sales	6,801	–	–	–	–	–	–	–	–	6,801
Rental revenue	–	–	7,925	9,872	–	–	–	–	–	17,797
Intersegment sales	–	–	–	–	–	36,578	–	–	(36,578)	–
Equity in net earnings of associates and joint ventures	971	–	7	-	–	3	(16)	(122)	–	843
Total revenue	73,032	3,878	7,932	9,872	2,833	40,490	2,451	(122)	(36,578)	103,788
Real estate costs and expenses	49,401	2,896	5,204	2,803	4,095	39,062	2,736	229	(35,246)	71,180
Gross margin (loss)	23,631	982	2,728	7,069	(1,262)	1,428	(285)	(351)	(1,332)	32,608
Interest and investment income										253
Other charges										(3,637)
Interest and other financing charges										(11,038)
Other income										2,101
Provision for income tax										(4,628)
Net income										₱15,659
Net income attributable to:										
Equity holders of Ayala Land, Inc.										₱12,228
Non-controlling interests										3,431
										₱15,659
Other Information										
Segment assets	₱559,211	₱20,190	₱226,343	₱135,653	₱59,038	₱48,601	₱11,549	₱94,146	(₱450,625)	₱704,106
Investment in associates and joint ventures	28,194	–	45	–	–	55	172	-	–	28,466
	587,405	20,190	226,388	135,653	59,038	48,656	11,721	94,146	(450,625)	732,574
Deferred tax assets	1,901	163	1,732	389	436	114	183	1,299	6,675	12,890
Total assets	₱589,306	₱20,353	₱228,120	₱136,042	₱59,474	₱48,770	₱11,904	₱95,445	(₱443,950)	₱745,464
Segment liabilities	235,677	979	95,934	29,686	25,986	38,035	6,158	200,436	(164,449)	468,442
Deferred tax liabilities	2,619	0	177	225	4	0	(2)	(196)	3,693	6,520
Total liabilities	₱238,296	₱979	₱96,111	₱29,911	₱25,990	₱38,035	₱6,156	₱200,240	(₱160,756)	₱474,962
Segment additions to:										
Property and equipment	₱2,035	₱–	₱298	₱4	₱285	₱555	₱14	₱24	₱–	₱3,215
Investment properties	₱12,426	₱508	₱8,141	₱1,100	₱146	₱103	₱–	₱1,757	₱–	₱24,181
Depreciation and amortization	₱733	₱	₱4,438	₱1,908	₱887	₱238	₱475	₱221	₱–	₱8,900
Non-cash expenses other than depreciation and amortization	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Impairment losses	₱11	₱–	₱22	₱114	₱–	₱114	₱98	₱181	₱–	₱540

<u>2020</u>

	Property Development	International	Shopping Centers	Offices	Hotels and Resorts	Construction	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue										
Revenues from contracts with customers	₱53,014	₱4,845	₱–	₱–	₱3,388	₱3,279	₱2,971	₱–	₱–	₱67,497
Interest income from real estate sales	8,603	–	–	–	–	–	–	–	–	8,603
Rental revenue	–	–	9,063	9,405	–	–	–	–	–	18,468
Intersegment sales	–	–	–	–	–	32,601	–	–	(32,601)	–
Equity in net earnings of associates and joint ventures	148	–	2	380	–	(4)	(4)	65	–	587
Total revenue	61,765	4,845	9,065	9,785	3,388	35,876	2,967	65	(32,601)	95,155
Real estate costs and expenses	40,897	3,917	7,156	1,653	4,079	34,886	5,244	225	(33,372)	64,685
Gross margin (loss)	20,868	928	1,909	8,132	(691)	990	(2,277)	(160)	771	30,470
Interest and investment income										395
Other charges										(3,789)
Interest and other financing charges										(12,746)
Other income										723
Provision for income tax										(4,059)
Net income										₱10,994
Net income attributable to:										
Equity holders of Ayala Land, Inc.										8,727
Non-controlling interests										2,267
										₱10,994
Other Information										
Segment assets	₱557,840	₱23,233	₱205,505	₱106,848	₱55,147	₱49,218	₱11,607	₱93,761	(₱420,388)	₱682,771
Investment in associates and joint ventures	17,101	–	38	–	–	52	188	9,222	–	26,601
	574,941	23,233	205,543	106,848	55,147	49,270	11,795	102,983	(420,388)	709,372
Deferred tax assets	1,818	96	1,178	309	324	145	220	1,485	6,547	12,122
Total assets	₱576,759	₱23,329	₱206,721	₱107,157	₱55,471	₱49,415	₱12,015	₱104,468	(₱413,841)	₱721,494
Segment liabilities	₱235,380	₱12,605	₱79,334	₱24,521	₱19,059	₱40,451	₱5,989	₱197,589	(₱160,762)	₱454,166
Deferred tax liabilities	2,888	–	186	127	12	1	21	(112)	4,026	7,149
Total liabilities	₱238,268	₱12,605	₱79,520	₱24,648	₱19,071	₱40,452	₱6,010	₱197,477	(₱156,736)	₱461,315
Segment additions to:										
Property and equipment	₱211	₱83	₱73	₱40	₱991	₱335	₱630	₱735	₱–	₱3,098
Investment properties	₱1,032	₱463	₱1,188	₱1,030	₱46	₱68	₱23	₱1,766	₱–	₱5,616
Depreciation and amortization	₱618	₱189	₱4,411	₱1,779	₱875	₱998	₱483	₱220	₱–	₱9,573
Non-cash expenses other than depreciation and amortization	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Impairment losses	₱37	₱–	₱288	₱331	₱–	₱–	₱97	₱225	₱–	₱978

31. **Performance Obligations**

Information about the Group's performance obligations are summarized below:

Real estate sales
The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of real estate unit may cover the contract for either the (i) serviced lot; (ii) service lot and house, and (iii) condominium unit and the Group concluded that there is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% of the contract price spread over a certain period (e.g., one to two years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule from each of the customer does not necessarily coincide with the progress of construction, which results to either an unbilled receivable or customers' deposit.

After the delivery of the completed real estate unit, the Group provides one year warranty to repair minor defects on the delivered serviced lot and house and condominium unit. This is assessed by the Group as a quality assurance warranty and not treated as a separate performance obligation.

Hotels and resorts
Rooms revenue from hotel and resort operations is recognized when the services are rendered. Revenue from banquets and other special events are recognized when the events take place.

Construction
Revenue from fixed price construction contracts are recognized overtime using the milestone-based revenue recognition which is in reference to output method. The output method is determined based on the start and completion of a task of the contract work inclusive of uninstalled goods and materials delivered to the site.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2022 and 2021 are as follows:

	2022	2021
	(In Thousands)	
Within one year	**₱31,674,330**	₱45,005,469
More than one year	**29,307,910**	55,587,158
	₱60,982,240	₱100,592,627

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Group's real estate projects. The Group's condominium units are completed within three to five years from start of construction while serviced lots and serviced lots and house are expected to be completed within two to three years from start of development.

32. **Registration with Philippine Economic Zone Authority (PEZA)**

Ayala Land Inc., the Parent Company, was registered with PEZA last December 13, 2017 as a Developer/Operator of the Southpark Corporate Center.

North Eastern Commercial Corporation, a wholly owned subsidiary, was registered with PEZA last July 5, 2017 as a Developer/Operator of the 30th Corporate Center.

Ayala Land Inc., the Parent Company, was registered with PEZA last November 6, 2017 as a Developer/Operator of the Vertis North IT Park.

Central Block Developers, Inc., a wholly owned subsidiary, was registered with PEZA last June 19, 2017 as a Ecozone Facilities Enterprise of the Central Bloc 1 & 2.

Ayalaland Metro North, Inc., a wholly owned subsidiary, was registered with PEZA last January 16, 2017 as a Developer/Operator of the UP Town Corporate Center.

Pangulasian Island Resort Corporation (PIRC), a subsidiary of Ten Knots Development Corporation which is a subsidiary of Ayala Land, Inc., is registered with the Philippine Economic Zone Authority (PEZA) under the Certificate of Registration number 16-055 and Registration Agreement dated March 21, 2016. The registration shall entitle PIRC to conduct activities limited to resort operations, travel/tours/leisure and recreation-related activities, and the importation of raw materials, machinery, equipment, tools, goods, wares, articles, or merchandise directly used in its registered operations inside the Green Tourism Ecozone - Pangulasian.

Nuevo Centro, a wholly-owned subsidiary of Ayala Land, Inc., is registered with PEZA with Certificate of Registration number EZ 16-30 under Registration Agreement dated July 19, 2016. The registration as a Special Economic Zone Developer/Operator shall entitle Nuevo Centro, Inc. to establish, develop, administer, manage, and operate a Special Economic Zone to be known as Alviera Industrial Park. It has been designated a 311,954-square meter area located at Barangays Dolores and Banaba, Porac, Pampanga. The Company shall be exempt from payment of all national and local taxes, except real property taxes on land and shall pay a 5% final tax on gross income.

33. **Leases**

Operating Leases - Group as Lessor

The Group entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals receivable under noncancellable operating leases of the Group follows:

	2022	2021
	(In Thousands)	
Within one year	**₱3,498,321**	₱5,591,888
After one year but not more than five years	**12,422,006**	15,982,405
More than five years	**55,262,893**	56,106,720
	₱71,183,220	₱77,681,012

In 2022, 2021 and 2020, the Group granted rent concessions to its tenants which were affected by the community quarantine imposed by the government amounting to ₱2.36 billion, ₱7.15 billion, and ₱6.15 billion, respectively. These rent concessions did not qualify as a lease modification, thus, were accounted for as a variable lease payments and reported as reduction of lease income in 2022, 2021 and 2020 (see Note 3).

Group as Lessee
The Group entered into lease agreements with third parties. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals payable under noncancellable operating leases of the Group follows:

	2022	2021
	(In Thousands)	
Within one year	**₱3,033,292**	₱3,003,107
After one year but not more than five years	**7,790,454**	7,973,751
More than five years	**49,234,687**	53,597,269
	₱60,058,433	₱64,574,127

Set out below are the carrying amounts of right-of-use assets recognized and the movements in 2022 and 2021:

			2022		
	Land	**Building**	**Aircraft**	**Others**	**Total**
			(in thousands)		
Cost					
At January 1	**₱14,684,025**	**₱731,053**	**₱1,701,823**	**₱385,169**	**₱17,502,070**
Additions	**1,435,322**	**46,125**	**–**	**33,950**	**1,515,397**
At December 31	**16,119,347**	**777,178**	**1,701,823**	**419,119**	**19,017,467**
Accumulated Depreciation and Amortization					
At January 1	**3,843,728**	**488,648**	**713,632**	**299,822**	**5,345,830**
Depreciation	**284,283**	**231,565**	**171,629**	**22,902**	**710,379**
Adjustments	**517,115**	**23,302**	**–**	**(1,674)**	**538,743**
Capitalized as investment property	**(849)**	**2,206**	**–**	**2,317**	**3,674**
At December 31	**4,644,277**	**745,721**	**885,261**	**323,367**	**6,598,626**
Net Book Value	**₱11,475,070**	**₱31,457**	**₱816,562**	**₱95,752**	**₱12,418,841**

			2021		
	Land	Building	Aircraft	Others	Total
			(in thousands)		
Cost					
At January 1	₱14,315,158	₱638,095	₱1,701,823	₱284,574	₱16,939,650
Additions	368,867	92,957	–	100,596	562,420
At December 31	14,684,025	731,052	1,701,823	385,169	17,502,070
Accumulated Depreciation and Amortization					
At January 1	3,100,200	181,053	542,003	108,220	3,931,475
Depreciation	239,988	184,614	171,629	27,041	623,272
Adjustments	454,428	37,246		127,780	619,454
Capitalized as investment property	49,113	85,735		36,781	171,629
At December 31	3,843,728	488,648	713,632	299,822	5,345,830
Net Book Value	₱10,840,297	₱242,404	₱988,191	₱85,348	₱12,156,240

The rollforward analysis of lease liabilities follows:

	2022	2021
At January 1	**₱17,837,354**	₱17,755,843
Additions	**614,921**	104,695
Accretion of interest expense (Note 22)	**1,439,756**	1,409,177
Capitalized interest	**–**	–
Foreign exchange gain (loss)	**127,004**	–
Payments	**(1,316,469)**	(1,432,361)
As at December 31	**₱18,702,566**	₱17,837,354
Current lease liabilities	**710,160**	599,363
Noncurrent lease liabilities	**₱17,992,406**	₱17,237,991

The following are the amounts recognized in the consolidated statement of income:

	2022	2021
Depreciation expense of right-of-use assets	**₱710,380**	₱623,272
Accretion of interest expense on lease liabilities (Note 22)	**1,439,756**	1,409,177
Rent expense - short-term leases	**556**	9,426
Rent expense - variable lease payments	**256,331**	168,963
Foreign exchange (gain) loss	**127,004**	210
Total amounts recognized in the consolidated statement of income	**₱2,534,027**	₱2,211,048

The Group has lease contracts for land that contains variable payments based on a certain percentage of gross rental income of the commercial centers. These terms are negotiated by management for certain commercial spaces without steady customer demand. Management's objective is to align the lease expense with the revenue earned. The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

	2022		
	Fixed Payments	Variable Payments	Total
Fixed	**₱971,072,555**	**₱–**	**₱971,072,555**
Variable rent with minimum payment	**11,987,292**	**69,014,261**	**81,001,553**
Variable rent only	**–**	**2,851,096,952**	**2,851,096,952**
At December 31	**₱983,059,847**	**₱2,920,111,213**	**₱3,903,171,060**

	2021		
	Fixed Payments	Variable Payments	Total
Fixed	₱1,471,313	₱–	₱1,471,313
Variable rent with minimum payment	19,533	1,299	20,832
Variable rent only	–	19,543	19,543
At December 31	₱1,490,846	₱20,842	₱1,511,688

The significant leases entered into by the Group are as follows:

Parent Company

On January 2017, the Parent Company signed a Lease Agreement with Philippine Racing Club, Inc. for the lease of land located in Circuit Makati, Brgy. Carmona, Makati City with an aggregate area of 12,793 sqm. The term of the lease shall be twenty-three years and three months commencing from Delivery Date. The Lessee shall have the option to renew the lease under the same terms and conditions for another period of five years, provided that renewal period shall be mutually agreed by the Parties. For the period commencing from delivery date until sixty-three (63) months thereafter, the Lessee shall pay the Lessor the rent amounting to ₱100.00 million. Commencing on the sixty fourth month from execution of the contract until the end of the lease term, the Lessee shall pay the Lessor the rent equal to fifty percent (50%) of the Gross Income of the Lessee.

In September 2018, the Parent Company signed a Lease Agreement with Manila Seedling Bank Foundation, Inc. (MSBFI) for the lease of a 4.5-hectare portion of land located at the corner of EDSA and Quezon Avenue, Diliman, Quezon City. The term of the lease shall be coterminous with the Lessor's usufruct over the Leased Premises, or until September 20, 2027. The lessee shall pay lessor ₱50.53 million or 40% of lease upon execution of the contract and turnover of the premise while the remaining 60% amounting to ₱75.79 million shall be payable upon securing all necessary permits from Local Government of Quezon City but not later than six months from payment of preceding lease payment.

Bay City

On September 2, 2014, Parent Company signed a Lease Agreement with D.M. Wenceslao & Associates Inc. for the lease of several parcels of land along Asean Avenue and Macapagal Boulevard, Aseana City, Paranaque City with an aggregate area of 92,317 sqm. Parent Company signed a 45-year lease contract with an option to renew for another 45 years subject to such terms and conditions as may be mutually agreed upon by the lessor and the Parent Company. The Parent Company assigned the parcels of land to Bay City in December 2017.

On September 2, 2014, Parent Company signed a Lease Agreement with D.M. Wenceslao & Associates Inc. for the lease of several parcels of land along Asean Avenue and Macapagal Boulevard, Aseana City, Paranaque City, with an aggregate area of 92,317sqm. Parent Company signed a 45-year lease contract with an option to renew the lease for another term of 45 years subject to such terms and conditions as may be mutually agreed upon by the lessor and the Parent Company. The rent due to the Lessor shall be either the Minimum Guaranteed Rent or Percentage Rent (7% of Gross Rental Income), whichever is higher.

ALI also assigned the Air Rights and Basement Rights over the leased property with an aggregate area of 1,686.48 sqm and 8,294 sqm, respectively, subject to the same terms and conditions as the contract of lease dated September 2, 2014. The lessee shall pay the lessor (a) P100/sq meters subjects to annual escalation starting year 2020 ranging from P100/sq meter for the first 3 years, and subject to 25% escalation on the 4th year then 5% escalation from the 5th year to 17th year and finally 6% escalation from 18th to 45th year per square meter, or (b) rent equal to seven percent (7%) of the Gross Rental Income; whichever is higher. The lessee shall pay P100/sq meters for the Basement Right."

AMNI

On January 28, 2011, the Board of Regents of the University of the Philippines awarded to the Parent Company the ₱4.0 billion development of a 7.4-hectare lot at the University of the Philippines' Diliman East Campus, also known as the UP Integrated School, along Katipunan Avenue, Quezon City. The Parent Company signed a 25-year lease contract for the property last June 22, 2011, with an option to renew for another 25 years subject to mutual agreement of the parties. The lease payments shall commence as soon as sales are registered by the merchants. The rights were subsequently assigned by ALI to AMNI in 2015.

A retail establishment with about 63,000 sqm of gross leasable area and an office/BPO building about 8,000 sqm of gross leasable area have been constructed on the property.

Monthly rent is equal to the higher of either: (i) ₱215.65/sqm of the Gross Useable Area, subject to annual escalation at the rate of 5% (Minimum Guaranteed Rent); or (ii) Seventeen percent of the Gross Rental Income.

<u>NTDCC</u>
The Company entered into an assignment agreement with MRTDC wherein the latter has assigned its development rights to the Company in exchange for the Company's assumption of DRP obligation beginning January 1, 2006. The DRP obligation is payable annually for 42 years from the date of assumption, renewable upon expiration with escalation rate of 3% annually starting inception.

In consideration of the lease, the Group will be charged an annual rent related to the original DRP obligation on the MRTDC and 5% of the rental income from the Group's commercial center business. Of the 5% variable amount due, 2.42% shall be directly paid by the Group to the minority shareholders of Monumento Rail Transit Corporation, 28.47% shall be paid directly to Metro Global Holdings Corporation and the remaining 69.11% shall be applied against receivables.

On January 13, 2006, the deed of assignment between MRTDC and NTDCC was acknowledged by DOTC making MRTDC and NTDCC jointly and severally liable for the DRP and all other obligations attached thereto. NTDCC has been paying rent to DOTC in behalf of MRTDC since January 1, 2006. The DRP obligation is payable annually for 42 years from the date of assumption, renewable upon expiration. As of December 31, 2022 and 2021, the DRP obligation amounted to ₱3,722.9 million and ₱3,750.6 million, respectively. Total DRP obligation paid amounted to ₱289.2 million and ₱281.7 million in 2022 and 2021, respectively.

On October 29, 2015, the Company entered into a non-cancellable land lease agreement with Global-Estate Resort Inc (GERI) for the lease of an aggregate of 10,994.86 square meters undivided portions of the North Avenue Lot Pad A and North Avenue Lot Pad B to which the latter is entitled to development rights. The agreement shall be effective until August 8, 2047, subject to the extension of the development's rights period. Advanced rent amounting P294.4 million was paid at the beginning of the contract. Commencing on the 3rd year and until the 10th year of the contract, annual rent is P62.5 million.

During 2016, the Company entered into a non-cancellable land lease agreement with Anglo Philippine Holdings, DBH Inc. and Allante Realty & Development Corporation for the lease of an aggregate of 1,964.20 square meters, 687.47 square meters and 687.47 square meters, respectively, undivided portions of the North Avenue Lot Pad A and North Avenue Lot Pad B to which the latter is entitled to development rights. The agreement shall be effective until August 8, 2047, subject to the extension of the development's rights period. Advanced rent amounting ₱120.5 million, ₱18.4 million and ₱18.4 million was paid to Anglo, DBH and Allante, respectively, at the beginning of the contract. Commencing on the 3rd year and until the 10th year of the contract, annual rent payable for both DBH and Allante is ₱3.9 million.

<u>ALICAP</u>
In December 2017, the Company entered into 120-month lease agreement with NAC Aviation for a brand new ATR72-600 with MSN 1440 which will commence at the date of delivery. Commitment fee or refundable deposit required for the lease amounted to US$0.42 million. The ATR72-600 with MSN 1440 was delivered to the Company in February 2018 and has started flight operations in March 2018. The Company, per lease contract, has the option to purchase the ATR72-600 with MSN 1440 at the end of lease term for US$14.16 million.

In June 2018, the Company entered into another 120-month lease agreement with NAC Aviation for a brand new ATR72-600 with MSN 1492 which will commence at the date of delivery. Commitment fee or refundable deposit required for the lease amounted to US$0.42 million. The ATR72-600 with MSN 1492 was delivered to the Company on the same month and has started flight operations in August 2018. The Company, per lease contract, has the option to purchase the ATR72-600 with MSN 1440 at the end of lease term amounting to US$14.16 million.

AHRC
On January 30, 2018, the Company signed a Lease Agreement with Dunes & Eagle Land Development Corporation for the lease of ten parcels of land located at Barangay Mactan, Lapu-Lapu City, Mactan Island, Cebu with an aggregate area of 144,087 sqm. The term of the lease shall be for a period of fifty (50) years commencing from the date of execution of the agreement. Rent payment should be as follows: (a) ₱70 million per annum for the first 5 years (b) 5% of Gross Revenues or ₱70 million per annum whichever is higher for the 6th year to the 30th year, and (c) 5.5% of Gross Revenues or ₱70 million per annum whichever is higher for the 31st year to the 50th year.

On July 26, 2012, ALI entered into a renewable contract of lease with Province of Negros Occidental for 40,481 square meters area of land with a monthly lease of ₱73.00 per square meter which shall be escalated every five years by ten percent (10%) of the current rate of rent. The term of the lease shall be for a period of fifty (50) years commencing from the date of delivery subject to renewal by mutual agreement of the parties under such terms and conditions as may be mutually acceptable. The Company has assessed that the lease agreement is a non-cancellable lease. On December 23, 2014, ALI assigned its rights and obligations to Capitol Central Hotel Ventures, Inc. under the Contract of Lease Assignment over a portion on which Seda Capitol Central was constructed equivalent to an area of 3,714.80 square meters. The agreement on lease assignment transfers and conveys the Company to take over the lease of the assigned portion subject to the same terms and conditions contained in the contract of lease.

Bonifacio Hotel Ventures, Inc. entered into a non-cancellable and renewable contract of lease with Fort Bonifacio Development Corporation for the land on which Seda BGC Tower 1 was constructed with initial term of twenty-five (25) years commencing from the date that the Hotel first commences business or start of commercial operation. The lease agreement provides for the payment of rent based on 3% of the Hotel’s gross income for its 1st year of operation, 4% of the Hotel’s gross income for its 2nd year of operation, and 5% of the Hotel’s gross income for the succeeding years or ₱350 per square meter for the 1st year, ₱375 per square meter for the 2nd year and ₱400 per square meter for the 3rd year, whichever is higher, and starting on the 4th year of operations, rent shall be escalated at a rate of 3% per year until the end of the lease period. The Company entered into another non-cancellable and renewable contract of lease with Fort Bonifacio Development Corporation for the land on which the Seda BGC Tower 2 was constructed with initial term of twenty-five (25) years commencing from the date that the Hotel first commences business or start of commercial operation. The lease agreement provides for the payment of rent based on 3% of the Hotel’s gross income for its 1st year of operation, 4% of the Hotel’s gross income for its 2nd year of operation, and 5% of the Hotel’s gross income for the succeeding years or ₱575 per square meter for the 1st year, ₱616.06 per square meter for the 2nd year and ₱657.15 per square meter for the 3rd year, whichever is higher, and starting on the 4th year of operations, rent shall be escalated at a rate of 3% per year until the end of the lease period.

ALLHC
On August 28, 1990, the Company, through a Deed of Assignment, acquired all the rights, titles, interests and obligations of Gotesco Investment, Inc. in a contract of lease of the land owned by PNR for the Tutuban Terminal. The contract provided for a payment of a guaranteed minimum annual rental plus a certain percentage of gross sales. The lease covers a period of 25 years until 2014 and is automatically renewable for another 25 years, subject to compliance with the terms and conditions of the lease agreement. On December 22, 2009, ALLHC entered into an agreement with PNR for the renewal of its lease contract for another 25 years beginning September 5, 2014 until 2039. The fixed rent from 2014 to 2039 is P3.8b and variable rent is 2% of gross revenue.

SSECC
The Company has an existing contract with Bases Conversion and Development Authority (BCDA) to develop, under a lease agreement signed on July 2000, a mall with an estimated gross leasable area of 152,000 sqm on a 9.8-hectare lot inside Fort Bonifacio. Subsequently, the Company transferred its rights and obligations granted to or imposed under the lease agreement to SSECC, a subsidiary, in exchange for equity. The lease agreement covers 25 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to ₱106.5 million while the variable rent ranges from 5% to 20% of gross revenues.

Capitol
On April 26, 2012 Parent Company signed a Lease Agreement with the Province of Negros Occidental for the lease of a parcel of land with an aggregate area of 40,481 sq. m. located along Gatuslao cor. North and South Capitol Roads, Bacolod City, registered in the name of the Province of Negros Occidental. The Parent Company signed a 50-year lease contract with an option to renew as may be mutually agreed upon by the lessor and the Company. The Parent Company assigned the parcels of land to Capitol in December 2017. Lease payment is P2.47 million per month and shall be escalated every five years by ten percent (10%) of the then current rate of rent.

Arvo
On October 15, 2014, Arvo entered into a property lease agreement with Rotonda Development Corporation for the construction, development and operation of a commercial and mall center. The terms of the lease shall be 42 years, with an option to renew for another 40 years subject to mutual agreement of the parties. The lease agreement provided rent-free period of 2 years and lease payments shall commence thereafter. Lease payments shall be paid annually at ₱60.00 per sqm, subject to an annual escalation of 4%.

The Group performed impairment testing on its right-of-use assets with a carrying value of ₱1,431.0 million and ₱1,360.0 million as of December 31, 2022 and 2021, respectively, by assessing its recoverable amount through estimation of its value in use. Based on the impairment testing, there is no impairment loss on the Group's hotel and resorts right-of-use assets (see Note 3).

34. Long-term Commitments and Contingencies

Commitments

a. On December 8, 2017, ALI assigned to NTDCC development rights on certain portions of the North Triangle lot pads covered by a Deed of Assignment and Encroachment Settlement Agreement amounting to ₱631.2 million.

b. In January 15, 2018, the estate, named Parklinks was launched and is the greenest urban estate of Ayala Land in partnership with Eton Properties Inc. The first residential project of Ayala Land Premier, Parklinks North Tower was launched on the same year, while the Parklinks lifestyle mall broke ground as well, expected to provide a new destination for residents and office workers within the area when it opens in 2025. With the brisk residential sales of ALP's first project, the Parklinks South tower was launched in 2019, together with Alveo's first residential development "The Lattice".

   Also set to rise within the estate will be an iconic bridge that will conveniently connect the QC and Pasig parcels, offering a new route that can help ease vehicular traffic in the northeastern and eastern portions of Metro Manila. The bridge is expected to be completed by Q2 of 2022.

c. On August 11, 2015, the Group won the bid for the Integrated Transport System Project – South Terminal ("ITS South Project"). The Company was awarded by the Department of Transportation and Communications ("DOTC") with a 35-year concession agreement to build and operate the ITS South Project and will likewise have the right to develop and operate commercial leasing facilities on the same 5.57-hectare former Food Terminal Inc. property on which the future transport terminal will be built. The site of the ITS South Project is right next to ARCA South, where the Company is developing an integrated mixed-use estate.

d. On August 8, 1997, an "Assignment Agreement" was executed between Department of Transportation and Communications (DOTC), Metro Rail and MRTDC whereby MRTDC agreed to be bound by all obligations in respect of the Development Rights and make payments to DOTC.

e. On June 4, 2014, AHRC, a wholly owned subsidiary of the Parent Company has signed a long-term management agreement with the Mandarin Oriental Hotel Group to develop and operate luxury hotel in Makati City. Set to open its doors by 2027, the new Mandarin Oriental Manila will be featuring 276 spacious rooms complemented by an extensive range of modern amenities including premium selection of restaurants and a signature spa. AHRC is committed to pay US$5 million (₱223.6 million) to Manila Mandarin Hotel, Inc. upon the opening of the New Hotel or June 30, 2017, whichever is earlier. In 2017, the Group fully paid the said amount.

f. On February 26, 2021, The Group entered into agreements to restructure the long-outstanding receivables from Mercado General Hospital, Inc., Panay Medical Ventures, Inc., Mercado General Hospital Sta. Rosa, Inc. and Mercado General Hospital San Jose Del Monte, Inc. amounting to ₱209.0 million, ₱79.0 million, ₱5.0 million and ₱129.1 million, respectively, to a 5-year loan with interest rate of 4% per annum.

Contingencies
The Group has various contingent liabilities arising in the ordinary conduct of business including a case related to property restriction violation. The estimate of the probable cost for the resolution of this claim has been developed in consultation with outside counsel handling the defense in this matter and is based upon an analysis of potential results. In the opinion of management and its legal counsel the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. Accordingly, no provision for any liability has been made in the consolidated financial statements.

Disclosures required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, were not provided as it may prejudice the Group's position in ongoing claims and it can jeopardize the outcome of the claims and contingencies.

35. **Concession Agreement with Department of Transportation (DOTr)**

On January 26, 2016, the Group through ASITI entered into a Concession Agreement (CA) with the Department of Transportation (DOTr). The CA sets forth the rights and obligations of ASITI as concessionaire, including the construction and operation of the South Integrated Transport System Project (the Project) of DOTr. During the concession period, DOTr will monitor and review the performance of the concessionaire.

The concession will run for a period of 35 years from the start of the construction of the Project. Under the terms of the concession agreement, ASITI will design, engineer, construct, operate and maintain a mass transportation intermodal terminal at the outskirts of Metro Manila. The operation of the Project includes the collection and remittance of terminal fees to DOTr of the concessionaire during the concession period. In addition, ASITI will be permitted to develop and operate commercial leasing facilities.

Upon the start of the construction of the Project, DOTr will give ASITI the full, exclusive and uninterrupted use and possession of a 5.57 hectare property known as the Project Land. Ownership of the Project Land shall remain with DOTr at all times while the possession, custody and risk of loss or deterioration of the Project and commercial assets shall vest in the concessionaire during the concession period. ASITI shall transfer the Project and the related assets, free from any liens or encumbrances, to DOTr at the end of the concession period. ASITI will be entitled to annual payments from DOTr amounting to ₱277.9 million during the 35-year concession period, subject to meeting benchmarks set for certain key performance indicators enumerated in the CA.

As of December 31, 2022, construction of the Project has not yet commenced.

36. Notes to Consolidated Statements of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

2022

	January 1, 2022	**Cash flows**	**Non-cash changes**	**Foreign exchange movement**	**December 31, 2022**
			(In Thousands)		
Short-term debt	**₱16,782,500**	**(₱10,235,229)**	**₱–**	**₱–**	**₱6,547,271**
Current long-term debt	**26,173,997**	**(26,173,997)**	**19,228,289**	**–**	**19,228,289**
Non-current long-term debt	**180,140,242**	**49,327,017**	**(19,433,435)**	**229,466**	**210,263,290**
Dividends payable (Note 15)	**686,982**	**(4,667,960)**	**4,602,008**	**–**	**81,030**
Lease liabilities	**17,837,354**	**(1,316,469)**	**2,891,842**	**–**	**19,412,727**
Deposits and other noncurrent liabilities	**60,735,602**	**(13,299,983)**	**–**	**–**	**47,435,619**
Total liabilities from financing activities	**₱302,356,677**	**(6,366,621)**	**₱6,748,704**	**₱229,466**	**₱302,968,226**

2021

	January 1, 2021	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2021
			(In Thousands)		
Short-term debt	₱9,131,325	₱7,651,175	₱–	₱–	₱16,782,500
Current long-term debt	18,732,401	(18,732,401)	26,173,997	–	26,173,997
Non-current long-term debt	184,087,192	21,483,082	(25,829,931)	399,899	180,140,242
Dividends payable (Note 15)	241,606	(5,375,409)	5,820,784	–	686,982
Lease liabilities	17,755,843	(1,432,361)	1,513,872	–	17,837,354
Deposits and other noncurrent liabilities	50,040,170	10,695,432	–	–	60,735,602
Total liabilities from financing activities	₱279,988,537	13,844,141	₱7,678,722	₱399,899	₱301,911,299

The noncash activities of the Group pertain the following:

2022

- Transfer from investment properties to inventories amounting to ₱16,875 million
- Transfer from property and equipment to investment properties amounting to ₱5,597.3 million
- Property for share swap transaction with AC and Mermac that resulted to acquisition of investment properties amounting to ₱4,785.39 million and inventories amounting to ₱78.06 million, in exchange for the issuance of capital stock and recognition of additional paid capital amounting ₱311.58 million and ₱17,074.58 million, respectively. This also involved the recognition of noncash transactions such as equity reserves amounting to ₱9,800.78 million and noncontrolling interest amounting to ₱3,397.84 million.
- Capitalized interest amounted to ₱783.22 million

2021

- Transfer from investment properties to inventories amounting to ₱4,062.9 million
- Transfer from property and equipment to investment properties amounting to ₱1.2 million
- Transfer from inventories to investment properties amounting to ₱4,106.9 million
- Transfer from inventories to property and equipment amounting ₱2.6 million
- Capitalized interest amounted to ₱574.1 million

2020
- Transfer from investment properties to inventories amounting to ₱18,563.9 million
- Transfer from investment properties to property and equipment amounting to ₱591.6 million
- Transfer from investment properties and property and equipment to building classified as held for sale amounting to ₱950.1 million and ₱2.1 million, respectively
- Transfer from inventories to investment properties amounting to ₱2,361.2 million
- Transfer from right-of-use assets and lease liabilities to investment properties amounting to ₱6.9 million and ₱24.2 million, respectively
- Capitalized interest amounted to ₱40.1 million

37. Events After Reporting Date

On February 24, 2023, the Board of Directors of Ayala Land, Inc. approved the following:

a. The decrease in Authorized Capital Stock (ACS) by ₱62.40 million, from ₱21,500 million to ₱21,437.60 million, through the retirement of redeemed voting preferred shares as of January 31, 2023, and any additional redeemed voting preferred shares until April 25, 2023, as well as the corresponding amendment of the Seventh Article of the Articles of Incorporation. The decrease in ACS and the amendment of the Seventh Article will be presented to the stockholders for approval at their annual meeting on April 26, 2023.

b. The 2023 stock option program pursuant to our Employee Stock Ownership Plan (the “Plan”) which authorizes the grant to qualified executives, in accordance with the terms of the Plan, of stock options covering up to a total of 20,200,407 common shares at a subscription price of ₱24.68 per share, which is the average price of common shares at the Philippine Stock Exchange over the last 5-day trading as of February 13, 2023, less a prescribed discount.

c. The declaration of cash dividends of ₱0.1495 per outstanding common share payable on March 23, 2023 to stockholders of common shares as of record date March 7, 2023. This reflects a 11% increase from the cash dividends declared in the first half of 2021 amounting to ₱0.1352 per share.

38. Other Matters

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions in the Group's business activities.

As of reporting date, all shopping malls have reopened at normal operating hours and construction works for commercial and residential projects have resumed while following the safety protocols mandated by the national government. Hotels have opened and returned to their normal operations.

In view of the improving economy that was severely impacted by the pandemic and the government’s easing travel and mobility restrictions (both domestic and international), the Group’s hotels and resorts segment has registered positive growth in its revenues during the year. The hotel and resorts properties continue to post significant improvements in revenues and net income from higher occupancies due to easing of health and travel restrictions, surging leisure demand and increased guests spending. In addition, many restaurants and food outlets have reopened and operated, improving the food and beverage revenues of the segment. With a better economic outlook and market forecast, the segment is expected to continue its recovery in the future. Accordingly, there are no impairment indicators in 2022 requiring the assessment of the recoverable amount of the property and equipment and right of use assets.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
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**INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors
Ayala Land, Inc.
31st Floor, Tower One and Exchange Plaza, Ayala Triangle
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ayala Land, Inc. and Subsidiaries (the Group) as at December 31, 2022 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated February 21, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the consolidated financial statements, and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the SEC, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
Tax Identification No. 160-302-865
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0664-AR-4 (Group A)
Valid to cover audit of 2022 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9564691, January 3, 2023, Makati City

February 21, 2023

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Ayala Land, Inc.
31st Floor, Tower One and Exchange Plaza, Ayala Triangle
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ayala Land, Inc. and its subsidiaries (the Group) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, included in this Form 17-A and have issued our report thereon dated February 21, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole, are prepared in all material respects, in accordance with Philippine Financial Reporting Standards, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission, as described in Note 2 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
Tax Identification No. 160-302-865
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
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SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-073-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9564691, January 3, 2023, Makati City

February 21, 2023

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	5	2	7	4	7					

COMPANY NAME

AYALA LAND, INC. AND SUBSIDIARIES

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

31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, if Applicable
AFS	SEC	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	7 908-3677	

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
13,115	04/27	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ma. Luisa D. Chiong	chiong.malou@ayalaland.com.ph	7 908-3681	

CONTACT PERSON's ADDRESS

31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

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

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

pwc

Independent Auditor's Report

To the Board of Directors and Stockholders of
Ayala Land, Inc.
31st Floor, Tower One and Exchange Plaza, Ayala Triangle
Ayala Avenue, Makati City

Report on the Audit of the Consolidated Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of Ayala Land, Inc. (the "Parent Company") and its Subsidiaries (the "Group") as at and for the year ended December 31, 2023 are prepared, in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting relief issued and approved by the Securities and Exchange Commission (SEC), as described in Note 36 to the consolidated financial statements.

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of income for the year ended December 31, 2023;
- the consolidated statement of comprehensive income for the year ended December 31, 2023;
- the consolidated statement of changes in equity for the year ended December 31, 2023;
- the consolidated statement of cash flows for the year ended December 31, 2023; and
- the notes to the consolidated financial statements, including material accounting policy information.

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and Code of Ethics.

Emphasis of Matter

We draw attention to Note 36 to the consolidated financial statements, which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting relief issued and approved by the SEC in response to the COVID-19 pandemic. The details of the financial reporting relief availed by the Group and the impact of the application on the 2023 consolidated financial statements are discussed in Note 36.3. Our opinion is not modified in respect of this matter. Our opinion remains to be unqualified on the consolidated financial statements taken as a whole.

Other Matter

The consolidated financial statements of the Group as at December 31, 2022 and for the years ended December 31, 2022 and 2021 were audited by another firm of auditors whose report, dated February 21, 2023, expressed an unmodified opinion on those statements.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key Audit Matters

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

The key audit matter identified in our audit pertains to the real estate revenue recognition based on percentage of completion (PoC) as a measure of progress.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Real estate revenue recognition based on PoC as a measure of progress	
Refer to Note 35.2 to the consolidated financial statements for the discussion on critical accounting estimates and assumptions. The real estate revenue for the year ended December 31, 2023 amounts to P92.3 billion, which accounts for approximately 63% of the consolidated total revenue. It is therefore material to the consolidated financial statements. Real estate revenue from contracts with customers is recognized over time using the output method in accordance with the guidance set in PFRS 15, *Revenue from contracts with customers*, and Philippine Interpretations Committee Questions and Answers (PIC Q&A) 2018-12. Under the output method, revenue is calculated with reference to the PoC of the project. In the case of the Group, PoC is determined based on the actual physical completion of the project. Hence, real estate revenue recognition requires significant judgment and estimation.	We addressed the matter by understanding and evaluating the process employed by the Group in estimating the PoC of the real estate development projects. In particular, we performed a combination of controls and substantive testing procedures as follows: • Evaluated the design and tested the operating effectiveness of key controls surrounding the project budgeting, project costing and project milestone measurement activities. Further, we performed reasonableness testing of key inputs and assumptions used in the project budgeting and project costing activities, through site visits and inspection of bill of quantity and other relevant supporting documents. • Agreed the milestone percentage per project by inspecting the underlying project accomplishment reports prepared by project engineers and as evaluated and approved by independent quantity surveyors. • Performed test of details on incurred project costs through corroboration with supporting documents such as contractors' progress billing statements, supplier invoices, proof of delivery and other relevant supporting documents. • Performed mathematical accuracy check of PoC applied to each project and individually sold units and verified that the PoC is accurately used in the calculation of the Group's real estate revenue.

Other Information

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

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

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

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

Management is responsible for the preparation of the consolidated financial statements in accordance with PFRSs, as modified by the application of the financial reporting relief issued and approved by the SEC, as described in Note 36 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in accordance with PFRSs, as modified by the application of the financial reporting relief issued and approved by the SEC, as described in Note 36 to the consolidated financial statements.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Roderick M. Danao.

Isla Lipana & Co.

Roderick M. Danao
Partner
CPA Cert. No. 88453
P.T.R. No. 0011280, issued on January 12, 2024, Makati City
TIN 152-015-078
BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
February 20, 2024

pwc

Statements Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Stockholders of
Ayala Land, Inc
31st Floor, Tower One and Exchange Plaza, Ayala Triangle
Ayala Avenue, Makati City

We have audited the consolidated financial statements of Ayala Land, Inc. (the "Parent Company") and its Subsidiaries as at and for the year ended December 31, 2023, on which we have rendered the attached report dated February 20, 2024. The supplementary information shown in the Reconciliation of the Parent Company's Retained Earnings Available for Dividend Declaration and Map of the Group of Companies within which the Parent Company belongs, as additional components required by Part I, Section 5 of the Revised SRC Rule 68, and Schedules A, B, C, D, E, F and G, as required by Part II of the Revised SRC Rule 68, is presented for the purposes of filing with the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the supplementary information has been prepared in accordance with the Revised SRC Rule 68.

Isla Lipana & Co.

Roderick M. Danao
Partner
CPA Cert. No. 88453
P.T.R. No. 0011280, issued on January 12, 2024, Makati City
TIN 152-015-078
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Makati City
February 20, 2024

pwc

Statements Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Stockholders of
Ayala Land, Inc.
31st Floor, Tower One and Exchange Plaza, Ayala Triangle
Ayala Avenue, Makati City

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

Isla Lipana & Co.

Roderick M. Danao
Partner
CPA Cert. No. 88453
P.T.R. No. 0011280, issued on January 12, 2024, Makati City
TIN 152-015-078
BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
February 20, 2024

Ayala Land, Inc. and Subsidiaries

Consolidated Statement of Financial Position
As at December 31, 2023
(With comparative figures as at December 31, 2022)
(All amounts in thousands of Philippine Peso)

	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents	2	17,066,330	11,885,329
Short-term investments	3	333,610	330,500
Financial assets at fair value through profit or loss (FVTPL)	4	419,802	291,989
Accounts and notes receivable, net	5	105,530,428	102,151,267
Inventories	6	209,316,511	180,348,474
Other current assets	7	80,290,824	64,849,846
Total current assets		412,957,505	359,857,405
Non-current assets			
Accounts and notes receivables, net of current portion	5	58,453,299	49,032,711
Financial assets at fair value through other comprehensive income (FVOCI)	8	1,121,969	1,033,481
Investments in associates and joint ventures	9	31,212,698	31,917,095
Right-of-use assets, net	31	11,808,541	12,418,841
Investment properties, net	10	241,061,619	245,525,507
Property and equipment, net	11	41,261,219	36,153,839
Deferred tax assets, net	21	15,345,133	13,889,287
Other non-current assets	12	33,410,499	29,826,354
Total non-current assets		433,674,977	419,797,115
Total assets		846,632,482	779,654,520

(forward)

Ayala Land, Inc. and Subsidiaries

Consolidated Statement of Financial Position
As at December 31, 2023
(With comparative figures as at December 31, 2022)
(All amounts in thousands of Philippine Peso)

(continuation)

	Notes	2023	2022
Liabilities and Equity			
Current liabilities			
Short-term debt	14	16,905,106	6,547,272
Accounts and other payables	13	162,475,442	143,952,127
Income tax payable		586,605	845,073
Current portion of lease liabilities	31	1,108,553	710,160
Current portion of long-term debt	14	18,969,421	19,258,289
Deposits and other current liabilities	15	34,131,984	31,211,023
Total current liabilities		234,177,111	202,523,944
Non-current liabilities			
Long-term debt, net of current portion	14	222,379,734	210,233,290
Pension liabilities	24	2,769,457	1,871,186
Lease liabilities, net of current portion	31	17,414,070	17,992,406
Deferred tax liabilities, net	21	7,324,267	5,849,288
Deposits and other non-current liabilities	16	42,638,781	47,519,881
Total non-current liabilities		292,526,309	283,466,051
Total liabilities		526,703,420	485,989,995
Equity			
Equity attributable to equity holders of Ayala Land, Inc.			
Paid-in capital	17	98,115,042	97,636,864
Remeasurement (loss) gain on defined benefit plans		(481,670)	106,942
Fair value reserve of financial assets at FVOCI	8	(680,620)	(877,913)
Cumulative translation adjustments		(107,679)	437,996
Equity reserves	17	(2,589,586)	(6,506,845)
Treasury stock	17	(22,776,361)	(19,080,714)
Retained earnings		202,381,286	183,535,858
		273,860,412	255,252,188
Non-controlling interests	17	46,068,650	38,412,337
Total equity		319,929,062	293,664,525
Total liabilities and equity		846,632,482	779,654,520

The notes on pages 1 to 126 are an integral part of these consolidated financial statements.

Ayala Land, Inc. and Subsidiaries

Consolidated Statement of Income
For the year ended December 31, 2023
(With comparative figures for the years ended December 31, 2022 and 2021)
(All amounts in thousands of Philippine Peso, except earnings per share)

	Notes	2023	2022	2021
Revenue				
Real estate sales	18	140,141,723	116,356,382	96,144,850
Interest income from real estate sales	5, 18	5,359,526	6,694,930	6,801,012
Equity in net earnings of associates and joint ventures	9, 18	1,575,295	1,429,795	842,565
		147,076,544	124,481,107	103,788,427
Interest and investment income	19, 23	689,548	387,083	253,107
Other income	19	1,091,317	1,687,624	2,101,071
		1,780,865	2,074,707	2,354,178
		148,857,409	126,555,814	106,142,605
Costs and expenses				
Cost of real estate sales	20	87,138,671	75,628,711	64,641,519
General and administrative expenses	20	8,910,449	7,264,339	6,538,859
Interest and other financing charges	20	13,498,847	11,446,669	11,037,772
Other expenses	20	2,849,234	3,996,044	3,636,915
		112,397,201	98,335,763	85,855,065
Income before income tax		36,460,208	28,220,051	20,287,540
Provision for income tax				
Current tax expense		7,407,869	6,943,074	5,984,642
Deferred tax expense (benefit)		48,761	(1,247,276)	(1,356,465)
		7,456,630	5,695,798	4,628,177
Net income		29,003,578	22,524,253	15,659,363
Net income attributable to:				
Equity holders of Ayala Land, Inc.	25	24,507,581	18,617,234	12,228,148
Non-controlling interest		4,495,997	3,907,019	3,431,215
		29,003,578	22,524,253	15,659,363
Earnings Per Share				
Net income attributable to equity holders of Ayala Land, Inc.				
Basic and diluted	25	1.63	1.26	0.83

The notes on pages 1 to 126 are an integral part of these consolidated financial statements.

Ayala Land, Inc. and Subsidiaries

Consolidated Statement of Comprehensive Income
For the year ended December 31, 2023
(With comparative figures for the years ended December 31, 2022 and 2021)
(All amounts in thousands of Philippine Peso)

	Notes	2023	2022	2021
Net income		29,003,578	22,524,253	15,659,363
Other comprehensive (loss) income				
Item that will be subsequently reclassified to profit or loss:				
Cumulative translation adjustment		(529,265)	229,224	265,284
Items that will not be subsequently reclassified to profit or loss:				
Changes in fair value reserve of financial assets at FVOCI	8	205,077	(16,905)	(97,378)
Remeasurement (loss) gain on defined benefit plan	24	(784,816)	186,961	1,099,585
Income tax effect		196,204	(46,740)	(274,896)
		(912,800)	352,540	992,595
Total comprehensive income		28,090,778	22,876,793	16,651,958
Total comprehensive income attributable to:				
Equity holders of Ayala Land, Inc.		23,570,587	18,936,821	13,049,676
Non-controlling interests		4,520,191	3,939,972	3,602,282
		28,090,778	22,876,793	16,651,958

The notes on pages 1 to 126 are an integral part of these consolidated financial statements

Ayala Land, Inc. and Subsidiaries

Consolidated Statement of Changes in Equity
For the year ended December 31, 2023
(With comparative figures for the years ended December 31, 2022 and 2021)
(All amounts in thousands of Philippine Peso)

	Attributable to equity holders of Ayala Land, Inc.												
	Capital Stock (Note 17)	**Additional Paid in Capital (Note 17)**	**Subscriptions Receivables**	**Appropriated Retained Earnings (Note 17)**	**Unappropriated Retained Earnings (Note 17)**	**Remeasurement Gain (Loss) on Defined Benefit Plans (Note 24)**	**Fair value reserve of financial assets at FVOCI (Note 8)**	**Cumulative Translation Adjustments (Note 17)**	**Equity Reserves (Note 17)**	**Treasury Stock (Note 17)**	**Total**	**Non-Controlling Interests**	**Total Equity**
Balances at January 1, 2021	16,066,829	49,149,512	(2,262,756)	8,000,000	150,822,683	(818,101)	(748,220)	167,395	585,256	(1,260,780)	219,701,818	37,623,175	257,324,993
Comprehensive income													
Net income	-	-	-	-	14,221,177	-	-	-	-	-	14,221,177	3,431,215	17,652,392
Other comprehensive income	-	-	-	-	-	824,689	(97,378)	94,217	-	-	821,528	171,067	992,595
Total comprehensive income for the year	-	-	-	-	14,221,177	824,689	(97,378)	94,217	-	-	15,042,705	3,602,282	18,644,987
Appropriation of retained earnings	-	-	-	17,000,000	(17,000,000)	-	-	-	-	-	-	-	-
Cost of stock options	-	150,072	-	-	-	-	-	-	-	-	150,072	-	150,072
Collection of subscription receivable	-	-	324,725	-	-	-	-	-	-	-	324,725	-	324,725
Stock options exercised	11,389	335,219	(346,608)	-	-	-	-	-	-	-	-	-	-
Statutory merger	609,626	15,859,460	-	-	-	(39,867)	(35,297)	-	(276,774)	(13,976,965)	2,140,183	(2,140,183)	-
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	(1,656,635)	(1,656,635)	-	(1,656,635)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	981,129	-	981,129	-	981,129
Net change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	553,837	553,837
Cash dividends declared	-	-	-	-	(4,063,228)	-	-	-	-	-	(4,063,228)	(1,757,559)	(5,820,787)
Balances at December 31, 2021	**16,687,844**	**65,494,263**	**(2,284,639)**	**25,000,000**	**143,980,632**	**(33,279)**	**(880,895)**	**261,612**	**1,289,611**	**(16,894,380)**	**232,620,769**	**37,881,552**	**270,502,321**
Comprehensive income													
Net income	-	-	-	-	18,617,234	-	-	-	-	-	18,617,234	3,907,019	22,524,253
Other comprehensive income	-	-	-	-	-	140,221	2,982	176,384	-	-	319,587	32,953	352,540
Total comprehensive income for the year	-	-	-	-	18,617,234	140,221	2,982	176,384	-	-	18,936,821	3,939,972	22,876,793
Cost of stock options	-	78,860	-	-	-	-	-	-	-	-	78,860	-	78,860
Collection of subscription receivable	-	-	200,365	-	-	-	-	-	-	-	200,365	-	200,365
Stock options exercised	14,172	451,829	(391,994)	-	-	-	-	-	-	-	74,007	-	74,007
Stock issuance for properties	75,046	4,112,495	-	-	-	-	-	-	-	-	4,187,541	-	4,187,541
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	(2,186,334)	(2,186,334)	-	(2,186,334)
Acquisition of non-controlling interest	236,534	12,962,089	-	-	-	-	-	-	(7,796,456)	-	5,402,167	-	5,402,167
Net change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(1,755,347)	(1,755,347)
Cash dividends declared	-	-	-	-	(4,062,008)	-	-	-	-	-	(4,062,008)	(1,653,840)	(5,715,848)
Balances at December 31, 2022	**17,013,596**	**83,099,536**	**(2,476,268)**	**25,000,000**	**158,535,858**	**106,942**	**(877,913)**	**437,996**	**(6,506,845)**	**(19,080,714)**	**255,252,188**	**38,412,337**	**293,664,525**

(forward)

Ayala Land, Inc. and Subsidiaries

Consolidated Statement of Changes in Equity
For the year ended December 31, 2023
(With comparative figures for the years ended December 31, 2022 and 2021)
(All amounts in thousands of Philippine Peso)

(continuation)

				Attributable to equity holders of Ayala Land, Inc.									
	Capital Stock (Note 17)	**Additional Paid in Capital (Note 17)**	**Subscriptions Receivables**	**Appropriated Retained Earnings (Note 17)**	**Unappropriated Retained Earnings (Note 17)**	**Remeasurement Gain (Loss) on Defined Benefit Plans (Note 24)**	**Fair value reserve of financial assets at FVOCI (Note 8)**	**Cumulative Translation Adjustments (Note 17)**	**Equity Reserves (Note 17)**	**Treasury Stock (Note 17)**	**Total**	**Non-Controlling Interests**	**Total Equity**
Balances at January 1, 2023	17,013,596	83,099,536	(2,476,268)	25,000,000	158,535,858	106,942	(877,913)	437,996	(6,506,845)	(19,080,714)	255,252,188	38,412,337	293,664,525
Comprehensive income													
Net income	-	-	-	-	24,507,581	-	-	-	-	-	24,507,581	4,495,997	29,003,578
Other comprehensive (loss) income	-	-	-	-	-	(588,612)	197,293	(545,675)	-	-	(936,994)	24,194	(912,800)
Total comprehensive income for the year	-	-	-	-	24,507,581	(588,612)	197,293	(545,675)	-	-	23,570,587	4,520,191	28,090,778
Cost of stock options	-	149,456	-	-	-	-	-	-	-	-	149,456	-	149,456
Collection of subscription receivable	-	-	251,426	-	-	-	-	-	-	-	251,426	-	251,426
Stock options exercised	14,579	317,960	(272,020)	-	-	-	-	-	-	-	60,519	-	60,519
Collection of VPS conversion	-	16,777	-	-	-	-	-	-	-	-	16,777	-	16,777
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	(3,695,647)	(3,695,647)	-	(3,695,647)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	489,276	-	489,276	(31,511)	457,765
Net change in non-controlling interest	-	-	-	-	-	-	-	-	3,427,983	-	3,427,983	6,121,631	9,549,614
Cash dividends declared	-	-	-	-	(5,662,153)	-	-	-	-	-	(5,662,153)	(2,953,998)	(8,616,151)
Balances at December 31, 2023	**17,028,175**	**83,583,729**	**(2,496,862)**	**25,000,000**	**177,381,286**	**(481,670)**	**(680,620)**	**(107,679)**	**(2,589,586)**	**(22,776,361)**	**273,860,412**	**46,068,650**	**319,929,062**

The notes on pages 1 to 126 are an integral part of these consolidated financial statements.

Ayala Land, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
For the year ended December 31, 2023
(With comparative figures for the years ended December 31, 2022 and 2021)
(All amounts in Philippine Peso)

	Notes	2023	2022	2021
Cash flows from operating activities				
Income before income tax		36,460,208	28,220,051	20,287,540
Adjustments for:				
Interest and other financing charges	20	13,498,847	11,446,669	11,037,772
Depreciation and amortization	10,11,12	9,505,083	9,688,718	8,820,507
Dividends received from investees	9	915,983	589,221	321,617
Provision for impairment losses	20	595,646	253,738	539,692
Cost of share-based payments		149,456	78,860	150,072
Unrealized (gain) loss on financial assets at fair value through profit or loss		(108,589)	333,413	(99,372)
Equity in net earnings of associates and joint ventures	9	(1,575,295)	(1,429,795)	(842,565)
Gain on sale of investment in associates and jointly controlled entities	9	-	-	(807,618)
Interest income		(6,049,074)	(7,082,013)	(7,054,119)
Operating income before working capital changes		53,392,265	42,098,862	32,353,526
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts and notes receivable - trade		(5,054,003)	(2,046,107)	251,492
Inventories	6	(18,291,371)	(15,136,166)	(1,459,729)
Other current assets	7	(15,576,013)	509,713	(7,279,935)
Increase (decrease) in:				
Accounts and other payables		17,129,876	14,018,427	(7,690,011)
Deposits and other current liabilities	15	2,922,441	(3,542,142)	2,154,067
Pension liabilities	24	309,659	(92,328)	(92,362)
Cash generated from operations		34,832,854	35,810,259	18,237,048
Interest received		6,016,868	6,638,191	7,008,224
Interest paid		(11,793,508)	(9,495,457)	(10,385,580)
Income tax paid		(7,695,965)	(6,604,639)	(6,933,615)
Net cash from operating activities		21,360,249	26,348,354	7,926,077
Cash flows from investing activities				
Proceeds from:				
Sale/redemption of short-term investments		327,150	-	41,160
Sale/redemption of financial assets at FVTPL		3,568,193	4,065,795	1,168,987
Sale of investments in FVOCI	8	42,894	16,371	-
Disposal of property and equipment	11	1,598,122	1,390,786	483,360
Disposal of investment properties	10	1,080,985	764,475	294,149
Disposal of investments in associates and jointly controlled entities		52,935	-	807,618
Additions to:				
Short-term investments	3	(3,617)	-	(8,680)
Financial assets at FVTPL	4	(3,604,552)	(4,179,683)	(805,248)
Financial assets at FVOCI	8	(2,124)	-	-
Investments in associates and joint ventures	9	(1,920,000)	(2,705,023)	(778,748)
Investment properties	10	(19,634,549)	(15,587,700)	(22,030,868)
Property and equipment	11	(1,819,873)	(4,424,285)	(3,215,492)
Net (increase) decrease in:				
Accounts and notes receivables - non-trade	5	(9,427,421)	(5,210,278)	(12,981)
Other non-current assets	12	(444,331)	2,944,192	(2,171,784)
Net cash used in investing activities		(30,186,188)	(22,925,350)	(26,228,527)

(forward)

Ayala Land, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
For the year ended December 31, 2023
(With comparative figures for the years ended December 31, 2022 and 2021)
(All amounts in Philippine Peso)

(continuation)

	Notes	2023	2022	2021
Cash flows from financing activities				
Proceeds from:				
Short and long-term debt	14	125,434,426	162,816,824	191,282,758
Capital stock subscriptions	17	328,722	274,373	324,724
Payments of short and long-term debt	14	(103,062,150)	(149,899,033)	(180,536,836)
Payments of principal portion of lease liabilities	31	(2,065,425)	(1,316,469)	(1,432,361)
(Decrease) increase in deposits and other non-current liabilities		(4,451,799)	(12,584,594)	10,695,432
Acquisition of non-controlling interest	17	6,114,435	1,675,369	1,534,967
Increase in equity reserves		3,917,259	2,004,323	-
Acquisition of treasury shares	17	(3,695,647)	(2,186,334)	(1,656,635)
Dividends paid to non-controlling interests		(2,953,998)	(1,653,840)	(1,324,396)
Dividends paid to equity holders of Ayala Land, Inc.	17	(5,679,961)	(4,667,960)	(4,051,013)
Net cash from (used in) financing activities		13,885,862	(5,537,341)	14,836,640
Net increase (decrease) in cash and cash equivalents		5,059,923	(2,114,337)	(3,465,810)
CASH AND CASH EQUIVALENTS				
At January 1		11,885,329	13,971,437	17,037,347
Effect of exchange rate changes on cash and cash equivalents		121,078	28,229	399,900
At December 31	2	17,066,330	11,885,329	13,971,437
Non-cash investing and financing activities	33			

The notes on pages 1 to 126 are an integral part of these consolidated financial statements.

Ayala Land, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As at and for the year ended December 31, 2023
(With comparative figures and notes as at December 31, 2022 and
for the years ended December 31, 2022 and 2021)
(In the notes, all amounts are shown in thousands of Philippine Pesos unless otherwise stated)

1 General information

Corporate information

Ayala Land, Inc. (the "Parent Company", the "Company" or "ALI") is domiciled and was incorporated on June 30, 1988 in the Republic of the Philippines with corporate life of fifty years. Its immediate Parent Company is Ayala Corporation (AC). AC is a publicly listed company which is 47.86%-owned by Mermac, Inc. and the rest by the public as at December 31, 2023. The Parent Company's registered office and principal place of business is at 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The Parent Company and its Subsidiaries (the "Group") are incorporated to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, residential including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property; to acquire, purchase, hold, manage, develop and sell subdivision lots, with or without buildings or improvements; to erect, construct, alter, manage, operate, lease, in whole or in part, buildings and tenements of the Group or of other persons; and to engage or act as real estate broker. The Group is also involved in hotels and resorts operations.

The consolidated financial statements represent the consolidation of the financial statements of the Parent Company and the following domestic and foreign subsidiaries:

	2023*	2022*
Real Estate:		
Alveo Land Corporation (Alveo)	100%	100%
Serendra, Inc.	39	39
Solinea, Inc. (Solinea)	65	65
BGSouth Properties, Inc. (BGS/BG South)	50	50
Portico Land Corp. (Portico)	60	60
Serendra, Inc.	28	28
Amorsedia Development Corporation (ADC)	100	100
OLC Development Corporation and Subsidiary	100	100
HLC Development Corporation	100	100
Allysonia International Ltd.	100	100
Avida Land Corporation (Avida)	100	100
Amicassa Process Solutions, Inc.	100	100
Avencosouth Corp.	70	70
BGNorth Properties, Inc. (BGN/BG North)	50	50
Buklod Bahayan Realty and Development Corp.	-	100
Avida Sales Corp.	-	100
Amaia Land Co. (Amaia)	100	100
Amaia Southern Properties, Inc. (ASPI)	65	65
AyalaLand Premier, Inc.	100	100
AKL Properties, Inc.	50	-
Ayala Land International Sales, Inc. (ALISI)	100	100
Ayala Land International Marketing, Inc. (AIMI)	100	100
Ayala Land International (Singapore) Pte. Ltd	100	100
Ayala Land International Marketing (Hong Kong) Ltd	100	100
Ayala Land International Marketing, SRL (ALIM SRL)	100	100
Ayala Land International Marketing London	100	100
Ayala Land Sales, Inc.	-	100
Southportal Properties, Inc. (Southportal)	100	100
Buendia Landholdings, Inc.	100	100

	2023*	2022*
Crimson Field Enterprises, Inc.	100	100
Crans Montana Holdings, Inc.	100	100
Ecoholdings Company, Inc. (ECI)	100	100
NorthBeacon Commercial Corporation (NBCC)	100	100
Red Creek Properties, Inc.	100	100
Regent Time International, Limited (Regent Time) (British Virgin Islands)	100	100
North Eastern Commercial Corp. (NECC)	100	100
Westview Commercial Ventures Corp. (Westview)	100	100
North Ventures Commercial Corporation	100	100
Hillsford Property Corporation (Hillsford)	100	100
Primavera Towncentre, Inc. (PTI)	100	100
Summerhill Commercial Ventures Corporation (Summerhill)	100	100
Sunnyfield E-Office Corporation (Sunnyfield)	100	100
Subic Bay Town Centre, Inc. (SBTCI)	100	100
Regent Wise Investments Limited (Regent Wise) (Hongkong company)	100	100
AyalaLand Real Estate Investments Inc. (Canada)	100	100
AyalaLand Advisory Broadway Inc. (Canada)	100	100
AyalaLand Development (Canada) Inc.	100	100
Blue Horizons Holdings PTE, Ltd (Singapore)	100	100
Avaland Berhad (formerly Modular Construction Technology (MCT) Bhd. (Malaysia)	66	66
AREIT Fund Manager, Inc. (formerly AyalaLand Commercial REIT, Inc. (ALCRI))	100	100
Arvo Commercial Corporation (Arvo)	100	100
BellaVita Land Corporation (BellaVita)	100	100
Nuevo Centro, Inc. (Nuevo Centro)	54	54
Alviera Country Club, Inc. (Alviera)	50	50
Cavite Commercial Town Center, Inc. (CCTCI)	100	100
AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.)	66	66
AyalaLand Offices, Inc. (ALO)	100	100
First Gateway Real Estate Corp.	100	100
Glensworth Development, Inc. (Glensworth)	100	100
UP North Property Holdings, Inc.	100	100
ALO Prime Realty Corporation	100	100
Makati Cornerstone Leasing Corp. (MCLC)	100	100
Capitol Central Commercial Ventures Corp.	100	100
Bay City Commercial Venture Corp. (BCCVC)	100	100
Aurora Properties Incorporated	81	81
Soltea Commercial Corp.	16	16
Vesta Property Holdings, Inc. (VPHI)	88	84
Altaraza Prime Realty Corporation	100	100
Altaraza Development Corporation	51	51
Prow Holdings, Inc.	55	55
Station Square East Commercial Corporation (SSECC)	69	69
AREIT Property Managers, Inc. (formerly Next Urban Alliance Development Corp.)	100	100
Accendo Commercial Corp. (Accendo)	67	67
Avencosouth Corp.	20	20
Aviana Development Corporation	7	7
Aviana Development Corporation	50	50
Cagayan de Oro Gateway Corp. (CDOGC)	70	70
Ceci Realty, Inc. (Ceci)	60	60
Soltea Commercial Corp.	12	12
Soltea Commercial Corp.	60	60
CMPI Holdings, Inc.	60	60
ALI-CII Development Corporation (ALI-CII)	50	50
Roxas Land Corporation (RLC)	50	50
Adauge Commercial Corporation (Adauge)	60	60
AyalaLand Estates, Inc	100	100
Prima Gaedi Development Corp	100	100
Redheap Holdings Inc.	100	100
Rookwood Properties, Inc.	100	100
Wedgemore Property Inc	100	100
Javantiger, Inc.	100	100
Ayalaland MetroNorth, Inc. (AMNI)	100	100
Verde Golf Development Corp.	100	100

(forward)

	2023*	2022*
North Triangle Depot Commercial Corporation (NTDCC)	73	73
Ayalaland-Tagle Properties, Inc.	55	55
BGWest Properties, Inc. (BGW/BG West)	50	50
Lagdigan Land Corp. (Lagdigan)	60	60
Central Bloc Hotel Ventures, Inc.	100	100
Cebu Leisure Company, Inc.	100	100
CBP Theatre Management Inc.	100	100
Taft Punta Engaño Property Inc. (TPEPI)	55	55
Cebu Insular Hotel Company, Inc. (CIHCI)	37	37
Solinea, Inc.	35	35
Amaia Southern Properties, Inc. (ASPI)	35	35
Alabang Commercial Corporation (ACC)	50	50
South Innovative Theater Management (SITMI)	50	50
Ayalaland Malls Inc. (formerly ALI Commercial Center, Inc.) (ALMI)	100	100
AyalaLand Malls Vismin, Inc.	100	100
Kitrino Koudini Holdings Inc.	100	-
South Ralston Properties, Inc.	100	-
AyalaLand Logistics Holdings Corp. (ALLHC) (formerly Prime Orion Philippines, Inc.)	71	71
A-Flow Land I Corp.	43	43
Orion Solutions, Inc.	71	71
Orion I Holdings Philippines, Inc.	71	71
Orion Maxis, Inc.	71	71
Orion Land, Inc. and Subsidiaries	71	71
LCI Commercial Ventures, Inc.	71	71
Laguna Technopark, Inc. and Subsidiary	71	71
Unity Realty & Development Corp. (URDC)	71	71
FLT Prime Insurance Corporation	56	56
Ayalaland Malls Synergies, Inc.	100	100
Ayala Malls Zing (AMZING), Inc.	100	100
Construction:		
Makati Development Corporation (MDC)	100	100
MDC Subic, Inc.	100	100
MDC Build Plus, Inc.	100	100
MDC Conqrete, Inc. (MCI)	100	100
MDC Equipment Solutions, Inc. (MESI)	100	100
MDBI Construction Corp.	67	67
Hotels and Resorts:		
Ayala Hotels, Inc. (AHI)	100	100
AyalaLand Hotels and Resorts Corporation (AHRC)	100	100
ALI Makati Hotel & Residences, Inc.	80	80
ALI Makati Hotel Property, Inc.	80	80
Ten Knots Phils., Inc. (TKPI)	40	40
Ten Knots Development, Corp. (TKDC)	40	40
Regent Horizons Conservation Company, Inc.	100	100
Enjay Hotels, Inc. (Enjay)	100	100
Greenhaven Property Venture, Inc. (GPVI)	100	100
Cebu Insular Hotel Company, Inc. (CIHCI)	63	63
Bonifacio Hotel Ventures, Inc.	100	100
Southcrest Hotel Ventures, Inc.	67	67
Northgate Hotel Ventures, Inc.	70	70
North Triangle Hotel Ventures, Inc.	100	100
Ecosouth Hotel Ventures, Inc.	100	100
Sentera Hotel Ventures, Inc.	100	100
Econorth Resorts Ventures, Inc.	100	100
ALI Triangle Hotel Ventures, Inc.	100	100
Circuit Makati Hotel Ventures, Inc.	100	100
Capitol Central Hotel Ventures, Inc.	100	100
Arca South Hotel Ventures, Inc.	100	100
Sicogon Town Hotel, Inc.	100	100

(forward)

	2023*	2022*
Bay Area Hotel Ventures, Inc.	100	100
Makati North Hotel Ventures, Inc. (MNHVI)	100	100
One Makati Hotel Ventures, Inc. (OMHVI)	100	100
Sicogon Island Tourism Estate Corp. (SITE Corp.)	77	77
Asiatown Hotel Ventures, Inc.	100	100
Seda College, Inc. (formerly One Makati Residential Ventures, Inc.)	100	100
ALI Makati Hotels & Residences, Inc.	20	20
ALI Makati Hotel Property, Inc.	20	20
Ten Knots Phils., Inc. (TKPI)	60	60
Bacuit Bay Development Corporation	60	60
Lio Resort Ventures, Inc.	60	60
North Liberty Resort Ventures, Inc.	60	60
Turista.ph (formerly Paragua Eco-Resort Ventures Inc.)	60	60
Lio Tourism Estate Management Corporation	60	60
Ten Knots Development, Corp. (TKDC)	60	60
Chirica Resorts Corp.	60	60
Kingfisher Capital Resources Corp.	60	60
Pangulasian Island Resort Corporation	60	60
Integrated Eco-Resort Inc.	100	100
Sicogon Island Tourism Estate Corp.	5	-
Property Management:		
Ayala Property Management Corporation (APMC)	100	100
Prime Support Services, Inc.	100	100
Ayala Theatres Management, Inc. (ATMI)	100	100
DirectPower Services, Inc. (DirectPower)	100	100
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	100	100
Entertainment:		
Five Star Cinema, Inc.	100	100
Leisure and Allied Industries Philippines, Inc. (LAIP)	50	50
Others		
Darong Agricultural Development Corporation (DADC)	100	100
First Longfield Investments Limited (First Longfield) (Hongkong Company)	100	100
Green Horizons Holdings Limited and Subsidiary	100	100
Aprisa Business Process Solutions, Inc. (Aprisa)	100	100
AyalaLand Club Management, Inc.	-	100
ALI Capital Corp. (formerly Varejo Corp.) (ALICap)	100	100
Airswift Transport, Inc. (formerly Island Transvoyager, Inc.) (Airswift)	100	100
Swift Aerodrome Services, Inc. (SASI)	100	100
Arca South Integrated Terminal, Inc. (ASITI)	100	100
Whiteknight Holdings, Inc.	100	100
Ayalaland Medical Facilities Leasing, Inc.	100	100
Anvaya Cove Beach and Nature Club, Inc. (Anvaya Cove Beach)	73	73
Anvaya Cove Golf and Sports Club, Inc. (Anvaya Cove Golf)	76	76

**Represents the Group's effective ownership*

The above companies are domiciled in the Philippines except for the foreign entities which are domiciled and incorporated in the country as mentioned above.

The Parent Company, through its 50.0% effective ownership and by virtue of a management contract or shareholders' agreement, exercises control over the operations and management of ACC, BGWest, BGNorth, BGSouth, RLC, ALI-CII, LAIP and AKL, a newly consolidated entity. Accordingly, the accounts of ACC, BGWest, BGNorth, BGSouth, RLC, ALI-CII, LAIP and AKL are consolidated to the accounts of the Parent Company (Note 36).

The following were the changes in the group structure during 2023:

a. On March 29, 2023, ALI sold 205,000,000 shares of AREIT, Inc. (AREIT) at a transaction price of P32.10 per share, equivalent to P6.58 billion, with an impact to equity reserves amounting to P4.41 billion in relation to its P22.5 billion property-for-share swap transaction with AREIT. As a result, ALI's holding in AREIT was reduced from 66.0% to 54.4%.

b. On September 20, 2023, ALI, ALMI, NBCC and AREIT received the Securities and Exchange Commission's (SEC) approval of its property-for-share swap involving identified prime flagship offices and malls with an aggregate value of P22.5 billion in exchange for 607,559,380 primary common shares of AREIT, pursuant to the Deed of Exchange executed on June 2, 2023. Consequently, ALI's holding in AREIT increased to 66.0%.

c. During the year, the following mergers have been completed:

    - The merger of Avida and its subsidiaries, namely Buklod Bahayan Realty and Development Corp. and Avida Sales Corp. (collectively referred to as the "Companies"), was approved by the SEC on April 20, 2023 with Avida as the surviving entity. Consequently, the companies' operations and its assets and liabilities have been absorbed by Avida effective May 1, 2023.

    - On October 17, 2023, the SEC approved the merger of Ayala Land Premier, Inc. (ALP), Ayala Land Sales, Inc. (ALSI) and Ayala Club Management Inc. (ACMI) where ALP is the surviving entity.

d. The Parent Company acquired additional 175,778 common shares and 139,332 preferred shares of Vesta Property Holdings, Inc. for a value of P31.51 million in July 2023. As a result of the additional investments in common and preferred shares, the ownership interest in Vesta increased from 84% in 2022 to 88% in July 2023. The acquisition involved entities under common control. As a holder of preferred shares, the Parent Company has voting rights same as that attached to common shares. Impact to equity reserves, as a result of this transaction, amounted to P351.13 million in 2023.

e. On August 18, 2023, the Parent Company purchased 100,000 common shares of South Ralston for a total consideration of P0.10 million which is equivalent to 100% stake in the entity. This transaction was accounted as acquisition of asset.

f. On September 18, 2023, ALMI, a subsidiary, acquired 5,000 common shares of Kitrino Koudouni Holdings, Inc. for a total consideration of P0.05 million, which is equivalent to 100% stake in the entity. This transaction was accounted as acquisition of asset.

g. On November 14, 2023, the Parent Company purchased 7,143 common shares and 64,289 preferred shares of SITE Corp. for a total consideration of P203.58 million from the existing investor which is equivalent to a 5% stake in the company. This acquisition is accounted as involving entities under control. As a result, the impact to equity reserves amounted to P132.15 million.

h. The Parent Company, through its 50.0% effective ownership and by virtue of Development Management Agreement, exercises control over the operations and management of AKL Properties, Inc. Accordingly, the assets, liabilities, equity, and result of its operations are consolidated into the Group beginning 2023. The Group reclassified the amount from investment in joint ventures to investment in subsidiaries.

Approval and authorization for issuance of consolidated financial statements

The consolidated financial statements of the Group have been approved and authorized for issue by the Board of Directors (BOD) on February 20, 2024.

2 Cash and cash equivalents

The account as at December 31 consists of:

	2023	2022
Cash on hand	38,699	67,273
Cash in banks	10,615,507	10,227,350
Cash equivalents	6,412,124	1,590,706
	17,066,330	11,885,329

Cash in banks earn interest at the prevailing bank deposit rates.

Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term rates.

There is no restriction on the Group's cash and cash equivalents balances as at December 31, 2023 and 2022.

3 Short-term investments

Short-term investments consist of money market placements made for varying periods of more than three months and up to one year and earn interest at the respective short-term investment rates.

4 Financial assets at fair value through profit or loss (FVTPL)

The account as at December 31 consists of:

	2023	2022
Investment in Unit Investment Trust Funds (UITFs)	228,674	84,793
Investment in ARCH Capital Fund	191,128	207,196
	419,802	291,989

The Group's investment in UITFs consists of investments in BPI Money Market Fund and BPI USD Short Term Fund (collectively referred to as the "Funds") which aim to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments and with no minimum holding period requirement.

The Group's investments in UITFs are maintained with Bank of the Philippine Islands, a related party (Note 23).

Investment in ARCH Capital Fund pertains to monetary interest in a fund in which the Group takes the view that these are held for trading and it is a portfolio of identified property funds invested and managed by professional managers.

5 Accounts and notes receivable

The account as at December 31 consists of:

	2023	2022
Trade receivables from:		
Residential, commercial and office development	112,185,536	101,797,458
Shopping centers	5,033,715	6,315,550
Construction contracts	4,039,336	2,826,924
Corporate business	3,775,841	3,676,026
Management fees	187,566	231,510
Others	4,503,181	5,791,638
Advances to other companies	18,359,495	15,858,263
Accrued receivables	11,096,749	9,370,342
Receivables from related parties	6,537,813	6,927,883
Receivables from employees	1,048,211	927,787
	166,767,443	153,723,381
Allowance for impairment losses	(2,783,716)	(2,539,403)
	163,983,727	151,183,978
Less: Non-current portion	(58,453,299)	(49,032,711)
Current portion of accounts and notes receivable	105,530,428	102,151,267

The classes of trade receivables of the Group are as follows:

- Residential, commercial and office development consist of receivables from the sale of high-end, upper middle-income and affordable residential lots and units; economic and socialized housing units; sale of commercial lots; sale of office units; and leisure community developments;
- Shopping centers consist of lease receivables from retail spaces;
- Construction contracts consist of receivables from third party construction projects;
- Corporate business consists of lease receivables from office and factory buildings and receivables from sale of industrial lots;
- Management fees consist of receivables from facilities management services; and
- Others consist of receivables from hotel operations and other support services.

Residential, commercial and office development receivables are collectible in monthly installments over a period of one to ten years. These are carried at amortized cost using the effective interest rate method with annual interest rates ranging from 1.00% to 13.50%. Titles to real estate properties are transferred to buyers once full payment has been made.

Receivables from shopping centers, construction contracts and management fees are due within 30 days upon billing.

Corporate business receivables are collectible on a monthly or quarterly basis depending on the terms of the lease contracts.

Receivables from hotel operations and other support services included under other trade receivables are normally due within 30 to 90 days upon billing.

Advances to other companies mainly comprise of advances made to joint venture partners that have been made in consideration of project costs and purchases of land that are still subject to completion. The advances are liquidated when proceeds from the sale of the related projects are applied. The remaining amount of advances to other companies are collectible over a fixed term or on demand.

Advances to other companies also include receivables from MRT Development Corporation (MRTDC) shareholders which pertain to interest-bearing advances made by NTDCC to MRTDC equivalent to the Pre-2006 Development Rights Payment (DRP) Payables and the Residual Depot DRP which is due more than one year, in relation to the funding and repayment agreement. As at December 31, 2023, receivables including interest from MRTDC shareholders amounted to P309.5 million (2022 - P308.6 million).

On December 17, 2014, NTDCC and MRTDC shareholders executed a "funding and repayment agreement" wherein the latter agrees to repay NTDCC, for the account of MRTDC, its respective pro rata share in the Total Depot DRP Advances (the Pre-2006 DRP Payables and the Residual Depot DRP, including 15% interest rate accrued on such DRP payables).

Commencing on January 1, 2015, the MRTDC Shareholders shall effect the repayment of their respective pro-rata share in the Total Depot DRP Payables, through a set-off against their respective share in the commercial center royalties to be received from the Group.

Set off shall be effective as at the beginning of every calendar month, commencing January 30, 2015 and shall result in the settlement of the portion of the Total DRP Payables to the extent of the amount of the commercial center royalties then the balance will fall due to the relevant MRTDC Shareholders.

Accrued receivables and receivables from related parties are due on demand.

Receivables from employees pertain to housing, car, salary and other loans granted to the Group's employees which are collectible through salary deduction, are interest-bearing (6.0% per annum) and payable on various maturity dates.

As at December 31, 2023, receivables amounting to P2,783.7 million (2022 - P2,539.4 million) were impaired and fully provided for.

Movements in the allowance for impairment losses follow:

	Trade							
	Residential and Office Development	Shopping Centers	Construction Contracts	Corporate Business	Management Fees	Others	Advances to Other Companies	Total
At January 1, 2022	62,314	1,074,658	152,231	633,108	16,630	221,488	133,725	2,294,154
Provision during the year (Note 20)	2,188	146,520	3,466	37,005	-	8,276	56,283	253,738
Accounts written-off	(410)	(3,761)	-	-	-	(4,318)	-	(8,489)
At December 31, 2022	64,092	1,217,417	155,697	670,113	16,630	225,446	190,008	2,539,403
Provision during the year (Note 20)	46,803	65,210	-	262,887	-	103,434	-	478,334
Reversal	-	(27,324)	(68,695)	-	(5,889)	(47,391)	-	(149,299)
Accounts written-off	(2,386)	-	-	-	(3,606)	(78,730)	-	(84,722)
At December 31, 2023	108,509	1,255,303	87,002	933,000	7,135	202,759	190,008	2,783,716

In 2023, reversal of allowance for impairment losses representing recoveries of previously impaired accounts amounting to P149.30 million is recognized within other income in the consolidated statement of income (2022 - nil).

As at December 31, 2023, nominal amounts of trade receivables from residential, commercial and office development totaling P111,181 million (2022 - P101,665 million) were recorded initially at fair value. The fair values of the receivables were obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Movements in the unamortized discount of the Group's receivables follow:

	Note	2023	2022
At January 1		5,030,125	8,447,356
Additions during the year		4,458,289	3,277,699
Accretion for the year	18	(5,359,526)	(6,694,930)
At December 31		4,128,888	5,030,125

In 2023, the Group entered into agreements with BPI Asset Management and Trust Corporation for the assignment of interest-bearing employee receivables amounting to P45.0 million (2022 - nil). The transactions were without recourse and did not result in any gain or loss (Note 23).

In 2023, the Group sold residential receivables on a without recourse basis to partner mortgage banks, which include Bank of the Philippine Islands, a related party (Note 23), amounting to P15,110.4 million (2022 - P15,270.2 million) and were sold at a discount with total proceeds of P13,303.6 million (2022 - P12,366.1 million). The Group recognized loss on sale, presented as financial expenses and other charges within other expenses, amounting to P1,806.8 million (2022 - P2,904.1 million) (Note 20).

6 Inventories

The account as at December 31 consists of:

	2023	2022
Real estate - at cost		
Residential and condominium units	104,852,762	98,094,649
Residential and commercial lots	102,006,925	80,333,348
Offices - at cost	2,456,824	1,920,477
	209,316,511	180,348,474

Movements in inventories follow:

	Notes	Residential and commercial lots	Residential and Condominium units	Offices	Total
At January 1, 2022		58,590,787	87,509,406	2,056,532	148,156,725
Land acquired during the year		2,312,910	2,565,329	-	4,878,239
Construction/development costs incurred		11,857,664	35,642,819	549,044	48,049,527
Disposals (recognized as cost of real estate sales)	20	(9,302,984)	(27,622,905)	(685,099)	(37,610,988)
Transfers from investment properties	10	16,874,971	-	-	16,874,971
At December 31, 2022		80,333,348	98,094,649	1,920,477	180,348,474
Land acquired during the year		1,199,505	2,463,675	-	3,663,180
Construction/development costs incurred		34,152,455	26,025,306	1,022,282	61,200,043
Disposals (recognized as cost of real estate sales)	20	(23,080,092)	(21,730,868)	(485,935)	(45,296,895)
Transfers from investment properties	10	9,401,709	-	-	9,401,709
At December 31, 2023		102,006,925	104,852,762	2,456,824	209,316,511

As at December 31, 2023 and 2022, the Group has no purchase commitments, liens and encumbrances pertaining to its inventories.

7 Other current assets

The account as at December 31 consists of:

	2023	2022
Advances to contractors and suppliers	27,585,010	17,104,282
Prepaid expenses	20,824,812	19,402,131
Input value-added tax (VAT)	13,537,622	12,413,545
Creditable withholding taxes	12,220,825	9,528,091
Materials, parts and supplies	1,505,046	1,444,083
Others	4,617,509	4,957,714
	80,290,824	64,849,846

Advances to contractors and suppliers pertain to prepayments for the construction of inventories. These are recouped as application of payment to contractors and suppliers, which are expected to occur within 12 months.

Prepaid expenses consist of prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance.

In 2023, the cost to obtain contracts which includes prepaid commissions and advances to brokers amounted to P3,443.8 million (2022 - P3,302.0 million). If a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgment was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. Management performs an impairment assessment of the costs to complete the contract. The ability to reasonably forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract specific key performance indicators that could trigger variable consideration, or service credits.

Input VAT is to be applied against output VAT. The remaining balance is assessed to be recoverable in future periods.

Creditable withholding taxes are to be applied against income tax payable.

Materials, parts and supplies are expected to be used in the construction and maintenance of projects.

Others include deferred charges and letters of credit. Deferred charges pertain to project-related costs already paid but not yet consumed in the actual construction activities.

8 Financial assets at fair value through other comprehensive income (FVOCI)

The account as at December 31 consists of:

	2023	2022
Shares of stock:		
Quoted	759,308	769,903
Unquoted	1,043,281	1,141,491
	1,802,589	1,911,394
Net unrealized loss	(680,620)	(877,913)
	1,121,969	1,033,481

Investments in quoted shares of stock include shares held in clubs wherein the Group does not exercise control or demonstrate significant influence.

Investments in unquoted shares of stock include unlisted shares of public utility companies which the Group will continue to hold as part of the infrastructure that it provides to its real estate projects.

In 2023, the Group made an additional investment in FVOCI amounting to P2.1 million (2022 - nil) and disposed equity securities amounting to P42.9 million (2022 - P16.4 million) and recorded a gain of P6.5 million (2022 - P1.3 million) from the disposals.

Movements in the fair value reserve of financial assets at FVOCI follow:

	2023	2022
At January 1	(877,913)	(880,895)
Fair value changes during the year	203,828	2,982
Derecognition of unrealized gain due to redemption of shares	(6,535)	-
At December	(680,620)	(877,913)

9 Investment in associates and joint ventures

The account as at December 31 consists of:

	Note	2023	2022
Investment in stocks - cost			
At January 1		25,651,600	22,946,577
Additions		1,920,000	2,705,023
Disposals		(52,935)	-
Transfer to investment in subsidiary		(3,083,523)	-
At December 31		24,435,142	25,651,600
Accumulated equity in net earnings			
At January 1		5,921,822	5,081,248
Equity in net earnings	18	1,575,295	1,429,795
Dividends received		(915,983)	(589,221)
Transfer to investment in subsidiary		(131,941)	-
At December 31		6,449,193	5,921,822
Total		30,884,335	31,573,422
Equity share in cumulative translation adjustment		328,363	343,673
		31,212,698	31,917,095

The equity share in cumulative translation adjustments represents exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.

Details of the Group's investments in associates and joint ventures and the related effective percentages of ownership are shown below:

	Percentage of Ownership		Carrying amounts	
	2023	2022	2023	2022
Joint ventures:				
ALI-ETON Property Development Corporation (ALI ETON)	50%	50%	9,652,505	7,616,202
Emerging City Holdings, Inc. (ECHI)	50%	50%	4,190,077	3,999,608
Berkshires Holdings, Inc. (BHI)	50%	50%	2,052,670	1,970,587
Cebu District Property Enterprise, Inc. (CDPEI)	50%	50%	1,704,003	1,735,065
Alveo-Federal Land Communities, Inc.	50%	50%	539,381	947,037
AyaGold Retailers, Inc. (AyaGold)	50%	50%	135,552	141,605
SIAL Specialty Retailers, Inc. (SIAL Specialty)	50%	50%	26,462	26,462
AKL Properties, Inc. (AKL)*	50%	50%	-	3,230,774
A-FLOW Properties I Corp	36%	36%	177,001	181,145
BYMCW, Inc.	30%	30%	59,100	60,607
			18,536,751	19,909,092
Associates:				
Ortigas Land Corporation (OLC)	21%	21%	10,143,892	9,525,402
Bonifacio Land Corp. (BLC)	10%	10%	1,527,981	1,451,942
Rize-Ayalaland (Kingsway) GP, Inc. (Rize-Ayalaland)	49%	49%	804,166	794,185
Tianjin Eco-City Ayala Land Development Co., Ltd. (Tianjin Eco-City)	40%	40%	149,477	199,259
Lagoon Development Corporation (LDC)	30%	30%	50,431	37,215
			12,675,947	12,008,003
			31,212,698	31,917,095

**The Group reclassified the amount from investment in joint venture to investment in subsidiaries beginning 2023 (Note 1).*

The Parent Company considers an associate and a joint venture with material interest if its net assets exceed 5% of the total consolidated net assets of the Group as at reporting period and considers the relevance of the nature of activities of the associate and joint venture compared to other operations of the Group. The financial information of the Parent Company's significant associates and joint ventures with material interest follows:

The financial information of the associates with material interest:

OLC

ALI has a 21% stake in OLC that was purchased from existing OLC shareholders. OLC owns 99.5% interest in Ortigas & Company Limited Partnership (OCLP), an entity engaged in real estate development and leasing businesses.

Set out below is the summarized financial information for OLC:

	2023	2022
Current assets	32,554,643	25,207,970
Non-current assets	28,827,055	23,705,727
Current liabilities	(23,147,183)	(12,793,028)
Non-current liabilities	(21,253,275)	(22,068,593)
Equity	16,981,240	14,052,076
Proportion of Group's ownership	21.0%	21.1%

	2023	2022
Group's share in identifiable net assets	3,566,060	2,964,988
Carrying amount of the investment	(10,143,892)	(9,525,402)
Fair value adjustments	(6,577,832)	(6,560,414)
Negative goodwill	(148,046)	(148,046)
Dividends received	77,592	71,447

As at December 31, 2023, net assets attributable to the equity holders of OLC amounted to P16,981.2 million (2022 - P14,052.0 million).

	2023	2022
Revenue	12,769,959	11,187,455
Cost and expenses	(9,529,626)	(8,498,323)
Net income (continuing operations)	3,240,333	2,689,132
Group's share in net income for the year	680,470	560,924
Total comprehensive income	2,553,524	2,671,067
Group's share in total comprehensive income for the year	536,240	560,924

BLC

The Group has a 10% interest in BLC, which is involved in the purchase, subscription or otherwise disposal of real and personal properties. BLC is a private company incorporated on October 20, 1994. Its registered office and principal place of business is Taguig City, Philippines.

Set out below is the summarized financial information for BLC:

	2023	2022
Current assets	12,196,122	10,493,988
Non-current assets	34,509,206	32,427,255
Current liabilities	(2,976,354)	(2,439,245)
Non-current liabilities	(9,187,034)	(7,723,742)
Equity	34,541,940	32,758,256
Less: Non-controlling interest	(15,513,945)	(14,693,397)
Equity attributable to Parent Company	19,027,995	18,064,859
Proportion of Group's ownership	10.1%	10.1%
Group's share in identifiable net assets	1,921,828	1,824,551
Carrying amount of the investment	1,527,981	1,451,942
Fair value adjustments	(393,847)	(372,609)
Negative goodwill	(393,847)	(372,609)
Dividends received	84,877	66,689

As at December 31, 2023, net assets attributable to the equity holders of BLC amounted P19,028.0 million (2022 - P18,064.9 million).

	2023	2022
Revenue	6,969,474	5,068,151
Cost and expenses	(3,587,994)	(2,875,984)
Net income (continuing operations)	3,381,480	2,192,167
Net income attributable to non-controlling interest	1,593,209	1,029,723
Net income attributable to Parent Company	1,788,271	1,162,444
Group's share in net income for the year	180,615	117,407
Total comprehensive income	1,788,271	1,162,444
Group's share in total comprehensive income for the year	180,615	117,407

Aggregate financial information on the associates with immaterial interest (Rize-Ayalaland, Tianjin Eco-City and LDC) follows:

	2023	2022
Carrying amount	1,004,074	1,030,659
Share in net income from continuing operations	26,739	44,455
Share in total comprehensive income	26,739	44,455
Dividends received	53,323	9,000

The financial information of the joint ventures with material interest:

ALI Eton

	2023	2022
Current assets	22,043,118	20,526,458
Non-current assets	4,289,259	4,377,413
Current liabilities	(6,426,059)	(8,420,911)
Non-current liabilities	(371,951)	(922,411)
Equity	19,534,367	15,560,549
Proportion of Group's ownership	50.0%	50.0%
Group's share in identifiable net assets	9,767,184	7,780,275
Carrying amount of the investment	9,652,505	7,616,202

As at December 31, 2023, net assets attributable to the equity holders of ALI Eton amounted to P19,534.4 million (2022 - P15,560.5 million).

	2023	2022
Revenue	3,617,321	1,974,714
Cost and expenses	(3,077,696)	(1,721,039)
Net income (continuing operations)	539,625	253,675
Group's share in net income for the year	269,813	126,837
Total comprehensive income attributable to equity holders of the Parent Company	539,625	253,675
Group's share in total comprehensive income for the year	269,813	126,837

ECHI

	2023	2022
Current assets	12,240,523	10,551,614
Non-current assets	34,509,206	32,427,265
Current liabilities	(3,305,063)	(2,767,955)
Non-current liabilities	(9,187,034)	(7,723,742)
Equity	34,257,632	32,487,182
Less: Non-controlling interest	25,219,280	23,923,304
Equity attributable to Parent Company	9,038,352	8,563,878
Proportion of Group's ownership	50.0%	50%
Group's share in identifiable net assets	4,519,176	4,281,939
Carrying amount of the investment	4,190,077	3,999,608
Dividends received	220,000	170,750

As at December 31, 2023, net assets attributable to the equity holders of ECHI amounted to P9,038.4 million (2022 - P8,563.8 million).

	2023	2022
Revenue	6,971,791	5,070,254
Cost and expenses	(3,595,568)	(2,883,590)
Net income (continuing operations)	3,376,223	2,186,664
Net loss attributable to non-controlling interest	(2,455,573)	(1,590,007)
Net income attributable to Parent Company	920,650	596,657
Group's share in net income for the year	460,325	298,329
Total comprehensive income attributable to equity holders of the Parent Company	922,112	597,171
Group's share in total comprehensive income for the year	461,056	298,586

Aggregate financial information on joint ventures with immaterial interest (BHI, CDPEI, Alveo-Federal, AyaGold,SIAL Specialty, AKL*, A-Flow and BYMCW) is as follows:

	2023	2022
Carrying amount	4,694,169	8,112,137
Share in net income from continuing operations	132,130	293,772
Share in total comprehensive income	132,130	293,772
Dividends received	447,535	73,185

**The financial information of AKL is only presented in 2022 as investment in joint venture as the Group reclassified the amount from investment in joint venture to investment in subsidiaries beginning 2023 (Note 1).*

The following are the significant transactions affecting the Group's investments in associates and joint ventures:

Investments in BLC, ECHI, and BHI

As at December 31, 2023 and 2022, the Group's effective interest in BLC is 45.1%. The Parent Company's 5.3% direct investment in BLC and 4.8% through Regent Time aggregating 10.1% are accounted for using the equity method because the Parent Company has significant influence over BLC.

On April 17, 2003, the following transactions were consummated pursuant to the terms and conditions of the Assignment Agreement (Agreement), dated February 8, 2003, among the Parent Company, Evergreen Holdings, Inc. (EHI), Greenfield Development Corporation and Larouge, B.V. (Larouge), as amended, and the Agreement, dated November 23, 2002, among the Company, EHI and Neo Oracle Holdings, Inc. [formerly Metro Pacific Corporation (MPC)] as amended:

1. The assignment to the Parent Company and EHI of the rights and obligations of Larouge under the loan agreement between Larouge and Neo Oracle Holdings, Inc., pursuant to which, Larouge extended Neo Oracle Holdings, Inc. a loan in the principal amount of US$90.0 million, together with all the rights, title and interests of Larouge in the pledge constituted 50.4% of the outstanding shares in BLC. The consideration paid by the Company and EHI for such assignment was approximately US$90.0 million, subject in part to foreign exchange adjustment.

2. The assignment to the Parent Company and EHI, acting in this instance through the joint venture corporation, Columbus Holdings, Inc. (Columbus), of the controlling interest in BLC represents 50.4% of BLC's outstanding capital stock. This assignment was effected by Neo Oracle Holdings, Inc. under a dacion en pago arrangement, and included an assignment of payables of BLC in the principal amount of P655.0 million together with its underlying security in the form of shares in Fort Bonifacio Development Corporation (FBDC) representing 5.6% of its outstanding capital stock.

The Agreement, as amended, also provides for the constitution of a pledge over 5.0% of BLC's unencumbered shares as security for contingent liabilities and breach of representation and warranties. The pledge or lien over the 5.0% BLC shares shall continue to subsist until the third anniversary of the closing date.

The Parent Company and EHI jointly hold the 50.4% equity interest in BLC through ECHI and BHI. The Parent Company and EHI assigned the notes receivable from Neo Oracle Holdings, Inc. to ECHI and BHI, which acquired the shares of stock of Columbus. Columbus directly owns the 50.4% interest in BLC. BLC owns 55.0% interest in FBDC, the primary developer of certain areas in Fort Bonifacio Global City for residential, commercial and business development. Columbus accounted for the acquisition of the 50.4% interest in BLC using the purchase method.

Subsequent to this, the Parent Company and EHI acquired additional shares of BLC through a combination of direct acquisition and through its associates at varying dates.

On July 31, 2008, the Group acquired, through the Parent Company, Regent Time and Columbus, additional 4,360,178 shares of BLC from FBDC amounting to P689.0 million, equivalent to 7.7% ownership in BLC. In January and October 2009, a total of 2,295,207 BLC shares were acquired from Development Bank of the Philippines and MPC, pertaining to the pledged shares, through Columbus amounting to P362.6 million. This resulted in an increase in Group's effective interest in BLC to 45.4% and unchanged thereafter.

Investment in Rize-Ayalaland

Rize-Ayalaland (Kingsway) GP, Inc. was incorporated on January 25, 2013 under the laws of British Columbia, Canada. The Company's effective ownership is 49.0% through its Vancouver-based subsidiary, AyalaLand Real Estate Investments, Inc.

Investment in Tianjin Eco-City

Tianjin Eco-City is a registered Sino-foreign equity joint venture between RWIL and Sino-Singapore Tianjin Eco-City Investment & Development Co. (SSTEC) under the laws of the People's Republic of China to operate for 50 years until 2060. The agreement was entered into to develop a 19-tower residential complex in China, marking its initially foray into the growing China market. Its principal activities include property development rental, management property and parking lot management.

Investment in A-Flow Properties I Corp

On October 4, 2022, ALLHC entered into joint venture agreement with Flow Luna I Property Pte. Ltd (FLOW) representing 50% interest in A-FLOW Properties I Corp (FLOW PropCo)., a joint venture that will engage in the business of providing data center, co-location and other related services, including both space and power, to various entities such as hyperscalers and domestic enterprises, and will acquire and/or construct data center.

Investment in BYMCW, Inc.

On August 2, 2017, Bouygues Travaux Publics Philippines Inc. (BYTPPI) incorporated BYMCW Inc. (BYMCW) to engage in general building and contracting business. BYMCW's registered office address is at 2nd floor, Welfare Building, LRTA Compound, Aurora Blvd., Barangay 189, Pasay City, Metro Manila.

Investment in ALI-ETON Property Development Corporation

ALI-ETON Property Development Corporation was incorporated on March 13, 2016. The company is a joint venture between ALI and LT Group, Inc. ALI and LT Group, Inc. entered into an agreement on January 21, 2016 to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City.

In 2023, the Parent Company and LT Group, Inc. made additional equity infusions to ALI-Eton to fund the development requirements of Parklinks amounting to P1,920 million each (2022 - P2,405.0 million).

Investment in Cebu District Property Enterprise, Inc.

Cebu District Property Enterprise, Inc. (CDPEI) was incorporated on February 20, 2014 and is a 50:50 venture between the Company and Aboitiz Land, Inc. CDPEI's main purpose is to create a mixed-use commercial and residential district with the 15.4-hectare property in Subangdaku, Mandaue. In 2021, the Group made additional equity infusions to CDPEI amounting to P217.0 million.

Investment in Alveo-Federal Land Communities, Inc.

Alveo Land Corp. signed a Joint Venture Agreement (JVA) with Federal Land, Inc. last April 29, 2015 for equal ownership over AFLCI. The JV is for the development of Venido and Aveia projects located in Laguna near Nuvali.

Investment in AyaGold Retailers, Inc.

AyaGold Retailers, Inc., a joint venture between Entenso Equities Incorporated (EEI, a wholly owned subsidiary of Puregold Price Company, Inc.) and ALI Capital Corp. (a wholly-owned subsidiary of the Company and the holding company for its retail-related initiatives), was incorporated on October 2, 2013. It is organized primarily to finance, build and operate mid-market supermarkets for some of Company's new integrated and mixed-use developments. The mid-market supermarkets will be carried under a new brand to be jointly developed by both ALI Capital Corp. and EEI. The partnership with EEI will enable the Company to support its mixed-use developments and, at the same time, grow its recurring income portfolio.

Investment in SIAL Specialty

SIAL Specialty was incorporated on September 27, 2012 as a joint venture between ALI Capital Corp. and Store Specialist, Inc. (SSI). ALI Capital Corp. is a wholly-owned subsidiary of the Parent Company. SSI is one of the largest specialty retail companies in the Philippines with the exclusive distribution rights to a variety of brands from around the world.

The partnership, which combines ALI Capital Corp.'s expertise in developing mixed-use developments and SSI's proven track record in retail, is aimed at pursuing retail solutions to address the growing and changing lifestyle needs of the market.

SIAL Specialty was organized primarily for the investment and operation of mid-market department stores and to pursue other investment opportunities in the Philippine retail sector.

On March 28, 2023, SEC approved the application to shorten the corporate life of SIAL Specialty up to June 30, 2024.

Investment in AKL Properties Inc.

The Parent Company's investments in AKL is a 50:50 venture between Ayala Land, Inc. and Royal Asia Land, Inc. (RALI), and is organized primarily for future mixed-use development in South Luzon area.

In 2023, the Parent Company, through its 50.0% effective ownership and by virtue of Development Management Agreement, exercises control over the operations and management of AKL. Accordingly, the assets, liabilities, equity, and result of its operations are consolidated into the Group. The Group reclassified the amount from investment in joint venture to investment in subsidiaries beginning 2023 (Note 1).

10 Investment properties, net

The account as at December 31 consists of:

	Notes	Land	Buildings	Construction-in-progress	Total
Cost					
At January 1, 2022		74,543,473	135,599,847	77,270,287	287,413,607
Additions		7,173,643	8,930,029	3,793,406	19,897,078
Disposals		(764,475)	(3,227,683)	-	(3,992,158)
Transfers	6, 11	(11,754,536)	14,197,110	(13,805,554)	(11,362,980)
At December 31, 2022		69,198,105	155,499,303	67,258,139	291,955,547
Additions		6,698,242	5,851,111	3,220,622	15,769,975
Disposals		(738,648)	(831,255)	-	(1,569,903)
Transfers	6, 11	(15,217,749)	8,734,644	(6,328,729)	(12,811,834)
At December 31, 2023		59,939,950	169,253,803	64,150,032	293,343,785
Accumulated depreciation					
At January 1, 2022		-	43,507,379	-	43,507,379
Depreciation	20	-	5,642,851	-	5,642,851
Disposals		-	(3,228,786)	-	(3,228,786)
At December 31, 2022		-	45,921,444	-	45,921,444
Depreciation	20	-	5,669,598	-	5,669,598
Disposals		-	(488,916)	-	(488,916)
Transfers	11	-	671,444	-	671,444
At December 31, 2023		-	51,773,570	-	51,773,570
Accumulated impairment losses					
December 31, 2022	20	160,378	348,218	-	508,596
December 31, 2023		160,378	348,218	-	508,596
Net book value					
December 31, 2022		69,037,727	109,229,641	67,258,139	245,525,507
December 31, 2023		59,779,572	117,132,015	64,150,032	241,061,619

Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove all improvements (such as buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit.

Construction-in-progress pertain to buildings under construction to be leased as retail and office spaces upon completion. The development and construction period normally range from three years to five years and depends heavily on the size of the assets.

The aggregate fair value of the Group's investment properties as at December 31, 2023 amounted to P658,425.3 million (2022 - P483,640.6 million).

The Group capitalized borrowing costs for investment properties under construction. In 2023, interest capitalized amounted to P683.1 million (2022 - P783.22 million). The capitalization rates are 4.5% to 6.0% (2022 - P3.84% to 4.17%) (Note 14).

In 2023, consolidated rental income from investment properties amounted to P32,896.2 million (2022 - P27,196.5 million and 2021 - P 17,797.7 million) (Note 18). For the year ended December 31, 2023, the consolidated direct operating expenses arising from the investment properties amounted to P10,118.96 million (2022 - P8,884.7 million and 2021 - P7,663.1 million) (Note 20).

For the year ended December 31, 2023, depreciation expense pertaining to investment properties amounted to P5,669.60 million (2022 - P5,642.9 million and 2021 - P3,645.3 million) (Note 20).

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancement, other than those already reflected or disclosed in the consolidated financial statements.

Certain short-term and long-term debt are secured by real estate mortgages dated September 2, 2014 and March 14, 2016 covering both land and building of the Greenbelt Mall. As at December 31, 2023, net book value of these investment properties amounted to P3,154.5 million (2022 - P2,974.7) (Note 14).

For the capital commitments, please refer to Note 27.

11 Property and equipment, net

The account as at December 31 consists of:

	Notes	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Total
Cost							
At January 1, 2022		18,417,909	13,824,961	9,390,543	3,495,419	25,218,185	70,347,017
Additions		2,649,776	671,455	853,301	238,811	124,711	4,538,054
Disposals		(1,222,348)	(482,715)	(140,454)	(92,106)	-	(1,937,623)
Transfers	10	(5,597,249)	86,034	(778)	-	-	(5,511,993)
At December 31, 2022		14,248,088	14,099,735	10,102,612	3,642,124	25,342,896	67,435,455
At January 1, 2023							
Additions		856,253	1,519,063	1,212,661	871,384	1,232,393	5,691,754
Disposals		(264,780)	(512,673)	(274,539)	(16,845)	(1,539,616)	(2,608,453)
Transfers	10	3,223,868	-	175,296	10,961	-	3,410,125
At December 31, 2023		18,063,429	15,106,125	11,216,030	4,507,624	25,035,673	73,928,881
Accumulated depreciation and amortization							
At January 1, 2022		7,651,424	10,188,003	5,072,260	1,658,590	3,998,388	28,568,665
Depreciation and amortization	20	790,928	792,055	358,035	443,202	844,904	3,229,124
Disposals		(49,536)	(47,245)	(165,019)	(254,373)	-	(516,173)
At December 31, 2022		8,392,816	10,932,813	5,265,276	1,847,419	4,843,292	31,281,616
At January 1, 2023							
Depreciation and amortization	20	736,456	750,001	559,352	275,238	746,775	3,067,822
Disposals		(115,576)	(436,643)	(311,367)	(14,115)	(132,631)	(1,010,332)
Transfers	10	(713,741)	(12,054)	56,350	(1,999)	-	(671,444)
At December 31, 2023		8,299,955	11,234,117	5,569,611	2,106,543	5,457,436	32,667,662
Net book value							
December 31, 2022		5,855,272	3,166,922	4,837,336	1,794,705	20,499,604	36,153,839
December 31, 2023		9,763,474	3,872,008	5,646,419	2,401,081	19,578,237	41,261,219

For the year ended December 31, 2023, the depreciation and amortization of property and equipment (included under various accounts in the consolidated statement of income) amounted to P3,067.8 million (2022 - P3,229.1 million and 2021 - P4,443.8 million). No interest was capitalized in 2023, 2022 and 2021 (Note 14).

As at December 31, 2023, the Group has no restrictions on its property and equipment and none of these have been pledged as security for its obligations. Capital expenditures for hotel buildings in the course of construction amounted to P923.4 million (2022 - P952.8 million) and are included in property and equipment. In 2023, the total contractual commitments arising from awarded contracts for the acquisition, development and construction of property and equipment amounted to P1,242 million (2022 - P685.78 million).

The Group performed impairment testing on its hotel property and equipment, with a carrying value of P19,578.2 million as at December 31, 2023 (2022 - P20,499.6 million), by assessing its recoverable amount through estimation of its value-in-use (VIU). VIU is the present value of the future cash flows expected to be derived from an asset. The significant assumptions used in the valuation are discount rates of 5.00% to 13.00% with an average growth rate of 3.00%. Based on the impairment testing, there is no impairment loss on the Group’s hotel property and equipment.

12 Other non-current assets

The account as at December 31 consists of:

	2023	2022
Prepaid expenses	16,744,120	13,478,639
Advances to contractors and suppliers	8,508,364	9,256,936
Leasehold rights	3,226,493	3,293,472
Deposits - others	2,839,321	2,142,815
Deferred input VAT	1,240,951	1,114,468
Net pension assets	352,313	52,529
Development rights	37,678	37,678
Others	461,259	449,817
	33,410,499	29,826,354

Prepaid expenses consist of project costs incurred for unlaunched projects of the Group, advance rental payments and non-current prepaid management fees. This also includes the non-current portion of cost to obtain contracts which includes prepaid commissions and advances to brokers, which amounted to P856.82 million in 2023 (2022 - P766.36 million).

Advances to contractors and suppliers represent prepayments for the construction of investment properties and property and equipment.

Leasehold rights mainly consist of the following:

- Through the acquisition of ALLHC, ALI acquired leasehold rights arising from their lease agreement with Philippine National Railways (PNR) which amounted to P2,711.86 million as at December 31, 2023 (2022 - P2,750.17 million) (Note 31).
- TKPI's leasehold rights pertains to the right to use the property in Apulit Island located in Taytay, Palawan expiring on December 31, 2029 which amounted to P40.5 million as at December 31, 2023 (2022 - P46.73 million).
- NTDCC's leasehold rights refer to development rights on an 8.3-hectare portion of the MRT Development Corporation, which is located on the North Triangle property, and enabled the Group to develop and construct a commercial center which amounted to P471.2 million as at December 31, 2023 (2022 - P491.2 million).

Movements in leasehold rights follow:

	2023	2022
At January 1	3,293,473	3,398,659
Additions	-	1,179
Amortizations	(66,980)	(106,365)
At December 31	3,226,493	3,293,473

Deposits - others pertain to various utility deposits and security deposits for leases.

Deferred input VAT pertains to unamortized VAT portion from purchases of capital goods.

Development rights pertain to the saleable and non-saleable development rights acquired by the Parent Company. The non-saleable portion is allocated to the gross floor area of a structure in a particular lot that can be developed in the future. The amortization of development rights is capitalized as additional cost of the structure once the development commences.

Others pertain to prepayments for expenses that are amortized for more than one year.

13 Accounts and other payables

The account as at December 31 consists of:

	Note	2023	2022
Accounts payable		112,906,119	95,187,175
Taxes payable		22,798,500	20,536,540
Liability for purchased land		7,508,478	8,136,983
Accrued salaries and employee benefits		4,575,640	6,269,161
Retentions payable		4,109,606	4,937,454
Interest payable		2,204,982	2,104,183
Accrued utilities		1,870,260	465,642
Accrued professional and management fees		1,381,895	1,479,837
Accrued advertising and promotions		927,854	925,552
Payable to related parties	23	714,068	630,525
Accrued repairs and maintenance		454,402	689,554
Dividends payable		63,222	81,030
Accrued rentals		9,959	88,639
Other accrued expenses		2,950,457	2,419,852
		162,475,442	143,952,127

Accounts payable and accrued expenses are non-interest bearing and are normally settled within 30 to 60 days.

Taxes payable pertain to the Group’s output VAT, expanded withholding tax, capital gains tax and fringe benefit tax payable.

Liability for purchased land pertains to the current portion of unpaid unsubdivided land acquired. These are normally payable in quarterly or annual installment payments, or upon demand.

Retentions payable pertain to the amount withheld by the Group on contractor’s billings to be released after the guarantee period, usually one year after the completion of the project or upon demand. The retentions payable serve as security from the contractor should there be defects in the project.

Other accrued expenses consist mainly of accruals from commissions, royalty, transportation, and travel, janitorial and security, postal and communication and other expenses.

The Group entered into and designated interest rate swaps as cashflow hedge instruments from interest-bearing loans at floating rate with notional value of MYR227.6 million as at December 31, 2023 and 2022. The fair value of the interest rate swap is estimated using valuation techniques with observable inputs, which uses present value calculations and incorporate various input including interest rate curves. As at December 31, 2023, the fair value of the derivative amounted to P55.6 million liability (2022 - P221.0 million liability), which is recognized as part of other accrued expenses.

14 Short-term and long-term debts

As at December 31, 2023, the short-term debt amounting to P16,905.1 million (2022 - P6,547.3 million) represents both Peso and foreign currency-denominated bank loans. Philippine Peso-denominated short-term bank loans have a weighted average cost of 6.00% per annum in 2023 (2022 - 2.58%).

In compliance with Bangko Sentral ng Pilipinas (BSP) rules on directors, officers, stockholders and related interests, certain long-term debt with a carrying value of P2,225.3 million as at December 31, 2023 (2022 - P4,623.2 million) are secured by real estate mortgages dated September 2, 2014 and March 14, 2016 covering both land and building of the Greenbelt Mall. Net book value of the property amounted to P3,154.5 million as at December 31, 2023 (2022 - P2,974.8 million), which is accounted as part of the "Investment properties" account (Note 10).

Long-term debt consists of:

	2023	2022
Parent Company:		
Bonds:		
Due 2023	-	7,000,000
Due 2024	15,000,000	15,000,000
Due 2025	23,250,000	23,250,000
Due 2026	16,000,000	16,000,000
Due 2027	15,000,000	15,000,000
Due 2028	22,075,000	22,000,000
Due 2029	14,000,000	14,000,000
Due 2031	3,000,000	3,000,000
Due 2033	6,925,000	2,000,000
Philippine Peso - denominated long-term loans	80,148,000	68,244,727
US Dollar - denominated long-term loans	3,045,350	3,066,525
Fixed rate corporate notes (FXCNs)	-	4,500,000
	198,443,350	193,061,252
Subsidiaries:		
Bank loans - Philippine-Peso denominated	42,354,825	34,338,748
Bank loans - Malaysian-Ringgit denominated	1,879,516	442,470
Bonds	-	3,000,000
	44,234,341	37,781,218
	242,677,691	230,842,470
Less: Unamortized transaction costs	1,328,536	1,350,891
	241,349,155	229,491,579
Less: Current portion of long-term debt	18,969,421	19,258,289
Non-current portion of long-term debt	222,379,734	210,233,290

Parent Company

Below is the summary of the outstanding Peso bonds issued by the Parent Company:

Year Issued	Term (Years)	Interest Rate	Principal Amount	Carrying Value 2023	Carrying Value 2022	Features
2013	20	6.00%	2,000,000	1,988,434	1,987,589	Fixed rate bond due 2033
2016	7	3.89%	7,000,000	-	6,976,738	Fixed rate bond due 2023
2016	10	4.85%	8,000,000	7,978,689	7,970,112	Fixed rate bond due 2026
2016	9.5	4.75%	7,000,000	6,984,429	6,990,957	Fixed rate bond due 2025
2017	10	5.26%	7,000,000	6,986,234	6,982,556	Fixed rate bond due 2027
2018	10	5.92%	10,000,000	-	9,927,761	Fixed rate bond due 2028
2019	7	6.37%	8,000,000	7,962,227	7,947,809	Fixed rate bond due 2026
2019	5	4.76%	3,000,000	2,993,838	2,985,944	Fixed rate bond due 2024
2019	7.3	4.99%	1,000,000	976,665	969,971	Fixed rate bond due 2027
2020	5	3.86%	6,250,000	6,222,200	6,207,139	Fixed rate bond due 2025
2021	4	3.63%	10,000,000	9,959,900	9,931,347	Fixed rate bond due 2025
2021	10	4.08%	3,000,000	2,981,600	2,979,655	Fixed rate bond due 2031
2022	6	5.81%	12,000,000	11,931,740	11,918,358	Fixed rate bond due 2028
2022	2	4.40%	12,000,000	11,964,602	11,897,140	Fixed rate bond due 2024
2022	5	6.21%	7,000,000	6,942,199	6,927,960	Fixed rate bond due 2027
2022	7	6.80%	14,000,000	13,870,012	13,851,289	Fixed rate bond due 2029
2023	5	6.03%	10,075,000	9,961,324	-	Fixed rate bond due 2028
2023	10	6.29%	4,925,000	4,866,279	-	Fixed rate bond due 2033
Total				114,570,372	116,452,325	

Philippine Rating Services Corporation (PhilRatings) rated the Parent Company’s 2023 and 2022 bond issuances “PRS Aaa” with a stable outlook and maintained the “PRS Aaa” rating with a stable outlook for all other outstanding bonds. PRS Aaa is the highest credit rating possible on PhilRatings’ rating scale for long-term issuances, indicating that the obligor’s capacity to meet its financial commitment on the obligation is extremely strong and that it has the smallest degree of investment risk. A Stable Outlook indicates that the rating is likely to be maintained or to remain unchanged in the next twelve months.

Bonds

Philippine Peso 20-year Bonds due 2033

In October 2013, the Parent Company issued a P2,000.0 million bond due 2033 at a fixed rate equivalent to 6.0% p.a. The Credit Rating and Investors Services Philippines, Inc. (CRISP) assigned a "AAA" rating on the bonds indicating that it has a minimal credit risk owing to the Parent Company’s capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP.

Philippine Peso 7-year and 10-year Bonds due 2026

In March 2016, the Parent Company issued and listed on the PDEx a total of P8,000.0 million bonds due 2026 at a fixed rate equivalent to 4.85% p.a. This is the first tranche of debt securities issued under the Parent Company's 2016 Program. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook by PhilRatings. In May 2019, the Parent Company issued and listed on the PDEx P8,000.0 million fixed rate bonds due 2026 at a rate equivalent to 6.37% p.a. The Bonds, the first tranche of Parent Company's 2019 Program, were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 9-year and 6-month Bonds due 2025

In April 2016, the Parent Company issued and listed on the PDEx a total of P7,000.0 million bonds due 2025 at a fixed rate equivalent to 4.75% p.a. The Bonds represent the second tranche of debt securities issued under the Parent Company's 2016 Program. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook by PhilRatings.

Philippine Peso 7-year Bonds due 2023

In October 2016, the Parent Company issued and listed on the PDEx a total of P7,000.0 million fixed rate bonds due 2023 at a rate equivalent to 3.89% p.a. The Bonds represent the third tranche of the Parent Company's P50,000.0 million Debt Securities Program registered and rendered effective by the SEC on March 8, 2016 (the “2016 Program”). The Bonds were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 7-year and 3-month and 10-year Bonds due 2027

In May 2017, the Parent Company issued its P7,000.0 million fixed rate bond due 2027 at a rate equivalent to 5.26% p.a. The Bonds, the fourth tranche of the Parent Company's 2016 Program, were listed on the PDEx and were rated PRS Aaa with a Stable Outlook by PhilRatings. In November 2019, the Parent Company issued a P1,000.0 million fixed rate bond due 2027 at a rate equivalent to 4.99% p.a. The Bonds, the third tranche of bonds issued under the Parent Company’s 2019 Program, were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 10-year Bonds due 2028

In April 2018, the Parent Company issued and listed on the PDEx a total of P10,000.0 million fixed rate bonds due 2028 at a rate equivalent to 5.92% p.a. and subject to repricing on April 27, 2023, the fifth anniversary of the Issue Date, at the higher of 5.92% p.a. or the prevailing 5-year benchmark plus 75 bps. The Bonds represent the fifth tranche of the of debt securities issued under the Parent Company's 2016 Program. The Bonds were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 5-year Bonds due 2024

In September 2019, the Parent Company issued and listed on the PDEx its P3,000.0 million bonds due 2024 at a fixed rate equivalent to 4.76% p.a. The Bonds represent the second tranche of debt securities issued under the Parent Company's 2019 Program and were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 5-year Bonds due 2025

In September 2020, the Parent Company issued and listed on the PDEx its P6,250.0 million fixed rate bonds due 2025 at a rate equivalent to 3.86% p.a. The Bonds represent the fifth tranche of debt securities issued under the Parent Company's 2019 Program. The Bonds were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 4-year Bonds due 2025

In May 2021, the Parent Company issued and listed on the PDEx its P10,000.0 million fixed rate bonds due 2025 at a rate equivalent to 3.63% p.a. The Bonds represent the sixth tranche of debt securities issued under the Parent Company's 2019 Program. The Bonds were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 10-year Bonds due 2031

In October 2021, the Parent Company issued a total of P3,000.0 million bonds due 2031 at a fixed rate equivalent to 4.08% p.a. and subject to repricing on October 26, 2026, the fifth anniversary of the Issue Date, at the higher of 4.08% p.a. or the prevailing 5-year benchmark plus 70 bps. The offering which was listed on the PDEX is composed of P2,750.0 million issued as the first tranche of Parent Company's 2021 Program while P250.0 million representing the seventh tranche of debt securities were issued under the Company’s 2019 Program. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook by PhilRatings. The Parent Company exercised the call option and the bonds were fully redeemed in April 2023.

Philippine Peso 6-year Bonds due 2028

In May 2022, the Parent Company issued a total of P12,000.0 million bonds due 2028 at a fixed rate equivalent to 5.81% p.a. The offering is composed of P9,500.0 million as the second tranche of debt securities issued under the Parent Company's P50,000.0 million Debt Securities Program registered and rendered effective by the SEC on October 11, 2021 (the "2021 Program") while P2,500.0 million represent the eighth and final tranche of debt securities that were issued under the 2019 Program. The Bonds were listed on the PDEx and were assigned an issue credit rating of PRS Aaa, with a Stable Outlook by PhilRatings.

Philippine Peso 2-Year, 5-Year and 7-year Bonds due 2024, 2027 and 2029

In July 2022, the Parent Company issued a total of P33,000 million fixed rate bonds, broken down into P12,000.0 million bonds due 2024 at a rate equivalent to 4.40% p.a., P7,000.0 million bonds due 2027 at a rate equivalent to 6.21% p.a. and a P14,000.0 million bond due 2029 at a rate equivalent to 6.80% p.a. The offering is the third tranche of debt securities issued under the Parent Company's 2021 Program. The Bonds were listed on the PDEx and were assigned an issue credit rating of PRS Aaa, with a Stable Outlook by PhilRatings.

Philippine Peso 5-Year and 10-year Bonds due 2028 and 2033

In June 2023, the Parent Company issued a total of P15,000 million fixed rate bonds, broken down into P10,075.0 million bonds due 2028 at a rate equivalent to 6.03% p.a. and P4,925.0 million bond due 2033 at a rate equivalent to 6.29% p.a. The offering is composed of P4,750.0 million issued as the fourth and final tranche of the Parent Company's 2021 Program while P10,250.0 million representing the first tranche of debt securities issued under the Company's 2023 Program. The Bonds were listed on the PDEx and were assigned an issue credit rating of PRS Aaa, with a Stable Outlook by PhilRatings.

Philippine Peso - denominated Long-term Loans

In August to September 2015, the Parent Company assumed an aggregate of P15,526.9 million various long-term facilities of some subsidiaries from various banks. The loans bear fixed interest rates ranging from 4.50% to 4.70% p.a. and terms ranging from 4.4 years to 10.5 years. In March 2016, the Company additionally assumed from ALI Makati Hotel Property, Inc. US$30.0 million in long-term loans from the Bank of the Philippine Islands. The loan carried a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR) and is repriceable quarterly. The loan was prepaid in December 2018. In August 2022, coinciding with the repricing date of the Parent Company's P10,000.0 million 10.5-year long-term facility, the Company executed a Deed of Assignment with a domestic bank. The Parent Company assigned the remaining balance of the loan amounting to P7,872.0 million to Avida Land, Corp. (P4,086.0 million), Alveo Land, Corp. (P2,880.0 million) and Accendo Commercial, Corp. (P906.0 million) (collectively the "Assigned Loan"). The Assigned Loan carries a floating rate applicable for the remaining 3.5 years of the long -term facility. As at December 31, 2023, the remaining balance of the assumed long-term facilities amounted to nil (2022 - 1,903.6 million). This was fully paid upon its maturity in the first quarter of 2023.

In March 2017, the Parent Company executed a P10,000.0 million long-term facility with a domestic bank, in which the Parent Company had simultaneously drawn an initial P5,000.0 million. The balance of P5,000.0 million was drawn in April 2017. The loan carries a fixed interest rate of 4.95% p.a. and a term of 10 years. As at December 31, 2023, the remaining balance of long-term facility amounted to P8,875.0 million (2022 - P9,175.0 million).

In March 2018, the Parent Company executed a P5,000.0 million long-term facility with a domestic bank, in which the Parent Company had simultaneously drawn the entire facility amount. As at December 31, 2023, the remaining balance of long-term facility amounted to P4,712.5 million (2022 - P4,762.5 million).

In January 2020, the Parent Company executed and availed a P5,000.0 million 10-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 4.50% p.a. for the initial 5 years. In December 2020, the Parent Company also executed and availed a P10,000.0 million 10-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 4.0% p.a. for the first 7 years. Both loans will be repriced on the 5th and 7th anniversary. As at December 31, 2023, the remaining balance of the loans amount to P4,912.5 million (2022 - P4,962.5 million) and P9,376.0 million (2022 - P9,584.0 million), respectively.

In 2021, the Company originated a total of P37,000 million in long-term financing with various domestic banks. In July 2021, the Company availed a P10,000.0 million 10-year long-term facility which carries a fixed interest rate of 3.88% p.a. for the initial 5 years. In August 2021, the Company executed a P5,000.0 million 10-year long-term facility which carries a fixed interest rate of 3.88% p.a. for the initial 5 years. Another P4,900.0 million 6-year long- term facility was drawn in October 2021 at an interest rate of 3.78% p.a. for the initial 3 years. In October 2021, the Company executed a P5,000.0 million 10-year long-term facility which carries a fixed interest rate of 3.75% p.a. for the initial 5 years. In November 2021, the Company also executed a P5,000.0 million 9-year long-term facility which carries a fixed interest rate of 3.95% p.a. for the initial 5 years. In December 2021, the Company executed a P7,100.0 million 8-year long-term facility which carries a fixed interest rate of 3.87% p.a. for the initial 3 years. As at December 31, 2023 and 2022, the outstanding balance of the loans amount to P37,000 million.

On December 16, 2021, the SEC approved and made effective the merger of Cebu Holdings, Inc. (CHI), Asian-I Office Properties (AiO), Arca South Commercial Ventures Corp. (ASCVC) and Central Bloc Developers, Inc. (CBDI) with and into ALI, with ALI as the surviving entity (the “Merger”). ALI became the surviving entity in the Merger and thus, shall possess all the rights, privileges and immunities of CHI, AiO, ASCVC and CDBI (the “Absorbed Corporations”), and all properties and liabilities, and all and every other interest of or belonging to the Absorbed Corporations were taken and deemed transferred to ALI without further act or deed. With that, the Parent Company assumed an aggregate of P914.1 million long-term facilities of AiO from a domestic bank. As at December 31, 2023, the remaining balance of long-term facilities amounted to P272.0 million (2022 - P857.1 million).

In 2023, the Company originated a total of P15,000 million 10-year long-term financing with various domestic banks. The loans carry a floating interest rate and contain a one-time option to shift from a floating rate to a fixed rate available for one or two years from initial availment. In April 2023, the Parent Company executed and availed a P5,000.0 million 10-year long-term facility with a domestic bank which carries a floating interest rate equivalent to the higher of (i) 3-month BVAL plus 45 bps, (ii) BSP Overnight Reverse Repurchase Agreement Rate, and (iii) floor rate of 2.75% p.a., with one time option to convert all or a portion of Fixed to Floating or vice versa. In October 2023, the Company executed a P5,000.0 million 10-year long-term facility which carries a floating interest rate equivalent to the higher of (i) 3-month BVAL plus 70 bps, and (ii) BSP Overnight Reverse Repurchase Agreement Rate, with one time option to convert all or a portion of Fixed to Floating or vice versa. In November 2023, the Company executed another P5,000.0 million 10-year long-term facility which carries a floating interest rate equivalent to the higher of (i) 3-month BVAL plus 45 bps, (ii) BSP Overnight Reverse Repurchase Agreement Rate, and (iii) floor rate of 5.25% p.a., with one time option to convert all or a portion of Fixed to Floating or vice versa. As at December 31, 2023, the remaining balance of the long-term facilities amount to P15,000 million (2022 - nil).

As at December 31, 2023, the remaining aggregate balance of the Philippine Peso-denominated long-term loans amounted to P80,148 million (2022 - P68,244.7 million).

US Dollar-denominated Long-term Loans

In November 2019, the Parent Company executed and had simultaneously drawn a US$125.0 million long-term facility. The loan bears a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR), repriceable quarterly. All proceeds were lent to MCT to refinance its existing loans. The loan will mature on the fifth anniversary of the initial drawdown date. The Parent Company initiated a partial payment of US$70.0 million in November 2022.

The remaining US$55.0 million was repriced in 2022 by transitioning out of the LIBOR-based dollar loan pricing ahead of its cessation on June 30, 2023 by shifting to a two-year US$ fixed rate of 3.95% (net of 10% onshore tax).

As at December 31, 2023, the remaining aggregate balance of US Dollar-denominated long term loans amounted to P3,045.4 million (2022 - P3,066.5 million).

<u>Fixed rate corporate notes (FXCNs)</u>

Philippine Peso 10-year and 3-month Notes due 2023
In December 2012, the Parent Company executed a P5,000.0 million committed Corporate Note facility with a local bank, of which an initial P3,500.0 million was drawn in 2012. The balance of P1,500.0 million was subsequently drawn in January 2013. The notes bear a fixed interest rate of 4.50% p.a. The Corporate Notes will mature on the third month succeeding the tenth anniversary of the initial drawdown date. As at December 31, 2023, the remaining balance of the notes amounted to nil (2022 - P4,500.0 million). The notes were fully paid upon maturity on March 10, 2023.

<u>Subsidiaries</u>

The subsidiaries' loans will mature on various dates up to 2032. Philippine Peso-denominated loans bear various floating interest rates at 45 bps to 90 bps spread over the benchmark 90-day PHP BVAL Reference Rate (previously PDST-R2) and/or fixed interest rates ranging from 3.27% to 4.83% p.a. Certain loans which are subject to floating interest rates are subject to floor floating interest rates equivalent to (i) Overnight Reverse Repurchase Agreement Rate of the Bangko Sentral ng Pilipinas (BSP ORRP) or (ii) 95.0% or par of the BSP ORRP or (ii) the BSP ORRP plus a spread of 10 bps to 75 bps p.a. or (iii) the average of the BSP ORRP and Term Deposit Facility with a term close to the 90-day interest period.

In 2023, the subsidiaries made a total bank loan availment of P9,725.0 million (2022 - P15,455.0 million). As at December 31, 2023, the subsidiaries paid a total bank loan of P4,664.4 million (2022 - P2,835.5 million). The total outstanding balance of the subsidiaries' loans as at December 31, 2023 amounted to P44,234.3 million (2022 - P34,781.2 million).

Philippine Peso 3.0 Billion Fixed Rate Bonds due 2023

In December 2021, AREIT issued a total of P3,000.0 million bonds due 2023 at a fixed rate equivalent to 3.04% p.a. The Bonds represent the first tranche of debt securities issued under its P15,000.0 million Debt Securities Program registered with the SEC and listed on the PDEx. The Bonds were rated PRS Aaa with a Stable Outlook by PhilRatings, indicating that the obligor's capacity to meet its financial commitment on the obligation is extremely strong. It was fully paid on the maturity date.

The loan agreements contain some or all of the following restrictions: material changes in nature of business; maintenance of debt-to-equity ratio; payment of dividends and additional loans maturing beyond a year which will result in non-compliance of the required debt-to-equity ratios; merger or consolidation where the Company/subsidiary is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all assets. These restrictions and requirements were complied with by the Group as at December 31, 2023 and 2022.

In 2023, the interest capitalized amounted to P683.10 million (2022 - P783.22 million and 2021 - P560.14 million). The capitalization rates are 4.5% to 6.0% in 2023 (2022 - 2.04 to 4.50% and 2021 - 2.14% to 3.44%) (Note 6 and 10).

In 2023, transaction costs capitalized amounted to P371.2 million (2022 - P497.5 million and 2021 - P500.0 million). In 2023, amortization amounted to P393.6 million (2022 - P292.35 million and 2021 - P472.07 million) and included under "Interest and other financing charges" (Note 20).

The Group is required to maintain a debt-to-equity ratio not exceeding 3:1. The Group has complied with the debt covenant as at December 31, 2023 and 2022 (Note 27.2).

15 Deposits and other current liabilities

This account as at December 31 consists of:

	2023	2022
Current portion of customers' deposits	29,988,271	26,688,566
Security deposits	3,065,471	3,197,804
Others	1,078,242	1,324,653
	34,131,984	31,211,023

Customers' deposits consist of collections from real estate customers who have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivable based on percentage of completion.

In 2023, the amount of revenue recognized from amounts included in customers' deposits at the beginning of the year amounted to P20,873.4 million (2022 - P16,779.9 million and 2021 - P30,239.3 million).

Security deposits are equivalent to three to six months' rent of tenants with cancellable lease contracts and whose lease term will end in the succeeding year. These will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts.

Other current liabilities mainly pertain to accrued project costs and unearned income.

16 Deposits and other non-current liabilities

This account consists of:

	2023	2022
Deposits	14,745,702	16,970,031
Customers' deposits, net of current portion	9,289,576	9,751,887
Liability for purchased land	7,043,929	10,185,888
Retentions payable	4,905,747	3,331,070
Contractors' payable	4,629,579	5,479,129
Deferred output VAT	768,641	856,698
Subscriptions payable	507,550	728,633
Other liabilities	748,057	216,545
	42,638,781	47,519,881

Deposits include security deposits from tenants of retail and office spaces and deferred credits arising from sale of real estate properties. Security deposits are equivalent to three to six months' rent of long-term tenants with non-cancellable leases. These will be refunded to the lessees at the end of the lease term or applied to the last months' rentals on the related contracts. Deferred credits which are also recognized under "Deposits" account pertain to advances from buyers of real estate properties to cover various processing fees including, but not limited to, fees related to transfer of title such as registration fees, documentary taxes and transfer taxes. Payments made by the Group for the processing of title are charged to this account.

Customers' deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion.

Liability for purchased land pertains to the non-current portion of unpaid unsubdivided land acquired during the year. These are normally payable in quarterly or annual installment payments within three or five years.

Retentions payable pertain to the amount withheld by the Group on contractors' billings to be released after the guarantee period, usually one year after the completion of the project or upon demand. The retentions payable serve as security from the contractors when there are claims for defects in projects requiring rework.

Contractors' payable represent accrued costs incurred for property development that are not yet billed.

Deferred output VAT pertains to output VAT on receivables for which sales recognition has been deferred based on sales collection threshold for VAT recognition purposes.

The Group's subscription payable pertains to ALLHC's investment in Cyber Bay.

On April 25, 1995, Central Bay, a wholly owned subsidiary of Cyber Bay, entered into a Joint Venture Agreement with the Philippine Reclamation Authority (PRA; formerly Public Estates Authority) for the complete and entire reclamation and horizontal development of a portion of the Manila-Cavite Coastal Road and Reclamation Project (the Project) consisting of three partially reclaimed and substantially eroded islands (the Three Islands) along Emilio Aguinaldo Boulevard in Parañaque and Las Piñas, Metro Manila with a combined total area of 157.8 hectares, another area of 242.2 hectares contiguous to the Three Islands and, at Central Bay's option as approved by the PRA, an additional 350 hectares more or less to regularize the configuration of the reclaimed area.

On March 30, 1999, the PRA and Central Bay executed an Amended Joint Venture Agreement (AJVA) to enhance the Philippine Government's share and benefits from the Project which was approved by the Office of the President of the Philippines on May 28, 1999.

On July 9, 2002, the Supreme Court (SC) (in the case entitled "Francisco Chavez vs. Amari Coastal Bay and Reclamation Corp.") issued a ruling declaring the AJVA null and void. Accordingly, PRA and Central Bay were permanently enjoined from implementing the AJVA.

On July 26, 2002, Central Bay filed a Motion for Reconsideration (MR) of said SC decision. On May 6, 2003, the SC En Banc denied with finality Central Bay's MR. On May 15, 2003, Central Bay filed a Motion for Leave to Admit Second MR. In an En Banc Resolution of the SC dated July 8, 2003, the SC resolved to admit the Second MR of Central Bay.

On November 11, 2003, the SC rendered a 7-7 split decision on Central Bay's Second MR. Because of the new issues raised in the SC's latest resolution that were never tried or heard in the case, Central Bay was constrained to file on December 5, 2003 a Motion for Re-deliberation of the SC's latest resolution which motion was denied with finality by the SC.

With the nullification of the AJVA, Central Bay has suspended all project operations. On August 10, 2007, in view of the failure by the PRA to comply with its obligations and representations under the AJVA, Cyber Bay and Central Bay have filed their claims for reimbursement of Project expenses in the amount of P10,200.0 million with the PRA. Cyber Bay and Central Bay provided the PRA with the summary and details of their claims on September 5, 2007. On July 15, 2008, Cyber Bay sent a follow-up letter to the PRA. The PRA, in its letter dated July 18, 2008, informed Cyber Bay that its claim is still being evaluated by the PRA.

A series of petitions and motion for reconsideration were filed by Central Bay. In a Decision dated April 5, 2022, the Supreme Court declared the Compromise Agreement between Central Bay Reclamation and Development Corporation (Central Bay) and the Philippine Reclamation Authority void ab initio for being contrary to the 1987 Constitution, Executive Order No. 292, Administrative Code of 1987, and the Government Auditing Code of the Philippines. Further, the Supreme Court disallowed Central Bay's money claims except for the amount of Seven Hundred Fourteen Million Nine Hundred Thirty-Seven Thousand Seven Hundred Ninety and 29/100 Pesos (Php714,937,790.29) representing advance payment for the reclamation and project development. Central Bay then filed a Motion for Reconsideration dated December 15, 2022.

In a Resolution dated February 7, 2023, the Supreme Court denied with finality Central Bay's Motion for Reconsideration dated December 15, 2022, and affirmed the Commission on Audit's (COA) Decision dated 23 May 2019 in COA CP Case No. 2010-350. In the Notice, it stated that Entry of Judgment will be made immediately.

As at December 31, 2023, the Group has unpaid subscription in Cyber Bay amounting to P481.7 million (2022 - P481.7 million).

Other liabilities include non-trade payables, accrued payables and warranty payables.

17 Equity

The details of the number of shares follow:

	2023			
	Number of Shares		Amount	
	Preferred	Common	Preferred	Common
Authorized	15,000,000	20,000,000	1,500,000	20,000,000
Issued*	13,066,495	15,595,195	1,306,649	15,595,195
Subscribed	-	126,331	-	126,331
	13,066,495	15,721,526	1,306,649	15,721,526

**Out of the total issued shares (in absolute number), 779,349,914 common shares at P1.00 par value and 623,999,728 preferred shares at P0.10 par value or aggregate of P841.75 million pertain to Treasury shares at December 31, 2023*

	2022			
	Number of Shares		Amount	
	Preferred	Common	Preferred	Common
Authorized	15,000,000	20,000,000	1,500,000	20,000,000
Issued*	13,066,495	15,580,699	1,306,649	15,580,699
Subscribed	-	126,248	-	126,248
	13,066,495	15,706,947	1,306,649	15,706,947

**Out of the total issued shares (in absolute number), 642,283,806 common shares at P1.00 par value and 623,970,536 preferred shares at P0.10 par value or aggregate of P704.68 million pertain to Treasury shares, as at December 31, 2022.*

	2021			
	Number of Shares		Amount	
	Preferred	Common	Preferred	Common
Authorized	15,000,000	20,000,000	1,500,000	20,000,000
Issued*	13,066,495	15,257,294	1,306,649	15,257,294
Subscribed	-	123,901	-	123,901
	13,066,495	15,381,195	1,306,649	15,381,195

***Out of the total issued shares (in absolute number), 570,069,282 common shares at P1.00 par value or P570.07 million pertain to Treasury shares as of December 31, 2021.*

The movement in the Parent Company's treasury shares follows:

	2023		2022		2021	
	Shares (in absolute number)	Amount (in millions)	Shares (in absolute number)	Amount (in millions)	Shares (in absolute number)	Amount (in millions)
Common						
At January 1	642,283,806	19,017.81	570,069,282	16,894.40	29,785	1,260.80
Additions	137,066,108	3,695.65	72,214,524	2,123.41	570,039,497	15,633.60
At December 31	779,349,914	22,713.46	642,283,806	19,017.81	570,069,282	16,894.40
Preferred						
At January 1	623,970,536	62.90	-	-	-	-
Additions	29,192	0.03	623,970,536	62.90	-	-
At December 31	623,999,728	62.93	623,970,536	62.90	-	-
	1,403,349,642	22,776.39	1,266,254,342	19,080.71	570,069,282	16,894.40

Preferred Shares (P0.10 par value per share)

The Parent Company's preferred shares prior to 2012 were subscribed and issued through a stock rights offer with the following features: (a) non-voting; (b) dividend rate of 4.6% p.a., payable annually, non-cumulative; (c) non-participating; (d) convertible at the option of the holder at a ratio of one (1) preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (e) no pre-emptive rights; (f) non-redeemable; (g) non-listed; and, (h) preferred in liquidation to the extent of par value.

The dividends for preferred shares are declared upon the sole discretion of the Parent Company's BOD.

On February 20, 2012, the BOD approved the following restructuring exercise in order to comply with the regulatory requirement on Filipino-ownership following the Supreme Court's ruling that non-voting shares do not count as equity when computing for a Parent Company's Filipino-ownership level:

a. Redemption and retirement of the 13.0 billion outstanding preferred shares with par value of P0.10.
b. Reclassification of the 1,970.0 million unissued preferred shares to voting preferred shares through an amendment of Article Seventh of the Articles of Incorporation.
c. Increase in authorized capital stock by P1,300.0 million creating new voting preferred shares and a stock rights offer of 13,000 million voting preferred shares from the increase in the authorized capital stock.

On April 18, 2012, the stockholders ratified the BOD resolution on the capital restructuring. The voting preferred shares shall have the following features, rights, and privileges: (a) voting; (b) dividend rate of 4.7% per annum, equivalent to 90.0% of the 10-year PDST R2 (repriced every ten (10) years from issue date), payable annually, non-cumulative; (c) convertible at the option of the holder at a ratio of one (1) voting preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (d) no pre-emptive rights; (e) redeemable at par at the sole option of the corporation; (f) non-listed; and, (g) preferred in liquidation to the extent of par value.

The SEC approved on January 31, 2013 the following:

a. The decrease in authorized capital stock by P1,303.5 million, the aggregate par value of the 13,034.6 million preferred shares which have been redeemed and retired, from P22,803.5 million to P21,500.0 million, and
b. The amendments to Articles of Incorporation reflecting the decrease in capital stock.

On June 24, 2022, 623,392,160 Voting Preferred Shares (VPS) were redeemed. The remaining number of outstanding VPS is 12,443,102,599. All of the redeemed VPS will be retired subject to the final approval of the SEC.

As at December 31, 2023, the Parent Company's authorized and outstanding preferred shares amounted to P1,244 million (2022 - P1,244 million and 2021 - P1,307 million) at P0.10 par value.

Common Shares (P1.00 par value per share)

On April 7, 2014, the stockholders resolved to approve the amendment of the Seventh Article of the Articles of Incorporation exempting from pre-emptive rights (1) the issuance of 1 billion common shares for properties or assets needed for the business of the Parent Company or for cash to acquire properties or assets needed for the business of the Parent Company or in payment of a debt contracted prior to the issuance of such shares, and (2) the issuance of common shares covered by the Parent Company's Stock Option Plans for members of the management committees of the Parent Company's subsidiaries or affiliates.

Likewise, the stockholders resolved to approve the amendment of the Stock Option Plan of the Parent Company to include the members of the Management Committees of the Parent Company's subsidiaries and affiliates as eligible grantees of stock options.

The roll forward analysis of the common shares follows:

	Number of Shares		Amount	
	2023	2022	2023	2022
Issued capital stock*				
At beginning of year	15,580,699	15,257,294	15,580,699	15,257,294
Issued shares	14,496	323,405	14,496	323,405
At end of year	15,595,195	15,580,699	15,595,195	15,580,699
Subscribed capital stock				
At beginning of year	126,248	123,901	126,248	123,901
Issued shares	(14,496)	(11,825)	(14,496)	(11,825)
Additional subscriptions	14,579	14,172	14,579	14,172
At end of year	126,331	126,248	126,331	126,248
	15,721,526	15,706,947	15,721,526	15,706,947

**Out of the total issued shares (in absolute number), 779,349,914 shares or P779,350 million as at December 31 2023 and 642,283,806 shares or P642,284 million as at December 31, 2022 pertain to Treasury shares.*

No transfer of stock or interest which will reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the books of the Parent Company.

The Parent Company's track record of capital stock is as follows:

Type of Shares	Number of shares registered	Issue/ Offer price	Date of approval	Number of holders of securities as of 2023***	Number of holders of securities as of 2022***
Class B shares	800,000,000	Par Value - P1.00/ Issue Price P26.00	April 18, 1991	13,115	13,181
Class B shares	400,000,000	Par Value - P1.00*	July 6, 1992		
Class A shares	900,000,000	Par Value - P1.00**	July 5, 1993		
Class B shares	600,000,000	Par Value - P1.00**	July 5, 1993		

Note: Class A Shares and Class B Shares were declassified into one type of Common Shares on September 12, 1997.
**Increase in authorized capital stock, registered to cover the shares held by the directors and 20% stock dividend amounting to P108,662,000.00*
***Increase in authorized capital stock, registered to cover the 20% stock dividend amounting to P391,240,953.00*
****In absolute number*

On January 9, 2015, the Executive Committee of the Parent Company approved a top-up placement of 484,848,500 common shares of the Parent Company at a price of P33.00 per share. The placement was conducted via an accelerated bookbuilt offering structured as a top-up placement, whereby AC sold 484,848,500 listed common shares of stock to qualified third party buyers and subscribe to the same number of new shares from the Parent Company. The Parent Company completed the placement on January 12, 2015, raising an aggregate of P16,000.0 million in paid-up capital. The price was at 3.9% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to P194.0 million.

On April 13, 2013, the stockholders resolved to approve the amendment of the Seventh Article of the Company's Articles of Incorporation for the purpose of excluding or exempting treasury shares from the pre-emptive rights of stockholders.

On March 6, 2013, the Parent Company's Board resolved to approve the placement made by AC of its existing 320,000,000 listed common shares of the Company to certain qualified third party buyers or investors at P30.50 per share. The Parent Company completed the top-up placement, raising an aggregate of P12,200.0 million in paid up capital. The price was at 3.6% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to P162.4 million.

On July 10, 2012, the Parent Company's Executive Committee approved the placement of 680 million listed common shares of stock with par value of P1.00 per share, at a price of P20.00 per share, and the issuance of equal number of new shares of the Parent Company, at the same price of P20.00 per share, with AC as the seller of the placement tranche and subscriber of the subscription tranche. The Parent Company completed the top-up placement, raising an aggregate of P13,600 million in paid up capital. The price was at 5.0% discount to the closing price. Transaction cost charged to additional paid-in capital amounted to P200.0 million.

On April 2, 2008, the Parent Company's stockholders approved the allotment and subsequent issuance of the shares for the below-mentioned purposes and for the further amendment of the Amended Articles of Incorporation of the Parent Company to exclude the issuance of shares from the pre-emptive rights of the stockholders pursuant to Section 39 of the Philippine Corporation Code.

On February 12, 2008, the BOD approved the allotment and subsequent issuance of up to 1 billion common shares of stock with an aggregate par value of P1,000.0 million for the purpose of exchanging such shares for properties or assets and/or to raise funds to acquire properties or assets needed for the business of the Parent Company via issuance of equity or equity-linked instruments, the price and the terms and conditions of which shall be determined by the BOD based on prevailing market conditions or on agreements negotiated.

On July 5, 1991, the Parent Company launched its initial public offering where a total of 400 million common shares were offered at an offering price of P26.00 per share. The registration statement was approved on July 20, 1992. As at December 31, 2023, the Parent Company has 13,115 existing shareholders (2022 - 13,181 existing shareholders).

Treasury shares

In 2023, ALI purchased a total of 137,066,108 common shares at an average price of P26.96 per share for a total consideration of P3,695.6 million.

Under its buyback program in 2022, ALI purchased a total of 71,214,524 common shares at an average price of P27.95 per share for a total consideration of P2,124.0 million and 623,970,536 preferred shares at an average price of P0.10 per share for a total consideration of P62.9 million which aggregated to P2,186.9 million.

In April and December 2021, ALI purchased a total of 48,976,900 common shares at an average price of P33.90 per share for a total consideration of P1,656.6 million under its share buyback program.

On December 16, 2021, SEC has approved the merger of CHI, AiO, ASCVC and CBDI with and into ALI, with ALI as the surviving entity (the "Merger"). All of the shares of the absorbed entities owned by their respective stockholders prior to the Merger were acquired by ALI, and in exchange for the net assets of the absorbed entities, a total of 609,626,351 ALI common shares were issued to the stockholders of the absorbed entities. Of these shares, 491,306,375 shares were issued to ALI itself and were treated as treasury shares with a total consideration of P13,977.0 million.

On February 28, March 11, March 12, and March 16, 2020, ALI purchased a total of 4,412,000 common shares at an average price of P35.67 per share for a total consideration of P156.4 million, pursuant to its share buyback program.

On February 21, 2020, the Board of Directors of ALI at its regular meeting approved the increase of an additional P25 billion to the Company's current share buyback program bringing the available balance to P26.1 billion. The program has been implemented through open market purchases executed via the trading facilities of the Philippine Stock Exchange.

On March 5, 2019, the Parent Company purchased a total of 10,372,746 of its common shares at P43.20 per share through open market purchases using the trading facilities of the Philippine Stock Exchange for a total purchase price of P448.10 million in relation in its share buyback program. On November 26, 2019, the Parent Company also acquired a total of 15million of its common shares at P43.75 per share for a total purchase price of P656.25 million.

The amendment of the Articles of Incorporation on April 17, 2013 allowed the re-selling of the 79,528,299 listed common shares as part of the top-up placement transaction completed in July 2013. Treasury common shares were sold at P30.50 per share resulting in additional paid-in capital of P1,601.6 million.

On August 12, 2008, the BOD approved a share buyback program. It is part of the Parent Company's balance sheet management program and aims to (i) improve the Parent Company's balance sheet structure and capital efficiency and (ii) enhance shareholder value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Parent Company as not reflective of its fair corporate value.

In 2008, the Parent Company repurchased a total of 79,528,228 of its common shares through open market purchases using the trading facilities of the Philippine Stock Exchange for a total purchase price of P823.9 million in relation to its share buyback program. These have been reported as treasury shares.

Retained earnings

In 2023, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of P0.38 per share (2022 - P0.28 per share and 2021 - P0.28 per share) to all issued and outstanding common and preferred shares.

On February 21, 2023, the Board of Directors during its meeting approved the declaration of cash dividends of P0.1495 per outstanding common share. The cash dividends were paid on March 23, 2023, to stockholders of common shares as of record date of March 7, 2023.

On May 30, 2023, the Board of Directors approved the declaration of cash dividends to all stockholders of unlisted voting preferred shares of P0.006 per share. The dividends were paid on June 27, 2023 to stockholders of voting preferred shares as of record date of June 13, 2023.

On October 25, 2023, the Board of Directors during its meeting approved the declaration of cash dividends of P0.2231 per outstanding common share. The cash dividends were paid on November 24, 2023, to stockholders of common shares as of record date of November 13, 2023.

On February 24, 2022, the BOD during its meeting approved the declaration of cash dividends of P0.1352 per outstanding common share. The cash dividends were paid on March 25, 2022 to stockholders of common shares as of record date of November 11, 2022.

On October 21, 2022, the BOD during its meeting approved the declaration of cash dividends of P0.1355 per outstanding common share. The cash dividends were paid on November 18, 2022 to stockholders of common shares as at record date of March 8, 2022.

On May 31, 2022, the BOD during its meeting approved the declaration of cash dividends of P0.0047 per outstanding common share. The cash dividends were paid on June 24, 2022 to stockholders of common shares as at record date of June 9, 2022.

On February 23, 2021, the BOD during its meeting approved the declaration of cash dividends of P0.14 per outstanding common share. The cash dividends were paid on March 25, 2021 to stockholders of common shares as at record date of March 10, 2021.

On October 19, 2021, the BOD during its meeting approved the declaration of cash dividends of P0.14 per outstanding common share. The cash dividends were paid on November 18, 2021 to stockholders of common shares as at record date of November 3, 2021.

In 2023, total dividends for common shares declared amounted to P5,583.4 million (2022 - P4,000.0 million and 2021 - P4,001.2 million). Total dividends for preferred shares declared for 2023 amounted to P78.7 (2022 and 2021 amounted to P62.0 million each year).

On May 27, 2021, the Board of Directors during its meeting approved the declaration of cash dividends of P0.0047 per outstanding preferred share. The cash dividends were paid on June 25, 2021 to stockholders of preferred shares as of record date of June 10, 2021.

As at December 31, 2023, 2022 and 2021, retained earnings of P25,000.0 million are appropriated for future expansion. The increase of P17,000.0 million, as approved by the BOD on November 25, 2021, represents a continuing appropriation for land banking activities and planned building construction projects. Each year, the Parent Company incurs capital expenditures for property development which include among others land banking and building construction projects. The appropriation is being fully utilized to cover part of the annual expenditure requirement of the Parent Company.

The Parent Company has earmarked additional funds for expansion projects in the residential, shopping centers, office and hotel business segments, as well as various infrastructure projects for the Parent Company's mixed-use developments.

The following are among the major capital expenditures of the Parent Company which were approved by the BOD on November 25, 2021:

a) Arca South, a 74 hectares lifestyle district in the City of Taguig with residential, office, retail, hotel and other commercial component. Phase 1 of the mixed-use development was approved by the Board on November 25, 2014. It consists of a retail project with 20k sqm Gross Leasable Area (GLA), 2 BPO towers with 31k sqm GLA and a 265-room hotel with total estimated cost of P11 billion, for completion phase by 2024-2027.

b) Vertis North, a 29 hectares estate positioned as the Central Business District of the North with residential, office, retail and hotel component. Phase 1 of the mixed-use development was approved by the Board on October 11, 2013. It consists of the completed Vertis mall with 40k sqm GLA, three office towers with 125k sqm GLA and a 438 room Seda hotel. For future development consists of the 4th Office Tower with 46k sqm GLA estimated at P5 billion, for completion beyond 2026.

c) Vermosa, which is a700-hectare estate located south of Ayala Alabang. It is a mixed-use development with residential and commercial component. Phase 1 of the mixed-use development consists of residential developments, commercial lots, school and sports and lifestyle complex. For future development consists of a mall with 41k sqm GLA approved by the Board on May 19, 2017. Estimated cost for this project is at P2.5 billion, for completion in phases by 2022-2024.

d) Continuing payments for various acquisitions within the country amounting to P14.5 billion to be paid until 2024-2026.

Retained earnings also include undistributed net earnings amounting to P121,264.74 million as at December 31, 2023 (2022 - P108,047.70), representing accumulated equity in the net earnings of subsidiaries, associates and joint ventures. These are not available for dividend distribution unless declared by subsidiaries and other investees. In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company’s retained earnings available for dividend declaration as at December 31, 2023 amounted to P62.24 billion (2022 - P55.36 billion).

Retained earnings are further restricted for the payment of dividends to the extent of the cost of treasury shares.

Cumulative Translation Adjustment

The cumulative translation adjustments represent exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.

Equity Reserves

On March 29, 2023, ALI sold 205,000,000 shares of AREIT at a transaction price of P32.10 per share, equivalent to P6.58 billion with an increase to equity reserves amounting to P4,406.5 million, in relation to its P22.5 billion property-for-share swap transaction with AREIT.

The Parent Company acquired additional 175,778 common shares and 139,332 preferred shares of Vesta Property Holdings, Inc. for a value of P31.51 million in July 2023. As a result of the additional investments in common and preferred shares, the ownership interest in Vesta increased from 84% in 2022 to 88% as of July 2023. The acquisition is accounted as involving entities under control (Note 36). As a holder of preferred shares, the Parent Company has voting rights same as that attached to common shares. The impact to equity reserves is a decrease of P357.13 million in 2023.

On November 14, 2023, the Parent Company purchased 7,143 common shares and 64,289 preferred shares of SITE Corp. for a total consideration of P203.58 million from the existing investor which is equivalent to a 5% stake in the company. This acquisition is accounted as involving entities under control. As a result, the impact to equity reserves is a decrease of P132.15 million.

The resulting equity reserve from 2023 transactions amounted to P3,917.2 million.

On January 20, 2022, the Board of Directors of ALI approved a property-for-share swap with AC and Mermac, Inc. (Mermac). Under the transaction, AC will subscribe to 309,597,711 primary common shares for assets valued at P17,275.55 million, and Mermac will subscribe to 1,982,289 primary common shares for assets worth P110.61 million, totaling 311,580,000 primary common shares at a value of P55.80 per share, as validated by a third-party fairness opinion.

The primary common shares issued by ALI to AC and Mermac came from the unissued shares in the 1-Billion Common Shares Carve Out approved by ALI shareholders in 2014. The said shares are not subject to pre-emptive rights and do not require stockholders' approval under the Seventh Article of the Articles of Incorporation of ALI.

On December 29, 2022, the property-for-share swap has been approved by the SEC. As a result, ALI received 258,023,645 common share of Ayala Hotels Inc. (AHI) representing 50% ownership of the entity. This transaction was regarded as acquisition involving common control with an impact to equity reserves amounting to P9,800.78 million in 2022.

ALI acquired additional 187,985 common shares and 149,007 preferred shares of Vesta Property Holdings, Inc. for a value of P415.62 million in April 2022. As a result of the additional investments in common and preferred shares, the ownership interest in Vesta increased from 78% in 2021 to 84% in 2022. The acquisition involved entities under control. As a holder of preferred shares, the Parent Company has voting rights same as that attached to common shares. Impact to equity reserves as a result of this transaction amounted to P523.36 million.

On April 27, 2022, ALI sold 87,370,000 shares of AREIT at a transaction price of P39.70 per share, equivalent to P3.47 billion (exclusive of fees and taxes). ALI's net equity reserve from the sale of AREIT shares aggregated to a decrease of P2.53 billion out of the P3.40 billion net proceeds. This transaction was executed in relation to the property-for-share swap transaction with AREIT.

On May 19, 2022, ALI and AREIT executed the Deed of Exchange on the property-for-share swap transaction involving the issuance of 252,136,383 primary common shares of AREIT to ALI, at an issue price of P44.65 per share in exchange for identified properties valued at P11,257.89 million. This was approved by the SEC on December 29, 2022.

On December 29, 2022, ALI and AREIT executed the Amendment to the Deed of Exchange to set October 1, 2022 as the effective date of assignment by ALI of the income of the properties and the tenant lease contracts and permits to AREIT.

The resulting equity reserve from 2022 transactions amounted to P7,796.5 million.

On December 16, 2021, the SEC has approved the merger of CHI, AiO, ASCVC and CBDI with and into ALI, with ALI as the surviving entity (the "Merger"). ALI shall possess all the rights, privileges, and immunities of mentioned entities (the "Absorbed Corporations"), and all properties and liabilities, and all and every other interest of or belonging to the Absorbed Corporations shall be taken and deemed transferred to ALI without further act or deed. The impact of merger is a decrease to equity reserve amounting to P276.8 million.

On October 8, 2021, ALI and AREIT received the approval from the SEC of the property-for-share swap, specifically the subscription of ALI and its subsidiaries namely, Westview Commercial Ventures Corp. and Glensworth Development, Inc. (collectively referred to as Subsidiaries) to 483,254,375 shares of AREIT in exchange for identified properties owned by ALI and the Subsidiaries, under the Deed of Exchange dated June 8, 2021. This resulted in ALI's increased interest in AREIT from 54% to 66%. The impact to equity reserve amounted to P981.1 million.

The resulting equity reserve from 2021 transactions amounted to P704.4 million.

Non-controlling interest

The Parent Company considers a subsidiary as having a material NCI if its net assets exceed 5% of the total consolidated net assets of the Group as at reporting period and considers the relevance of the nature of activities of the subsidiary compared to other operations of the Group. The financial information on the Parent Company's significant subsidiaries with material NCI follows:

AREIT

AREIT was incorporated on September 4, 2006. As at December 31, 2023, it is 43% owned by ALI (2022 - 54.88%), 4% owned by ALO (2022 - 5.47%), 3% owned by GDI, 2% owned by WCVC (2022 - 2.13%), 12% owned by ALMI (2022 - nil), 2% owned by NBCC (2022 - nil) and 34% (2022 - 33.9%) by the public after being listed in the Philippine Stock Exchange (PSE) on August 13, 2020.

It was organized primarily as a real estate investment trust, as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including its implementing rules and regulations and other applicable laws.

The related balances for the years ended December 31 follows:

	2023	2022
Proportion of equity interests held by non-controlling interests	34.0%	34.0%
Accumulated balances of material non-controlling interests	7,039,983	5,563,707
Net income allocated to material non-controlling interests	1,023,641	763,912
Comprehensive income allocated to material non-controlling interests	1,023,641	763,912

The summarized financial information of AREIT as at and for the years ended December 31, 2023 and 2022 are provided below. This information is based on amounts before inter-company eliminations.

	December 31, 2023	December 31, 2022
Statement of financial position		
Current assets	5,357,019	2,137,763
Non-current assets	87,915,273	65,548,226
Current liabilities	(5,926,645)	(5,019,325)
Non-current liabilities	(3,935,810)	(2,593,774)
Total equity	83,409,837	60,072,890
Attributable to:		
Equity holders of AREIT	83,409,837	60,072,890
Non-controlling interests	-	-
Dividends paid to non-controlling interests	-	-

	For the years ended December 31	
	2023	2022
Statement of comprehensive income		
Revenue	7,140,336	5,072,846
Cost and expenses	2,100,959	2,185,159
Income before income tax	5,039,377	2,887,687
Provision for income tax	(1,067)	(124)
Income from operations	5,038,310	2,887,563
Other comprehensive income	-	-
Total comprehensive income	5,038,310	2,887,563
Attributable to:		
Equity holders of AREIT	5,038,310	2,887,563
Non-controlling interests	-	-

	For the years ended December 31	
	2023	2022
Statement of cash flows		
Operating activities	6,545,044	3,833,174
Investing activities	(2,038,849)	(263,046)
Financing activities	(4,527,190)	(3,599,385)
Net decrease in cash and cash equivalents	(20,995)	(29,257)

The fair value of the investment in AREIT amounted to P52,266 million as at December 31, 2023 (2022 - P41,145.1 million).

ALLHC and Subsidiaries

ALLHC was incorporated in the Republic of the Philippines. It is engaged in real estate and property development, manufacturing and retailing/distribution, non-life insurance and other allied services, organized under a number of intermediate holding companies. The Company wholly owns Tutuban Properties, Inc., which holds the lease and development rights over Tutuban Center in downtown Divisoria.

	2023	2022
Proportion of equity interests held by non-controlling interests	28.5%	28.5%
Accumulated balances of material non-controlling interests	4,199,052	4,008,230
Net income allocated to material non-controlling interests	190,822	261,064
Comprehensive income allocated to material non-controlling interests	190,822	261,064

The summarized financial information of ALLHC is provided below. This information is based on amounts before inter-company eliminations:

	December 31, 2023	December 31, 2022
Statement of financial position		
Current assets	10,624,856	7,538,773
Non-current assets	17,861,463	20,031,125
Current liabilities	(9,028,381)	(7,242,901)
Non-current liabilities	(5,551,520)	(5,874,649)
Total equity	13,906,418	14,452,348
Attributable to:		
Equity holders of ALLHC	13,635,607	14,425,627
Non-controlling interests	270,811	26,721
Dividends paid to non-controlling interests	-	-

	For the years ended December 31	
	2023	2022
Statement of comprehensive income		
Revenue	3,499,326	4,184,753
Cost and expenses	(2,765,088)	(2,979,222)
Income before income tax	734,238	1,205,531
Provision for income tax	(99,144)	(198,285)
Income from operations	635,094	1,007,246
Other comprehensive loss	41,459	(6,222)
Total comprehensive income	676,553	1,001,024
Attributable to:		
Equity holders of ALLHC	624,208	1,009,118
Non-controlling interests	10,885	(8,095)
Statement of cash flows		
Operating activities	(851,219)	750,548
Investing activities	(1,741,259)	(3,198,568)
Financing activities	2,355,668	2,811,365
Net (decrease) increase in cash and cash equivalents	(236,810)	363,345

The fair value of the investment in ALLHC amounted to P7,968.9 million as at December 31, 2023 (2022 - P13,267.3 million).

18 Revenue

This account for the years ended December 31 consists of:

	Notes	2023	2022	2021
Revenue from contracts with customers				
Residential development		92,337,260	81,244,149	75,939,410
Hotels and resorts		8,780,374	6,194,072	2,833,075
Construction		6,595,611	4,235,503	3,909,051
Others		4,891,792	4,181,058	2,466,666
Rental income	10	32,896,212	27,196,530	17,797,660
Equity in net earnings of associates and joint venture		1,575,295	1,429,795	842,565
Total revenue		147,076,544	124,481,107	103,788,427

Others are mainly composed of property management facilities of the Group and third-party projects.

The Group's disaggregation of each source of revenue from contracts with customers for the years ended December 31 are presented below:

Residential development

	2023	2022	2021
Type of product			
Middle income housing	32,204,567	23,539,723	24,101,342
Core-mid	25,990,604	19,831,937	19,789,427
Condominium	24,297,144	25,218,522	23,733,274
Lot only	9,844,945	12,653,967	8,315,367
	92,337,260	81,244,149	75,939,410

All of the Group's real estate sales from residential development are revenue from contracts with customers recognized over time.

Hotels and resorts

	2023	2022	2021
Type of product			
Rooms	5,086,501	3,464,771	1,581,171
Food and beverage	2,727,063	1,933,309	816,326
Others	484,620	453,477	213,465
Other operated department	482,190	342,515	222,113
	8,780,374	6,194,072	2,833,075

The Group's revenue from hotels and resorts is attributed to the operations from the development and management of hotels and resorts or serviced apartments.

During 2022 and 2021, in view of the continuing community quarantines and restricted travel, the Group's hotels and resorts segment continues to be adversely affected by the lower number of guests and reduced room rates, both of which have significantly impacted the revenues reported under this segment. Also, many restaurants remain closed or allowed limited operations which impacted the food and beverage revenues of the segment.

In 2023, the Group's hotel and resorts properties posted significant improvements in revenues from higher occupancies due to easing of health and travel restrictions, surging leisure demand and increased guests' spending. In addition, a number of restaurants and food outlets have reopened and operated, improving the food and beverage revenues.

Construction

The Group's construction revenue pertains to transactions with related parties such as joint ventures and associates.

Set-out below is the reconciliation of contracts with customers with the amounts disclosed in segment information (in millions) for the years ended December 31:

	2023					
	Residential development	International	Construction	Hotels and resorts	Property management and others	Total
Sales to external customers	79,545	7,433	6,596	8,780	4,892	107,246
Interest	5,360	-	-	-	-	5,360
Total revenue from contracts with customers	84,905	7,433	6,596	8,780	4,892	112,606

	2022					
	Residential development	International	Construction	Hotels and resorts	Property management and others	Total
Sales to external customers	71,792	2,757	4,236	6,194	4,181	89,160
Interest	6,695	-	-	-	-	6,695
Total revenue from contracts with customers	78,487	2,757	4,236	6,194	4,181	95,855

	2021					
	Residential development	International	Construction	Hotels and resorts	Property management and others	Total
Sales to external customers	65,260	3,878	3,909	2,833	2,467	78,347
Interest	6,801	-	-	-	-	6,801
Total revenue from contracts with customers	72,061	3,878	3,909	2,833	2,467	85,148

19 Interest and investment income; Other income

Interest and investment income for the years ended December 31 consists of:

	2023	2022	2021
Interest income from short term investments	342,441	58,938	-
Interest income from advances to officers/employees and other companies	152,217	187,668	46,546
Interest income from banks	121,945	85,121	79,765
Gain on sale of equipment and other properties	-	-	106,051
Others	72,945	55,356	20,745
	689,548	387,083	253,107

Other income for the years ended December 31 consists of:

	2023	2022	2021
Marketing and management fees	508,244	693,144	528,345
Others, net	583,073	994,480	1,572,726
	1,091,317	1,687,624	2,101,071

Others, net mainly pertain to reversal of allowance for impairment losses, forfeitures of deposits and penalties.

20 Cost and expenses and other charges

(a) Cost of real estate sales

The account for the years ended December 31 consists of:

	Note	2023	2022	2021
Cost of real estate sales	6	45,296,895	37,610,988	38,883,964
Depreciation and amortization		7,779,126	7,880,751	7,162,971
Hotels and resorts operations		7,106,025	5,399,588	1,907,908
Manpower costs of real estate sales		7,499,364	5,208,820	2,654,700
Marketing and management fees		1,835,940	860,521	95,753
Rental		1,616,214	305,465	260,548
Materials and overhead		1,239,974	258,066	54,636
Direct operating expenses:				
Taxes and licenses		4,247,232	4,109,408	3,663,470
Repairs and maintenance		3,151,083	2,749,054	2,643,460
Commission		2,588,564	2,720,178	2,414,648
Light and water		1,460,553	4,364,283	2,701,440
Insurance		385,258	298,804	232,980
Professional fees		260,963	225,795	280,323
Transportation and travel		221,671	195,121	137,865
Entertainment, amusement and recreation		64,854	42,494	28,166
Others		2,384,955	3,399,375	1,518,687
		87,138,671	75,628,711	64,641,519

(b) General and administrative expenses

The account for the years ended December 31 consists of:

	2023	2022	2021
Manpower costs	4,764,329	3,876,043	3,717,324
Depreciation and amortization	934,691	951,210	770,666
Taxes and licenses	809,481	658,149	561,136
Professional fees	536,652	473,277	484,133
Repairs and maintenance	522,475	406,659	382,734
Utilities	276,177	239,435	64,717
Security and janitorial	162,717	126,827	116,821
Advertising	104,459	70,264	53,271
Rent	90,245	99,951	-
Dues and fees	85,027	62,811	199,639
Transport and travel	74,288	80,573	45,038
Supplies	50,395	57,238	42,937
Training and seminars	43,080	24,207	11,635
Insurance	40,974	85,857	34,998
Entertainment, amusement and recreation	37,087	27,105	12,607
Donations and contribution	17,531	15,212	38,624
Others	360,841	9,521	2,579
	8,910,449	7,264,339	6,538,859

Manpower costs for the years ended December 31 included in the consolidated statement of income follows:

	2023	2022	2021
Real estate costs and expenses			
Cost of real estate sales	7,499,364	5,208,820	2,654,700
Hotels and resorts operations	323,477	222,014	178,732
General and administrative expenses	4,764,329	3,876,043	3,717,324
	12,587,170	9,306,877	6,550,756

Depreciation and amortization expense for the years ended December 31 included in the consolidated statement of income follows:

	2023	2022	2021
Real estate costs and expenses			
Cost of real estate sales	7,779,126	7,880,751	7,162,971
Hotels and resorts operations	791,267	856,768	886,870
General and administrative expenses	934,691	951,210	770,666
	9,505,084	9,688,729	8,820,507

(c) Interest and other financing charges

The account for the years ended December 31 consists of:

	Note	2023	2022	2021
Interest expense on:				
Long-term debt		10,608,421	9,198,060	8,778,056
Lease liabilities	31	1,489,221	1,439,756	1,409,177
Short-term debt		981,613	383,094	391,435
Other financing charges		419,592	425,759	459,104
		13,498,847	11,446,669	11,037,772

(d) Other expenses

The account for the years ended December 31 consists of:

	Notes	2023	2022	2021
Financial expenses and other charges		2,253,588	3,742,306	3,097,223
Net provision for impairment losses on:				
Receivables	5	478,334	253,738	359,129
Other assets		117,312	-	-
Investment properties	10	-	-	180,563
		2,849,234	3,996,044	3,636,915

21 Income tax

(a) Deferred tax assets, net

The account for the years ended December 31 consists of:

	2023	2022
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	7,852,007	7,922,784
Lease liabilities	4,469,166	4,088,076
Accrued expenses	3,779,561	1,669,844
Net operating loss carryover (NOLCO)	1,651,180	1,295,590
Allowance for probable losses	668,228	355,047
Retirement benefits	117,925	285,623
Unrealized foreign exchange losses	63,892	521,998
Others	680,433	1,172,398
	19,282,392	17,311,360
Deferred tax liabilities on:		
Right-of-use assets	(2,844,490)	(1,974,313)
Capitalized interest and other expenses	(167,010)	(736,613)
Prepaid expenses	(69,477)	(15,460)
Unrealized foreign exchange gains	(38,284)	(100,216)
Others	(817,998)	(595,471)
	(3,937,259)	(3,422,073)
	15,345,133	13,889,287

(b) Deferred tax liabilities, net

The account for the years ended December 31 consists of:

	2023	2022
Deferred tax assets on:		
Lease liabilities	161,489	13,359
NOLCO	96,128	337,908
Accrued expense	65,457	61,331
Retirement benefits	37,070	45,125
Allowance for probable losses	27,701	11,990
Unrealized foreign exchange loss	294	-
Others	474,206	58,656
	862,345	528,369
Deferred tax liabilities on:		
Difference between tax and book basis of accounting for real estate transactions	(7,230,239)	(1,771,278)
Unrealized foreign exchange gain	(64,187)	(128,854)
Right-of-use assets	(107,645)	(32,785)
Capitalized interest and other expenses	(3,766)	(6,448)
Fair value adjustment arising from business combination	-	(3,445,212)
Others	(780,775)	(993,080)
	(8,186,612)	(6,377,657)
	(7,324,267)	(5,849,288)

As at December 31, 2023 and 2022, deferred tax liabilities have not been recognized on the undistributed earnings and cumulative translation adjustment of foreign subsidiaries since the timing of the reversal of the temporary difference can be controlled by the Group and management does not expect the reversal of the temporary differences in the foreseeable future.

Certain subsidiaries of the Parent Company have NOLCO amounting to P1,671 million (2022 - P2,052 million), and MCIT amounting to P106 million as at December 31, 2023 (2022 - P32.8 million). Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. As at December 31, 2023, total unrecognized NOLCO amounted to P646.3 million (2022 - P349.9 million). As at December 31, 2023, total unrecognized MCIT amounted to P20.2 million (2022 - P0.75 million). The subsidiaries will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

The Group has incurred NOLCO in the taxable years 2023 and 2022 which can be claimed as deduction from the regular income tax over a period of three years and NOLCO in the taxable years 2021 and 2020 which can be claimed as deduction from the regular income tax over a period of five years as follows:

Year incurred	Amount	Used/Expired	Balance	Expiry Year
2023	1,671,085	-	1,671,085	2026
2022	2,052,441	140,109	1,912,332	2025
2021	2,039,719	771,544	1,268,175	2026
2020	3,105,402	2,115,757	989,645	2025
	8,868,647	3,027,410	5,841,237	

The carryover MCIT that can be used as deductions against income tax liabilities is as follows:

Year incurred	Amount	Used/Expired	Balance	Expiry Year
2023	106,089	-	106,089	2026
2022	32,844	337	32,507	2025
2021	13,409	9,668	3,741	2024
2020	6,992	6,992	-	2023
	159,334	16,997	142,337	

The reconciliation (in %) between the statutory and the effective income tax rates follows:

	2023	2022
Statutory income tax rate	25.00	25.00
Tax effect of:		
Equity in net earnings of associates and joint ventures	(4.32)	(5.07)
Income under tax holiday and other non-taxable income	(0.56)	0.76
Interest income and capital gains taxed at lower rate	(0.33)	(1.87)
Others, net	0.66	1.36
Effective income tax rate	20.45	20.18

Deferred tax related to remeasurement gain on defined benefit plans recognized in OCI amounted to P196.2 million in 2023 (2022 - P330.7 million).

Board of Investments (BOI) Incentives

The Board of Investments issued certificates of registrations to the following companies in accordance with the existing Omnibus Investment Code. The projects have been granted an Income Tax Holiday (ITH) for a fixed period from the date of registration or actual start of operations, whichever is earlier.

	Registration Date	Project Location	ITH Start	ITH Period
Bonifacio Hotel Ventures, Inc.	January 11, 2012	Seda BGC	June 1, 2018	6 years
Econorth Resort Ventures Inc.	November 21, 2017	Seda Lio	March 1, 2018	5 years
Capitol Central Hotel Ventures, Inc.	September 8, 2017	Seda Capitol Central	January 1, 2018	4 years
Amaia Land Corp	July 18, 2018	Amaia Scapes Bulacan Sector 3B	July 1, 2018	3 years
Bonifacio Hotel Ventures, Inc.	May 22, 2019	Seda BGC Expansion	May 1, 2019	3 years
Makati North Hotel Ventures, Inc.	August 16, 2019	Seda Residences Makati	August 1, 2019	4 years
Central Bloc Hotel Ventures, Inc.	June 16, 2020	Seda Central Bloc Cebu	January 1, 2021	4 years
Amaia Land Corp	October 31, 2019	Amaia Scapes Rizal	October 1, 2019	4 years
MDC Conqrete, Inc.	October 5, 2020	PBU and WallQrete	January 1, 2021	3 years
Ayala Land Inc.	December 2019	Cresendo Industrial Park	January 1, 2020	4 years

22 Acquisition of non-controlling interests

Vesta Property Holdings Inc.

In July 2023, the Parent Company acquired additional 175,778 common shares and 139,332 preferred shares of Vesta Property Holdings, Inc. for a value of P31.51 million. As a result of the additional investments in common and preferred shares, the ownership interest in Vesta increased from 84% in 2022 to 88% as of July 2023. The acquisition is accounted as involving entities under control (Note 1). As a holder of preferred shares, the Parent Company has voting rights same as that attached to common shares. Impact to equity reserves, as a result of this transaction, amounted to P351.13 million in 2023.

The Parent Company acquired additional 187,985 common shares and 149,007 preferred shares of Vesta Property Holdings, Inc. for a value of P415.62 million in April 2022. As a result of the additional investments in common and preferred shares, the ownership interest in Vesta increased from 78% in 2021 to 84% in 2022.

The acquisition involved entities under common control. As a holder of preferred shares, the Parent Company has voting rights same as that attached to common shares. Impact to equity reserves as a result of this transaction amounted to P523.36 million.

Sicogon Island Tourism Estate (SITE) Corp.

On November 14, 2023, the Parent Company purchased 7,143 common shares and 64,289 preferred shares of SITE Corp., for a total consideration of P203.58 million from the existing investor and this is equivalent to a 5% stake in the company. This acquisition is accounted as involving entities under common control (Note 1). As a result, the impact to equity reserves amounted to P132.15 million.

Ayala Hotels, Inc. (AHI)

On January 20, 2022, the Board of Directors of ALI approved a property-for-share swap with AC and Mermac. Under the transaction, AC subscribed to 309,597,711 primary common shares for assets valued at P17,275.55 million, and Mermac subscribed to 1,982,289 primary common shares for assets worth P110.61 million, totaling 311,580,000 primary common shares at a value of P55.80 per share, as validated by a third-party fairness opinion. The total assets included 258,023,645 common shares of AHI and 714,116 common shares of DADC representing 50% and 100% stake of the companies, respectively.

The primary common shares issued by ALI to AC and Mermac came from the unissued shares in the 1-Billion Common Shares Carve Out approved by ALI shareholders in 2014. The said shares are not subject to pre-emptive rights and do not require stockholders' approval under the Seventh Article of the Articles of Incorporation of ALI.

On December 29, 2022, the SEC approved the transaction which resulted in additional 50% stake in AHI through acquisition involving common control with impact to equity reserves amounting to P9,800.78 million and a 100% holdings in DADC which was regarded as an asset acquisition.

23 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

In its regular conduct of business, the Group has entered into transactions with its Parent Company, associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, development, management, underwriting, marketing, leasing and administrative service agreements.

Terms and conditions of transactions with related parties

Transactions with related parties are made at normal market prices. Outstanding balances at year end are unsecured, interest free and settlement occurs generally in cash, except if otherwise indicated. There have been no guarantees provided or received for any related party receivables or payables. The Group does not provide any allowance relating to receivable from related parties. The Group has an active intercompany lending program and intercompany receivables are short-term. Related party borrowers are assessed to have financial capacity based on operational performance and cash flow requirements.

This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

(a) Transactions with Bank of the Philippine Islands (BPI), an associate of Ayala Corporation (AC)

Cash and cash equivalents earn interest from 1.75% to 6.00% per annum for Philippine Peso-denominated and 2.00% to 4.63% per annum for USD-denominated investments. Investment in FVTPL are UITF which earns interest depending on the duration of time invested in the fund. Interest earned from investments placed with BPI amounted to P72.79 million for the year ended December 31, 2023 (2022 - P30.99 million; 2021 - P12.30 million).

Short-term debts are secured Peso denominated bank loans with interest rate ranging from 5.6% to 7.3% while long-term debts bear fixed rates ranging from 4.5% to 6.9% and floating rates ranging from 6.3% to 6.8% per annum with remaining terms ranging from less than a year to five years. Interest expense incurred on borrowings from BPI amounted to P274.3 million for the year ended December 31, 2023 (2022 - P220.7 million; 2021 - P451.2 million).

As at December 31, the Group maintains current and savings account, money market placements and short-term and long-term debt payable with BPI broken down as follows:

	2023	2022
Cash in bank	4,673,399	6,074,938
Cash equivalents	999,294	357,929
Marketable securities	206,772	66,444
Short-term debt	8,800,000	1,636,000
Long-term debt	2,225,325	4,623,237

As at December 31, the fair value of the Group's financial assets at FVTPL and the Funds' Net Asset Value (NAV) follow (amounts are presented in millions):

2023	Fair Value	Funds' NAV	Duration
BPI Money Market Fund	63	34,804	124 days
BPI USD Short Term Fund	166	31,607	120 days

2022	Fair Value	Funds' NAV	Duration
BPI Money Market Fund	80	38,946	124 days
BPI USD Short Term Fund	5	33,852	120 days

(b) Outstanding balances with Parent Company, associates and other related parties

Receivables from/payables to other related parties pertain mostly to advances and reimbursement of operating expenses related to development cost and land acquisitions. Payables to related parties consist of expenses incurred on utilities, professional services and other miscellaneous services as well as purchases of vehicles. These are generally trade-related, non-interest bearing and settled within one year.

Outstanding balances from/to related parties follow:

As at December 31, 2023

	Receivable from related parties			Payable to related parties		
	Current	Non-current	Total	Current	Non-current	Total
Ayala Corporation	85,127	-	85,127	151,401	-	151,401
Associates	5,010,288	-	5,010,288	376,387	-	376,387
Other related parties:						
Globe Telecom (Globe)	234,460	-	234,460	9,648	-	9,648
Bank of the Philippine Islands	557,321	-	557,321	32,252	-	32,252
Columbus	42,922	-	42,922	-	-	-
Manila Water Philippine Ventures, Inc.	137,942	-	137,942	42,735	-	42,735
Manila Water Company Inc.	231,022	-	231,022	32,189	-	32,189
Others	238,731	-	238,731	69,456	-	69,456
	1,442,398	-	1,442,398	186,280	-	186,280
	6,537,813	-	6,537,813	714,068	-	714,068

As at December 31, 2022

	Receivable from related parties			Payable to related parties		
	Current	Non-current	Total	Current	Non-current	Total
Ayala Corporation	90,805	-	90,805	151,143	-	151,143
Associates	5,444,563	-	5,444,563	321,912	-	321,912
Other related parties:						
Globe Telecom (Globe)	213,324	-	213,324	10,800	-	10,800
Bank of the Philippine Islands	389,057	-	389,057	18,193	-	18,193
Columbus	42,922	-	42,922	-	-	-
Manila Water Philippine Ventures, Inc.	345,760	-	345,760	20,814	-	20,814
Manila Water Company Inc.	223,075	-	223,075	29,861	-	29,861
Others	178,377	-	178,377	77,802	-	77,802
	1,392,515	-	1,392,515	157,470	-	157,470
	6,927,883	-	6,927,883	630,525	-	630,525

(c) Revenues and expenses from related parties

The revenue from Parent Company, associates and other related parties pertains mostly to income from leasing and development projects while expenses composed of management fees and training expenses. These are usually non-interest bearing and are assessed for impairment on an annual basis. There are no impairment needed to be recognized on these related receivables as at December 31, 2023 and 2022. Transactions are settled within one year.

Revenues from related parties as at December 31 follow:

	2023	2022	2021
Ayala Corporation	182,235	7,727	4,208
Associates	3,537,610	2,254,914	2,660,806
Other related parties			
Bank of the Philippine Islands	1,129,467	764,546	493,893
Manila Water Philippine Ventures, Inc.	122,578	170,445	134,767
Globe Telecom, Inc.	104,235	103,011	99,099
Innove Communications	9,953	10,671	7,673
Manila Water Company, Inc. (MWCI)	172,530	722,225	619,288
Laguna AAA Waterworks Corp. (LAWC)	1,500	1,500	1,500
Michigan Holdings, Inc.	1,202	1,203	1,203
Others	232,752	87,685	76,144
	1,774,217	1,861,286	1,433,567
Total	5,494,062	4,123,927	4,098,581

Expenses from related parties for the years ended December 31 follow:

	2023	2022	2021
Ayala Corporation	14,330	9,913	10,432
Associates	198,592	193,082	298,823
Other related parties			
Manila Water Company, Inc.	431,531	261,417	204,324
Bank of the Philippine Islands	261,478	208,570	299,693
Innove Communications, Inc.	105,417	102,283	124,233
AG Counselors Corp.	27,213	58,823	41,247
Globe Telecom, Inc.	82,951	43,812	71,291
Manila Water Philippine Ventures, Inc.	367,350	299,329	187,534
Others	462,232	867,662	1,114,088
	1,738,172	1,841,896	2,042,410
Total	1,951,094	2,044,891	2,351,665

The following describe the nature of the material transactions of the Group with related parties as at December 31, 2023 and 2022:

- On January 12, 2016, the Parent Company has entered into a partnership with Manila Water Philippine Ventures, Inc., a wholly owned subsidiary of Manila Water Company, Inc., for the waterworks of ALI's projects nationwide. The MOA was signed by ALI and its subsidiaries and affiliates, Cebu Holdings, Inc. and Cebu Property Ventures and Development Corp. Revenue and expense in 2023 amounted to P122.6 million and P367.3 million, respectively (2022 - P170.4 million and P299.3 million, respectively; 2021 - P134.8 million and P187.5 million, respectively).

- Revenue from Manila Water Company, Inc. (MWCI) primarily pertains to MDC's project on the design & build of the Calawis Water Treatment Plant in Antipolo. The project started on March 1, 2021 and was completed on June 1, 2023.

- Certain credit facilities with BPI with a total carrying value of P2,225.3 million as at December 31, 2023 (2022 - P4,623.2 million) are secured by a real estate mortgage. This is in compliance with BSP ruling on directors, officers, stockholders and related interests.

- In October 2012 and July 2013, BG South, a subsidiary of Alveo, entered into a contract with FBDC for the purchase of land in Bonifacio Global City. In 2023, there were no land cost recognized in profit or loss (2022 - P117.4 million and 2021 - P210.6 million).

- On May 20, 2013, DirectPower and its customers, which are all within the Ayala Group, entered into a Retail Electricity Supply contract wherein DirectPower agreed to supply electricity at a specific rate pursuant to the provisions and implementing rules and regulations of R.A. No. 9136 or the Electric Power Industry Reform Acts of 2001. Among the customers of Direct Power are FBDC, LDC, BPI, San Lazaro BPO Complex and 6750 Ayala Ave and Manila Water Phils.

- The Group sold residential receivables on a without recourse basis to Bank of the Philippine Islands, a related party, amounting to P5,423.6 million in 2023 (2022 - nil). Proceeds of receivables sold to BPI amounted to P4,480.4 million in 2023 (2022 - nil). The Group recognized loss on sale (under "Other charges") amounting to P943.2 million in 2023 (2022 - nil and 2021 - P1,648.1 million).

- The Group entered into agreements with BPI Asset Management and Trust Corporation for the assignment of interest-bearing employee receivables amounting to P45.0 million in 2023 (2022 - nil) (Note 5).

- Revenue from Globe pertains to development management fee and for lease of spaces.

(d) Remuneration of key management personnel (KMP)

Key management personnel of the Group include all officers with position of vice president and up. Compensation of key management personnel amounted to P220.0 million in 2023 (2022 - P199.5 million and 2021 - P179.0 million).

Compensation of key management personnel by benefit type for the years ended December 31 follows:

	2023	2022	2021
Short-term employee benefits	201,610	183,969	163,513
Post-employment benefits	18,431	15,497	15,497
	220,041	199,466	179,010

The Related Party Transaction Review Committee approves all material related party transactions before their commencement. Material related party transactions shall be identified taking into account the related party registry. Transactions amounting to ten percent (10%) or more of the total assets of the corporation that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process requirement.

24 Retirement plans

The Group has funded, non-contributory tax-qualified defined benefit type of retirement plans (the Plan) covering substantially all of their employees. The benefits are based on a defined benefit formula.

The Plan aims to maintain a full funding, i.e., the Plan's assets fully covered the Plan's liabilities, as measured through generally accepted actuarial methodologies. Such will provide a higher level of assurance that all promised benefits can be paid from existing assets and expected investment returns. The target funded status is within the range of 80% to 100%.

The Group's fund is in the form of a trust funds being maintained by the trustee bank, BPI Asset Management and Trust Corporation (collectively the "Retirement Fund"). The primary objective of the Retirement Fund is to achieve the highest total rate of return possible, consistent with a prudent level of risk. The investment strategy articulated in the asset allocation policy has been developed in the context of long-term capital market expectations, as well as multi-year projections of actuarial liabilities. Accordingly, the investment objectives and strategies emphasize a long-term outlook, and interim performance fluctuations will be viewed with the corresponding perspective.

The components of expense for the years ended December 31 (included in manpower costs under "General and administrative expenses") in the consolidated statement of income follows:

	2023	2022	2021
Current service cost	421,809	410,726	484,161
Past service cost	16,612	20,192	(27,986)
Settlement gains	(1,334)	(4,431)	(11,213)
Net interest cost on benefit obligation	127,764	107,590	124,910
Total pension expense	564,851	534,077	569,872

The remeasurement effects recognized in other comprehensive income (included in Equity under "Remeasurement (loss) gain on defined benefit plans") in the consolidated statement of financial position follow:

	2023	2022	2021
(Loss) return on plan assets (excluding amount included in net interest)	(71,182)	12,195	(29,028)
Remeasurement (losses) gains due to:			
Liability experience	(107,816)	106,793	709,847
Liability assumption changes - demographic	(5,166)	(108,921)	-
Liability assumption changes - economic	(600,652)	176,894	418,766
Remeasurements in other comprehensive (loss) income	(784,816)	186,961	1,099,585

As at December 31, the funded status and amounts recognized in the consolidated statement of financial position for the retirement plans are as follows:

	2023	2022
Defined benefit obligations	4,254,616	3,581,087
Plan assets	(1,837,381)	(2,068,413)
Defined benefit obligations	2,417,235	1,512,674

As at December 31, 2023, pension assets (included under “Other non-current assets”) amounted to P352.1 million (2022 - P52.5 million) and pension liabilities amounted to P2,769.5 million (2022 - P1,871.2 million).

Changes in net defined benefit liability of funded plans in 2023 are as follow:

	Presented value of defined obligation	Fair value of plan assets	Net defined benefit liability
At January 1	3,581,087	(2,068,413)	1,512,674
Net benefit cost in consolidated statement of income			
Current service cost	421,809	-	421,809
Past service cost, net of settlement gain	15,278	-	15,278
Net interest	127,764	-	127,764
	564,851	-	564,851
Remeasurements in other comprehensive income:			
Remeasurement loss due to liability experience	107,816	-	107,816
Remeasurement loss due to liability assumption changes - demographic	5,166	-	5,166
Remeasurement loss due to liability assumption changes - economic	600,652	-	600,652
Return on plan assets*	-	71,182	71,182
Net remeasurement loss	713,634	71,182	784,816
Benefits paid	(604,956)	704,636	99,680
Contribution by employer	-	(549,651)	(549,651)
Transfer in	-	4,865	4,865
At December 31, 2023	4,254,616	(1,837,381)	2,417,235

*Excluding amount included in net interest

Changes in net defined benefit liability of funded plans in 2022 are as follows:

	Presented value of defined obligation	Fair value of plan assets	Net defined benefit liability
At January 1	4,280,435	(2,187,661)	2,092,774
Net benefit cost in consolidated statement of income			
Current service cost	410,726	-	410,726
Past service cost, net of settlement gain	15,761	-	15,761
Net interest	179,848	(72,258)	107,590
	606,335	(72,258)	534,077
Remeasurements in other comprehensive income:			
Remeasurement gain due to liability experience	84,657	22,136	106,793
Remeasurement gain due to liability assumption changes - demographic	(100,616)	(8,305)	(108,921)
Remeasurement gain due to liability assumption changes - economic	(152,878)	329,772	176,894
Net remeasurement loss	(168,837)	343,603	174,766
Benefits paid	(416,320)	210,374	(205,946)
Return on plan assets*	(49,034)	61,228	12,194
Contribution by employer	(678,974)	(420,747)	(1,099,721)
Transfer in (out)	7,482	(2,952)	4,530
At December 31, 2022	3,581,087	(2,068,413)	1,512,674

*Excluding amount included in net interest

The movements in the present value of the defined benefit obligations for the years ended December 31 follow:

	2023	2022	2021
At January 1	3,581,087	4,280,435	5,094,096
Current service cost	421,809	410,726	484,161
Past service cost	16,612	20,192	(27,986)
Settlement gain	(1,334)	(4,431)	(11,213)
Net interest cost on benefit obligation	127,764	179,848	124,910
Benefits paid	(604,956)	(416,320)	(159,567)
Contribution by employer	-	(678,974)	-
Transfers	-	7,482	3,313
Return on plan assets		(49,034)	
Remeasurement (gains) losses on obligations arising from:			
Experience adjustments	107,816	84,657	(709,847)
Demographic adjustment	5,166	(100,616)	-
Economic adjustments	600,652	(152,878)	(418,766)
At December 31	4,254,616	3,581,087	4,379,101

The movements in the fair value of plan assets for the years ended December 31 follow:

	2023	2022	2021
At January 1	2,068,413	2,187,661	2,085,519
Net interest	-	72,258	88,282
Benefits paid	(704,636)	(210,374)	(186,948)
Return on plan assets	(71,182)	(61,228)	(29,028)
Contribution by employer	549,651	420,747	229,836
Transfers	(4,865)	2,952	-
Remeasurement (gains) losses on obligations arising from:			
Experience adjustments	-	(22,136)	-
Demographic adjustment	-	8,305	-
Economic adjustments	-	(329,772)	-
At December 31	1,837,381	2,068,413	2,187,661

All equity and debt instruments held have quoted prices in an active market. The remaining plan assets do not have quoted market prices in an active market.

The plan assets have diverse investments and do not have any concentration risk.

As at December 31, the fair value of plan assets by each class are as follows:

	2023	2022
Cash and cash equivalents	11,485	55,100
Equity investments		
Property	314,771	284,836
Holding firms	239,516	201,763
Unit Investment Trust Funds	184,743	373,006
Services	9,628	36,704
Financials	7,928	34,272
Industrials	4,525	7,171
Mutual funds	2,266	3,885
	774,862	996,737
Debt investments		
Government securities	540,059	294,914
AAA rated debt securities	152,593	544,674
Unit Investment Trust Funds	60,826	144,204
Mutual funds	-	27,341
Unrated debt securities	309,041	60,543
	1,062,519	1,071,676
	1,837,381	2,068,413

The plan asset's investments are appropriately diversified to control overall risk and exhibit portfolio characteristics similar to the set benchmark for each asset class. In case of securities, the aggregate holdings of any security may not exceed 10% of the plan assets. The criteria for including an asset class in the strategic policy include: (a) wide recognition and acceptance among institutional investors; (b) low correlation with other accepted asset classes; and (c) a meaningful performance history. The Group expects to make contributions of P312.1 million to its retirement fund in 2024.

The allocation of the fair value of plan assets as at December 31 follows:

	2023	2022
Investments in debt securities	45.48%	52.17%
Investments in equity securities	38.50%	29.56%
Others	16.02%	18.27%

Funds invested in debt securities include government securities, corporate notes and bonds and money market placements. Investments in equity securities consist of investments in PSE listed stocks and unit investment trust funds. Others were in the form of cash and cash equivalents.

The Group's transactions with the funds mainly pertain to contributions, benefit payments and settlements.

As at December 31, 2023 and 2022, the carrying amount of plan assets approximates its fair value.

The plan assets include shares of stock of the Parent Company with fair value amounting to P90.50 million as at December 31, 2023 (2022 - P50.85 million). The Parent Company gives the trustee bank the discretion to exercise voting rights over the shares. The plan assets include debt securities of the Parent Company amounting to P72.33 million as at December 31, 2023 (2022 - P11.56 million). As at December 31, 2023, the loss of the fund arising from investment in debt and equity securities of the Parent Company is P5.8 million (2022 - P0.89 million gain).

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension liabilities are determined using actuarial valuation. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2023	2022
Discount rates	6.06% to 7.71%	4.94 to 7.65%
Future salary increases	5.00% to 10.00%	4.00 to 9.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	2023		2022	
	Effect on Defined benefit obligation Increase (decrease)			
Change in basis points	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
Discount rate	(381,651)	525,892	(251,501)	325,793
Salary increase rate	490,081	(362,272)	309,550	(245,352)

Shown below is the maturity analysis of the undiscounted benefit payments:

Year ending:	2023	2022
One year and less	149,382	392,219
More than 1 years to 5 years	1,013,566	623,555
More than 5 years to 10 years	3,439,559	2,475,139
More than 10 years to 15 years	27,416,499	17,626,358
More than 15 years to 20 years	3,396,329	2,017,630
More than 20 years	15,844,264	14,661,951

The weighted average duration of the defined benefit obligation is 5 to 29 years in 2023 (2022 - 12 to 22 years).

25 Earnings per share

The following table presents information necessary to compute EPS (amounts in thousands, except EPS):

EPS on net income attributable to equity holders of Ayala Land, Inc. are as follows:

	2023	2022	2021
Net income attributable to equity holders of Ayala Land, Inc.	24,507,581	18,617,234	12,228,148
Less: Dividends on preferred stock	(78,744)	(62,038)	(62,038)
Net income attributable to equity holders of the Parent Company for basic and diluted earnings per share	24,428,837	18,555,196	12,166,110
Weighted average number of common shares for basic EPS	14,977,735	14,777,782	14,724,716
Add: Dilutive shares arising from stock options	8,031	5,582	2,143
Adjusted weighted average number of common shares for diluted EPS	14,985,766	14,783,364	14,726,859
Basic and diluted EPS	1.63	1.26	0.83

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 adjusted for any subsequent stock dividends declared.

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. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

The convertibility of the preferred shares will start on the 10th year from the issue date which was in 2012. This has an anti-dilutive effect on the computation of diluted EPS.

26 Stock options and ownership plans

The Parent Company has stock option plans for key employees covering 2.5% of the Parent Company's authorized capital stock. The grantee is selected based on certain criteria like outstanding performance over a three-year period.

Employee Stock Option Plan (ESOP)

The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of the Parent Company or any of its subsidiaries during the 10-year option period. In case the grantee retires, he is given three (3) years to exercise his vested and unvested options. In case the grantee resigns, he is given 90 days to exercise his vested options.

The Parent Company has no ESOP grant and availment during 2023, 2022 and 2021.

Employee Stock Ownership Plan (ESOWN)

In November 2001, the Parent Company offered all its ESOWN subscribers with outstanding ESOWN subscriptions the option to cancel the subscriptions within the 5-year holding period. In December 2001, the program for ESOWN was indefinitely suspended.

In 2005, the Parent Company introduced a revised ESOWN Plan (the Plan) wherein grantees may subscribe in whole or in part to the shares awarded to them based on a discounted market price that was determined by the Compensation Committee as the offer price set at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. The subscription is subject to a holding period stated in the plan. To subscribe, the grantee must be an employee of the Parent Company or any of its subsidiaries during the ten (10)-year payment period. In case the grantee resigns, unsubscribed shares are cancelled, while the subscription may be paid up to the percent of holding period completed and payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares. All shares acquired through the Plan are subject to the Parent Company's right to repurchase.

The subscribed shares are effectively treated as options exercisable within a given period which is the same time as the grantee's payment schedule. The fair values of stock options granted are estimated on the date of grant using the Black-Scholes Merton (BSM) Formula and Binomial Tree Model (BTM), taking into account the terms and conditions upon which the options were granted. The BSM Formula and BTM Model requires six inputs to produce an option stock value namely; market value of the share, book value of the share, time to maturity, volatility rate, dividend yield, and risk free rate. The expected volatility was determined based on an independent valuation.

Movements in the number of options outstanding and weighted average exercise prices (WAEP) under ESOWN follow:

	2023	WAEP	2022	WAEP
At January 1	-	-	-	-
Granted	20,741,692	-	17,349,169	-
Subscribed	(14,579,090)	24.68	(14,170,576)	30
Availment	859,789	-	1,067,483	-
Cancelled	(7,022,391)	-	(4,246,076)	-
At December 31	-	-	-	

The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follow:

	March 31 2023	March 31 2022	March 15 2021	August 17 2020	March 21 2019	March 28 2018	March 01 2017	April 05 2016	March 20 2015
Number of unsubscribed shares	-	-	-	-	-	-	-	181,304	-
Fair value of each option (BTM)	-	-	-	-	-	-	8	14	16
Fair value of each option (BSM)	9	13	9	9	17	13	-	18	21
Weighted average share price	29	36	39	33	45	41	40	36	37
Exercise price	25	30	33	28	44	45	36	26	30
Expected volatility	27.50%	24%	27.19%	25.05%	31.48%	34.04%	30.95%	32.03%	31.99%
Dividend yield	1.11%	0.77%	0.38%	0.81%	1.16%	1.22%	1.34%	1.27%	1.02%
Interest rate	5.00%	1.18%	1.03%	1.13%	5.57%	4.14%	4.41%	4.75%	4.11%

Total expense (included under "General and administrative expenses") recognized in 2023 in the consolidated statement of income arising from share-based payments amounted to P149.45 million (2022 - P152.87 million; 2021 - P150.07 million) (Note 20).

ALLHC

ALLHC introduced the Plan wherein grantees (employees within the ALLHC Group) may subscribe in whole or in part to the shares awarded to them based on a discounted market price, but in no case lower than the par value, that was determined at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. To subscribe, the grantee must be an employee, officer or director of ALLHC as at June 30, 2015. In case the grantee resigns, unsubscribed shares are cancelled and returned to the plan pool, while the subscription payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares.

The BOD of ALLHC approved the allocation of 32 million shares (first tranche) for ESOWN plan which will be taken from the remaining unissued shares (with grant date in 2016) and the increase in authorized stock of ALLHC, which was approved by the SEC in July 2016. In 2017, notice of grant for the 218 million shares (second tranche of ESOWN plan) was issued to employees for the right to subscribe to the common shares of ALLHC at P1.68 per share which were fully availed as at December 31, 2018. In 2023 and 2022, ALLHC has no ESOWN grant.

27 Financial risk and capital management

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including foreign currency risk, interest rate risk and equity price risk), and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks and to monitor the risks by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products, and emerging best practices.

27.1 Financial risk management

27.1.1. Credit risk management

Credit risk

Credit risk is a risk that a counterparty will not meet its obligation under a financial instrument or customer contract leading to a financial loss. The Group's credit risks are primarily attributable to installments receivable, rental receivables, and other financial assets. To manage credit risk, the Group maintains defined credit policies and monitors its exposure to credit risk on a continuous basis.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements.

Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of the buyers. Also, to the extent allowed by regulations, certain payments are not returned which minimizes exposure to bad debts.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity. The amount of exposure from bad debts is minimized to the extent of the advance rentals and security deposits from the tenants.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, short term investments, financial assets at FVTPL and financial assets at FVOCI. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas at liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The Group has an active intercompany lending program and intercompany receivable that are short term. To minimize credit exposures, the Group assesses the financial capacity of the affiliated entities and operating cash flows.

The Group's maximum exposure to credit risk as at December 31, 2023 and 2022 is equal to the carrying values of its financial assets.

The table below shows the credit quality of the Company's financial assets as at December 31:

	2023							
	Neither past due nor impaired					Past due but		
	High Grade	Medium Grade	Low Grade	Unrated	Total	not impaired	Impaired	Total
Cash and cash equivalents								
(excluding cash on hand)	17,027,631	-	-	-	17,027,631	-	-	17,027,631
Short-term investments	333,610	-	-	-	333,610	-	-	333,610
Accounts and notes receivables:								
Trade:								
Residential, commercial and								
office development	82,463,605	7,317,861	2,777,013	-	92,558,479	19,518,548	108,509	112,185,536
Shopping centers	1,200,732	625,542	493,318	-	2,319,592	1,458,820	1,255,303	5,033,715
Construction contracts	972,084	19,011	-	-	991,095	2,961,239	87,002	4,039,336
Corporate business	1,489,156	21,202	20,500	-	1,530,858	1,311,983	933,000	3,775,841
Management fees	66,568	-	-	-	66,568	113,863	7,135	187,566
Others	3,350,387	-	533,249	-	3,883,636	416,786	202,759	4,503,181
Advances to other companies	10,218,792	35,987	730,554	-	10,985,333	7,184,154	190,008	18,359,495
Accrued receivables	8,882,484	2,914	392,993	-	9,278,391	1,818,358	-	11,096,749
Related parties	6,537,813	-	-	-	6,537,813	-	-	6,537,813
Receivable from employees	709,458	150	846	-	710,454	337,757	-	1,048,211
	133,252,320	8,022,667	4,948,473	-	146,223,460	35,121,508	2,783,716	184,128,684

	2022							
	Neither past due nor impaired					Past due but		
	High Grade	Medium Grade	Low Grade	Unrated	Total	not impaired	Impaired	Total
Cash and cash equivalents								
(excluding cash on hand)	11,818,056	-	-	-	11,818,056	-	-	11,818,056
Short-term investments	330,500	-	-	-	330,500	-	-	330,500
Accounts and notes receivables:								
Trade:								
Residential, commercial and								
office development	72,403,724	5,493,083	3,310,970	-	81,207,777	20,525,589	64,092	101,797,458
Shopping centers	2,092,054	688,530	675,920	-	3,456,504	1,641,629	1,217,417	6,315,550
Construction contracts	841,177	57,881	13,249	-	912,307	1,758,920	155,697	2,826,924
Corporate business	1,369,710	503,095	6,959	-	1,879,764	1,126,149	670,113	3,676,026
Management fees	97,585	-	-	-	97,585	117,295	16,630	231,510
Others	4,639,176	178,530	175,979	-	4,993,685	572,507	225,446	5,791,638
Advances to other companies	6,743,814	40,054	1,364,875	-	8,148,743	7,519,512	190,008	15,858,263
Accrued receivables	6,810,233	1,093	470,278	-	7,281,604	2,088,738	-	9,370,342
Related parties	4,207,106	173,844	2,546,933	-	6,927,883		-	6,927,883
Receivable from employees	724,804	20,925	27,137	-	772,866	154,921	-	927,787
	112,077,939	7,157,035	8,592,300	-	127,827,274	35,505,260	2,539,403	165,871,937

As at December 31, the analysis of past due but not impaired accounts and notes receivables presented per class follow:

2023	Neither past due nor Impaired	Past due but not impaired <30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	Impaired	Total
Trade:									
Residential, commercial and office development	92,558,479	6,368,761	1,074,654	328,386	5,514,367	6,232,380	19,518,548	108,509	112,185,536
Shopping centers	2,319,592	181,947	156,016	153,425	119,099	848,333	1,458,820	1,255,303	5,033,715
Corporate business	1,530,858	-	112,659	27,031	25,686	1,146,607	1,311,983	933,000	3,775,841
Construction contracts	991,095	1,615,128	231,898	128,277	203,817	782,119	2,961,239	87,002	4,039,336
Management fees	66,568	-	21,850	16,788	30,814	44,411	113,863	7,135	187,566
Others	3,883,636	9,302	1,684	333,635	7,057	65,108	416,786	202,759	4,503,181
Advances to other companies	10,985,333	42,568	16,308	39,189	165,522	6,920,567	7,184,154	190,008	18,359,495
Accrued receivables	9,278,391	249,326	69,384	47,686	87,677	1,364,285	1,818,358	-	11,096,749
Related parties	6,537,813	-	-	-	-	-	-	-	6,537,813
Receivables from employees	710,454	210,524	8,298	7,396	2,406	109,133	337,757	-	1,048,211
Total	128,862,219	8,677,556	1,692,751	1,081,813	6,156,445	17,512,943	35,121,508	2,783,716	166,767,443

2022	Neither past due nor impaired	Past due but not impaired <30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	Impaired	Total
Trade:									
Residential, commercial and office development	81,207,777	5,045,060	1,734,959	1,697,084	2,825,851	9,222,635	20,525,589	64,092	101,797,458
Shopping centers	3,456,504	214,593	276,044	126,431	376,215	648,346	1,641,629	1,217,417	6,315,550
Construction contracts	912,307	799,310	278,208	225,769	173,619	282,014	1,758,920	155,697	2,826,924
Corporate business	1,879,764	30,810	510,631	14,382	94,852	475,474	1,126,149	670,113	3,676,026
Management fees	97,585	-	41,215	21,708	21,870	32,502	117,295	16,630	231,510
Others	4,993,685	343,315	62,862	9,580	53,855	102,895	572,507	225,446	5,791,638
Advances to other companies	8,148,743	139,602	1,752	17,516	425,156	6,935,486	7,519,512	190,008	15,858,263
Accrued receivables	7,281,604	276,212	-	12,729	46,845	1,752,952	2,088,738	-	9,370,342
Related parties	6,927,883	-	-	-	-	-	-	-	6,927,883
Receivables from employees	772,866	13,223	11,854	12,742	4,088	113,014	154,921	-	927,787
Total	115,678,718	6,862,125	2,917,525	2,137,941	4,022,351	19,565,318	35,505,260	2,539,403	153,723,381

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents and short-term investments - based on the nature of the counterparty and the Group's internal rating system.

Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate is based on days past due of all customers as they have similar loss patterns. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. Intercompany receivables are also evaluated for impairment. The security deposits and advance rental from tenants are considered in the calculation of impairment as recoveries.

As at December 31, 2023, the exposure at default amounted to P23,669.3 million (2022 - P23,587.7 million). The average expected credit loss rate (over total receivables) is 1.70% resulting in the ECL of P 2,783.7 million (2022 - 1.67%; P2,539.4 million) (Note 5).

27.1.2. Liquidity risk management

Liquidity risk

Liquidity risk is defined by the Group as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Group that makes it difficult for the Group to raise the necessary funds or that forces the Group to raise funds at significantly higher interest rates than usual.

This is also the possibility of experiencing losses due to the inability to sell or convert marketable securities into cash immediately or in instances where conversion to cash is possible but at a loss due to wider than normal bid-offer spreads.

The Group employs scenario analysis and contingency planning to actively manage its liquidity position and guarantee that all operating, investing and financing needs are met. The Group has come up with a three-layered approach to liquidity through the prudent management of sufficient cash and cash equivalents, the potential sale of accounts receivables and the maintenance of short-term revolving credit facilities.

Cash and cash equivalents are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise. Management develops viable funding alternatives through a continuous program for the sale of its receivables and ensures the availability of ample unused short-term revolving credit facilities from both local and foreign banks as back-up liquidity.

The Group ascertains that its cash is invested in short-term bank placements and special deposit accounts, as well as in high-quality and marketable government and corporate securities.

Credit line

The Group has a total short term credit line up to P119.0 billion with various local banks, of which P60.0 billion remain undrawn as at December 31, 2023 (2022 - P110.8 billion, P70.3 billion undrawn).

The table below summarizes the maturity profile of the Group's financial instruments at December 31 based on contractual undiscounted payments:

	2023				
	< 1 year	1 to < 5 years	> 5 years	Non maturing specific	Total
Financial assets					
Cash and cash equivalents	17,066,330	-	-		17,066,330
Short-term investments	-	-	-	333,610	333,610
Financial assets at FVTPL	-	-	-	419,802	419,802
Accounts and notes receivable	168,112,615	-	-		168,112,615
Total undiscounted financial assets	185,178,945	-	-	753,412	185,932,357
Financial liabilities					
Accounts and other payables*	100,114,121	-	-	-	100,114,121
Short-term debt	16,905,106	-	-	-	16,905,106
Long- term debt	18,969,421	105,341,624	118,366,646	-	242,677,691
Deposits and other current liabilities	34,131,984	-	-	-	34,131,984
Deposits and other non-current liabilities**	-	41,870,140	-	-	41,870,140
Total undiscounted financial liabilities	170,120,632	147,211,764	118,366,646	-	435,699,042
Net liquidity position	15,058,313	(147,211,764)	(118,366,646)	753,412	(249,766,685)

	2022				
	< 1 year	1 to < 5 years	> 5 years	Non maturing specific	Total
Financial assets					
Cash and cash equivalents	11,885,329	-	-	-	11,885,329
Short-term investments	-	-	-	330,500	330,500
Financial assets at FVTPL	-	-	-	291,989	291,989
Accounts and notes receivable	107,181,392	-	-	-	107,181,392
Total undiscounted financial assets	119,066,721	-	-	622,489	119,689,210
Financial liabilities					
Accounts and other payables*	143,952,127	-	-	-	143,952,127
Short-term debt	6,574,272	-	-	-	6,574,272
Long- term debt	19,258,289	95,613,291	114,620,000	-	229,491,580
Deposits and other current liabilities	31,211,023	-	-	-	31,211,023
Deposits and other non-current liabilities**	-	47,519,881	-	-	47,519,881
Total undiscounted financial liabilities	200,995,711	143,133,172	114,620,000	-	458,748,883
Net liquidity position	(81,928,990)	(143,133,172)	(114,620,000)	622,489	(339,059,673)

**Excludes payable to government agencies*
***Excludes deferred output vat*

Cash and cash equivalents, short-term investments and financial assets at FVTPL are used for the Group's liquidity requirements. Please refer to the terms and maturity profiles of these financial assets shown on the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section. There are no undrawn loan commitments from long-term credit facilities as at December 31, 2023 and 2022.

27.1.3. Market risk management

Interest rate risk

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

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by lever on its premier credit rating and increasing the fixed interest component of its debt portfolio.

As at December 31, 2023, the Company's ratio of fixed to floating rate debt stood at around 77:23 (2022 - 90:10).

The following table demonstrates the sensitivity of the Group's income before income tax to a reasonably possible change in interest rates as at December 31, with all variables held constant:

	2023	2022
Changes in floating rate borrowings	Increase (decrease) on income before income tax	
+ 100 basis points increase	(591,321)	(243,172)
- 100 basis points increase	591,321	243,172

The assumed change in rate is based on the currently observable market environment.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with their corresponding nominal amounts and carrying values as at December 31 are shown in the following table (in thousands):

			2023				
	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents (excluding cash on hand)	Fixed at the date of investment	Various	17,027,631	17,027,631	-	-	17,027,631
Short- term investments	Fixed cut-of at the date of investment or revaluation	Various	333,610	333,610	-	-	333,610
Receivables from employees	Fixed at the date of sale	Date of sale	1,048,211	772,292	275,919	-	1,048,211
			18,409,452	18,133,533	275,919	-	18,409,452
Parent Company							
Short-term debt							
Floating-Peso	Variable	Monthly	7,005,000	7,005,000	-	-	7,005,000
Long-term debt							
Fixed							
Peso	Fixed at 6.00%	20 years	2,000,000	-	-	1,988,434	1,988,434
Peso	Fixed at 4.75% to 4.85%	9.5 and 10 years	15,000,000	-	14,963,119	-	14,963,119
Peso	Fixed at 5.2624%	10 years	7,000,000	-	6,986,235	-	6,986,235
US Dollars	Fixed at 4.3889%	5 years	3,045,350	3,045,350	-	-	3,045,350
Peso	Fixed at 4.758% to 6.369%	5, 7 and 7.25 years	12,000,000	2,993,838	8,938,892	-	11,932,730
Peso	Fixed at 3.862%	5 years	6,250,000	-	6,222,200	-	6,222,200
Peso	Fixed at 3.6262% to 4.0776%	4 and 10 years	13,000,000	-	9,959,900	2,981,600	12,941,500
Peso	Fixed at 4.3969% to 6.8045%	2, 5, 6 and 7 years	45,000,000	11,964,602	18,873,939	13,870,013	44,708,554
Peso	Fixed at 6.0253% to 6.2948%	5 and 10 years	15,000,000	-	9,961,324	4,866,279	14,827,603
Peso	Fixed at 3.75% to 6.5312%	6 to 10 years	64,876,000	475,175	20,010,500	44,057,823	64,543,498
Floating-Peso	Variable	3 months	15,272,000	16,836	779,596	14,365,268	15,161,700
Subsidiaries							
Short-term debt							
Peso	Variable	Monthly	9,900,106	9,900,106	-	-	9,900,106
Long-term debt							
Fixed							
Peso	Fixed at 4.0% to 6.7967%	5 to 10 years	17,279,313	170,279	1,950,385	14,820,489	16,941,153
Floating-Peso	Variable	3 months	26,955,028	303,341	10,366,632	16,417,106	27,087,079
			259,582,797	35,874,527	109,012,722	113,367,012	258,254,261

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
			2022				
Group							
Cash and cash equivalents (excluding cash on hand)	Fixed at the date of investment	Various	11,558,329	11,885,329	-	-	11,885,329
Short- term investments	Fixed cut-of at the date of investment or revaluation	Various	330,500	330,500	-	-	330,500
Receivables from employees		Various	927,787	772,866	154,921	-	927,787
			12,816,616	12,988,695	154,921	-	13,143,616
Parent Company							
Short-term debt							
Floating-Peso	Variable	Monthly	688,000	688,000	-	-	688,000
Long-term debt							
Fixed							
Peso	Fixed at 6.00%	10 years	2,000,000	-	-	1,666,347	1,666,347
Peso	Fixed at 6.0%	20 years	22,000,000	6,865,033	13,846,461	-	20,711,494
Peso	Fixed at 4.5000%	7 years	7,000,000	-	6,343,553	-	6,343,553
Peso	Fixed at 3.892 to 4. 85%	7, 9.5 and 10 years	72,455,727	62,494,696	11,313,724	20,214,935	94,023,355
Peso	Fixed at 5.2624%	10 years	10,000,000	-	-	9,162,218	9,162,218
Peso	Fixed at 3.75% to 4.95%	Up to 10.5 years	6,250,000	-	5,680,329	-	5,680,329
Peso	Fixed at 5.920%	10 years	12,000,000	-	11,481,913	-	11,481,913
Peso	Fixed at 3.1764% to 3.187%	5 years	45,000,000	-	24,060,520	13,188,640	37,249,160
Peso	Fixed at 4.76% to 6.37%	5, 7 and 7.25 years	3,000,000	-	9,182,310	2,230,628	11,412,938
Peso	Fixed at 3.00% to 3.86%	2 and 5 years				-	-
Peso	Fixed at 3.63% to 4.08%	4 and 10 years	289,000	25,187	227,844	-	253,031
Floating-Peso	Variable	3 months	5,859,271	5,859,271	-	-	5,859,271
Subsidiaries							
Short-term debt							
Peso	Variable	Monthly	20,300,250	3,937,785	3,527,142	9,047,038	16,511,965
Long-term debt							
Fixed							
Peso	Fixed at 4.0% to 6.7967%	5 to 10 years	17,480,968	1,937,112	9,157,146	3,901,020	14,995,278
Floating-Peso	Variable	3 months					
			224,323,216	81,807,084	94,820,942	59,410,826	236,038,852

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The financial instruments and credit facilities of the Group, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso.

	December 31, 2023		December 31, 2022	
	US Dollar	MYR ringgit	US Dollar	MYR ringgit
Foreign currency placements	26.30 million	573.73 million	33.06 million	666.47 million
Foreign currency debt	65.80 million	844.18 million	67.90 million	490.78 million

The following table shows the Group's consolidated foreign currency-denominated monetary assets and liabilities and their Peso equivalents:

	2023			2022		
Net foreign currency denominated	US Dollar	MYR ringgit	Php Equivalent	US Dollar	MYR ringgit	Php Equivalent
Financial assets						
Cash and cash equivalents	6,138	142,927	2,163,601	5,491	405,201	1,010,733
Short-term investments	-	-	-	-	-	-
Accounts and notes receivable, net	16,370	365,066	5,315,288	24,163	175,457	3,587,493
Other current assets	3,410	58,537	890,277	3,027	84,903	1,234,780
Other non-current assets	380	7,195	104,480	380	908	29,191
Total	26,298	573,725	8,473,646	33,061	666,469	5,862,197
Financial liabilities						
Accounts and other payables	5,285	572,731	7,188,381	8,631	422,676	5,791,517
Other current liabilities	1,725	-	87,775	690	-	35,019
Short-term debt	-	129,980	1,567,106	-	31,050	391,521
Long- term debt	55,000	141,473	4,751,021	55,000	35,091	3,508,995
Other non-current liabilities	3,792	-	194,929	3,578	1,961	209,400
Total	65,802	844,184	13,789,212	67,899	490,778	9,936,452
Net foreign currency denominated financial instruments	(39,504)	(270,459)	(5,315,566)	(34,838)	175,691	(4,074,255)

In translating the foreign currency-denominated monetary assets in Peso amounts as at December 31, 2023, the Philippine Peso - US Dollar exchange rates and the Philippine Peso - Malaysian ringgit exchange rate used were P55.37 to US$1 (2022 - P55.76 to US$1.00) and P12.07 to MYR1.00 (2022 - P12.61 to MYR1.00), respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso - US dollar exchange rate and Philippine peso - Malaysian ringgit exchange rate, with all variables held constant, on the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities):

	Effect on income before income tax Increase (decrease)	
Change in exchange rate	2023	2022
USD		
+ 100 basis points	(21,873)	(19,426)
- 100 basis points	21,873	19,426
MYR		
+ 100 basis points	(32,644)	22,155
- 100 basis points	32,644	(22,155)

Equity price risk

Quoted financial assets at FVOCI are acquired at a certain price in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, country's economic performance, political stability, and domestic inflation rates, the changes in price reflect how market participants view the developments.

The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each country, sector and market.

Quoted financial assets at FVTPL pertain to investment in UITF (Fund). The Fund, which is structured as a money market UITF, aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments.

As at December 31, 2023 and 2022, the impact on net income and equity as a result of 100 basis points decrease (increase) in interest rates is as follows:

	2023		2022	
	Net income and Equity	Duration	Net income and Equity	Duration
BPI UITF Money Market	+/- P0.63 million	0.15 year	+/- P0.20 million	0.34 year
BPI UITF USD Short Term	+/- P2.45 million	0.26 year	+/- P0.02 million	0.33 year

27.1.4 Fair value information

Financial Value Information

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized:

		2023		2022	
	Note	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets at FVTPL	4	419,802	419,802	291,989	291,989
Financial assets at FVOCI	8				
Unquoted equity securities		627,181	627,181	440,811	440,811
Quoted equity securities		372,064	372,064	522,807	522,807
		1,419,047	1,419,047	1,255,607	1,255,607
Financial assets at amortized cost					
Cash and cash equivalents	2	17,066,330	17,066,330	11,885,329	11,885,329
Short-term investments	3	333,610	333,610	330,500	330,500
Non-current trade residential, commercial and office development	5	57,090,311	56,344,737	48,400,251	50,628,112
Receivable from employees	5	1,048,211	1,007,201	927,787	927,787
Accounts and notes receivables	5	105,530,428	105,530,428	102,151,267	102,151,267
Other current assets	7	80,290,824	80,290,824	64,849,846	64,849,846
		261,359,714	260,573,130	228,544,980	230,772,841
Other financial liabilities					
Short-term debt	14	16,905,106	16,905,106	6,547,271	6,547,271
Accounts and other payables	13	162,475,441	162,475,441	144,662,288	144,662,288
Lease liabilities	31	18,522,623	18,522,623	17,992,406	17,992,406
Long-term debt	14	241,349,155	219,856,402	229,491,580	229,141,647
Deposits and other liabilities	15,16	76,002,124	76,002,124	100,362,989	100,362,989
		515,254,449	493,761,696	499,056,534	498,706,601

**Excluding deferred output VAT*

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents, short-term investments and current receivables, accounts and other payables and short-term debt - Carrying amounts approximate their fair values due to the relatively short-term maturities of these financial instruments.

Financial assets at FVTPL - These are investments in funds. Fair value of the funds is based on net asset values as at reporting date.

Financial assets at FVOCI quoted equity securities - fair values are based on quoted prices published in markets.

Financial assets at FVOCI unquoted equity securities - fair values are based on the latest selling price available.

Liabilities - The fair value of non-current unquoted instruments (long-term debt and deposits) are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates (IBR) for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged 5.1% to 11.5% as at December 31, 2023 (2022 - 2.70% to 7.40). The fair value of non-current unquoted debt instruments with floating rates are estimated using discounted cash flow - last repricing method.

Non-current accounts and notes receivables - The fair values of residential, commercial and office development accounts and notes receivable, and receivable from employees, are based on the discounted value of future cash flows using the applicable rates for similar types of instruments.

	Discount rates
December 31, 2023	5.1% to 11.5%
December 31, 2022	2.70% to 7.40%

The fair value of non-current unquoted debt instruments with floating rates are estimated using discounted cash flow - last repricing method.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group categorizes trade receivable, receivable from employees, long-term debt and deposits and other non-current liabilities under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

As at December 31, 2023, the Investment in Arch Capital Fund amounting to P191.1 million (2022 - P207.2 million) was classified under Level 3 (Note 4).

Investments in Unit Investment Trust Fund (UITF) amounting to P228.7 million as at December 31, 2023 were classified under Level 2 (2022 - P84.8 million) (Note 4).

As at December 31, 2023, the quoted FVOCI financial assets amounting to P416.2 million (2022 - P573.0 million) were classified under Level 1 (Note 8).

Unquoted FVOCI financial assets amounting to P660.7 million as at December 31, 2023 were classified under Level 3 (2022 - P440.8 million) (Note 8).

There have been no reclassifications to and from Level 1, Level 2 and Level 3 categories in 2023 and 2022 for financial assets at FVTPL and FVOCI.

Investment properties

The fair values of the investment properties were determined by independent professionally qualified appraisers.

The following tables provide the fair value hierarchy of the Group's investment properties as at December 31:

	2023			
	Fair value measurement using			
	Level 1	Level 2	Level 3	Total fair value
Land properties	-	-	364,702,719	364,702,719
Retail properties	-	-	116,522,159	116,522,159
Office properties	-	-	177,200,377	177,200,377
Hospital properties	-	-	-	-
	-	-	658,425,255	658,425,255

	2022			
	Fair value measurement using			
	Level 1	Level 2	Level 3	Total fair value
Land properties	-	-	241,486,227	241,486,227
Retail properties	-	-	83,890,525	83,890,525
Office properties	-	-	157,471,235	157,471,235
Hospital properties	-	-	792,637	792,637
	-	-	483,640,624	483,640,624

The values of the land were arrived using the Market Data Approach which provides an indication of value by comparing the subject asset with identical or similar assets for which the price information is available. This approach was used for the land as it is commonly used in the property market since inputs and data for this approach are available. For Market Data Approach, the higher the price per square meter (sqm), the higher the fair value.

The values of the buildings (retail, office, hospital) were arrived using the Income Approach which provides an indication of value by converting future cash flow to a single current value. Under this approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

The significant unobservable inputs to valuation of investment properties ranges from P3,780 to P403,047 per sqm.

A significant increase (decrease) in any of the unobservable input may result in a significantly higher (lower) fair value measurement. The Parent Company considers that it is impracticable to disclose the possible effects of sensitivities surrounding the estimation of the fair value of investment properties as at the reporting date.

There has been no transfer between levels of fair value hierarchy in 2023 and 2022.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, short-term investments, financial assets at FVTPL, FVOCI quoted and unquoted equity securities, bonds payable, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Group's operations. The Group has various financial assets such as trade receivables and trade payables which arise directly from the conduct of its operations.

Exposure to liquidity, credit, interest rate, currency and equity risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The use of derivative financial instruments, if any, is solely for management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

There were no changes in the Group's financial risk management objectives and policies in 2023 and 2022.

The fair value hierarchy of the Group's financial instruments which are measured at fair value as at December 31 is as follows:

	2023			
	Fair value measurement using			
	Level 1	Level 2	Level 3	Total Fair Value
Financial assets at FVTPL				
Investment in Unit				
Investment Trust Fund (UITF)	-	228,674	-	228,674
Investment in ARCH				
Capital Fund	-	-	191,128	191,128
	-	228,674	191,128	419,802
Financial assets at FVOCI				
Shares of stock				
Quoted				
Tourism and leisure	421,880	-	-	421,880
Retail	1,457	-	-	1,457
Real estate	14,598	-	-	14,598
Utilities and energy	18,554	-	-	18,554
Financial asset management	539	-	-	539
Telecommunications	3,453	-	-	3,453
Unquoted				
Tourism and leisure	-	2,800	528,616	531,416
Financial asset management	-	-	27,755	27,755
Utilities and energy	-	-	37,497	37,497
Real estate	-	-	7,468	7,468
Retail	-	-	53,042	53,042
Telecommunication	-	-	4,310	4,310
	460,481	2,800	658,687	1,121,969
	460,481	231,474	849,815	1,541,771

	2022			
	Fair value measurement using			
	Level 1	Level 2	Level 3	Total Fair Value
Financial assets at FVTPL				
Investment in Unit				
Investment Trust Fund (UITF)	-	84,793	-	84,793
Investment in ARCH				
Capital Fund	-	-	207,196	207,196
	-	84,793	207,196	291,989
Financial assets at FVOCI				
Shares of stock				
Quoted				
Tourism and leisure	325,181	-	-	325,181
Retail	1,993	-	-	1,993
Real estate	29,552	-	-	29,552
Utilities and energy	13,984	-	-	13,984
Financial asset management	55,666	-	-	55,666
Telecommunications	3,556	-	-	3,556
Unquoted				
Tourism and leisure	-	-	483,613	483,613
Financial asset management	-	-	1,676	1,676
Utilities and energy	-	-	42,851	42,851
Real estate	-	-	22,361	22,361
Retail	-	-	55,042	55,042
Telecommunication	-	-	6	6
	429,932	-	605,549	1,035,481
	429,932	84,793	812,745	1,327,470

Reconciliation of fair value measurement of Investment in UITF as at December 31 is shown below:

	Notes	2023	2022
At January 1		84,793	407,025
Redemptions		(3,470,828)	(4,052,417)
Additions		3,604,552	4,179,683
Unrealized gains (loss) included in Other income	19	27,292	(260,209)
Reclassification to escrow account included under Other current assets	7	(17,135)	(189,289)
At December 31		228,674	84,793

Reconciliation of fair value measurement of Investment in ARCH Fund as at December 31 is shown below:

	2023	2022
At January 1	207,196	293,778
Net redemptions	(97,365)	(13,378)
Unrealized gain (loss) included in Other income	81,297	(73,204)
At December 31	191,128	207,196

The fair value of the investment in UITF is based on net asset values as at reporting date.

The fair value of the investment in ARCH Capital Fund is determined using the discounted cash flow (DCF) method. Under the DCF method in fund valuation, the value is estimated using assumptions regarding the benefits and liabilities of ownership over the underlying asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest.

To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream, associated with the underlying asset. The exit yield is normally separately determined and differs from the discount rate. Significant inputs considered were rental, growth and discount rates. The higher the rental and growth rates, the higher the fair value. The higher the discount rates, the lower the fair value.

27.2 Capital management

The primary objective of the Group's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks. The Group considers debt as a stable source of funding. The Group lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As at December 31, the Group had the following ratios:

	2023	2022
Debt-to-equity	0.81:1	0.80:1
Net debt to equity	0.75:1	0.76:1

Debt consists of short-term and long-term debts. Net debt includes short-term and long-term debt less cash and cash equivalents, short-term investments and financial assets at FVTPL. Equity, which the Group considers as capital, pertains to the total equity. The Group excludes the "Fair value reserve of financial assets at FVOCI" attributable to the equity holders of the Company in computing the debt-to-equity ratio.

The Group is subject to externally imposed capital requirements due to loan covenants (Note 14). No changes were made in the objectives, policies or process on capital during the years ended December 31, 2023 and 2022.

Financial risk assessment

The Group's financial condition and operating results would not be materially affected by the current changes in interest, currency, credit, liquidity and market conditions.

Exposure to changes in interest rates is reduced by a debt portfolio mix of both fixed and floating interest rates. As at December 31, 2023, the Group's ratio of fixed to floating rate debt stood at 77:23 (2022 - and 90:10). As a result, any adverse movement in interest rates is mitigated.

As at December 31, 2023, the exposure to foreign currency holdings is at MYR270.5 million and US39.5 million (2022 - MYR175.6 million and US$34.8 million).

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Group's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Liquidity risk is addressed with long term funding already locked in, while funds are placed on cash equivalents, short term investment and financial assets at FVTPL.

28 Segment information

The industry segments where the Group and its associates and joint ventures operate follows:

- Property developments - sale of high-end and upper middle-income residential lots and units, affordable housing units and lots, economic housing and leisure community developments; lease of residential developments under joint venture; acquisition, development and sale of large-scale, mixed-use, master-planned communities; sale of override units or the Company's share in properties made available to subsidiaries for development.
- International - development and sale of residential lots and units in Avaland Berhad (formerly Modular Construction Technology (MCT) Bhd. (Malaysia)
- Shopping centers - development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities, gas stations and carparks in these shopping centers; management and operation of malls which are co-owned with partners
- Offices - development and lease or sale of office buildings; sale of industrial lots and lease of factory building
- Hotels and resorts - development and management of hotels and resorts/serviced apartments and lease of land to hotel tenants
- Construction - land development and construction of the Group and third-party projects
- Property management and others - facilities management of the Group and third-party projects

Assets, liabilities, revenues and expenses of the Strategic Landbank Management Visayas-Mindanao segment were reallocated to other business segments namely shopping centers, corporate businesses and residential developments according to the nature of the products and services provided.

The Company and its subsidiaries generally account for inter-segment sales and transfers as if the sales and transfers were to third parties at current market prices.

Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

For the years ended December 31, 2023, 2022 and 2021, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

Business segments

The following tables regarding business segments present assets and liabilities as at December 31 and revenue and profit information for each of the three years in the period ended December 31 (in millions):

As at December 31, 2023

	Property Development	International	Shopping Centers	Offices	Hotels and Resorts	Construction	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue										
Revenues from contracts with customers	79,545	7,433	-	-	8,780	6,596	4,892	-	-	107,246
Interest income from real estate sales	5,360	-	-	-	-	-	-	-	-	5,360
Rental revenue	-	-	21,088	11,808	-	-	-	-		32,896
Intersegment sales	-	-	-	-	-	40,606	-	-	(40,606)	-
Earnings of associates and joint ventures	1,570	-	13	-	-	(2)	(6)	-	-	1,575
Total revenue	86,475	7,433	21,101	11,808	8,780	47,200	4,886	-	(40,606)	147,077
Real estate costs and expenses	57,661	5,296	8,437	3,385	7,877	44,162	8,495	362	(39,626)	96,049
Gross margin (loss)	28,814	2,137	12,664	8,423	903	3,038	(3,609)	(362)	(980)	51,028
Interest and investment income										690
Other charges										(2,849)
Interest and other financing charges										(13,499)
Other income										1,091
Provision for income tax										(7,457)
Net income										29,004
Net income attributable to:										
Equity holders of Ayala Land, Inc.										24,508
Non- controlling interests										4,496
										29,004
Other Information										
Segment assets	653,142	21,528	230,133	195,918	56,849	48,080	14,281	95,422	(515,279)	800,074
Investment in associates and joint ventures	30,942	-	50	-	-	59	162	-	-	31,213
	684,084	21,528	230,183	195,918	56,849	48,139	14,443	95,422	(515,279)	831,287
Deferred tax assets	2,269	104	3,076	289	417	194	110	1,168	7,718	15,345
Total assets	686,353	21,632	233,259	196,207	57,266	48,333	14,553	96,590	(507,561)	846,632
Segment liabilities	252,342	10,384	95,794	32,008	22,311	35,784	7,335	210,420	(146,999)	519,379
Deferred tax liabilities	2,920	-	1,274	386	12	-	-	(1,099)	3,831	7,324
Total liabilities	255,262	10,384	97,068	32,394	22,323	35,784	7,335	209,321	(143,168)	526,703
Segment additions to:										
Property and equipment	967	-	1,494	17	2,589	597	317	12	-	5,993
Investment properties	4,302	-	12,876	21,287	2	76	-	-	-	38,543
Depreciation and amortization	621	169	4,417	2,481	852	276	436	254	-	9,506
Non-cash expenses other than depreciation and amortization	-	-	-	-	-	-	-	-	-	-
Impairment losses	164	1	25	377	30	-	-	-	-	597

As at December 31, 2022

	Property Development	International	Shopping Centers	Offices	Hotels and Resorts	Construction	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue										
Revenues from contracts with customers	71,792	2,757	-	-	6,194	4,236	4,181	-	-	89,160
Interest income from real estate sales	6,695	-	-	-	-	-	-	-	-	6,695
Rental revenue	-	-	16,075	11,121	-	-	-	-	-	27,196
Intersegment sales	-	-	-	-	-	38,257	-	-	(38,257)	-
Earnings of associates and joint ventures	1,419	-	10	-	-	6	(5)	-	-	1,430
Total revenue	79,906	2,757	16,085	11,121	6,194	42,499	4,176	-	(38,257)	124,481
Real estate costs and expenses	55,795	2,074	8,239	2,992	6,029	39,117	6,497	199	(38,049)	82,893
Gross margin (loss)	24,111	683	7,846	8,129	165	3,382	(2,321)	(199)	(208)	41,588
Interest and investment income										387
Other charges										(3,996)
Interest and other financing charges										(11,447)
Other income										1,688
Provision for income tax										(5,696)
Net income										22,524
Net income attributable to:										
Equity holders of Ayala Land, Inc.										18,617
Non- controlling interests										3,907
										22,524
Other Information										
Segment assets	589,589	17,440	215,705	155,712	54,615	44,480	13,557	102,294	(459,543)	733,849
Investment in associates and joint ventures	31,252	-	37	-	-	61	349	218	-	31,917
	620,841	17,440	215,742	155,712	54,615	44,541	13,906	102,512	(459,543)	765,766
Deferred tax assets	2,074	33	1,980	341	423	126	102	1,076	7,734	13,889
Total assets	622,915	17,473	217,722	156,053	55,038	44,667	14,008	103,588	(451,809)	779,655
Segment liabilities	236,536	6,421	94,346	25,122	20,916	33,705	7,724	195,016	(139,645)	480,141
Deferred tax liabilities	1,599	-	255	354	18	-	-	(229)	3,852	5,849
Total liabilities	238,135	6,421	94,601	25,476	20,934	33,705	7,724	194,787	(135,793)	485,990
Segment additions to:										
Property and equipment	141	50	1,484	74	351	440	1,406	478	-	4,424
Investment properties	7,773	655	18,529	3,149	-	26	2	4,543	-	34,677
Depreciation and amortization	542	162	4,420	2,340	920	552	504	249	-	9,689
Non-cash expenses other than depreciation and amortization	-	-	-	-	-	-	-	-	-	-
Impairment losses	56	-	158	62	1	-	3	1	-	281

As at December 31, 2021

	Property Development	International	Shopping Centers	Offices	Hotels and Resorts	Construction	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue										
Revenues from contracts with customers	65,260	3,878	-	-	2,833	3,909	2,467	-	-	78,347
Interest income from real estate sales	6,801	-	-	-	-	-	-	-	-	6,801
Rental revenue	-	-	7,925	9,872	-	-	-	-	-	17,797
Intersegment sales	-	-	-	-	-	36,578	-	-	(36,578)	-
Equity in earnings of associates and joint ventures	971	-	7	-	-	3	(16)	(122)	–	843
Total revenue	73,032	3,878	7,932	9,872	2,833	40,490	2,451	(122)	(36,578)	103,788
Real estate costs and expenses	49,401	2,896	5,204	2,803	4,095	39,062	2,736	229	(35,246)	71,180
Gross margin (loss)	23,631	982	2,728	7,069	(1,262)	1,428	(285)	(351)	(1,332)	32,608
Interest and investment income										253
Other charges										(3,637)
Interest and other financing charges										(11,038)
Other income										2,101
Provision for income tax										(4,628)
Net income										15,659
Net income attributable to:										
Equity holders of Ayala Land, Inc.										12,228
Non- controlling interests										3,431
										15,659
Other Information										
Segment assets	559,211	20,190	226,343	135,653	59,038	48,601	11,549	94,146	(450,625)	704,106
Investment in associates and joint ventures	28,194	-	45	-	-	55	172	-	-	28,466
	587,405	20,190	226,388	135,653	59,038	48,656	11,721	94,146	(450,625)	732,572
Deferred tax assets	1,901	163	1,732	389	436	114	183	1,299	6,675	12,890
Total assets	589,306	20,353	228,120	136,042	59,474	48,770	11,904	95,445	(443,950)	745,462
Segment liabilities	235,677	979	95,934	29,686	25,986	38,035	6,158	200,436	(164,449)	468,442
Deferred tax liabilities	2,619	0	177	225	4	0	(2)	(196)	3,693	6,520
Total liabilities	238,296	979	96,111	29,911	25,990	38,035	6,156	200,240	(160,756)	474,962
Segment additions to:										
Property and equipment	2,035	–	298	4	285	555	14	24	-	3,215
Investment properties	12,426	508	8,141	1,100	146	103	-	1,757	-	24,181
Depreciation and amortization	733	-	4,438	1,908	887	238	475	221	-	8,900
Non-cash expenses other than depreciation and amortization	-	-	-	-	-	-	-	-	-	-
Impairment losses	11	-	22	114	-	114	98	181	-	540

29 Performance obligations

Information about the Group's performance obligations are summarized below:

Real estate sales

The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of real estate unit may cover the contract for either the (i) serviced lot; (ii) serviced lot and house, and (iii) condominium unit and the Group concluded that there is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% of the contract price spread over a certain period (e.g., one to two years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two to ten years with fixed monthly payment. The amount due for collection under the amortization schedule from each of the customer does not necessarily coincide with the progress of construction, which results in either an unbilled receivable or customers' deposit.

After the delivery of the completed real estate unit, the Group provides one year warranty to repair minor defects on the delivered serviced lot and house and condominium unit. This is assessed by the Group as a quality assurance warranty and not treated as a separate performance obligation.

Hotels and resorts

Rooms revenue from hotel and resort operations is recognized when the services are rendered. Revenues from banquets and other special events are recognized when the events take place.

Construction

Revenue from fixed price construction contracts are recognized over time using the milestone-based revenue recognition which is in reference to output method. The output method is determined based on the start and completion of a task of the contract work inclusive of uninstalled goods and materials delivered to the site.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) for the years ended December 31 are as follows:

	2023	2022	2021
Within one year	66,739,284	31,674,330	45,005,469
More than one year	59,864,314	29,307,910	55,587,158
	126,603,598	60,982,240	100,592,627

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Group's real estate projects. The Group's condominium units are completed within three to five years from start of construction while serviced lots and serviced lots and house are expected to be completed within two to three years from start of development.

30 Registration with Philippine Economic Zone Authority (PEZA)

The following projects/properties were registered with PEZA:

Company	Property/Project	Date of Registration	Particular
Accendo Commercial Corp.	Abreeza Corporate Center	16-Dec-2013	Developer/operator
Ayala Land Inc.	Southpark Corporate Center	13-Dec-2017	Developer/operator
Ayala Land Inc.	Vertis North IT Park	6-Nov-2017	Developer/operator
Ayala Land Inc.	Ayala North Point Technohub	17-Dec-2010	Developer/operator
Ayala Land, Inc.	Asiatown IT Park E-Bloc	18-Dec-2007	Ecozone Facilities Enterprise
Ayala Land, Inc.	South Coast City Information Technology Park	22-Jun-2022	Developer/Operator
Ayala Land, Inc.	CBP IT Park	20-May-2010	Developer/Operator
Ayala Land, Inc.	CCTC IT Park	10-Oct-2001	Developer/Operator
Ayalaland Metro North, Inc.	UP Town Corporate Center	16-Jan-2017	Developer/operator
AyalaLand Offices, Inc.	Building K to P (UP Technohub)	25-May-2012	Ecozone Facilities Enterprise
Cagayan de Oro Gateway Corp.	Centrio Corporate Center	24-Feb-2016	Developer/operator
Ceci Realty, Inc.	Lakeside Evozone	14-Dec-2007	Developer/Operator
Central Block Developers, Inc.	Central Bloc 1 & 2	19-Jun-2017	Ecozone Facilities Enterprise
Ecozone Power Management Inc.	Alogis Artico 1	13-Dec-2021	As Ecozone Facilities Enterprise
Ecozone Power Management Inc.	Alogis Sto Tomas	21-Dec-2021	Domestic Market Enterprise
First Gateway Real Estate Corp.	TP Ayala/People Support Center	25-Sep-2007	Developer/Operator
Hillsford Property Corp.	Baguio Technohub	29-Jan-2009	Ecozone Facilities Enterprise
Laguna Technopark, Inc.	Cavite Technopark	13-Jul-2016	Ecozone Developer/Operator
Laguna Technopark, Inc.	Alviera Industrial Park, Phase 1	17-Nov-2017	Ecozone Facilities Enterprise
Laguna Technopark, Inc.	Laguna Technopark	17-Oct-1991	Ecozone Developer/Operator
North Eastern Commercial Corp.	30th Corporate Center	5-Jul-2017	As developer/operator
Nuevocentro, Inc.	Alviera Industrial Park	19-Jul-2016	Developer/Operator
Pangulasian Island Resort Corporation	Green Tourism Ecozone - Pangulasian	21-Mar-2016	Operator
Subic Bay Town Center Inc	Harbor Point Mall	9-Mar-2010	Developer/ Operator
Sunnyfield E-Office Corp.	Ilo-ilo Technohub	17-Dec-2010	Ecozone Developer/Operator
UP North Property Holdings Inc.	Building A to J (UP Technohub)	25-Sep-2007	Ecozone Facilities Enterprise
Westview Commercial Ventures Corp	BPO Technohub/The District North Point	17-Dec-2010	Information Technology Facilities Enterprise

31 Leases

Operating Leases - Group as Lessor

The Group entered into lease agreements with third parties covering its investment properties portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals receivable under non-cancellable operating leases of the Group follows:

	2023	2022	2021
Within one year	14,225,222	3,498,321	5,591,888
After one year but not more than five years	40,592,506	12,422,006	15,982,405
More than five years	21,570,082	55,262,893	56,106,720
	76,387,810	71,183,220	77,681,013

In 2023, there were no rent concessions during the year (2022 - P2.36 billion and 2021 - P7.15 billion). These rent concessions did not qualify as a lease modification, thus, were accounted for as a variable lease payment and reported as reduction of lease income in 2023, 2022 and 2021 (Note 36).

Operating leases - Group as Lessee

The Group entered into lease agreements with third parties. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rental payable under non-cancellable operating leases of the Group follows:

	2023	2022	2021
Within one year	1,533,997	3,033,292	3,003,107
After one year but not more than five years	6,940,852	7,790,454	7,973,751
More than five years	56,491,798	49,234,687	53,597,269
	64,966,647	60,058,433	64,574,127

Set out below are the carrying amounts of right-of-use assets recognized and the movements in 2023 and 2022:

As at December 31, 2023

	Land	Building	Aircraft	Others	Total
Cost					
At January 1	16,119,347	777,178	1,701,823	419,119	19,017,467
Additions	34,350	17,977	-	149,419	201,746
Adjustments	(277,478)	80,447	106,209	(76,229)	(167,051)
At December 31	15,876,219	875,602	1,808,032	492,309	19,052,162
Accumulated depreciation and amortization					
At January 1	4,644,277	745,721	885,261	323,367	6,598,626
Depreciation	483,116	36,905	143,635	37,027	700,683
Adjustments	(42,278)	(23,153)	-	(18,337)	(83,768)
Capitalized as investment property	-	-	27,994	86	28,080
At December 31	5,085,115	759,473	1,056,890	342,143	7,243,621
Net book value	10,791,104	116,129	751,142	150,166	11,808,541

As at December 31, 2022

	Land	Building	Aircraft	Others	Total
Cost					
At January 1	14,684,025	731,053	1,701,823	385,169	17,502,070
Additions	1,435,322	46,125	-	33,950	1,515,397
At December 31	16,119,347	777,178	1,701,823	419,119	19,017,467
Accumulated depreciation and amortization					
At January 1	3,843,728	488,648	713,632	299,822	5,345,830
Depreciation	284,283	231,565	171,629	22,902	710,379
Adjustments	517,115	23,302	-	(1,674)	538,743
Capitalized as investment property	(849)	2,206	-	2,317	3,674
At December 31	4,644,277	745,721	885,261	323,367	6,598,626
Net book value	11,475,070	31,457	816,562	95,752	12,418,841

The roll forward analysis of lease liabilities follows:

	Note	2023	2022
At January 1		18,702,566	17,837,354
Additions		418,740	614,921
Accretion of interest expense	20	1,489,221	1,439,756
Capitalized interest		(11,793)	-
Foreign exchange (loss) gain		(10,686)	127,004
Payments		(2,065,425)	(1,316,469)
As at December 31		18,522,623	18,702,566
Less: Current portion of lease liabilities		1,108,553	710,160
Lease liabilities, net of current portion		17,414,070	17,992,406

The following are the amounts recognized in the consolidated statement of income:

	Note	2023	2022	2021
Depreciation expense of right-of-use assets		700,683	710,380	623,272
Accretion of interest expense on lease liabilities	20	1,489,221	1,439,756	1,409,177
Rent expense - short- term leases		1,416	556	9,426
Rent expense - variable lease payments		631,292	256,331	168,963
Foreign exchange (gain) loss		(10,686)	127,004	210
Total amounts recognized in the consolidated statement of income		2,811,926	2,534,027	2,211,048

The Group has lease contracts for land that contains variable payments based on a certain percentage of gross rental income of the commercial centers. These terms are negotiated by management for certain commercial spaces without steady customer demand. Management's objective is to align the lease expense with the revenue earned. The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

	2023		
	Fixed Payments	Variable Payments	Total
Fixed	1,420,958	-	1,420,958
Variable rent with minimum payment	29,028	9,820,596	9,849,624
Variable rent only	-	1,345,824	1,345,824
At December 31	1,449,986	11,166,420	12,616,406

	2022		
	Fixed Payments	Variable Payments	Total
Fixed	971,072,555	-	971,072,555
Variable rent with minimum payment	11,987,292	69,014,261	81,001,553
Variable rent only	-	2,851,096,952	2,851,096,952
At December 31	983,059,847	2,920,111,213	3,903,171,060

The significant leases entered into by the Group are as follows:

Parent Company

On January 2017, the Parent Company signed a Lease Agreement with Philippine Racing Club, Inc. for the lease of land located in Circuit Makati, Brgy. Carmona, Makati City with an aggregate area of 12,793 sqm. The term of the lease shall be twenty-three years and three months commencing from Delivery Date. The Lessee shall have the option to renew the lease under the same terms and conditions for another period of five years, provided that renewal period shall be mutually agreed by the Parties. For the period commencing from delivery date until sixty-three (63) months thereafter, the Lessee shall pay the Lessor the rent amounting to P100.00 million. Commencing on the sixty fourth month from execution of the contract until the end of the lease term, the Lessee shall pay the Lessor the rent equal to fifty percent (50%) of the Gross Income of the Lessee.

In September 2018, the Parent Company signed a Lease Agreement with Manila Seedling Bank Foundation, Inc. (MSBFI) for the lease of a 4.5-hectare portion of land located at the corner of EDSA and Quezon Avenue, Diliman, Quezon City. The term of the lease shall be coterminous with the Lessor's usufruct over the Leased Premises, or until September 20, 2027. The lessee shall pay lessor P50.53 million or 40% of lease upon execution of the contract and turnover of the premise while the remaining 60% amounting to P75.79 million shall be payable upon securing all necessary permits from Local Government of Quezon City but not later than six months from payment of preceding lease payment.

Bay City

On September 2, 2014, Parent Company signed a Lease Agreement with D.M. Wenceslao & Associates Inc. for the lease of several parcels of land along Asean Avenue and Macapagal Boulevard, Aseana City, Paranaque City with an aggregate area of 92,317 sqm. Parent Company signed a 45-year lease contract with an option to renew for another 45 years subject to such terms and conditions as may be mutually agreed upon by the lessor and the Parent Company. The Parent Company assigned the parcels of land to Bay City in December 2017.

On September 2, 2014, Parent Company signed a Lease Agreement with D.M. Wenceslao & Associates Inc. for the lease of several parcels of land along Asean Avenue and Macapagal Boulevard, Aseana City, Paranaque City, with an aggregate area of 92,317sqm. Parent Company signed a 45-year lease contract with an option to renew the lease for another term of 45 years subject to such terms and conditions as may be mutually agreed upon by the lessor and the Parent Company. The rent due to the Lessor shall be either the Minimum Guaranteed Rent or Percentage Rent (7% of Gross Rental Income), whichever is higher.

ALI also assigned the Air Rights and Basement Rights over the leased property with an aggregate area of 1,686.48 sqm and 8,294 sqm, respectively, subject to the same terms and conditions as the contract of lease dated September 2, 2014. The lessee shall pay the lessor (a) P100/sq meters subjects to annual escalation starting year 2020 ranging from P100/sq meter for the first 3 years, and subject to 25% escalation on the 4th year then 5% escalation from the 5th year to 17th year and finally 6% escalation from 18th to 45th year per square meter, or (b) rent equal to seven percent (7%) of the Gross Rental Income, whichever is higher. The lessee shall pay P100/sq meters for the Basement Right.

AMNI

On January 28, 2011, the Board of Regents of the University of the Philippines awarded to the Parent Company the P4.0 billion development of a 7.4-hectare lot at the University of the Philippines' Diliman East Campus, also known as the UP Integrated School, along Katipunan Avenue, Quezon City. The Parent Company signed a 25-year lease contract for the property last June 22, 2011, with an option to renew for another 25 years subject to mutual agreement of the parties. The lease payments shall commence as soon as sales are registered by the merchants. The rights were subsequently assigned by ALI to AMNI in 2015.

A retail establishment with about 63,000 sqm of gross leasable area and an office/BPO building about 8,000 sqm of gross leasable area have been constructed on the property.

Monthly rent is equal to the higher of either: (i) P215.65/sqm of the Gross Useable Area, subject to annual escalation at the rate of 5% (Minimum Guaranteed Rent); or (ii) Seventeen percent of the Gross Rental Income.

NTDCC

The Company entered into an assignment agreement with MRTDC wherein the latter has assigned its development rights to the Company in exchange for the Company's assumption of DRP obligation beginning January 1, 2006. The DRP obligation is payable annually for 42 years from the date of assumption, renewable upon expiration with escalation rate of 3% annually starting inception.

In consideration of the lease, the Group will be charged an annual rent related to the original DRP obligation on the MRTDC and 5% of the rental income from the Group's commercial center business. Of the 5% variable amount due, 2.42% shall be directly paid by the Group to the minority shareholders of Monumento Rail Transit Corporation, 28.47% shall be paid directly to Metro Global Holdings Corporation and the remaining 69.11% shall be applied against receivables.

On January 13, 2006, the deed of assignment between MRTDC and NTDCC was acknowledged by DOTC making MRTDC and NTDCC jointly and severally liable for the DRP and all other obligations attached thereto. NTDCC has been paying rent to DOTC in behalf of MRTDC since January 1, 2006. The DRP obligation is payable annually for 42 years from the date of assumption, renewable upon expiration. As at December 31, 2023, the DRP obligation amounted to P3,684.5 million (2022 - P3,722.9 million). Additionally, the total DRP obligation paid amounted to nil (2022 - P289.2 million)

On October 29, 2015, the Company entered into a non-cancellable land lease agreement with Global-Estate Resort Inc (GERI) for the lease of an aggregate of 10,994.86 square meters undivided portions of the North Avenue Lot Pad A and North Avenue Lot Pad B to which the latter is entitled to development rights. The agreement shall be effective until August 8, 2047, subject to the extension of the development's rights period. Advanced rent amounting P294.4 million was paid at the beginning of the contract. Commencing on the 3rd year and until the 10th year of the contract, annual rent is P62.5 million.

During 2016, the Company entered into a non-cancellable land lease agreement with Anglo Philippine Holdings, DBH Inc. and Allante Realty & Development Corporation for the lease of an aggregate of 1,964.20 square meters, 687.47 square meters and 687.47 square meters, respectively, undivided portions of the North Avenue Lot Pad A and North Avenue Lot Pad B to which the latter is entitled to development rights. The agreement shall be effective until August 8, 2047, subject to the extension of the development's rights period. Advanced rent amounting P120.5 million, P18.4 million and P18.4 million was paid to Anglo, DBH and Allante, respectively, at the beginning of the contract. Commencing on the 3rd year and until the 10th year of the contract, annual rent payable for both DBH and Allante is P3.9 million.

ALICAP

In December 2017, the Company entered into 120-month lease agreement with NAC Aviation for a brand new ATR72-600 with MSN 1440 which will commence at the date of delivery. Commitment fee or refundable deposit required for the lease amounted to US$0.42 million. The ATR72-600 with MSN 1440 was delivered to the Company in February 2018 and has started flight operations in March 2018. The Company, per lease contract, has the option to purchase the ATR72-600 with MSN 1440 at the end of lease term for US$14.16 million.

In June 2018, the Company entered into another 120-month lease agreement with NAC Aviation for a brand new ATR72-600 with MSN 1492 which will commence at the date of delivery. Commitment fee or refundable deposit required for the lease amounted to US$0.42 million. The ATR72-600 with MSN 1492 was delivered to the Company on the same month and has started flight operations in August 2018. The Company, per lease contract, has the option to purchase the ATR72-600 with MSN 1440 at the end of lease term amounting to US$14.16 million.

AHRC

On January 30, 2018, the Company signed a Lease Agreement with Dunes & Eagle Land Development Corporation for the lease of ten parcels of land located at Barangay Mactan, Lapu-Lapu City, Mactan Island, Cebu with an aggregate area of 144,087 sqm. The term of the lease shall be for a period of fifty (50) years commencing from the date of execution of the agreement. Rent payment should be as follows: (a) P70 million per annum for the first 5 years (b) 5% of Gross Revenues or P70 million per annum whichever is higher for the 6th year to the 30th year, and (c) 5.5% of Gross Revenues or P70 million per annum whichever is higher for the 31st year to the 50th year.

On July 26, 2012, ALI entered into a renewable contract of lease with Province of Negros Occidental for 40,481 square meters area of land with a monthly lease of P73.00 per square meter which shall be escalated every five years by ten percent (10%) of the current rate of rent. The term of the lease shall be for a period of fifty (50) years commencing from the date of delivery subject to renewal by mutual agreement of the parties under such terms and conditions as may be mutually acceptable. The Company has assessed that the lease agreement is a non-cancellable lease. On December 23, 2014, ALI assigned its rights and obligations to Capitol Central Hotel Ventures, Inc. under the Contract of Lease Assignment over a portion on which Seda Capitol Central was constructed equivalent to an area of 3,714.80 square meters. The agreement on lease assignment transfers and conveys the Company to take over the lease of the assigned portion subject to the same terms and conditions contained in the contract of lease.

Bonifacio Hotel Ventures, Inc.

Bonifacio Hotel Ventures, Inc. entered into a non-cancellable and renewable contract of lease with Fort Bonifacio Development Corporation for the land on which Seda BGC Tower 1 was constructed with initial term of twenty-five (25) years commencing from the date that the Hotel first commences business or start of commercial operation. The lease agreement provides for the payment of rent based on 3% of the Hotel's gross income for its 1st year of operation, 4% of the Hotel's gross income for its 2nd year of operation, and 5% of the Hotel's gross income for the succeeding years or P350 per square meter for the 1st year, P375 per square meter for the 2nd year and P400 per square meter for the 3rd year, whichever is higher, and starting on the 4th year of operations, rent shall be escalated at a rate of 3% per year until the end of the lease period. The Company entered into another non-cancellable and renewable contract of lease with Fort Bonifacio Development Corporation for the land on which the Seda BGC Tower 2 was constructed with initial term of twenty-five (25) years commencing from the date that the Hotel first commences business or start of commercial operation. The lease agreement provides for the payment of rent based on 3% of the Hotel's gross income for its 1st year of operation, 4% of the Hotel's gross income for its 2nd year of operation, and 5% of the Hotel's gross income for the succeeding years or P575 per square meter for the 1st year, P616.06 per square meter for the 2nd year and P657.15 per square meter for the 3rd year, whichever is higher, and starting on the 4th year of operations, rent shall be escalated at a rate of 3% per year until the end of the lease period.

ALLHC

On August 28, 1990, the Company, through a Deed of Assignment, acquired all the rights, titles, interests and obligations of Gotesco Investment, Inc. in a contract of lease of the land owned by PNR for the Tutuban Terminal. The contract provided for a payment of a guaranteed minimum annual rental plus a certain percentage of gross sales. The lease covers a period of 25 years until 2014 and is automatically renewable for another 25 years, subject to compliance with the terms and conditions of the lease agreement. On December 22, 2009, ALLHC entered into an agreement with PNR for the renewal of its lease contract for another 25 years beginning September 5, 2014 until 2039. The fixed rent from 2014 to 2039 is P3.8 billion and variable rent is 2% of gross revenue.

SSECC

The Company has an existing contract with Bases Conversion and Development Authority (BCDA) to develop, under a lease agreement signed on July 2000, a mall with an estimated gross leasable area of 152,000 sqm on a 9.8-hectare lot inside Fort Bonifacio. Subsequently, the Company transferred its rights and obligations granted to or imposed under the lease agreement to SSECC, a subsidiary, in exchange for equity. The lease agreement covers 25 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounted to P106.5 million while the variable rent ranges from 5% to 20% of gross revenues.

Capitol

On April 26, 2012 Parent Company signed a Lease Agreement with the Province of Negros Occidental for the lease of a parcel of land with an aggregate area of 40,481 sq. m. located along Gatuslao cor. North and South Capitol Roads, Bacolod City, registered in the name of the Province of Negros Occidental. The Parent Company signed a 50-year lease contract with an option to renew as may be mutually agreed upon by the lessor and the Company. The Parent Company assigned the parcels of land to Capitol in December 2017. Lease payment is P2.47 million per month and shall be escalated every five years by ten percent (10%) of the then current rate of rent.

Arvo

On October 15, 2014, Arvo entered into a property lease agreement with Rotonda Development Corporation for the construction, development and operation of a commercial and mall center. The terms of the lease shall be 42 years, with an option to renew for another 40 years subject to mutual agreement of the parties. The lease agreement provided rent-free period of two years and lease payments shall commence thereafter. Lease payments shall be paid annually at P60.00 per sqm, subject to an annual escalation of 4%.

The Group performed impairment testing on its right-of-use assets with a carrying value of P1,365.5 million as at December 31, 2023 (2022 - P1,431.0 million), by assessing its recoverable amount through estimation of its value-in-use. Based on the impairment testing, there is no impairment loss on the Group's hotel and resorts' right-of-use assets as at December 31, 2023 and 2022 (Note 35).

32 Concession agreement with Department of Transportation (DOTr)

On January 26, 2016, the Group through ASITI entered into a Concession Agreement (CA) with the Department of Transportation (DOTr). The CA sets forth the rights and obligations of ASITI as concessionaire, including the construction and operation of the South Integrated Transport System Project (the Project) of DOTr. During the concession period, DOTr will monitor and review the performance of the concessionaire.

The concession will run for a period of 35 years from the start of the construction of the Project. Under the terms of the concession agreement, ASITI will design, engineer, construct, operate and maintain a mass transportation intermodal terminal at the outskirts of Metro Manila. The operation of the Project includes the collection and remittance of terminal fees to DOTr of the concessionaire during the concession period. In addition, ASITI will be permitted to develop and operate commercial leasing facilities.

Upon the start of the construction of the Project, DOTr will give ASITI the full, exclusive and uninterrupted use and possession of a 5.57 hectare property known as the Project Land. Ownership of the Project Land shall remain with DOTr at all times while the possession, custody and risk of loss or deterioration of the Project and commercial assets shall vest in the concessionaire during the concession period. ASITI shall transfer the Project and the related assets, free from any liens or encumbrances, to DOTr at the end of the concession period. ASITI will be entitled to annual payments from DOTr amounting to P277.9 million during the 35-year concession period, subject to meeting benchmarks set for certain key performance indicators enumerated in the CA.

As at December 31, 2023, construction of the Project has not yet commenced.

33 Notes to consolidated statement of cash flows

Disclosed below is the roll forward of liabilities under financing activities:

<u>2023</u>

	Notes	January 1, 2023	Cash flows	Other changes	Foreign exchange movement	December 31, 2023
Short- term debt	14	6,547,272	10,357,835	-	-	16,905,107
Current portion of long-term debt	14	19,228,289	(288,868)	-	-	18,939,421
Long-term debt, net of current portion (a)	14	210,233,290	12,145,265	22,354	(21,175)	222,379,734
Dividends payable (b)	13	81,030	(5,679,961)	5,662,153	-	63,222
Lease liabilities (a)	31	18,702,566	(2,065,425)	1,885,482	-	18,522,623
Deposits and other non-current liabilities	16	47,519,881	(4,881,100)	-	-	42,638,781
Total liabilities from financing activities		302,312,328	9,587,746	7,569,989	(21,175)	319,448,888

Other changes pertain to:
(a) Interest expense
(b) Dividend declaration

2022

	Note	January 1, 2022	Cash flows	Other changes	Foreign exchange movement	December 31, 2022
Short- term debt	14	16,782,500	(10,235,228)	-	-	6,547,272
Current portion of long-term debt (a)	14	26,173,997	(26,173,997)	19,228,289	-	19,228,289
Long-term debt, net of current portion (a)	14	180,140,242	49,327,017	(19,433,435)	229,466	210,263,290
Dividends payable (b)	13	686,982	(4,667,960)	4,062,008	-	81,030
Lease liabilities (a)	31	17,837,354	(1,316,469)	2,891,842	-	19,412,727
Deposits and other non-current liabilities	16	60,735,602	(13,299,983)	-	-	47,435,619
Total liabilities from financing activities		302,356,677	(6,366,620)	6,748,704	229,466	302,968,227

Other changes pertain to:
(a) Interest expense
(b) Dividend declaration

2021

	Note	January 1, 2021	Cash flows	Other changes	Foreign exchange movement	December 31, 2021
Short- term debt	14	9,131,325	7,651,175	-	-	16,782,500
Current portion of long-term debt (a)	14	18,732,401	(18,732,401)	26,173,997	-	26,173,997
Long-term debt, net of current portion (a)	14	184,087,192	21,483,082	(25,829,931)	399,899	180,140,242
Dividends payable (b)	13	241,606	(5,375,409)	5,820,785	-	686,982
Lease liabilities (a)	31	17,755,843	(1,432,361)	1,513,872	-	17,837,354
Deposits and other non-current liabilities	16	50,040,170	10,695,432	-	-	60,735,602
Total liabilities from financing activities		279,988,537	14,289,518	7,678,723	399,899	302,356,677

Other changes pertain to:
(a) Interest expense
(b) Dividend declaration

The non-cash activities of the Group pertain to the following:

2023

- Transfer from investment properties to inventories amounting to P9,411 million
- Transfer from investment properties to property and equipment amounting to P4,072 million
- Transfer from inventory to property and equipment amounting to P9 million
- Capitalized interest amounted to P683.10million

2022

- Transfer from investment properties to inventories amounting to P16,875 million
- Transfer from property and equipment to investment properties amounting to P5,597.3 million
- Property for share swap transaction with AC and Mermac that resulted in acquisition of investment properties amounting to P4,785.39 million and inventories amounting to P78.06 million, in exchange for the issuance of capital stock and recognition of additional paid-in capital amounting P311.58 million and P17,074.58 million, respectively. This also involved the recognition of non-cash transactions such as equity reserves amounting to P9,800.78 million and non-controlling interest amounting to P3,397.84 million.
- Capitalized interest amounted to P783.22 million

2021

- Transfer from investment properties to inventories amounting to P4,062.9 million
- Transfer from property and equipment to investment properties amounting to P1.2 million
- Transfer from inventories to investment properties amounting to P4,106.9 million
- Transfer from inventories to property and equipment amounting P2.6 million
- Capitalized interest amounted to P574.1 million

34 Events after the reporting date

Post year-end events that provide additional information about the Group’s position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

On January 17, 2024, AREIT completed the acquisition of the 153-room Seda Lio in Palawan from Ayala Land's wholly-owned subsidiary, Econorth Resort Ventures, Inc. for P1,192,000,000.

On January 19, 2024, the SEC approved the merger of Northeastern Commercial Corp. (NECC) and Bay City Commercial Ventures Corp. (Bay City) with Bay City as the surviving entity.

On January 26, 2024, Ayala Land, and its wholly-owned subsidiaries, AyalaLand Offices, Inc. and Glensworth Development, Inc. sold an aggregate of 181,000,000 common shares of AREIT at a transaction price of P31.10/share, equivalent to P5,629,100,000 (exclusive of fees and taxes), in relation to its property-for-share swap transaction with AREIT, with BPI Capital Corporation, UBS AG Singapore Branch, and CLSA Limited as Placement Agents. The transaction has been upsized by over 40%, anchored on high-quality long-only institutional investors. The proceeds from the block sale were settled on January 30, 2024, under the Placement Agreement.

On January 31, 2024, the SEC approved the merger of BGWest Properties, Inc. (BGW), BGNorth Properties, Inc. (BGN) and BGSouth Properties, Inc. (BGS) with BGW as the surviving entity.

On February 12, 2024, the shareholders of AREIT owning a majority of the outstanding capital stock, approved the issuance of 841,259,412 primary common shares to ALI and its subsidiaries, and Buendia Christiana Holdings Corp., a wholly-owned subsidiary of ACEN Corporation, at an issue price of P34.00/share, in exchange for four prime commercial buildings of ALI and a 276-hectare industrial land, with an aggregate value of P28,602,820,008.

On February 20, 2024, the Board of Directors of ALI approved the following:

a. The raising of up to Php50 billion in debt capital to partially finance general corporate requirements and refinance maturing debt through the issuance of retail bonds and/or corporate notes for listing on the Philippine Dealing and Exchange Corporation, and/or execution of bilateral term loans.

b. The declaration of a cash dividend of P0.2050 per outstanding common share payable on March 21, 2024 to stockholders of common shares as at record date of March 5, 2024. This reflects a 37% increase from the cash dividends declared in the first half of 2022 amounting to P0.1495.

c. The 2024 stock option program pursuant to our Employee Stock Ownership Plan (the "Plan") which authorizes the grant to qualified executives, in accordance with the terms of the Plan, of stock options covering up to a total of 18,542,878 common shares at a subscription price of P28.82 per share, which is the average price of our common shares at the Philippine Stock Exchange over the last 30-day trading as of February 13, 2024, less a prescribed discount.

35 Critical accounting judgments and estimates

The preparation of the consolidated financial statements in conformity with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting relief issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

35.1 Critical accounting judgments

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

Existence of a contract

The Group's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other duly executed and signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition, is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress

The Group concluded that revenue for real estate sales is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

The Group has determined that the output method used in measuring the progress of the performance obligation (i.e., percentage of completion) faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Distinction of land between real estate inventories, property and equipment and investment properties

The Group determines whether a property will be classified as real estate inventories, property and equipment or investment properties. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate inventories) and even if the real estate inventories are leased out, the classification remains on the condition that the intent to sell remains. The Group also considers whether the property is held for administrative purposes and classifies the property under property and equipment. All other properties that are not yet determined to be sold in the normal operating cycle nor held for administrative purposes are classified as investment properties.

Consolidation of entities in which the Group holds only 50% or less than majority of voting rights

The Group considers that it controls the following entities even though it owns 50% or less than majority of the voting rights. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee.

ACC
For ACC, ALI holds 50% of the voting rights, and is also the single largest shareholder and the remaining 50% of the equity shares are held by several shareholders. The second largest stockholder of ACC holds 8.3% share while the other shareholders' equity interest ranges from 2.1% to 8.3%. In addition, ALI has an existing management services agreement with ACC which gives ALI the exclusive control and decision over the relevant activities of ACC.

BG Entities (BGWest, BGNorth and BGSouth)
For the BG entities, wherein ALI and the other shareholder each own 50% of the voting rights, ALI controls the investee through exercise of its exclusive project development and marketing agreement as well as the ability to decide on the financing, operating and strategic policies of the investees. This enabled ALI to conclude that it has control.

RLC, ALI-CII, AKL and LAIP
ALI has an existing management development and/or services agreement with RLC, ALI-CII, AKL and LAIP which gives ALI the exclusive control and decision over the relevant activities of RLC, ALI-CII, AKL and LAIP.

Service concession agreement

The Group has made a judgment that the concession agreement with DOTr qualifies under Philippine Interpretation IFRIC 12, Service Concession Arrangements (Note 32). Management has assessed that DOTr controls and regulates the service, determines to whom this service will be provided and controls the price. In addition, management has also determined that the DOTr has the significant control over the residual interest of the Terminal at the end of the term. Management has also made a judgment that the Terminal and commercial assets (mall facilities) are physically separable and are capable of being operated independently.

Management has further assessed that said concession agreement qualifies under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial assets (i.e., the Annual Grantor Payment) for its construction, operating and maintenance services directly from DOTr.

Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense of these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's consolidated financial statements (Note 31).

Sale of real estate receivables

The Group has entered into arrangements with banks wherein it discounted its real estate receivables without recourse. The Group believes that the sales transactions are not more than infrequent and that the receivables discounted is insignificant in value both individually and in aggregate. Accordingly, the Group continues to present trade receivables at amortized cost as it remains to hold trade receivables with the objective of collecting contractual cash flows until maturity.

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria - for residential, commercial and office development receivables, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria
The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financial covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. Concessions or deferrals have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty (e.g., Bayanihan Acts I and II considerations)
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Determination of lease term of contracts with renewal and termination options - Group as a lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether the provisions to renew or terminate the lease is enforceable. For leases where the Group has the unilateral option to renew or terminate, it then applies judgment on whether it is reasonably certain or not to exercise the option. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Assessment on whether lease concessions granted constitute a lease modification

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

The Group applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, the Group determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Group assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

There are no rent concessions granted by the Group for the year ended December 31, 2023 (2022 - P2.36 billion).

Judgements made in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates applying paragraph 122 of PAS 1, Presentation of Financial Statements. Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment, in consultation with its tax counsel, that it is probable that its uncertain income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

35.2 Critical accounting estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition on real estate projects

The Group’s revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues. The Group’s revenue from real estate is recognized based on the percentage of completion and this is measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the percentage of completion is complex and the estimated project development costs requires technical determination by management’s specialists (project engineers).

Following the pattern of real estate revenue recognition, the cost to sell and cost to obtain a contract (e.g., commission), is determined using the percentage of completion. To determine the cost of sales, the percentage of completion is applied to the standard cost which is regularly reviewed and adjusted to actual cost. In view of the community quarantines and restricted mobility in 2022 and 2021, the progress of the Group's performance obligation was adversely affected which resulted in lower percentage of completion as compared to previous years. In 2023, the Group's percentage of completion posted improvement due to easing of health and travel restrictions.

Evaluation of NRV of real estate inventories

The Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of the inventories. NRV for completed real estate inventories 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 inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell.

In evaluating NRV, recent market conditions and current market prices have been considered. See Note 6 for the related balances.

Share-based payments

The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Group (Note 26).

Estimating pension liabilities and other retirement benefits

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. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Significant assumptions are disclosed in Note 24 and include among others, discount rate and salary increase rate.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on 1994 Group Annuity Mortality Table and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions could materially affect retirement obligations (Note 24).

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded or disclosed in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at their fair values by using the discounted cash flow methodology (Note 27).

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables other than residential, commercial and office development receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and GDP growth rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Group uses vintage analysis approach to calculate ECLs for residential, commercial and office development receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Group's trade receivables is disclosed in Notes 5 and 27.

Estimating the Incremental Borrowing Rate (IBR) for leases

The Group uses its IBR to measure lease liabilities because the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

As at December 31, 2023, the Group's lease liabilities amounted to P18,522.6 million (2022 - P18,702.6 million) (Note 31).

Evaluation of impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (i.e., property and equipment, investment properties, right-of-use assets and other current assets) at each financial reporting date. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs, 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.

In view of the improving economy that was severely impacted by the pandemic and the government's easing travel and mobility restrictions (both domestic and international), the Group's hotels and resorts segment has registered positive growth in its revenues during the year. The hotel and resorts properties continue to post significant improvements in revenues and net income from higher occupancies due to easing of health and travel restrictions, surging leisure demand and increased guests spending. In addition, many restaurants and food outlets have reopened and operated, improving the food and beverage revenues of the segment. With a better economic outlook and market forecast, the segment is expected to continue its recovery in the future. Accordingly, there are no impairment indicators in 2023 and 2022 requiring the assessment of the recoverable amount of the property and equipment and right-of-use assets.

As at December 31, 2023, the carrying value of the property and equipment and right-of-use assets of the hotels and resorts segment amounted to P19,578 million (2022 - P20,499.6 million) and P1,365.5 million (2022 - P1431.3 million). There is no impairment of investment properties in 2023 and 2022.

Useful lives of property and equipment and investment properties

The useful life of each item of the Group's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimate is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded operating expenses and decrease non-current assets.

In 2023 and 2022, there were no changes in the estimated useful lives of property and equipment.

36 Summary of material accounting policies

36.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with PFRSs, as modified by the application of the financial reporting relief on the accounting for significant financing component as issued and approved by the SEC in response to the COVID-19 pandemic. The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The Group has availed the relief granted by the SEC under Memorandum Circular (MC) No. 34- 2020 which further extended the deferral of PIC Q&A 2018-12-D, assessment if the transaction price includes a significant financing component, until December 31, 2023.

SEC MC No. 4-2020, deferring the adoption of IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, *Borrowing Cost* (the IFRIC Agenda Decision on Borrowing Cost), not applicable to the Group as is it is already in full compliance with the requirements of the IFRIC Agenda Decision.

The details and the impact of the adoption of the above financial reporting relief are discussed in Note 36.3 - Adoption of amended accounting standards and interpretation.

Basis of measurement

The financial statements have been prepared using the historical cost basis, except for financial assets FVTPL and financial assets at FVOCI and plan assets of retirement benefit obligation that have been measured at fair value.

The preparation of financial statements in conformity with PFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the financial statements therefore fairly present the financial position and results of the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 35.

Functional and presentation currency

The consolidated financial statements of the Group are presented in Philippine Peso. All amounts are shown in thousands of Philippine Peso unless otherwise stated.

36.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2023 (with comparative figures as at December 31, 2022) and for the year ended December 31, 2023 (with comparative figures for the years ended December 31, 2022 and 2021).

The financial statements of the subsidiaries are prepared using the same reporting date and reporting period as those of the Parent Company, using consistent accounting policies.

Investees are fully consolidated from the date when control is transferred to the Group. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full in the consolidated financial statements.

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions. The portion of profit or loss and net assets in subsidiaries not wholly-owned are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position, separately from the Parent Company's equity.

Non-controlling interests are net of any outstanding subscription receivable.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction and recognized as equity reserves in the consolidated statement of changes in equity (Notes 1 and 17). If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

36.3 Adoption of amended accounting standards and interpretation

(a) Amendments to existing standards adopted by the Group effective January 1, 2023

The following amendments to existing standards have been adopted by the Group effective January 1, 2023:

- Amendments to PAS 1, '*Presentation of Financial Statements', and PFRS Practice Statement 2*

  The amendment requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, PFRS Practice Statement 2, *Making Materiality Judgements*, was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The adoption of these amendments resulted in changes in the accounting policies disclosed by the Group.

- Amendments to PAS 8, '*Definition of Accounting Estimates'*

  The amendment to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- Amendments to PAS 12*, 'Income Taxes'*

  The amendments require entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

There are no other new standards, interpretations and amendments to existing standards effective January 1, 2023 that are considered to be relevant or have a material impact on the Group's consolidated financial statements.

(b) Amendments to existing standards not yet effective and not early adopted by the Group

The following amendments to existing standards are not mandatory for December 31, 2023 reporting period and have not been early adopted by the Group:

- PAS 1, *Presentation of Financial Statements (Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants)*

  Amendments made to PAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

  The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

  - the carrying amount of the liability
  - information about the covenants, and
  - facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note.

The amendments must be applied retrospectively in accordance with the normal requirements in PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

- Amendments to PFRS 16*, 'Lease Liability in a Sale and Leaseback'*

  The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right-of-use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

- Deferral of Certain Provisions of PIC Q&A 2018-12*, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)*

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of the PIC Q&A until December 31, 2023. The PIC Q&A provisions covered by the SEC deferral that the Group availed pertain to '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)' with allowed deferral period until December 31, 2023.

  After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

  The Group availed the SEC relief on the accounting for significant financing component in its 2023 consolidated financial statements. Had this provision been adopted, the Group would follow the allowed modified retrospective approach allowing it to only adjust the beginning balance of Retained earnings in 2023. The net income for the current period is not expected to materially change as it would only require allocation of transaction price from one revenue line item to another.

  The Group assessed that the overall impact of the adoption of the requirement of PIC Q&A No. 2018-12 pertaining to significant financing component is not material to the 2023 consolidated financial statements. Upon the adoption in 2024, the adjustment on the beginning balance of Retained earnings approximates an increase of P393.0 million.

- PFRS 17, ‘*Insurance Contracts’*

  PFRS 17 was issued in May 2017 as replacement for PFRS 4, *Insurance Contracts*. PFRS 17 represents a fundamental change in the accounting framework for insurance contracts requiring liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of (1) discounted probability-weighted cash flows, (2) an explicit risk adjustment, and (3) a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognized as revenue over the coverage period. The standard allows a choice between recognizing changes in discount rates either in the statement of income or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under PFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

  The IC, in coordination with Philippine Insurers and Reinsurers Association, is currently reviewing the impact of PFRS 17 across the entire industry and has established a project team to manage the implementation approach. The IC, considering the extension of IFRS 17 and the challenges of the COVID-19 pandemic to the insurance industry, has deferred the implementation of PFRS 17 to January 1, 2025, granting an additional two-year period from the date of effectivity proposed by the IASB.

  The new standard is not applicable to the Group since none of the entities within the Group has activities that are predominantly connected with insurance or issue insurance contracts.

The adoption of the above amendments is not expected to have a material impact on the consolidated financial statements of the Group.

36.4 Current and non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current and non-current classification. An asset is current when it is:

a. expected to be realized or intended to be sold or consumed in normal operating cycle;
b. held primarily for the purpose of trading;
c. expected to be realized within twelve (12) months after reporting date; or
d. cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as non-current.

A liability is current when:

a. it is expected to be settled in the normal operating cycle;
b. it is held primarily for the purpose of trading;
c. it is due to be settled within 12 months after reporting date; or
d. there is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

36.5 Fair value measurement

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

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

The principal or the most advantageous market must be accessible to 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

a. Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
b. Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
c. Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by corporate finance after discussion with and approval by the Group’s Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The Group, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

36.6 Cash and cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less and are readily convertible to known amount of cash and which are subject to insignificant changes in value.

36.7 Financial instruments

Date of recognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivatives are recognised on a trade date basis. Financial liabilities are recognized when cash is received by the Group.

(a) **Financial assets**

i. Initial recognition, classification and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. All financial instruments are initially recognised at fair value plus or less, except for financial instruments at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, respectively. Trade receivables, except for contracts with customers in residential, commercial and office development receivables, are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on *Revenue from contracts with customers*.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The classification requirements for financial assets are described below:

a. Financial assets at amortized cost (debt instruments);
b. Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);
c. Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
d. Financial assets at fair value through profit or loss

ii. Subsequent measurement

(a) Financial assets at amortized cost

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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.

The Group's financial assets at amortized cost includes cash and cash equivalents, short-term investments and accounts and notes receivables.

The Group accounts for regular way amortized cost financial instruments using trade date accounting. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs. If the initial fair value is lower than the cash amount advanced, the difference is deferred and recognised over the life of the financial assets through the recognition of interest income.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Interest income and impairment losses or reversals are recognized in the consolidated statement of income. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

When financial assets at amortized cost are disposed, these are assessed whether the Group is consistent with its objective of collecting contractual cash flows until maturity. In the event that disposals have been concluded as infrequent and insignificant, the financial assets continue to be accounted at amortized cost (Note 5).

(b) Financial assets at FVOCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

The Group's debt financial assets at FVOCI includes investment in bonds classified as financial assets at FVOCI.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

(c) Financial assets designated at FVOCI (equity instruments)

The equity securities for which fair value movements are shown in other comprehensive income are investments where the Group holds the financial assets other than to generate a capital return. Gains or losses on derecognition of these equity securities are not transferred to profit or loss. Otherwise, equity securities are measured at fair value through profit or loss (except for dividend income which is recognised in profit or loss).

The Group's equity financial assets at FVOCI includes investments in quoted and unquoted equity instruments.

(d) Financial assets at FVTPL

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- the financial liability contains one or more non-closely related embedded derivatives.

Designated financial assets are recognised when the Group enter into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Designated financial liabilities are recognised when the Group enters into contracts with counterparties, which is generally on settlement date, and are normally derecognised when extinguished. Subsequent changes in fair values are recognised in profit or loss.

The Group's financial assets at FVTPL includes investments in UITF and ARCH Capital Fund.

iii. Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at FVTPL. 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes allowance for impairment loss based on lifetime ECL at each reporting date. The Group has established a provision matrix for trade receivables and a vintage analysis for residential, commercial and office development receivables that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such as accrued receivable, receivable from related parties and advances to other companies, ECL are recognized in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, ECL is provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such 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. The Group uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables in default when contractual payments are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

iv. Determining the stage for impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12- months ECL.

v. Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

a. the rights to receive cash flows from the asset have expired, or
b. the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

vi. Modification of financial assets

The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate (EIR) (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated statement of income.

***(b)* Financial liabilities**

i. Initial recognition, classification and measurement

Financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities. The category depends on the purpose for which the liabilities were incurred and whether they are quoted in an active market. Management determines the category of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

All financial liabilities are recognized initially at fair value and, in the case of those measured at amortized cost, net of directly attributable transaction costs. Directly attributable transaction costs are documentary stamp tax, underwriting and selling fees, regulatory filing fees and other fees.

The Group's financial liabilities include accounts and other payables (except for taxes payable), short-term and long-term debts, deposits and other liabilities, and lease liabilities. The Group has no financial liabilities at FVTPL.

ii. *Subsequent measurement*

Financial liabilities at amortized cost is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of income.

iii. *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

iv. *Offsetting*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

There is no offsetting of financial instruments as at December 31, 2023 and 2022.

36.8 Derivatives

The Group uses derivative financial instruments, such as non-deliverable forwards, cross currency swaps, interest rate swaps and principal only swaps contracts to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

36.9 Concession receivable

The Group accounts for its concession arrangement with the DOTr under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial asset for its construction services from or at the direction of the grantor. Under the concession arrangement, the Group is awarded the right to build and operate an integrated transport terminal for Metro Manila and its adjacent provinces. The legal title to these assets shall be transferred to the government at the end of the concession period.

The concession financial receivable (shown as part of “Other Non-current Assets”) pertains to the fair value of the Annual Grantor Payment related to the operating and maintenance services and recovery of construction costs of the terminal facility. These are amortized using the effective interest rate over the life of the related concession.

In addition, the Group recognizes and measures construction revenues and costs in accordance with 'percentage of completion method'. Contract revenue and costs from construction works are recognized as "Construction revenue" and "Construction costs", respectively, in profit or loss in the period in which the work is performed.

36.10 Inventories

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). NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and estimated costs to sell.

Cost of inventories represents accumulated costs of the unsold units of the completed projects. Cost includes those directly attributable to the construction of the projects and includes:
- Land cost;
- Land improvement cost;
- Amounts paid to contractors for construction and development; and
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Inventories that are leased out at market rates to earn revenues to partly cover for expenses on the condition that the intent to sell in the ordinary course of business has not changed are accounted and presented as inventory. The rent income from inventories that are leased out is included in other income in the consolidated statement of comprehensive income.

Inventories are derecognized when they are sold or there are no future benefits to the Group. The carrying amount of those properties held for sale is recognized as an expense, reported as cost and expenses in the period in which the related revenue is recognized.

36.11 Materials, parts and supplies

Materials, parts and supplies are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

An allowance for inventory losses is provided for slow-moving, obsolete and defective materials, parts and supplies based on management's physical inspection and evaluation. When inventories are sold, the cost and related allowance is removed from the account and the difference is charged against operations.

36.12 Investments in associates and joint ventures

Investments in associates and joint ventures (investee companies) are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate entity in which each venturer has an interest.

An investment is accounted for using the equity method from the day it becomes an associate or joint venture. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as subsumed goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and instead included in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment in values. The consolidated statement of income reflects the share of the results of the operations of the investee companies. The Group's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Unless otherwise, additional losses are not recognized when the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the investee companies, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

36.13 Interest in joint operation

Makati Development Corporation (MDC), a subsidiary of the Parent Company, has an interest in joint arrangement, whereby the parties have a contractual arrangement that establishes joint control. MDC recognizes its share of jointly held assets, liabilities, income and expenses of the joint operation with similar items, line by line, in its financial statements.

The financial statements of the joint operation are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

36.14 Investment properties

Investment properties comprise completed property and property under construction or under re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the companies in the Group.

The Group uses the cost model in measuring investment properties since this represents the historical value of the properties subsequent to initial recognition. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Assets that are under construction are carried at cost (including borrowing costs) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation or under the condition as intended by the Group.

Depreciation of investment properties are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of investment properties which comprised of buildings, range from 20-40 years.

Investment properties are derecognized when either they 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 statement of income in the year of retirement or disposal.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

As at December 31, 2023 and 2022, the Group engages independent valuation specialist to assess the fair value. The Group's investment properties consist of land and building pertaining to land properties, retail (malls) and office properties. These are valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property and income approach by reference to the value of income, cash flow or cost saving generated by the asset.

36.15 Property and equipment

Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and are computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Buildings and improvements	20-40
Machinery and construction equipment	5
Furniture, fixtures and equipment	3-10
Transportation equipment	3-5
Hotel property and equipment	20-50

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

When property and equipment items are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

36.16 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Leasehold rights with finite lives are amortized using the straight-line method over the estimated useful life of 20 to 23 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income.

As at December 31, 2023 and 2022, intangible asset pertaining to leasehold right is included under "Other non-current assets" (Note 12).

36.17 Business combinations and goodwill

Business combinations are accounted for using the acquisition method which involves recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interests in the acquiree.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as bargain purchase gain. The Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure amounts to be recognized at the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

36.18 Combinations of entities under common control

Business combinations of entities under common control are accounted for using the pooling of interest method.

The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the current period presented and on retained earnings at the beginning of the current period presented are eliminated to the extent possible.

36.19 Asset acquisitions

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business as defined under PFRS 3, the transaction is accounted for as an asset acquisition (Note 17). The Group identifies and recognizes the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets) and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

36.20 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired (e.g., investments in associates and joint ventures, investment properties, property and equipment and right-of-use assets). If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value 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 of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following criteria are also applied in assessing impairment of specific assets:

Investments in associates and joint ventures

After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investment in associates or joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the investee company and recognizes the difference in the consolidated statement of income.

36.21 Pension cost

Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

The present value of the defined benefit obligation is determined by using risk-free interest rates of long-term government bonds that have terms to maturity approximating the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

36.22 Long-term commitments and contingencies

Commitments

a. On December 8, 2017, ALI assigned to NTDCC development rights on certain portions of the North Triangle lot pads covered by a Deed of Assignment and Encroachment Settlement Agreement amounting to P631.2 million.

b. On June 30, 2015, the Parent Company, through SM-ALI Group Consortium (the Consortium), participated and won in the bidding for Lot No. 8-B-1, containing an area of 263,384 sqm, which is portion of Cebu City-owned lot located at the South Road Properties, Cebu City covered by Transfer Certificate of Title No. 107-2011000963. The Consortium is a consortium among SMPHI, the Parent Company and CHI (together with the Parent Company collectively referred to as the "ALI Group"). Consistent with the agreed payment schedule in the Deed of Absolute Sale, as of August 1, 2018, the Parent Company has fully paid P4.56 billion, excluding taxes. The SM-ALI Group has finished with the joint masterplan and has secured the development permit last November 2019 from the Cebu City Council.

   On January 29, 2020, SM-ALI Group broke ground the 263,384sqm development and the construction of road networks and underground utilities commenced on February 18, 2020.

   As of December 2023, actual completion of the land development works for the launched lots of ALI in the South Road Properties project is at 100%.

   The development is positioned to be "The Gateway and Epicenter of Growth in Central Visayas".

   It is envisioned to create a commercially viable mixed-use development and to create a living, vibrant community with world-class facilities, a well-designed urban setting, and lush, extensive landscaping.

c. On August 11, 2015, the Group won the bid for the Integrated Transport System Project - South Terminal ("ITS South Project"). The Company was awarded by the Department of Transportation and Communications ("DOTC") with a 35-year concession agreement to build and operate the ITS South Project and will likewise have the right to develop and operate commercial leasing facilities on the same 5.57-hectare of the former Food Terminal Inc. property on which the future transport terminal will be built. The site of the ITS South Project is right next to ARCA South, where the Company is developing an integrated mixed-use estate.

d. On August 8, 1997, an "Assignment Agreement" was executed between Department of Transportation and Communications (DOTC), Metro Rail and MRTDC whereby MRTDC agreed to be bound by all obligations in respect of the Development Rights and make payments to DOTC.

e. On June 4, 2014, AHRC, a wholly owned subsidiary of the Parent Company has signed a long-term management agreement with the Mandarin Oriental Hotel Group to develop and operate luxury hotel in Makati City. Set to open its doors by 2027, the new Mandarin Oriental Manila will be featuring 276 spacious rooms complemented by an extensive range of modern amenities including premium selection of restaurants and a signature spa. AHRC is committed to pay US$5 million (P223.6 million) to Manila Mandarin Hotel, Inc. upon the opening of the New Hotel or on June 30, 2017, whichever is earlier. In 2017, the Group fully paid the said amount.

f. On February 26, 2021, The Group entered into agreements to restructure the long-outstanding receivables from Mercado General Hospital, Inc., Panay Medical Ventures, Inc., Mercado General Hospital Sta. Rosa, Inc. and Mercado General Hospital San Jose Del Monte, Inc. amounting to P209.0 million, P79.0 million, P5.0 million and P129.1 million, respectively, to a 5-year loan with interest rate of 4% per annum.

g. ALI and LT Group, Inc. (LTG) entered into an agreement on January 21, 2016 to jointly develop a project along the C5 corridor. The project is envisioned to be an estate development that spans portions of Pasig City and Quezon City. A new company, named ALI-ETON Property Development Corporation, was incorporated on May 13, 2016.

   On January 15, 2018, the estate, named Parklinks was launched and is the greenest urban estate of ALI in partnership with Eton Properties Inc. The first residential project of Ayala Land Premier, Parklinks North Tower was launched on the same year, while the Parklinks lifestyle mall broke ground as well, expected to provide a new destination for residents and office workers within the area when it opens in 2026. Alveo's first residential development, The Lattice, was also launched in 2019, together with ALP's second tower, Parklinks South tower.

On November 28, 2022, Parklinks Bridge was inaugurated. The Parklinks Bridge connects Quezon City and Pasig City over the Marikina River and is considered an iconic feature of the 35-hectare Parklinks Estate.

h. On January 12, 2016, the Parent Company has entered into a partnership with Manila Water Philippine Ventures, Inc., a wholly owned subsidiary of Manila Water Company, Inc, for the waterworks of Parent Company's projects nationwide. The Memorandum of Agreement (MOA) was subsequently amended on May 31, 2021 to amend certain provisions. The original MOA and its amendments were signed by the Parent Company and its subsidiaries and affiliates including Cebu Holdings, Inc. and Cebu Property Ventures and Development Corp. Total expenses amounted to P0.2 million. As a result of the merger of CHI into CPVDC and later on CHI to the Parent Company, the Parent Company assumes the rights and obligations of CHI and CPVDC.

Contingencies

The Group has various contingent liabilities arising in the ordinary conduct of business including a case related to property restriction violation. The estimate of the probable cost for the resolution of this claim has been developed in consultation with outside counsel handling the defense in this matter and is based upon an analysis of potential results. In the opinion of management and its legal counsel the eventual liability under these lawsuits or claims, if any, will not have a material nor adverse effect on the Group's financial position and results of operations. Accordingly, no provision for any liability has been made in the consolidated financial statements.

Disclosures required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, were not provided as it may prejudice the Group's position in ongoing claims and it can jeopardize the outcome of the claims and contingencies.

36.23 Share-based payments

The Group has equity-settled, share-based compensation plans with its employees.

PFRS 2 Options

For options granted after November 7, 2002 that have not vested on or before January 1, 2005, the cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using the Black-Scholes model, further details of which are given in Note 26.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instrument that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Pre-PFRS 2 Options

For options granted before November 7, 2002 that has vested before January 1, 2005, the intrinsic value of stock options determined as at grant date is recognized as expense over the vesting period.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (Note 25).

ESOWN

The Parent Company has an ESOWN which allows the grantees to purchase the Parent Company's shares. The Parent Company recognizes stock compensation expense over the holding period. The Parent Company treats its ESOWN plan as option exercisable within a given period. These are accounted for similar to the PFRS 2 options. Dividends paid on the awards that have vested are deducted from equity and those paid on awards that are unvested are charged to profit or loss. For the unsubscribed shares where the employees still have the option to subscribe in the future, these are accounted for as options.

36.24 Equity

When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non- controlling interests are adjusted and the fair value of the consideration paid shall be recognized directly in equity and included under "Equity reserves" account in the equity section of the consolidated statement of financial position (Note 17).

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. 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 when the shares were issued and to retained earnings for the remaining balance.

36.25 Revenue from contract with customers

The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Except for the provisioning of water, electricity, air-conditioning and common use service area in its mall retail spaces, wherein it is acting as agent, the Group has generally concluded that it is the principal in its revenue arrangements.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 35.

Residential development revenue (part of real estate sales in the consolidated statement of income)

The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue and the related trade receivables on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third-party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized as trade receivables under residential and office development receivables account. Any excess of collections over the total of recognized trade receivables is included in the "customer's deposit" account in the liabilities section of the consolidated statement of financial position.

The impact of the significant financing component on the transaction price has not been considered since the Group availed of the relief granted by the SEC under Memorandum Circular No. 34 until December 31, 2023.

Hotel and resorts revenue (part of real estate sales in the consolidated statement of income)

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. Rooms revenue from hotel and resort operations is recognized when the services are rendered. Revenue from banquets and other special events are recognized when the events take place.

Construction revenue (part of real estate sales in the consolidated statement of income)

Revenue from fixed price construction contracts is recognized over time using the milestone-based revenue recognition which is in reference to the output method. The output method is determined based on the start and completion of a task of the contract work inclusive of uninstalled goods and materials delivered to the site.

Rental income (part of real estate sales in the consolidated statement of income)

Rental income under non-cancellable and cancellable leases on investment properties is recognized in the consolidated statement of income on a straight-line basis over the lease term and the terms of the lease, respectively, and/or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. No rental income is recognized when the Group waives its right to collect rent and other charges. This is recognized as a rent concession and reported as a variable payment (Note 4).

The contract for the commercial spaces leased out by the Group to its tenants includes the right to charge for the electricity usage, water usage, air-conditioning charges and Common use service area (CUSA) charges such as maintenance, janitorial and security services.

For the electricity and water usage, the Group determined that it is acting as an agent because the promise of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Group, are primarily responsible for the provisioning of the utilities while the Group administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air-conditioning of the Buildings, the Group acts as a principal because it retains the right to direct the service provider of air-conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the CUSA and air-conditioning charges.

Other services

Revenue from other services is recognized at a point in time when services are rendered.

Interest income is recognized as it accrues using the effective interest method.

Investment income is recognized when the Group's right to receive the payment is established.

36.26 Cost recognition

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance which are determined based on standard cost method. The standard cost method is revisited regularly and adjusted to approximate actual cost. Contract cost also includes warranties, provisions and post construction works. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Marketing fees, management fees from administration and property management are recognized as expense when services are incurred.

Cost of hotel operations (part of cost of real estate sales in the consolidated statement of income)

Cost of hotel operations pertains to expenses incurred in relation to sale of goods and rendering of services. These are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen than can be measured reliably. These are recognized when incurred and measured at the amount paid or payable.

Construction costs (part of cost of real estate sales in the consolidated statement of income)

Contract costs, which is determined using the standard cost method, include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, warranties, post constructions works and final contract settlements which may result in revisions to estimated costs (e.g., standard cost to actual cost) and gross margins are recognized in the year in which the changes are determined.

Customers' deposit

Customers' deposit is a contract liability which is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a customers' deposit is recognized when the payment is made or the payment is due (whichever is earlier). Customers' deposit are recognized as revenue when the control of the goods or services are transferred to the customers by the Group which is essentially fulfillment of its performance obligation under the contract.

Customers' deposit also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

36.27 Costs to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization, de-recognition and impairment of capitalized costs to obtain a contract

Following the pattern of real estate revenue recognition, the Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion. The amortization is included within cost of sales.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price is removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

36.28 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 (included in "Investment properties" and "Property and equipment" accounts in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which 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. Where 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.

The Group capitalizes borrowing costs relating to its investment properties and property and equipment under construction. The interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted.

36.29 Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfilment is dependent on a specified asset; or
d. There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Group as a lessee

Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Useful Life
Building	20-40
Aircraft	10
Others	5

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.
The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of non-financial assets section.

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its IBR at the lease commencement date because the interest rate implicit in the lease is not readily determinable. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

36.30 Current tax

Current tax assets and liabilities for the current and prior periods 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 are enacted or substantively enacted as at the end of the reporting period.

36.31 Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, 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, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax 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 carryforward benefits of unused tax credits and NOLCO can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

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 assets 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 all or part of the deferred tax assets to be recovered.

36.32 Foreign currency transactions

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The exchange differences arising on the translation are taken directly to a separate component of equity under “Cumulative translation adjustments” account. Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of income.

Investments in foreign associates are translated to Philippine Peso using the closing exchange rate prevailing at reporting date. The Group’s share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

36.33 Earnings per share (EPS)

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 adjusted for any subsequent stock dividends declared. 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. Calculation of dilutive EPS considers the potential ordinary shares of subsidiaries, associates and joint ventures that have dilutive effect on the basic EPS of the Parent Company. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

36.34 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 representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 28 to the consolidated financial statements.

36.35 Contingencies

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

36.36 Events after the reporting period

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

Ayala Land, Inc. and Subsidiaries

Index to Consolidated Financial Statements and Supplementary Schedules
As at December 31, 2023

Supplementary Schedules Required by Annex 68-J

Other Supporting Schedules

Ayala Land, Inc. and Subsidiaries

Schedule A - Financial Assets

As at December 31, 2023

Name of Issuing entity and association of each issue	Number of share or principal amount of bonds and notes (in '000)	Amount in the statement of financial position (in '000)	Income received and accrued (in '000)
Loans and Receivables			
A. Cash in bank	**-**	**10,615,507**	**121,945**
BPI	-		
Peso	-	4,495,816	12,228
Foreign Currency	-	177,583	20
Other Banks	-		
Peso	-	3,990,580	84,546
Foreign Currency	-	1,951,528	25,151
B. Cash Equivalents 1/		**6,412,124**	**331,059**
BPI			
Special Savings Account	-	-	-
Time Deposits	-	999,294	51,495
Others	-	-	-
Other Banks	-	-	-
Special Savings Account	-	-	-
Time Deposits	-	5,412,830	279,564
Others	-	-	-
C. Loans and receivable		**163,983,727**	**5,648,259**
Trade	-	127,131,467	5,496,042
Advances to other companies	-	18,169,487	152,217
Accrued receivables	-	11,096,749	-
Related parties	-	6,537,813	-
Receivable from employees	-	1,048,211	-
D. Financial Assets at FVPL	**-**	**419,802**	**19,825**
Investment in UITF	-	228,674	11,382
Investment in Funds	-	191,128	8,443
E. Financial Assets at FVOCI	**-**	**1,121,969**	**-**
Quoted	2,744	461,211	**-**
Unquoted	343,831	660,758	**-**
TOTAL	**346,575**	**182,553,129**	**6,118,088**

1/ Cash equivalents are short term, highly liquid investments that are made for varying period of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term rates.

Ayala Land, Inc. and Subsidiaries

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders

(Other than Related Parties)

As at December 31, 2023

NAME AND DESIGNATION OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	CURRENT	NON-CURRENT	BALANCE AT END OF PERIOD
Employees							
Notes Receivable	927,787,350	4,756,637,751	4,636,214,385	-	772,291,681	275,919,035	1,048,210,716

Ayala Land, Inc. and subsidiaries

Schedule C - Accounts receivable from related parties which are eliminated during the consolidation period

As of December 31, 2023

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by ALI Parent from related parties							
Accendo Commercial Corp	472,433,673	62,336,509	(385,264,819)	-	149,505,363	-	149,505,363
Adauge Commercial Corp.	4,436,505	7,784,548	(8,218,414)	-	4,002,639	-	4,002,639
AKL Properties Inc.	-	318,658,109	(319,013,619)	-	(355,510)	-	(355,510)
Alabang Commercial Corporation (Conso)	22,904,492	52,803,452	(51,154,529)	-	24,553,415	-	24,553,415
ALI Capital Corp. (Conso)	384,595,703	18,796,527	(256,865,170)	-	146,527,061	-	146,527,061
ALI Commercial Center, Inc. (Conso)	1,213,485,300	-	(1,213,485,300)	-	-	-	-
ALI-CII Development Corporation	7,856,285	10,105,277	(11,063,141)	-	6,898,422	-	6,898,422
ALO Prime Realty Corporation	5,891,378	1,648,810	-	-	7,540,188	-	7,540,188
Altaraza Development Corporation	801,159,387	8,600,703	(102,128,167)	-	707,631,922	-	707,631,922
Alveo Land Corporation (Conso)	4,490,192,856	1,612,077,495	-	-	6,102,270,351	-	6,102,270,351
Amaia Land Corporation (Conso)	1,933,728,418	72,058,740	(862,705,727)	-	1,143,081,430	-	1,143,081,430
Amorsedia Development Corporation (Conso)	528,101,073	10,067,850	(57,586,394)	-	480,582,529	-	480,582,529
Anvaya Cove Beach and Nature Club Inc	625	-	(625)	-	-	-	-
Anvaya Cove Golf and Sports Club Inc.	78,316,634	997,638	-	-	79,314,272	-	79,314,272
APRISA Business Process Solutions, Inc	1,085,699	252,986	-	-	1,338,685	-	1,338,685
Arca South Integrated Terminal, Inc	13,895,676	-	(20,317)	-	13,875,359	-	13,875,359
AREIT Fund Manager, Inc.	39,992,456	-	(23,672,028)	-	16,320,428	-	16,320,428
AREIT Property Managers, Inc.	362,294	67,200	-	-	429,494	-	429,494
AREIT, Inc.	983,654,342	557,407,374	-	-	1,541,061,716	-	1,541,061,716
Arvo Commercial Corporation	420,872,112	227,040,264	(518,549,282)	-	129,363,095	-	129,363,095
Aurora Properties, Inc.	71,820,403	122,570	-	-	71,942,973	-	71,942,973
Aviana Development Corporation	154,404,367	69,009,938	-	-	223,414,305	-	223,414,305
Avida Land Corporation (Conso)	3,976,979,036	338,671,645	-	-	4,315,650,681	-	4,315,650,681
Ayala Hotels Inc.	923,247,465	179,915,666	(539,410,912)	-	563,752,220	-	563,752,220
Ayala Land International Sales, Inc.(Conso)	157,412,291	7,395,717	-	-	164,808,009	-	164,808,009
Ayala Land Sales Inc.	68,100,842	-	(68,100,842)	-	-	-	-
Ayala Land-Tagle Property Inc.	-	-	-	-	-	-	-
Ayala Malls Zing Inc.	-	283,607	-	-	283,607	-	283,607
Ayala Property Management Corporation (Conso)	180,707,438	114,922,713	(172,433,774)	-	123,196,376	-	123,196,376
Ayala Theaters Management, Inc.	726,447	-	(11,112)	-	715,335	-	715,335
AyalaLand Club Management, Inc.	25,342,356	-	(25,342,356)	-	-	-	-
AyalaLand Estates Inc. (Conso)	4,649,947,076	277,290,933	(2,263,064,404)	-	2,664,173,605	-	2,664,173,605
AyalaLand Hotels and Resorts Corp. (Conso)	1,474,775,101	593,871,434	(1,376,535,029)	-	692,111,506	-	692,111,506
Ayalaland Logistics Holdings Corp. (Conso)	1,507,488,086	312,054,116	(771,557,591)	-	1,047,984,611	-	1,047,984,611
Ayalaland Malls Synergies, Inc.	43,642,251	333,734	-	-	43,975,986	-	43,975,986
AyalaLand Malls, Inc. (Conso)	31,425,456	-	(31,425,456)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	925,781,087	(88,387,626)	-	837,393,461	-	837,393,461
Ayalaland Medical Facilities Leasing Inc.	14,366,123	-	-	-	14,366,123	-	14,366,123
Ayalaland Metro North, Inc.	5,160,837	188,252	-	-	5,349,089	-	5,349,089
AyalaLand Offices, Inc. (Conso)	266,642,863	297,912,693	(240,503,700)	-	324,051,856	-	324,051,856
Ayalaland Premier, Inc.	21,596	91,815,018	-	-	91,836,614	-	91,836,614
Bay City Commercial Ventures Corp.	7,668,732,201	292,250,133	(529,876,078)	-	7,431,106,255	-	7,431,106,255
BellaVita Land Corp.	1,266,893,706	13,648,268	-	-	1,280,541,973	-	1,280,541,973
BG North Properties Inc.	-	13,222,672	-	-	13,222,672	-	13,222,672
BG South Properties, Inc.	-	28,464,743	-	-	28,464,743	-	28,464,743
BG West Properties, Inc	1,280,214,835	63,982,826	-	-	1,344,197,661	-	1,344,197,661
Buendia Landholdings, Inc.	-	67,200	-	-	67,200	-	67,200
Cagayan De Oro Gateway Corporation	166,871,933	31,596,715	(146,906,876)	-	51,561,771	-	51,561,771
Capitol Central Commercial Ventures Corp.	1,586,438,845	171,852,991	(202,399,064)	-	1,555,892,772	-	1,555,892,772
Cavite Commercial Towncenter Inc.	229,103,769	42,373,959	(130,685,531)	-	140,792,197	-	140,792,197
Cebu Leisure Co. Inc.	29,844,212	40,354,700	(23,805,279)	-	46,393,633	-	46,393,633

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
CECI Realty Corp.	262,656,962	(8,968,795)	(62,348,870)	-	191,339,298	-	191,339,298
Central Bloc Hotel Ventures	3,813,386	3,196,039	-	-	7,009,425	-	7,009,425
Crans Montana Property Holdings Corporation	72,618,198	283,175	(70,323,786)	-	2,577,588	-	2,577,588
Crimson Field Enterprises, Inc.	185,736,063	39,644	-	-	185,775,707	-	185,775,707
Direct Power Services Inc.	2,786,621	10,003,656	(12,002,745)	-	787,531	-	787,531
Ecoholdings Company, Inc.	702,706	-	-	-	702,706	-	702,706
First Longfield Investments Ltd.	64,753	-	-	-	64,753	-	64,753
FIVE STAR Cinema Inc.	65,093	1,528,054	(1,528,053)	-	65,094	-	65,094
Hillsford Property Corporation	139,237	-	(307,623)	-	(168,386)	-	(168,386)
Integrated Eco-Resort Inc.	179,862	67,200	-	-	247,062	-	247,062
Lagdigan Land Corporation	699,526	693,945	-	-	1,393,471	-	1,393,471
Leisure and Allied Industries Phils. Inc.	944,985	7,079,078	(2,941,156)	-	5,082,906	-	5,082,906
Makati Cornerstone Leasing Corp.	4,359,482,911	1,047,839,828	-	-	5,407,322,740	-	5,407,322,740
Makati Development Corporation (Conso)	221,569,951	472,037,129	(435,998,355)	-	257,608,724	-	257,608,724
North Eastern Commercial Corp.	641,358,566	315,891	-	-	641,674,458	-	641,674,458
North Triangle Depot Commercial Corp	94,176,380	260,871,107	(278,689,510)	-	76,357,976	-	76,357,976
North Ventures Commercial Corp.	74,127,546	12,546,825	-	-	86,674,371	-	86,674,371
NorthBeacon Commercial Corporation	16,845,515	-	(2,393,756)	-	14,451,759	-	14,451,759
Nuevocentro, Inc. (Conso)	2,357,658,780	9,959,480	(16,692,462)	-	2,350,925,797	-	2,350,925,797
Philippine Integrated Energy Solutions, Inc.	9,449,896	7,301,206	-	-	16,751,102	-	16,751,102
Primavera Towncentre, Inc.	137,321,727	11,135,225	(94,448,738)	-	54,008,214	-	54,008,214
Red Creek Properties, Inc.	171,594,697	20,063,019	(17,378,167)	-	174,279,549	-	174,279,549
Regent Time International Ltd.	148,839	-	(148,839)	-	-	-	-
Regent Time International, Limited	98,453,320	304,104	-	-	98,757,424	-	98,757,424
Regent Wise Investments Limited(Conso)	3,197,389,354	196,388,577	(185,813,527)	-	3,207,964,404	-	3,207,964,404
Roxas Land Corp.	10,427,727	3,224,292	(6,390,783)	-	7,261,236	-	7,261,236
Serendra Inc.	166,780,343	9,941,438	(551,785)	-	176,169,996	-	176,169,996
Soltea Commercial Corp.	137,320,474	29,576,974	(85,405,482)	-	81,491,966	-	81,491,966
Southportal Properties, Inc.	97,089,019	21,959,803	-	-	119,048,822	-	119,048,822
Station Square East Commercial Corp	48,127,737	81,155,518	(81,168,000)	-	48,115,255	-	48,115,255
Subic Bay Town Center Inc.	12,649,606	1,761,571	-	-	14,411,177	-	14,411,177
Summerhill Commercial Ventures Corp.	53,268,087	8,351,440	-	-	61,619,526	-	61,619,526
Sunnyfield E-Office Corp	13,387,712	84,756	-	-	13,472,468	-	13,472,468
Taft Punta Engaño Property, Inc.	181,499,670	5,509,275	(42,102,506)	-	144,906,439	-	144,906,439
Ten Knots Development Corporation(Conso)	22,834,742	12,088,610	(10,684,975)	-	24,238,377	-	24,238,377
Ten Knots Philippines, Inc.(Conso)	237,643,680	278,435,493	(429,779,335)	-	86,299,838	-	86,299,838
Verde Golf Development Corporation	94,614,092	-	-	-	94,614,092	-	94,614,092
Vesta Property Holdings Inc.	31,372,285	2,896,798	-	-	34,269,083	-	34,269,083
Westview Commercial Ventures Corp.	23,156,195	2,107,769	(2,488,133)	-	22,775,831	-	22,775,831
Whiteknight Holdings, Inc.	33,219,162	-	-	-	33,219,162	-	33,219,162
Subtotal	50,256,649,848	9,377,864,936	(12,259,759,748)	-	47,374,755,034	-	47,374,755,035
Amount Receivable by Makati Development Corporation from related parties							
Accendo Commercial Corp	428,828,161	379,601,611	(500,724,647)	-	307,705,125	-	307,705,125
Adauge Commercial Corp.	-	2,665,484	-	-	2,665,484	-	2,665,484
AKL Properties Inc.	-	219,256,777	-	-	219,256,777	-	219,256,777
ALI Capital Corp. (Conso)	115,374,897	134,502,900	(235,470,530)	-	14,407,267	-	14,407,267
ALI Commercial Center, Inc. (Conso)	185,845,434	-	(185,845,434)	-	-	-	-
Altaraza Development Corporation	8,468,017	41,952,008	-	-	50,420,025	-	50,420,025
Alveo Land Corporation (Conso)	4,182,355,609	1,207,454,045	(3,546,434,747)	-	1,843,374,907	-	1,843,374,907
Amaia Land Corporation (Conso)	988,262,764	557,804,208	(724,913,091)	-	821,153,881	-	821,153,881
Amorsedia Development Corporation (Conso)	154,218,829	44,266,958	(125,907,802)	-	72,577,985	-	72,577,985
Anvaya Cove Beach and Nature Club Inc	-	-	-	-	-	-	-
Anvaya Cove Golf and Sports Club Inc.	4,184,402	-	(2,199,863)	-	1,984,539	-	1,984,539
Arca South Integrated Terminal, Inc	-	-	-	-	-	-	-
AREIT, Inc.	2,019,459	-	-	-	2,019,459	-	2,019,459

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Arvo Commercial Corporation	319,012,367	262,085,758	(524,564,347)	-	56,533,777	-	56,533,777
Aurora Properties, Inc.	21,796,819	11,506,225	-	-	33,303,044	-	33,303,044
Aviana Development Corporation	535,711,009	-	(252,756,623)	-	282,954,386	-	282,954,386
Avida Land Corporation (Conso)	3,462,254,711	384,194,461	(2,378,262,644)	-	1,468,186,527	-	1,468,186,527
Ayala Hotels Inc.	867,630,170	(3)	(147,703,433)	-	719,926,733	-	719,926,733
Ayala Land Inc.	4,027,863,047	5,677,907,804	(6,134,288,234)	-	3,571,482,618	-	3,571,482,618
Ayala Land International Sales, Inc.(Conso)	2,713	-	(2,713)	-	-	-	-
Ayala Land-Tagle Property Inc.	22,608,010	-	(15,759,692)	-	6,848,318	-	6,848,318
Ayala Malls Zing Inc.	-	42,000,000	(41,719,955)	-	280,045	-	280,045
Ayala Property Management Corporation (Conso)	2,034,597	102,248	-	-	2,136,845	-	2,136,845
AyalaLand Estates Inc. (Conso)	318,719,554	246,493,270	(155,620,405)	-	409,592,419	-	409,592,419
AyalaLand Hotels and Resorts Corp. (Conso)	395,580,767	1,208,625,477	(1,364,508,826)	-	239,697,419	-	239,697,419
Ayalaland Logistics Holdings Corp. (Conso)	448,548,353	1,554,535,957	(1,457,903,504)	-	545,180,807	-	545,180,807
Ayalaland Malls Synergies, Inc.	1,469,109	-	-	-	1,469,109	-	1,469,109
AyalaLand Malls, Inc. (Conso)	-	332,836,045	(220,983,868)	-	111,852,177	-	111,852,177
Ayalaland Medical Facilities Leasing Inc.	2,455,101	-	-	-	2,455,101	-	2,455,101
Bay City Commercial Ventures Corp.	485,534,664	1,494,923,677	(1,971,657,500)	-	8,800,842	-	8,800,842
BellaVita Land Corp.	50,184,860	-	(5,184,113)	-	45,000,747	-	45,000,747
BG North Properties Inc.	-	11,624,350	-	-	11,624,350	-	11,624,350
BG South Properties, Inc.	-	533,043,635	-	-	533,043,635	-	533,043,635
BG West Properties, Inc	652,081,534	-	(293,806,966)	-	358,274,569	-	358,274,569
Cagayan De Oro Gateway Corporation	193,188,476	129,604,985	(253,386,104)	-	69,407,357	-	69,407,357
Capitol Central Commercial Ventures Corp.	43,996,591	384,235,071	(368,518,470)	-	59,713,192	-	59,713,192
Cavite Commercial Towncenter Inc.	397,876,447	101,038,066	(374,146,539)	-	124,767,974	-	124,767,974
CECI Realty Corp.	137,040,775	-	(37,763,424)	-	99,277,352	-	99,277,352
Central Bloc Hotel Ventures	-	-	-	-	-	-	-
Crans Montana Property Holdings Corporation	68,401,691	188,870,119	(254,628,218)	-	2,643,591	-	2,643,591
Direct Power Services Inc.	357,482	-	-	-	357,482	-	357,482
Lagdigan Land Corporation	17,677,723	7,044,985	(18,760,055)	-	5,962,653	-	5,962,653
Leisure and Allied Industries Phils. Inc.	-	100,332,806	(100,332,806)	-	-	-	-
Makati Cornerstone Leasing Corp.	1,247,133	2,211,821	-	-	3,458,954	-	3,458,954
Makati Development Corporation (Conso)	-	4,315,400,000	(4,315,349,600)	-	50,400	-	50,400
North Eastern Commercial Corp.	255,445	-	-	-	255,445	-	255,445
North Triangle Depot Commercial Corp	152,399,736	252,107,626	(321,452,719)	-	83,054,644	-	83,054,644
Nuevocentro, Inc. (Conso)	387,948,700	329,873,184	-	-	717,821,884	-	717,821,884
Philippine Integrated Energy Solutions, Inc.	297,959	-	-	-	297,959	-	297,959
Primavera Towncentre, Inc.	69,867,193	15,589,028	(75,533,702)	-	9,922,518	-	9,922,518
Red Creek Properties, Inc.	-	20,000,000	(20,000,000)	-	-	-	-
Roxas Land Corp.	12,045,049	-	(10,517,711)	-	1,527,338	-	1,527,338
Serendra Inc.	84,702,053	941,960	-	-	85,644,013	-	85,644,013
Soltea Commercial Corp.	32,080,272	105,475,801	(118,500,019)	-	19,056,054	-	19,056,054
Southportal Properties, Inc.	59,452,299	-	(40,562,661)	-	18,889,638	-	18,889,638
Station Square East Commercial Corp	-	-	-	-	-	-	-
Summerhill Commercial Ventures Corp.	6,533,257	-	(6,381,913)	-	151,344	-	151,344
Sunnyfield E-Office Corp	2,261,577	-	(2,034,158)	-	227,419	-	227,419
Taft Punta Engaño Property, Inc.	18,522,686	-	(2,019,060)	-	16,503,626	-	16,503,626
Ten Knots Development Corporation(Conso)	12,785,727	66,565,847	(66,183,197)	-	13,168,378	-	13,168,378
Ten Knots Philippines, Inc.(Conso)	40,002,872	249,211,903	(153,004,250)	-	136,210,524	-	136,210,524
Vesta Property Holdings Inc.	25,254,851	-	(18,437,749)	-	6,817,103	-	6,817,103
Westview Commercial Ventures Corp.	4,735	-	-	-	4,735	-	4,735
Subtotal	19,447,245,685	20,615,886,096	(26,843,731,288)	-	13,219,400,493	-	13,219,400,493
Conso Adjustments - Migrated Companies to ALI/ Old CoCodes							
Subtotal	73,462,388	-	(73,462,388)	-	-	-	-

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by Accendo Commercial Corp from related parties							
Accendo Commercial Corp	-	-	-	-	-	-	-
Adauge Commercial Corp.	20,788	-	-	-	20,788	-	20,788
Alabang Commercial Corporation (Conso)	6,865	-	-	-	6,865	-	6,865
ALI Capital Corp. (Conso)	31,397	-	-	-	31,397	-	31,397
ALI Commercial Center, Inc. (Conso)	98,160	-	(98,160)	-	-	-	-
Alveo Land Corporation (Conso)	1,606,109	2,144,723	(1,725,299)	-	2,025,533	-	2,025,533
Amaia Land Corporation (Conso)	19,556	-	-	-	19,556	-	19,556
Amorsedia Development Corporation (Conso)	-	-	-	-	-	-	-
Aviana Development Corporation	2,129,949	752,547	-	-	2,882,496	-	2,882,496
Avida Land Corporation (Conso)	5,540,051	1,937,497	(356,116)	-	7,121,433	-	7,121,433
Ayala Land Inc.	14,275,587	701,384	(437,312)	-	14,539,659	-	14,539,659
Ayala Malls Zing Inc.	-	88,868	-	-	88,868	-	88,868
Ayala Property Management Corporation (Conso)	414,813	-	-	-	414,813	-	414,813
AyalaLand Estates Inc. (Conso)	19,556	4,887	-	-	24,443	-	24,443
AyalaLand Hotels and Resorts Corp. (Conso)	1,267,387	3,055,411	(3,091,691)	-	1,231,107	-	1,231,107
Ayalaland Logistics Holdings Corp. (Conso)	19,556	-	-	-	19,556	-	19,556
AyalaLand Malls, Inc. (Conso)	473,329	-	(473,329)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	7,343,088	(2,923,055)	-	4,420,033	-	4,420,033
Ayalaland Metro North, Inc.	800	-	-	-	800	-	800
AyalaLand Offices, Inc. (Conso)	19,556	-	-	-	19,556	-	19,556
Bay City Commercial Ventures Corp.	337,901	-	-	-	337,901	-	337,901
Cagayan De Oro Gateway Corporation	177,493	259,750	(231,932)	-	205,311	-	205,311
Capitol Central Commercial Ventures Corp.	44,191	-	(11,400)	-	32,791	-	32,791
Cebu Leisure Co. Inc.	5,080	224	(24)	-	5,280	-	5,280
Leisure and Allied Industries Phils. Inc.	165,226	2,431,159	(2,431,159)	-	165,226	-	165,226
Makati Development Corporation (Conso)	199,410	-	-	-	199,410	-	199,410
North Eastern Commercial Corp.	300	-	-	-	300	-	300
North Triangle Depot Commercial Corp	37,985	66,341	(65,741)	-	38,585	-	38,585
North Ventures Commercial Corp.	300	-	-	-	300	-	300
Philippine Integrated Energy Solutions, Inc.	361	-	-	-	361	-	361
Station Square East Commercial Corp	6,050	-	-	-	6,050	-	6,050
Ten Knots Development Corporation(Conso)	21,376	-	-	-	21,376	-	21,376
Ten Knots Philippines, Inc.(Conso)	2,818	-	-	-	2,818	-	2,818
Westview Commercial Ventures Corp.	22,002	-	-	-	22,002	-	22,002
Subtotal	26,963,952	18,785,879	(11,845,218)	-	33,904,614	-	33,904,614
Amount Receivable by Adauge Commercial Corp. from related parties							
Accendo Commercial Corp	-	2,509,564	-	-	2,509,564	-	2,509,564
ALI Capital Corp. (Conso)	11,058,331	2,698,493	-	-	13,756,824	-	13,756,824
ALI Commercial Center, Inc. (Conso)	6,206,143	-	(6,206,143)	-	-	-	-
Alveo Land Corporation (Conso)	-	1,448,503	-	-	1,448,503	-	1,448,503
Amaia Land Corporation (Conso)	8,656,265	54,787	(8,008,057)	-	702,995	-	702,995
Arvo Commercial Corporation	387,394	-	-	-	387,394	-	387,394
Avida Land Corporation (Conso)	2,025,990	4,744,754	(5,695,037)	-	1,075,707	-	1,075,707
Ayala Land Inc.	-	10,067,570	(8,562,659)	-	1,504,911	-	1,504,911
Ayala Property Management Corporation (Conso)	4,966	-	(4,966)	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	29,482,122	11,829,335	(8,178,310)	-	33,133,147	-	33,133,147
Ayalaland Logistics Holdings Corp. (Conso)	31,287,480	2,086,963	(15,281,934)	-	18,092,510	-	18,092,510
AyalaLand Malls, Inc. (Conso)	21,194	-	(21,194)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	387,524	-	-	387,524	-	387,524
Ayalaland Metro North, Inc.	1,305	-	-	-	1,305	-	1,305
Bay City Commercial Ventures Corp.	5,521,670	8,732,292	-	-	14,253,962	-	14,253,962
Capitol Central Commercial Ventures Corp.	1,581	-	-	-	1,581	-	1,581
Direct Power Services Inc.	2,307	-	-	-	2,307	-	2,307
Soltea Commercial Corp.	4,165,589	8,116,180	(11,269,934)	-	1,011,835	-	1,011,835

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Sunnyfield E-Office Corp	533,392	-	-	-	533,392	-	533,392
Ten Knots Philippines, Inc.(Conso)	25,190	4,965,765	-	-	4,990,955	-	4,990,955
Subtotal	99,380,919	57,641,730	(63,228,234)	-	93,794,416	-	93,794,416
Amount Receivable by AKL Properties Inc. from related parties							
Subtotal	-	-	-	-	-	-	-
Amount Receivable by Alabang Commercial Corporation from related parties							
Accendo Commercial Corp	26,329,838	48,647,369	(74,956,798)	-	20,409	-	20,409
Alabang Commercial Corporation (Conso)	11,352,159	-	(1,648,299)	-	9,703,859	-	9,703,859
ALI Capital Corp. (Conso)	587,936	60,289,757	(29,923,790)	-	30,953,904	-	30,953,904
ALI Commercial Center, Inc. (Conso)	24,073,793	-	(24,073,793)	-	-	-	-
Alveo Land Corporation (Conso)	2,426,100	103,761,145	(35,011,815)	-	71,175,430	-	71,175,430
Amaia Land Corporation (Conso)	7,135,364	143,131,620	(149,533,226)	-	733,758	-	733,758
Amorsedia Development Corporation (Conso)	106,394	-	-	-	106,394	-	106,394
Arvo Commercial Corporation	37,047,522	15,931,402	-	-	52,978,924	-	52,978,924
Avida Land Corporation (Conso)	5,658,591	44,631,679	(49,660,085)	-	630,186	-	630,186
Ayala Land Inc.	33,442,760	600,277,181	(610,230,185)	-	23,489,756	-	23,489,756
Ayala Land Sales Inc.	159,239	-	(159,239)	-	-	-	-
Ayala Malls Zing Inc.	-	65,014	-	-	65,014	-	65,014
AyalaLand Estates Inc. (Conso)	-	4,632,367	(2,632,367)	-	2,000,000	-	2,000,000
AyalaLand Hotels and Resorts Corp. (Conso)	27,628,876	45,058,570	(21,321,331)	-	51,366,116	-	51,366,116
Ayalaland Logistics Holdings Corp. (Conso)	23,831,134	102,615,674	(88,584,051)	-	37,862,757	-	37,862,757
AyalaLand Malls, Inc. (Conso)	-	124,913,785	(103,637,891)	-	21,275,894	-	21,275,894
AyalaLand Offices, Inc. (Conso)	5,854,396	3,817,130	(1,413,052)	-	8,258,473	-	8,258,473
Ayalaland Premier, Inc.	-	-	-	-	-	-	-
Bay City Commercial Ventures Corp.	70,517,899	356,021,558	(308,943,380)	-	117,596,078	-	117,596,078
Cagayan De Oro Gateway Corporation	10,906	-	(10,006)	-	900	-	900
Capitol Central Commercial Ventures Corp.	18,178,722	7,553,158	(25,693,838)	-	38,042	-	38,042
Cavite Commercial Towncenter Inc.	1,167,604	71,692,849	-	-	72,860,453	-	72,860,453
Cebu Leisure Co. Inc.	23,705	-	-	-	23,705	-	23,705
Crans Montana Property Holdings Corporation	-	17,505,198	(17,505,198)	-	-	-	-
Direct Power Services Inc.	-	-	-	-	-	-	-
FIVE STAR Cinema Inc.	4,791,113	1,262,985	-	-	6,054,097	-	6,054,097
Leisure and Allied Industries Phils. Inc.	(435,709)	6,311,079	(7,721,104)	-	(1,845,733)	-	(1,845,733)
North Eastern Commercial Corp.	6,600	-	-	-	6,600	-	6,600
North Triangle Depot Commercial Corp	12,504,424	29,185,205	(44,957,315)	-	(3,267,686)	-	(3,267,686)
North Ventures Commercial Corp.	1,600	600	-	-	2,200	-	2,200
NorthBeacon Commercial Corporation	42,019	-	-	-	42,019	-	42,019
Philippine Integrated Energy Solutions, Inc.	-	-	-	-	-	-	-
Primavera Towncentre, Inc.	2,035,113	8,359,389	(2,086,402)	-	8,308,100	-	8,308,100
Red Creek Properties, Inc.	20,050,476	234,433	(20,284,910)	-	-	-	-
Serendra Inc.	136,338	-	(134,561)	-	1,777	-	1,777
Soltea Commercial Corp.	78,153	7,662,000	(2,687,256)	-	5,052,897	-	5,052,897
Station Square East Commercial Corp	93,720	280	-	-	94,000	-	94,000
Summerhill Commercial Ventures Corp.	900	-	-	-	900	-	900
Ten Knots Development Corporation(Conso)	-	2,156,369	-	-	2,156,369	-	2,156,369
Ten Knots Philippines, Inc.(Conso)	3,184,892	104,063,790	(104,767,089)	-	2,481,593	-	2,481,593
Subtotal	338,022,577	1,909,781,586	(1,727,576,981)	-	520,227,185	-	520,227,185
Amount Receivable by ALI Capital Corp. from related parties							
ALI Capital Corp. (Conso)	45,756,419	-	(44,125,923)	-	1,630,497	-	1,630,497
ALI Commercial Center, Inc. (Conso)	169,943	-	(169,943)	-	-	-	-
Alveo Land Corporation (Conso)	-	17,777,690	(17,777,690)	-	-	-	-
Amaia Land Corporation (Conso)	17,197,628	115,744	(17,165,741)	-	147,631	-	147,631
Amorsedia Development Corporation (Conso)	-	6,058,900	(6,058,900)	-	-	-	-

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Arvo Commercial Corporation	11,244,883	182,789	(10,238,153)	-	1,189,519	-	1,189,519
Avida Land Corporation (Conso)	-	1,001,520	(12,832)	-	988,688	-	988,688
Ayala Land Inc.	67,073	26,606,212	(26,536,826)	-	136,459	-	136,459
Ayala Land International Sales, Inc.(Conso)	-	-	-	-	-	-	-
Ayala Malls Zing Inc.	-	-	-	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	136,061,995	12,115,080	(11,766,565)	-	136,410,511	-	136,410,511
Ayalaland Logistics Holdings Corp. (Conso)	-	7,159,429	(4,000,000)	-	3,159,429	-	3,159,429
AyalaLand Malls, Inc. (Conso)	-	169,943	-	-	169,943	-	169,943
Ayalaland Medical Facilities Leasing Inc.	225,225	-	-	-	225,225	-	225,225
Bay City Commercial Ventures Corp.	75,085,744	67,213,680	(43,065,000)	-	99,234,424	-	99,234,424
Direct Power Services Inc.	885,000	4,361	-	-	889,361	-	889,361
Makati Development Corporation (Conso)	25,893	13,849	-	-	39,742	-	39,742
North Triangle Depot Commercial Corp	-	21,602,070	(21,393,000)	-	209,070	-	209,070
Soltea Commercial Corp.	-	1,431,440	(1,431,440)	-	-	-	-
Subic Bay Town Center Inc.	-	-	-	-	-	-	-
Ten Knots Development Corporation(Conso)	1,813,783	604,677	-	-	2,418,460	-	2,418,460
Ten Knots Philippines, Inc.(Conso)	35,342,112	20,730,769	-	-	56,072,880	-	56,072,880
Whiteknight Holdings, Inc.	(708,680)	-	(1,144,717)	-	(1,853,397)	-	(1,853,397)
Subtotal	323,167,018	182,788,153	(204,886,730)	-	301,068,442	-	301,068,442
Amount Receivable by Subsidiaries to ALMI/ACCI from related parties							
Accendo Commercial Corp	2,658,018	60,969,145	(53,526,698)	-	10,100,465	-	10,100,465
Adauge Commercial Corp.	5,378	394,359	-	-	399,737	-	399,737
Alabang Commercial Corporation (Conso)	3,799,008	4,399,415	-	-	8,198,423	-	8,198,423
ALI Capital Corp. (Conso)	1,443,083	2,457,662	(2,929,003)	-	971,741	-	971,741
ALI Commercial Center, Inc. (Conso)	10,138,957	-	(10,138,957)	-	-	-	-
ALI-CII Development Corporation	94,147	16,841,839	-	-	16,935,986	-	16,935,986
Alveo Land Corporation (Conso)	10,761,766	85,203,053	(87,610,653)	-	8,354,166	-	8,354,166
Amaia Land Corporation (Conso)	489,215	-	-	-	489,215	-	489,215
Amorsedia Development Corporation (Conso)	-	5,051,462	(5,006,892)	-	44,570	-	44,570
Arca South Integrated Terminal, Inc	50,400	-	(50,400)	-	-	-	-
AREIT Fund Manager, Inc.	50,400	-	-	-	50,400	-	50,400
AREIT, Inc.	96,702	3,659,113,406	(3,559,757,971)	-	99,452,137	-	99,452,137
Arvo Commercial Corporation	3,340,136	35,435,382	(6,783,325)	-	31,992,193	-	31,992,193
Aviana Development Corporation	-	15,089,833	(10,012,031)	-	5,077,802	-	5,077,802
Avida Land Corporation (Conso)	6,943,340	41,570,814	(43,783,832)	-	4,730,323	-	4,730,323
Ayala Hotels Inc.	4,050	-	-	-	4,050	-	4,050
Ayala Land Inc.	34,038,619	779,045,627	(742,527,644)	-	70,556,602	-	70,556,602
Ayala Land International Sales, Inc.(Conso)	-	-	-	-	-	-	-
Ayala Land Sales Inc.	1,141	-	(1,141)	-	-	-	-
Ayala Malls Zing Inc.	-	1,264,932	-	-	1,264,932	-	1,264,932
Ayala Property Management Corporation (Conso)	29,912,674	1,983,763	(2,662,264)	-	29,234,173	-	29,234,173
Ayala Theaters Management, Inc.	2,973,607	1,778	-	-	2,975,385	-	2,975,385
AyalaLand Estates Inc. (Conso)	-	523,700	-	-	523,700	-	523,700
AyalaLand Hotels and Resorts Corp. (Conso)	3,111,039	40,234,467	(40,229,843)	-	3,115,662	-	3,115,662
Ayalaland Logistics Holdings Corp. (Conso)	441,793	97,033,491	(94,707,763)	-	2,767,521	-	2,767,521
Ayalaland Malls Synergies, Inc.	2,879,250	228,653	-	-	3,107,903	-	3,107,903
AyalaLand Malls, Inc. (Conso)	6,141,102	-	(6,141,102)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	13,883,628	-	-	13,883,628	-	13,883,628
Ayalaland Medical Facilities Leasing Inc.	4,082	-	-	-	4,082	-	4,082
Ayalaland Metro North, Inc.	183,626	23,853,102	(4,793,477)	-	19,243,251	-	19,243,251
AyalaLand Offices, Inc. (Conso)	-	33,195	-	-	33,195	-	33,195
Ayalaland Premier, Inc.	-	13,037,936	-	-	13,037,936	-	13,037,936
Bay City Commercial Ventures Corp.	126,725,258	234,591,140	(313,399,257)	-	47,917,141	-	47,917,141
BellaVita Land Corp.	24,600	-	-	-	24,600	-	24,600
BG West Properties, Inc	-	-	-	-	-	-	-

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Cagayan De Oro Gateway Corporation	2,864,021	7,390,656	(107,079)	-	10,147,599	-	10,147,599
Capitol Central Commercial Ventures Corp.	1,375,602	39,517,062	(15,955,683)	-	24,936,981	-	24,936,981
Cavite Commercial Towncenter Inc.	612,724	118,645,142	(82,286,797)	-	36,971,068	-	36,971,068
Cebu Leisure Co. Inc.	319,465	49,354	-	-	368,819	-	368,819
CECI Realty Corp.	-	12	-	-	12	-	12
Crans Montana Property Holdings Corporation	682,469	17,056,610	(17,007,582)	-	731,497	-	731,497
Direct Power Services Inc.	12,672	-	-	-	12,672	-	12,672
FIVE STAR Cinema Inc.	18,669	4,705	-	-	23,374	-	23,374
Leisure and Allied Industries Phils. Inc.	6,893,130	15,457,076	(21,063,443)	-	1,286,762	-	1,286,762
Makati Cornerstone Leasing Corp.	1,088,181	25,956,896	(116,347)	-	26,928,730	-	26,928,730
Makati Development Corporation (Conso)	13,290,491	10,762,703	-	-	24,053,195	-	24,053,195
North Eastern Commercial Corp.	2,973,148	50,560,455	(7,273,911)	-	46,259,692	-	46,259,692
North Triangle Depot Commercial Corp	7,754,078	33,577,832	-	-	41,331,910	-	41,331,910
North Ventures Commercial Corp.	1,404,603	35,760,308	-	-	37,164,910	-	37,164,910
NorthBeacon Commercial Corporation	688,076	24,443,607	-	-	25,131,682	-	25,131,682
Primavera Towncentre, Inc.	191,058	1,003,700	(716,408)	-	478,350	-	478,350
Serendra Inc.	83,604	36,555	-	-	120,160	-	120,160
Soltea Commercial Corp.	1,248,874	41,106,062	(17,633,321)	-	24,721,615	-	24,721,615
Station Square East Commercial Corp	3,536,654	29,370,266	(493,939)	-	32,412,980	-	32,412,980
Subic Bay Town Center Inc.	820,340	18,683,317	(2,554,899)	-	16,948,758	-	16,948,758
Summerhill Commercial Ventures Corp.	1,372,739	18,081,081	(1,278,654)	-	18,175,166	-	18,175,166
Ten Knots Philippines, Inc.(Conso)	1,327,851	20,697,643	(20,613,077)	-	1,412,417	-	1,412,417
Westview Commercial Ventures Corp.	195,059	1,600,880	(174,819)	-	1,621,121	-	1,621,121
Subtotal	295,064,899	5,642,003,704	(5,171,338,212)	-	765,730,389	-	765,730,389
Amount Receivable by ALI-CII Development Corporation from related parties							
Accendo Commercial Corp	4,580,820	9,353,482	(9,343,567)	-	4,590,735	-	4,590,735
ALI Capital Corp. (Conso)	-	4,562,062	-	-	4,562,062	-	4,562,062
ALI Commercial Center, Inc. (Conso)	15,821,238	-	(15,821,238)	-	-	-	-
Alveo Land Corporation (Conso)	-	6,467,598	-	-	6,467,598	-	6,467,598
Amaia Land Corporation (Conso)	14,813,319	30,146,625	(46,329,027)	-	(1,369,083)	-	(1,369,083)
Arca South Integrated Terminal, Inc	33,634	-	(33,634)	-	-	-	-
Arvo Commercial Corporation	6,328,400	13,352,016	-	-	19,680,416	-	19,680,416
Avida Land Corporation (Conso)	2,896,843	1,016,378	(2,427,330)	-	1,485,891	-	1,485,891
Ayala Land Inc.	-	33,830,605	(33,830,605)	-	-	-	-
AyalaLand Estates Inc. (Conso)	-	7,153,877	(7,153,877)	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	3,129,436	5,344,479	(3,291,816)	-	5,182,099	-	5,182,099
Ayalaland Logistics Holdings Corp. (Conso)	20,616,794	5,903,182	(8,051,694)	-	18,468,282	-	18,468,282
AyalaLand Malls, Inc. (Conso)	-	25,632,130	-	-	25,632,130	-	25,632,130
Ayalaland Medical Facilities Leasing Inc.	-	-	-	-	-	-	-
Bay City Commercial Ventures Corp.	82,937,744	56,081,379	(47,244,799)	-	91,774,324	-	91,774,324
Cagayan De Oro Gateway Corporation	29,389	-	-	-	29,389	-	29,389
Capitol Central Commercial Ventures Corp.	2,033,659	2,083,119	(4,104,060)	-	12,718	-	12,718
Cavite Commercial Towncenter Inc.	-	7,823,752	-	-	7,823,752	-	7,823,752
Direct Power Services Inc.	1,500,000	-	(134,586)	-	1,365,414	-	1,365,414
Leisure and Allied Industries Phils. Inc.	(29,485)	894,136	(913,578)	-	(48,927)	-	(48,927)
North Triangle Depot Commercial Corp	100	24,900,891	(24,120,655)	-	780,335	-	780,335
Soltea Commercial Corp.	24,570,150	2,545,041	(7,873,002)	-	19,242,190	-	19,242,190
Ten Knots Philippines, Inc.(Conso)	2,043,948	28,986,981	-	-	31,030,929	-	31,030,929
Subtotal	181,305,989	266,077,733	(210,673,468)	-	236,710,254	-	236,710,254
Amount Receivable by ALO Prime Realty Corporation from related parties							
Alveo Land Corporation (Conso)	-	4,045,853	(4,045,853)	-	-	-	-
AREIT, Inc.	915,424	5,993,504	-	-	6,908,928	-	6,908,928
Ayala Land Inc.	-	14,004,354	-	-	14,004,354	-	14,004,354

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Ayalaland Logistics Holdings Corp. (Conso)	471,547,455	32,432,577	(280,658,979)	-	223,321,053	-	223,321,053
Bay City Commercial Ventures Corp.	3,011,458	7,285,236	-	-	10,296,694	-	10,296,694
Subtotal	475,474,337	63,761,524	(284,704,832)	-	254,531,029	-	254,531,029
Amount Receivable by Altaraza Development Corporation from related parties							
Ayala Land Inc.	-	-	(3,716)	-	(3,716)	-	(3,716)
Subtotal	-	-	(3,716)	-	(3,716)	-	(3,716)
Amount Receivable by Altaraza Prime Realty Corporation from related parties							
Amaia Land Corporation (Conso)	2,509,549	19,703	(2,529,252)	-	-	-	-
Bay City Commercial Ventures Corp.	-	5,086,751	(5,011,618)	-	75,132	-	75,132
Crans Montana Property Holdings Corporation	-	2,515,279	-	-	2,515,279	-	2,515,279
Subtotal	2,509,549	7,621,733	(7,540,870)	-	2,590,411	-	2,590,411
Amount Receivable by Alveo Land Corporation from related parties							
Accendo Commercial Corp	184,856,456	86,581,503	(58,110,063)	-	213,327,897	-	213,327,897
Adauge Commercial Corp.	28,238	-	-	-	28,238	-	28,238
ALI Capital Corp. (Conso)	6,645,462	30,044,060	(27,575,662)	-	9,113,859	-	9,113,859
ALI Commercial Center, Inc. (Conso)	52,298,370	-	(52,298,370)	-	-	-	-
Alveo Land Corporation (Conso)	3,882,935,001	84,000,000	(3,966,932,669)	-	2,332	-	2,332
Amaia Land Corporation (Conso)	22,089,440	60,030,342	(61,654,593)	-	20,465,188	-	20,465,188
Amorsedia Development Corporation (Conso)	2,886,241	2,838,185	-	-	5,724,426	-	5,724,426
AREIT, Inc.	22,177	-	-	-	22,177	-	22,177
Arvo Commercial Corporation	9,552,981	73,538,173	(67,564,111)	-	15,527,044	-	15,527,044
Aurora Properties, Inc.	11,416,835	-	-	-	11,416,835	-	11,416,835
Aviana Development Corporation	-	5,016,369	-	-	5,016,369	-	5,016,369
Avida Land Corporation (Conso)	6,056,068	134,344,130	-	-	140,400,199	-	140,400,199
Ayala Hotels Inc.	-	502,822	-	-	502,822	-	502,822
Ayala Land Inc.	2,247,565,734	727,998,139	(665,844,558)	-	2,309,719,315	-	2,309,719,315
Ayala Land International Sales, Inc.(Conso)	1,007,391	-	(900)	-	1,006,491	-	1,006,491
Ayala Property Management Corporation (Conso)	3,056,541	-	(233,705)	-	2,822,836	-	2,822,836
AyalaLand Estates Inc. (Conso)	-	34,049,253	(34,006,596)	-	42,656	-	42,656
AyalaLand Hotels and Resorts Corp. (Conso)	88,337,304	53,595,127	(106,155,408)	-	35,777,023	-	35,777,023
Ayalaland Logistics Holdings Corp. (Conso)	9,598,082	282,545,899	-	-	292,143,982	-	292,143,982
Ayalaland Malls Synergies, Inc.	454,086	-	-	-	454,086	-	454,086
AyalaLand Malls, Inc. (Conso)	54,613	-	(54,613)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	25,418,230	(9,996,388)	-	15,421,841	-	15,421,841
Ayalaland Medical Facilities Leasing Inc.	273,487	-	-	-	273,487	-	273,487
Bay City Commercial Ventures Corp.	53,069,574	20,728,558	(10,995,416)	-	62,802,715	-	62,802,715
BellaVita Land Corp.	931,897,593	-	(27,437,280)	-	904,460,313	-	904,460,313
BG South Properties, Inc.	-	1,952,820,884	-	-	1,952,820,884	-	1,952,820,884
BG West Properties, Inc	684,020	-	(684,020)	-	-	-	-
Cagayan De Oro Gateway Corporation	26,297	25,270	-	-	51,567	-	51,567
Cavite Commercial Towncenter Inc.	-	28,102,798	-	-	28,102,798	-	28,102,798
Crans Montana Property Holdings Corporation	2,158,509	61,477,159	-	-	63,635,667	-	63,635,667
Direct Power Services Inc.	-	-	-	-	-	-	-
Makati Development Corporation (Conso)	39,666,759	-	(25,857,896)	-	13,808,863	-	13,808,863
North Eastern Commercial Corp.	4,987	-	-	-	4,987	-	4,987
North Triangle Depot Commercial Corp	-	301,512,096	-	-	301,512,096	-	301,512,096
Nuevocentro, Inc. (Conso)	276,507,449	302,948,050	(94,565,510)	-	484,889,989	-	484,889,989
Primavera Towncentre, Inc.	349,997	1,003,274	-	-	1,353,271	-	1,353,271
Serendra Inc.	(1,558,304)	4,094,934	-	-	2,536,629	-	2,536,629
Soltea Commercial Corp.	30,431,345	74,121	(23,414,697)	-	7,090,769	-	7,090,769
Summerhill Commercial Ventures Corp.	12,436,524	-	-	-	12,436,524	-	12,436,524
Ten Knots Philippines, Inc.(Conso)	28,462,447	167,594	(8,727,530)	-	19,902,511	-	19,902,511

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Vesta Property Holdings Inc.	302,666,668	-	-	-	302,666,668	-	302,666,668
Westview Commercial Ventures Corp.	43,833	-	-	-	43,833	-	43,833
Subtotal	8,205,982,205	4,273,456,970	(5,242,109,985)	-	7,237,329,187	-	7,237,329,187
Amount Receivable by Amaia Land Corporation from related parties							
ALI Capital Corp. (Conso)	-	1,491,280	-	-	1,491,280	-	1,491,280
Alveo Land Corporation (Conso)	150,000	4,013,071	(4,001,751)	-	161,321	-	161,321
Amaia Land Corporation (Conso)	1,100,783	-	(631,885)	-	468,898	-	468,898
Arvo Commercial Corporation	-	134,943,071	(77,528,753)	-	57,414,318	-	57,414,318
Avida Land Corporation (Conso)	14,248,681	15,757,245	-	-	30,005,926	-	30,005,926
Ayala Land Inc.	2,611,255	8,168,733	(8,168,733)	-	2,611,255	-	2,611,255
Ayala Land International Sales, Inc.(Conso)	-	-	-	-	-	-	-
Ayala Property Management Corporation (Conso)	(37,946)	481,071	-	-	443,125	-	443,125
AyalaLand Estates Inc. (Conso)	-	223,954	-	-	223,954	-	223,954
AyalaLand Offices, Inc. (Conso)	(1,591)	-	-	-	(1,591)	-	(1,591)
Bay City Commercial Ventures Corp.	-	19,009,228	-	-	19,009,228	-	19,009,228
BellaVita Land Corp.	96,465,764	659,143	-	-	97,124,907	-	97,124,907
Makati Development Corporation (Conso)	3,322,901	1,442,819	-	-	4,765,719	-	4,765,719
Subtotal	117,859,847	186,189,615	(90,331,122)	-	213,718,340	-	213,718,340
Amount Receivable by Amorsedia Development Corporation from related parties							
Accendo Commercial Corp	-	25,065,476	-	-	25,065,476	-	25,065,476
ALI Commercial Center, Inc. (Conso)	30,289,781	-	(30,289,781)	-	-	-	-
Alveo Land Corporation (Conso)	184,216,316	-	(184,216,316)	-	-	-	-
Amorsedia Development Corporation (Conso)	-	-	-	-	-	-	-
AREIT, Inc.	25,868,733	98,793,678	(101,083,274)	-	23,579,137	-	23,579,137
Avida Land Corporation (Conso)	(74,323)	-	-	-	(74,323)	-	(74,323)
Ayala Land Inc.	120,706,662	329,913,591	(329,162,718)	-	121,457,534	-	121,457,534
Ayala Land Sales Inc.	1	-	(1)	-	-	-	-
Ayalaland Logistics Holdings Corp. (Conso)	-	10,230,839	(5,003,788)	-	5,227,051	-	5,227,051
AyalaLand Malls, Inc. (Conso)	-	35,298,921	(33,966,442)	-	1,332,479	-	1,332,479
Bay City Commercial Ventures Corp.	86,081,933	259,121,765	(162,339,931)	-	182,863,767	-	182,863,767
BellaVita Land Corp.	17,836,000	-	-	-	17,836,000	-	17,836,000
BG South Properties, Inc.	-	367,784,696	-	-	367,784,696	-	367,784,696
BG West Properties, Inc	781,913,037	834,698,635	(1,376,771,551)	-	239,840,121	-	239,840,121
Cagayan De Oro Gateway Corporation	52,289	-	(52,289)	-	-	-	-
Ten Knots Development Corporation(Conso)	5,205	-	-	-	5,205	-	5,205
Ten Knots Philippines, Inc.(Conso)	-	36,127,726	(15,389,329)	-	20,738,397	-	20,738,397
Subtotal	1,246,895,634	1,997,035,327	(2,238,275,420)	-	1,005,655,540	-	1,005,655,540
Amount Receivable by Anvaya Cove Beach and Nature Club Inc from related parties							
ALI Commercial Center, Inc. (Conso)	42,887,264	-	(42,887,264)	-	-	-	-
Amaia Land Corporation (Conso)	88,075,364	73,737,600	(161,812,964)	-	-	-	-
Anvaya Cove Golf and Sports Club Inc.	18,984,835	-	(12,639,742)	-	6,345,093	-	6,345,093
Avida Land Corporation (Conso)	-	15,013,979	(15,013,979)	-	-	-	-
Ayala Land Inc.	222,143	68,271,106	(68,660,012)	-	(166,763)	-	(166,763)
AyalaLand Club Management, Inc.	5,855	-	(5,855)	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	-	10,284,251	(5,198,078)	-	5,086,173	-	5,086,173
AyalaLand Malls, Inc. (Conso)	-	100,929,840	(100,929,840)	-	-	-	-
Bay City Commercial Ventures Corp.	-	180,354,660	(88,198,236)	-	92,156,424	-	92,156,424
Makati Development Corporation (Conso)	9,911	-	-	-	9,911	-	9,911
Soltea Commercial Corp.	-	30,596,392	(30,377,261)	-	219,131	-	219,131
Subtotal	150,185,372	479,187,828	(525,723,231)	-	103,649,969	-	103,649,969

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by Anvaya Cove Golf and Sports Club Inc. from related parties							
ALI Capital Corp. (Conso)	-	92,754,863	(45,359,232)	-	47,395,631	-	47,395,631
Amaia Land Corporation (Conso)	45,410,045	50,364,315	(95,774,360)	-	-	-	-
Anvaya Cove Beach and Nature Club Inc	6,420,351	-	(5,513,375)	-	906,976	-	906,976
Avida Land Corporation (Conso)	-	3,002,796	(3,002,796)	-	-	-	-
Ayala Land Inc.	7,368	25,234,375	(25,175,743)	-	66,000	-	66,000
Ayala Property Management Corporation (Conso)	6,488	-	(402)	-	6,087	-	6,087
AyalaLand Estates Inc. (Conso)	-	8,101,847	(8,101,847)	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	-	10,284,251	(5,198,078)	-	5,086,173	-	5,086,173
Ayalaland Logistics Holdings Corp. (Conso)	-	2,006,220	-	-	2,006,220	-	2,006,220
AyalaLand Malls, Inc. (Conso)	-	30,101,600	(30,101,600)	-	-	-	-
Makati Development Corporation (Conso)	4,502	6,680,244	-	-	6,684,746	-	6,684,746
Soltea Commercial Corp.	-	6,162,832	(3,124,861)	-	3,037,971	-	3,037,971
Subtotal	51,848,754	234,693,343	(221,352,294)	-	65,189,804	-	65,189,804
Amount Receivable by APRISA Business Process Solutions, Inc from related parties							
Accendo Commercial Corp	43,582,731	3,141,762	(32,766,494)	-	13,957,999	-	13,957,999
Adauge Commercial Corp.	19,107	239,467	(241,595)	-	16,979	-	16,979
Alabang Commercial Corporation (Conso)	422,388	2,575,888	(2,727,135)	-	271,141	-	271,141
ALI Capital Corp. (Conso)	12,223,536	12,318,507	-	-	24,542,042	-	24,542,042
ALI Commercial Center, Inc. (Conso)	12,586,636	-	(12,586,636)	-	-	-	-
ALI-CII Development Corporation	651,269	1,074,864	(1,594,006)	-	132,126	-	132,126
ALO Prime Realty Corporation	131,432	339,371	(287,235)	-	183,568	-	183,568
Alveo Land Corporation (Conso)	-	29,953,706	(29,518,441)	-	435,265	-	435,265
Amaia Land Corporation (Conso)	11,568,267	10,381,971	(20,156,278)	-	1,793,960	-	1,793,960
AREIT Fund Manager, Inc.	208,544	407,456	(584,584)	-	31,416	-	31,416
AREIT, Inc.	415,408	4,694,592	(2,192,434)	-	2,917,566	-	2,917,566
Arvo Commercial Corporation	3,254,643	1,780,027	(1,642,270)	-	3,392,401	-	3,392,401
Aurora Properties, Inc.	165,357	850,298	(452,626)	-	563,030	-	563,030
Aviana Development Corporation	26,466	235,917	(239,490)	-	22,893	-	22,893
Avida Land Corporation (Conso)	2,932,603	42,809,127	(42,020,754)	-	3,720,976	-	3,720,976
Ayala Land Inc.	2,282,902	108,053,499	(103,590,766)	-	6,745,636	-	6,745,636
Ayala Malls Zing Inc.	-	23,744	-	-	23,744	-	23,744
Ayala Property Management Corporation (Conso)	434,594	8,003,890	(7,708,757)	-	729,727	-	729,727
AyalaLand Estates Inc. (Conso)	3,823,765	12,381,844	(16,187,521)	-	18,088	-	18,088
AyalaLand Hotels and Resorts Corp. (Conso)	17,452,231	13,603,553	(20,451,716)	-	10,604,067	-	10,604,067
Ayalaland Logistics Holdings Corp. (Conso)	413,995	24,923,371	-	-	25,337,367	-	25,337,367
AyalaLand Malls, Inc. (Conso)	-	18,930,389	(15,412,215)	-	3,518,174	-	3,518,174
Ayalaland Metro North, Inc.	-	1,954,344	(1,674,501)	-	279,843	-	279,843
AyalaLand Offices, Inc. (Conso)	-	11,039,557	(7,652,570)	-	3,386,987	-	3,386,987
Bay City Commercial Ventures Corp.	22,440,047	16,077,204	-	-	38,517,251	-	38,517,251
BellaVita Land Corp.	-	1,655,965	(515,984)	-	1,139,981	-	1,139,981
Cagayan De Oro Gateway Corporation	524,958	1,327,850	(1,662,864)	-	189,943	-	189,943
Capitol Central Commercial Ventures Corp.	-	1,380,299	(1,284,293)	-	96,006	-	96,006
Cavite Commercial Towncenter Inc.	376,182	3,291,436	(3,380,785)	-	286,833	-	286,833
Cebu Leisure Co. Inc.	67,749	521,573	(545,966)	-	43,355	-	43,355
CECI Realty Corp.	223,138	1,023,406	(731,091)	-	515,452	-	515,452
Crans Montana Property Holdings Corporation	-	-	-	-	-	-	-
Lagdigan Land Corporation	-	17,248	(15,893)	-	1,355	-	1,355
Makati Cornerstone Leasing Corp.	1,215,265	2,278,080	(2,384,306)	-	1,109,039	-	1,109,039
Makati Development Corporation (Conso)	1,881,612	40,356,600	(39,363,121)	-	2,875,091	-	2,875,091
North Eastern Commercial Corp.	323,448	4,633,361	(4,053,481)	-	903,328	-	903,328
North Triangle Depot Commercial Corp	54,183	8,539,246	(8,109,227)	-	484,201	-	484,201
North Ventures Commercial Corp.	523,746	1,699,242	(1,524,690)	-	698,298	-	698,298
NorthBeacon Commercial Corporation	-	1,921,528	(1,595,933)	-	325,595	-	325,595
Nuevocentro, Inc. (Conso)	158,054	474,163	(355,622)	-	276,595	-	276,595

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Roxas Land Corp.	-	697,430	(697,430)	-	-	-	-
Serendra Inc.	105,813	1,334,893	(417,559)	-	1,023,146	-	1,023,146
Soltea Commercial Corp.	9,323,243	3,373,299	(12,394,758)	-	301,784	-	301,784
Station Square East Commercial Corp	418,318	5,195,533	(5,270,683)	-	343,168	-	343,168
Subic Bay Town Center Inc.	178,711	979,126	(1,003,631)	-	154,207	-	154,207
Summerhill Commercial Ventures Corp.	1,487,221	1,657,286	(1,678,555)	-	1,465,952	-	1,465,952
Taft Punta Engaño Property, Inc.	83,966	-	(83,966)	-	-	-	-
Ten Knots Development Corporation(Conso)	70,821	443,520	(402,226)	-	112,115	-	112,115
Ten Knots Philippines, Inc.(Conso)	4,569,910	497,414	(3,418,684)	-	1,648,640	-	1,648,640
Vesta Property Holdings Inc.	-	745,332	(264,477)	-	480,855	-	480,855
Westview Commercial Ventures Corp.	29,579	579,914	(585,357)	-	24,136	-	24,136
Whiteknight Holdings, Inc.	-	-	-	-	-	-	-
Subtotal	156,651,838	410,418,092	(411,428,606)	-	155,641,321	-	155,641,321
Amount Receivable by Arca South Integrated Terminal, Inc from related parties							
Subtotal	-	-	-	-	-	-	-
Amount Receivable by AREIT Fund Manager, Inc. from related parties							
Accendo Commercial Corp	(7,446,883)	7,446,883	-	-	-	-	-
ALI Capital Corp. (Conso)	7,470,000	4,158,677	-	-	11,628,677	-	11,628,677
ALI Commercial Center, Inc. (Conso)	122,543,673	-	(122,543,673)	-	-	-	-
Amaia Land Corporation (Conso)	(58,776,177)	59,233,942	-	-	457,765	-	457,765
Amorsedia Development Corporation (Conso)	(24,885,351)	24,885,351	-	-	-	-	-
AREIT, Inc.	78,392,713	252,968,388	(230,616,407)	-	100,744,694	-	100,744,694
Arvo Commercial Corporation	10,000,000	10,691,558	(10,619,535)	-	10,072,024	-	10,072,024
Avida Land Corporation (Conso)	-	372,199	-	-	372,199	-	372,199
Ayala Land Inc.	(6,850,291)	207,085,683	-	-	200,235,392	-	200,235,392
Ayala Property Management Corporation (Conso)	9,670,292	-	(9,670,292)	-	-	-	-
AyalaLand Estates Inc. (Conso)	-	54,598,459	(54,598,459)	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	53,670,000	16,770,008	(10,919,041)	-	59,520,967	-	59,520,967
Ayalaland Logistics Holdings Corp. (Conso)	(34,979,097)	81,732,880	-	-	46,753,782	-	46,753,782
AyalaLand Malls, Inc. (Conso)	-	46,923,361	(46,923,361)	-	-	-	-
Ayalaland Metro North, Inc.	16,300,000	-	(16,300,000)	-	-	-	-
Bay City Commercial Ventures Corp.	280,796,496	74,633,297	(127,237,114)	-	228,192,680	-	228,192,680
Cagayan De Oro Gateway Corporation	103,293	2,008,446	(1,968,180)	-	143,559	-	143,559
Capitol Central Commercial Ventures Corp.	2,026,567	111,107	(141,177)	-	1,996,497	-	1,996,497
Cavite Commercial Towncenter Inc.	-	15,858,284	-	-	15,858,284	-	15,858,284
Crans Montana Property Holdings Corporation	(32,508,760)	45,697,545	-	-	13,188,786	-	13,188,786
Direct Power Services Inc.	36,516	-	(36,516)	-	-	-	-
North Triangle Depot Commercial Corp	-	916,242	-	-	916,242	-	916,242
Nuevocentro, Inc. (Conso)	-	64,711	-	-	64,711	-	64,711
Primavera Towncentre, Inc.	-	17,720,370	-	-	17,720,370	-	17,720,370
Soltea Commercial Corp.	35,482,937	2,190,033	(14,844,678)	-	22,828,291	-	22,828,291
Summerhill Commercial Ventures Corp.	-	559,194	-	-	559,194	-	559,194
Ten Knots Development Corporation(Conso)	-	9	-	-	9	-	9
Ten Knots Philippines, Inc.(Conso)	30,453,656	72,353,503	-	-	102,807,159	-	102,807,159
Subtotal	481,499,584	998,980,130	(646,418,433)	-	834,061,282	-	834,061,282
Amount Receivable by AREIT Property Managers, Inc. from related parties							
AREIT, Inc.	271,308,298	215,681,175	(23,108,697)	-	463,880,775	-	463,880,775
Subtotal	271,308,298	215,681,175	(23,108,697)	-	463,880,775	-	463,880,775
Amount Receivable by Subsidiaries to AREIT, Inc. from related parties							
Accendo Commercial Corp	575,250	153,162,591	(27,571,305)	-	126,166,536	-	126,166,536
ALI Capital Corp. (Conso)	19,043,664	178,914,077	(179,451,805)	-	18,505,935	-	18,505,935
ALI Commercial Center, Inc. (Conso)	28,938,564	-	(28,938,564)	-	-	-	-

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Alveo Land Corporation (Conso)	45,959,821	506,068,498	(225,331,642)	-	326,696,677	-	326,696,677
Amaia Land Corporation (Conso)	3,102,340	310,273,123	(198,305,790)	-	115,069,673	-	115,069,673
Amorsedia Development Corporation (Conso)	18,073,745	35,764,881	(24,568,239)	-	29,270,387	-	29,270,387
AREIT, Inc.	-	742,492	-	-	742,492	-	742,492
Arvo Commercial Corporation	39,203,390	115,277,881	(31,349,587)	-	123,131,684	-	123,131,684
Avida Land Corporation (Conso)	1,045,181	317,373,019	(316,848,851)	-	1,569,349	-	1,569,349
Ayala Land Inc.	74,301,299	2,878,907,977	(2,585,082,920)	-	368,126,356	-	368,126,356
Ayala Malls Zing Inc.	-	31,449,075	-	-	31,449,075	-	31,449,075
Ayala Property Management Corporation (Conso)	2,512,284	1,992,645	(2,745,689)	-	1,759,240	-	1,759,240
AyalaLand Estates Inc. (Conso)	65,694,479	372,737,104	(437,770,593)	-	660,991	-	660,991
AyalaLand Hotels and Resorts Corp. (Conso)	2,296,194,865	564,353,023	(124,281,096)	-	2,736,266,792	-	2,736,266,792
Ayalaland Logistics Holdings Corp. (Conso)	93,720,083	612,863,227	(243,860,912)	-	462,722,398	-	462,722,398
Ayalaland Malls Synergies, Inc.	2,464,491	-	(253,666)	-	2,210,825	-	2,210,825
AyalaLand Malls, Inc. (Conso)	-	3,958,687,028	-	-	3,958,687,028	-	3,958,687,028
AyalaLand Offices, Inc. (Conso)	(776)	13,341,309	(13,341,309)	-	(776)	-	(776)
Ayalaland Premier, Inc.	-	5,889,111	-	-	5,889,111	-	5,889,111
Bay City Commercial Ventures Corp.	349,519,716	769,002,298	(1,080,368,703)	-	38,153,312	-	38,153,312
BellaVita Land Corp.	39,830	-	-	-	39,830	-	39,830
Cagayan De Oro Gateway Corporation	537,083	97,443,767	(97,443,767)	-	537,083	-	537,083
Capitol Central Commercial Ventures Corp.	209,193,922	235,672,672	(326,362,025)	-	118,504,569	-	118,504,569
Cavite Commercial Towncenter Inc.	40,088,362	194,329,616	-	-	234,417,978	-	234,417,978
Crans Montana Property Holdings Corporation	1,246,956	24,253,235	-	-	25,500,191	-	25,500,191
Crimson Field Enterprises, Inc.	-	23,250,125	-	-	23,250,125	-	23,250,125
Direct Power Services Inc.	6,351	-	(6,351)	-	-	-	-
Leisure and Allied Industries Phils. Inc.	-	15,499,531	-	-	15,499,531	-	15,499,531
Makati Cornerstone Leasing Corp.	4,921	25,669,494	(25,609,307)	-	65,108	-	65,108
North Eastern Commercial Corp.	975,303,986	80,382,456	-	-	1,055,686,442	-	1,055,686,442
North Triangle Depot Commercial Corp	1,218,944	134,310,795	-	-	135,529,739	-	135,529,739
NorthBeacon Commercial Corporation	-	2,056,607,567	-	-	2,056,607,567	-	2,056,607,567
Nuevocentro, Inc. (Conso)	-	439,048,046	(435,472,863)	-	3,575,183	-	3,575,183
Primavera Towncentre, Inc.	-	73,246,527	(47,030,860)	-	26,215,667	-	26,215,667
Soltea Commercial Corp.	307,665	42,793,711	(37,897,947)	-	5,203,430	-	5,203,430
Sunnyfield E-Office Corp	150	-	-	-	150	-	150
Ten Knots Development Corporation(Conso)	-	19,358,775	-	-	19,358,775	-	19,358,775
Ten Knots Philippines, Inc.(Conso)	1,163,932	372,432,281	(171,702,242)	-	201,893,971	-	201,893,971
Westview Commercial Ventures Corp.	1,958,066	122,326	-	-	2,080,392	-	2,080,392
Subtotal	4,271,418,564	14,661,220,283	(6,661,596,033)	-	12,271,042,816	-	12,271,042,816
Amount Receivable by Arvo Commercial Corporation from related parties							
Accendo Commercial Corp	-	50,198	(48,698)	-	1,500	-	1,500
Alabang Commercial Corporation (Conso)	1,860	-	-	-	1,860	-	1,860
ALI Commercial Center, Inc. (Conso)	37,330	-	(37,330)	-	-	-	-
AREIT, Inc.	2,914	-	-	-	2,914	-	2,914
Arvo Commercial Corporation	-	316,878	(314,198)	-	2,680	-	2,680
Avida Land Corporation (Conso)	-	-	-	-	-	-	-
Ayala Land Inc.	978,410,844	377,063	(377,063)	-	978,410,844	-	978,410,844
Ayala Malls Zing Inc.	-	18,590	-	-	18,590	-	18,590
AyalaLand Malls, Inc. (Conso)	20,307	-	(20,307)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	298,018	-	-	298,018	-	298,018
Cagayan De Oro Gateway Corporation	-	44,270	(43,870)	-	400	-	400
Cavite Commercial Towncenter Inc.	807,934	257,995	-	-	1,065,929	-	1,065,929
Leisure and Allied Industries Phils. Inc.	2,908,822	2,858,138	(3,560,262)	-	2,206,697	-	2,206,697
North Triangle Depot Commercial Corp	6,520	58,406	(57,206)	-	7,720	-	7,720
North Ventures Commercial Corp.	4,158	-	-	-	4,158	-	4,158
Primavera Towncentre, Inc.	308,275	-	-	-	308,275	-	308,275
Soltea Commercial Corp.	13,450	-	-	-	13,450	-	13,450

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Southportal Properties, Inc.	-	-	-	-	-	-	-
Station Square East Commercial Corp	1,670	-	-	-	1,670	-	1,670
Summerhill Commercial Ventures Corp.	-	39,545	(39,445)	-	100	-	100
Subtotal	982,524,084	4,319,101	(4,498,379)	-	982,344,805	-	982,344,805
Amount Receivable by Aurora Properties, Inc. from related parties							
Accendo Commercial Corp	-	15,180,256	-	-	15,180,256	-	15,180,256
ALI Capital Corp. (Conso)	559,161	14,794,754	-	-	15,353,915	-	15,353,915
ALI Commercial Center, Inc. (Conso)	99,903,340	-	(99,903,340)	-	-	-	-
Alveo Land Corporation (Conso)	28,443,107	28,918,548	(22,415,244)	-	34,946,411	-	34,946,411
Amaia Land Corporation (Conso)	161,039,467	15,539,222	(176,060,808)	-	517,881	-	517,881
Amorsedia Development Corporation (Conso)	185,504,918	63,616,410	-	-	249,121,328	-	249,121,328
Arca South Integrated Terminal, Inc	3,007,928	2,004,545	-	-	5,012,473	-	5,012,473
Arvo Commercial Corporation	2,113,967	25,754,063	-	-	27,868,030	-	27,868,030
Avida Land Corporation (Conso)	192,927,707	-	(184,004,539)	-	8,923,169	-	8,923,169
Ayala Land Inc.	1,258,848,707	198,431,913	(475,097,111)	-	982,183,510	-	982,183,510
AyalaLand Estates Inc. (Conso)	-	397,936,987	(397,936,987)	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	65,309,355	1,067,849,269	-	-	1,133,158,624	-	1,133,158,624
Ayalaland Logistics Holdings Corp. (Conso)	-	90,770,236	(23,579,259)	-	67,190,977	-	67,190,977
AyalaLand Malls, Inc. (Conso)	-	106,302,737	(103,914,032)	-	2,388,705	-	2,388,705
Ayalaland Metro North, Inc.	871	-	-	-	871	-	871
Bay City Commercial Ventures Corp.	114,661,462	282,594,535	(378,780,477)	-	18,475,519	-	18,475,519
Cagayan De Oro Gateway Corporation	631,906	-	(14,691)	-	617,215	-	617,215
Capitol Central Commercial Ventures Corp.	-	30,978,763	(15,682,672)	-	15,296,091	-	15,296,091
Cavite Commercial Towncenter Inc.	637,669	-	-	-	637,669	-	637,669
CECI Realty Corp.	167,851	-	-	-	167,851	-	167,851
Crans Montana Property Holdings Corporation	114,571,126	193,311,782	-	-	307,882,907	-	307,882,907
Crimson Field Enterprises, Inc.	5,046,986	5,424,515	(443,674)	-	10,027,827	-	10,027,827
Makati Development Corporation (Conso)	8,180	-	-	-	8,180	-	8,180
Nuevocentro, Inc. (Conso)	-	24,367,622	(24,367,622)	-	-	-	-
Red Creek Properties, Inc.	9,524,333	8,026,304	-	-	17,550,637	-	17,550,637
Ten Knots Development Corporation(Conso)	726	-	-	-	726	-	726
Ten Knots Philippines, Inc.(Conso)	8,621	20,418,339	(20,343,414)	-	83,546	-	83,546
Vesta Property Holdings Inc.	27,739	-	-	-	27,739	-	27,739
Subtotal	2,242,945,127	2,592,220,800	(1,922,543,870)	-	2,912,622,057	-	2,912,622,057
Amount Receivable by Aviana Development Corporation from related parties							
Accendo Commercial Corp	-	37,204	-	-	37,204	-	37,204
Alveo Land Corporation (Conso)	-	-	-	-	-	-	-
Ayala Land Inc.	306,198,354	-	(46,741,002)	-	259,457,352	-	259,457,352
Lagdigan Land Corporation	-	2,750	-	-	2,750	-	2,750
Makati Development Corporation (Conso)	546,293	906,914	-	-	1,453,207	-	1,453,207
Subtotal	306,744,647	946,868	(46,741,002)	-	260,950,513	-	260,950,513
Amount Receivable by Avida Land Corporation from related parties							
Accendo Commercial Corp	192,322,280	51,816,106	(43,146,367)	-	200,992,019	-	200,992,019
ALI Capital Corp. (Conso)	-	16,470,073	(16,379,953)	-	90,120	-	90,120
ALI Commercial Center, Inc. (Conso)	20,243,539	-	(20,243,539)	-	-	-	-
ALI-CII Development Corporation	75,000	-	-	-	75,000	-	75,000
Altaraza Development Corporation	-	3,472,000	(420,980)	-	3,051,020	-	3,051,020
Alveo Land Corporation (Conso)	627,356,846	474,433,747	(1,100,956,584)	-	834,009	-	834,009
Amaia Land Corporation (Conso)	20,097,652	490,979,805	(491,142,729)	-	19,934,727	-	19,934,727
Amorsedia Development Corporation (Conso)	1,439,905	1,117,595	-	-	2,557,499	-	2,557,499
APRISA Business Process Solutions, Inc	-	147,840	(147,840)	-	-	-	-
AREIT, Inc.	-	546,336	(546,336)	-	-	-	-
Arvo Commercial Corporation	28,168,158	1,338,079	(12,344,110)	-	17,162,127	-	17,162,127

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Aurora Properties, Inc.	39,622,567	728,000	(545,437)	-	39,805,130	-	39,805,130
Aviana Development Corporation	-	112,000	(112,000)	-	-	-	-
Avida Land Corporation (Conso)	(32,990,438)	31,049,144	-	-	(1,941,294)	-	(1,941,294)
Ayala Hotels Inc.	25,702	-	-	-	25,702	-	25,702
Ayala Land Inc.	2,313,340,414	390,251,050	(632,825,280)	-	2,070,766,184	-	2,070,766,184
Ayala Land International Sales, Inc.(Conso)	12,748,830	1,630,267	-	-	14,379,097	-	14,379,097
Ayala Property Management Corporation (Conso)	10,460,476	279,552	(1,117,369)	-	9,622,660	-	9,622,660
Ayala Theaters Management, Inc.	69,503	-	-	-	69,503	-	69,503
AyalaLand Estates Inc. (Conso)	226,407,445	125,084,797	(81,668,662)	-	269,823,579	-	269,823,579
AyalaLand Hotels and Resorts Corp. (Conso)	484,767	80,037,410	(78,621,170)	-	1,901,007	-	1,901,007
Ayalaland Logistics Holdings Corp. (Conso)	834,269	4,035,647	(4,291,552)	-	578,363	-	578,363
Ayalaland Malls Synergies, Inc.	242,413	-	-	-	242,413	-	242,413
AyalaLand Malls, Inc. (Conso)	-	268,524	-	-	268,524	-	268,524
AyalaLand Offices, Inc. (Conso)	-	327,264	(135,291)	-	191,973	-	191,973
Ayalaland Premier, Inc.	-	-	-	-	-	-	-
Bay City Commercial Ventures Corp.	1,811,515	22,114,180	(19,886,360)	-	4,039,334	-	4,039,334
BellaVita Land Corp.	439,129,363	44,773,387	(36,566,736)	-	447,336,014	-	447,336,014
BG North Properties Inc.	-	637,064,725	-	-	637,064,725	-	637,064,725
BG South Properties, Inc.	-	3,618,771	-	-	3,618,771	-	3,618,771
BG West Properties, Inc	1,468,416,572	-	(1,468,346,052)	-	70,519	-	70,519
Cagayan De Oro Gateway Corporation	455,032,278	4,675,312	-	-	459,707,591	-	459,707,591
Capitol Central Commercial Ventures Corp.	-	8,417,775	-	-	8,417,775	-	8,417,775
CECI Realty Corp.	140,000	252,000	(250,000)	-	142,000	-	142,000
Central Bloc Hotel Ventures	-	147,840	(36,960)	-	110,880	-	110,880
Crans Montana Property Holdings Corporation	16,175	-	-	-	16,175	-	16,175
Integrated Eco-Resort Inc.	-	147,840	(12,320)	-	135,520	-	135,520
Makati Development Corporation (Conso)	18,494,808	2,861,797	(6,362,409)	-	14,994,196	-	14,994,196
North Triangle Depot Commercial Corp	12,460	-	-	-	12,460	-	12,460
Nuevocentro, Inc. (Conso)	286,132,257	382,042,160	(178,241,896)	-	489,932,521	-	489,932,521
Roxas Land Corp.	535,461	796,249	(653,153)	-	678,557	-	678,557
Serendra Inc.	131,274	-	-	-	131,274	-	131,274
Soltea Commercial Corp.	45,029,554	109,414	(45,015,540)	-	123,427	-	123,427
Station Square East Commercial Corp	420,337	-	-	-	420,337	-	420,337
Summerhill Commercial Ventures Corp.	10,180	-	-	-	10,180	-	10,180
Taft Punta Engaño Property, Inc.	-	140,000	-	-	140,000	-	140,000
Ten Knots Development Corporation(Conso)	-	591,360	(591,360)	-	-	-	-
Ten Knots Philippines, Inc.(Conso)	1,689,369	23,347,309	(21,868,781)	-	3,167,897	-	3,167,897
Vesta Property Holdings Inc.	1,966	-	-	-	1,966	-	1,966
Subtotal	6,177,952,897	2,805,225,355	(4,262,476,766)	-	4,720,701,481	-	4,720,701,481
Amount Receivable by Ayala Hotels Inc. from related parties							
Accendo Commercial Corp	182,671,404	362,817,372	(181,946,394)	-	363,542,381	-	363,542,381
ALI Capital Corp. (Conso)	247,460,872	331,196,691	(317,933,852)	-	260,723,711	-	260,723,711
ALI Commercial Center, Inc. (Conso)	36,359,757	-	(36,359,757)	-	-	-	-
Alveo Land Corporation (Conso)	31,505,711	356,024,799	(258,090,126)	-	129,440,383	-	129,440,383
Amaia Land Corporation (Conso)	122,160,133	372,316,446	(478,103,587)	-	16,372,992	-	16,372,992
Amorsedia Development Corporation (Conso)	16,648,522	26,194,880	-	-	42,843,402	-	42,843,402
AREIT, Inc.	3,772	-	-	-	3,772	-	3,772
Arvo Commercial Corporation	105,068,249	77,310,710	(86,839,759)	-	95,539,200	-	95,539,200
Aviana Development Corporation	-	86,403,172	-	-	86,403,172	-	86,403,172
Avida Land Corporation (Conso)	2,464,484	47,697,644	(48,767,494)	-	1,394,634	-	1,394,634
Ayala Land Inc.	1,893,652,102	2,490,549,925	(3,270,163,363)	-	1,114,038,664	-	1,114,038,664
Ayala Land International Sales, Inc.(Conso)	4,500,000	-	-	-	4,500,000	-	4,500,000
Ayala Malls Zing Inc.	-	45,399,008	(30,052,039)	-	15,346,969	-	15,346,969
AyalaLand Estates Inc. (Conso)	-	247,472,119	(247,472,119)	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	1,033,746,661	683,268,266	(1,000,900,839)	-	716,114,089	-	716,114,089

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Ayalaland Logistics Holdings Corp. (Conso)	57,808,154	627,425,870	-	-	685,234,024	-	685,234,024
AyalaLand Malls, Inc. (Conso)	-	115,036,002	(112,171,786)	-	2,864,217	-	2,864,217
Ayalaland Medical Facilities Leasing Inc.	-	-	-	-	-	-	-
Ayalaland Metro North, Inc.	198,822	-	-	-	198,822	-	198,822
Bay City Commercial Ventures Corp.	821,785,612	986,372,172	(1,451,495,591)	-	356,662,194	-	356,662,194
BG West Properties, Inc	140,252,227	151,337,569	(291,589,796)	-	-	-	-
Cagayan De Oro Gateway Corporation	2,753,681	2,875,521	(2,875,521)	-	2,753,681	-	2,753,681
Capitol Central Commercial Ventures Corp.	132,413,408	85,618,485	(194,844,664)	-	23,187,229	-	23,187,229
Cavite Commercial Towncenter Inc.	198,907,803	80,851,745	-	-	279,759,548	-	279,759,548
Crans Montana Property Holdings Corporation	147,870	75,721,699	-	-	75,869,569	-	75,869,569
Lagdigan Land Corporation	-	7,099,745	-	-	7,099,745	-	7,099,745
Leisure and Allied Industries Phils. Inc.	-	125,188,740	-	-	125,188,740	-	125,188,740
North Triangle Depot Commercial Corp	-	33,528,569	-	-	33,528,569	-	33,528,569
Primavera Towncentre, Inc.	49,744,661	50,919,769	(32,005,959)	-	68,658,471	-	68,658,471
Roxas Land Corp.	-	-	-	-	-	-	-
Soltea Commercial Corp.	11,610,500	21,031,828	(22,757,856)	-	9,884,472	-	9,884,472
Summerhill Commercial Ventures Corp.	695,683	-	-	-	695,683	-	695,683
Ten Knots Development Corporation(Conso)	3,046,778	45,546,395	-	-	48,593,173	-	48,593,173
Ten Knots Philippines, Inc.(Conso)	254,430,356	459,215,151	(687,529,148)	-	26,116,359	-	26,116,359
Westview Commercial Ventures Corp.	-	-	-	-	-	-	-
Subtotal	5,350,037,222	7,994,420,292	(8,751,899,650)	-	4,592,557,865	-	4,592,557,865
Amount Receivable by Ayala Land International Sales, Inc. from related parties							
ALI Capital Corp. (Conso)	3,614,760	244,134	(32,404)	-	3,826,491	-	3,826,491
Alveo Land Corporation (Conso)	67,076,949	-	(8,746,170)	-	58,330,779	-	58,330,779
Amaia Land Corporation (Conso)	102,204,688	17,959,294	-	-	120,163,982	-	120,163,982
Amorsedia Development Corporation (Conso)	(70,115)	2,635,315	-	-	2,565,200	-	2,565,200
Arvo Commercial Corporation	-	1,979,928	-	-	1,979,928	-	1,979,928
Avida Land Corporation (Conso)	127,180,611	8,036,641	(16,146,377)	-	119,070,875	-	119,070,875
Ayala Hotels Inc.	-	-	-	-	-	-	-
Ayala Land Inc.	24,549,838	33,074,237	(36,751,889)	-	20,872,186	-	20,872,186
AyalaLand Estates Inc. (Conso)	-	3,067,169	(3,915,243)	-	(848,074)	-	(848,074)
AyalaLand Hotels and Resorts Corp. (Conso)	172,666	24,196,334	-	-	24,369,000	-	24,369,000
Ayalaland Logistics Holdings Corp. (Conso)	-	13,436,954	(1,427,614)	-	12,009,339	-	12,009,339
AyalaLand Malls, Inc. (Conso)	-	10,126,189	(10,016,900)	-	109,289	-	109,289
Bay City Commercial Ventures Corp.	7,094,190	27,009,272	(10,267,890)	-	23,835,572	-	23,835,572
BellaVita Land Corp.	1,708,007	-	(157,463)	-	1,550,544	-	1,550,544
BG West Properties, Inc	-	-	-	-	-	-	-
Capitol Central Commercial Ventures Corp.	15,142,943	30,978,854	(35,835,459)	-	10,286,338	-	10,286,338
Crans Montana Property Holdings Corporation	15,200	40,018,661	-	-	40,033,860	-	40,033,860
North Triangle Depot Commercial Corp	10,408,190	125,417	(10,288,021)	-	245,586	-	245,586
Nuevocentro, Inc. (Conso)	6,551,233	331,106	-	-	6,882,339	-	6,882,339
Primavera Towncentre, Inc.	1,018,268	3,572,461	(2,020,573)	-	2,570,155	-	2,570,155
Serendra Inc.	-	-	-	-	-	-	-
Ten Knots Development Corporation(Conso)	-	2,004,256	-	-	2,004,256	-	2,004,256
Ten Knots Philippines, Inc.(Conso)	28,329,224	12,656,062	(13,874,596)	-	27,110,690	-	27,110,690
Subtotal	394,996,652	231,452,284	(149,480,599)	-	476,968,335	-	476,968,335
Amount Receivable by Ayala Land Sales Inc. from related parties							
Accendo Commercial Corp	8,560,810	-	(8,560,810)	-	-	-	-
Alveo Land Corporation (Conso)	501,850	-	(501,850)	-	-	-	-
Amaia Land Corporation (Conso)	439,291	-	(439,291)	-	-	-	-
Amorsedia Development Corporation (Conso)	-	-	-	-	-	-	-
AREIT, Inc.	465	-	(465)	-	-	-	-
Arvo Commercial Corporation	2,267,349	-	(2,267,349)	-	-	-	-
Avida Land Corporation (Conso)	1,131,287	-	(1,131,287)	-	-	-	-

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Ayala Land Inc.	(2,975,703)	2,975,703	-	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	50,722,796	-	(50,722,796)	-	-	-	-
Ayalaland Logistics Holdings Corp. (Conso)	5,200,076	-	(5,200,076)	-	-	-	-
Ayalaland Premier, Inc.	6,322	-	(6,322)	-	-	-	-
Bay City Commercial Ventures Corp.	28,533,808	-	(28,533,808)	-	-	-	-
BellaVita Land Corp.	52,832	-	(52,832)	-	-	-	-
Cavite Commercial Towncenter Inc.	10,233,439	-	(10,233,439)	-	-	-	-
North Triangle Depot Commercial Corp	5,143,201	-	(5,143,201)	-	-	-	-
Soltea Commercial Corp.	29,788,079	-	(29,788,079)	-	-	-	-
Summerhill Commercial Ventures Corp.	214,743	-	(214,743)	-	-	-	-
Ten Knots Philippines, Inc.(Conso)	12,958,473	-	(12,958,473)	-	-	-	-
Subtotal	152,779,118	2,975,703	(155,754,821)	-	-	-	-
Amount Receivable by Ayala Land-Tagle Property Inc. from related parties							
Subtotal	-	-	-	-	-	-	-
Amount Receivable by Ayala Malls Zing Inc. from related parties							
AyalaLand Malls, Inc. (Conso)	-	22,162,574	-	-	22,162,574	-	22,162,574
North Eastern Commercial Corp.	-	-	-	-	-	-	-
Subtotal	-	22,162,574	-	-	22,162,574	-	22,162,574
Amount Receivable by Ayala Property Management Corporation from related parties							
Accendo Commercial Corp	24,557,404	20,095,256	(8,217,916)	-	36,434,744	-	36,434,744
Adauge Commercial Corp.	150,091	315,191	(150,091)	-	315,190	-	315,190
Alabang Commercial Corporation (Conso)	591,385	473,977	(914,863)	-	150,500	-	150,500
ALI Capital Corp. (Conso)	86,492	12,992,667	-	-	13,079,159	-	13,079,159
ALI Commercial Center, Inc. (Conso)	91,464,345	-	(91,464,345)	-	-	-	-
ALI-CII Development Corporation	54,233	226,596	(264,029)	-	16,800	-	16,800
Alveo Land Corporation (Conso)	38,670,436	380,841,294	(379,472,811)	-	40,038,919	-	40,038,919
Amaia Land Corporation (Conso)	51,296,731	69,663,754	(104,053,984)	-	16,906,501	-	16,906,501
Amorsedia Development Corporation (Conso)	11,199,714	7,292,756	(3,343,069)	-	15,149,401	-	15,149,401
APRISA Business Process Solutions, Inc	2,961,607	2,533,000	(5,494,607)	-	-	-	-
AREIT, Inc.	2,992,177	72,366,209	(61,636,761)	-	13,721,625	-	13,721,625
Arvo Commercial Corporation	195,006	1,302,098	(1,185,263)	-	311,840	-	311,840
Aurora Properties, Inc.	356,081	4,670,177	(4,650,018)	-	376,240	-	376,240
Aviana Development Corporation	5,109,311	16,722,630	(15,914,964)	-	5,916,977	-	5,916,977
Avida Land Corporation (Conso)	41,665,017	288,248,922	(288,506,760)	-	41,407,179	-	41,407,179
Ayala Hotels Inc.	-	2,540,413	(2,540,413)	-	-	-	-
Ayala Land Inc.	40,596,675	775,451,878	(674,557,239)	-	141,491,314	-	141,491,314
Ayala Land Sales Inc.	300	-	(300)	-	-	-	-
Ayala Property Management Corporation (Conso)	61,255	-	-	-	61,255	-	61,255
AyalaLand Estates Inc. (Conso)	3,362,550	39,646,347	(42,117,871)	-	891,025	-	891,025
AyalaLand Hotels and Resorts Corp. (Conso)	380,608,040	133,276,086	(406,349,682)	-	107,534,445	-	107,534,445
Ayalaland Logistics Holdings Corp. (Conso)	100,540,677	166,042,853	(141,911,234)	-	124,672,296	-	124,672,296
AyalaLand Malls, Inc. (Conso)	3,792,539	-	(3,792,539)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	106,363,162	(40,311,523)	-	66,051,639	-	66,051,639
Ayalaland Metro North, Inc.	-	1,099,816	(1,015,816)	-	84,000	-	84,000
AyalaLand Offices, Inc. (Conso)	4,844,380	30,326,877	(32,578,064)	-	2,593,193	-	2,593,193
Ayalaland Premier, Inc.	193,498	-	(193,198)	-	300	-	300
Bay City Commercial Ventures Corp.	84,675,932	293,550,576	(141,566,457)	-	236,660,050	-	236,660,050
BG North Properties Inc.	-	2,130,245	(279,045)	-	1,851,200	-	1,851,200
BG South Properties, Inc.	-	3,562,741	-	-	3,562,741	-	3,562,741
BG West Properties, Inc	1,669,356	12,133,898	(9,622,476)	-	4,180,778	-	4,180,778
Cagayan De Oro Gateway Corporation	574,409	4,203,015	(1,224,019)	-	3,553,404	-	3,553,404
Capitol Central Commercial Ventures Corp.	-	590,106	(590,106)	-	-	-	-
Cavite Commercial Towncenter Inc.	38,381,031	81,564,725	-	-	119,945,756	-	119,945,756

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
CECI Realty Corp.	622,511	8,119,477	(7,317,847)	-	1,424,141	-	1,424,141
Crans Montana Property Holdings Corporation	276,864	20,152,322	-	-	20,429,186	-	20,429,186
Hillsford Property Corporation	827,317	93,341	(827,317)	-	93,341	-	93,341
Makati Cornerstone Leasing Corp.	122,265	11,956,939	(10,506,695)	-	1,572,509	-	1,572,509
Makati Development Corporation (Conso)	2,576,283	8,388,496	(10,129,750)	-	835,030	-	835,030
North Eastern Commercial Corp.	971,259	2,578,274	(2,741,664)	-	807,869	-	807,869
North Triangle Depot Commercial Corp	9,860,924	11,353,269	(21,059,891)	-	154,302	-	154,302
North Ventures Commercial Corp.	12,490,965	1,099,898	(548,315)	-	13,042,548	-	13,042,548
NorthBeacon Commercial Corporation	-	841,103	(379,915)	-	461,188	-	461,188
Nuevocentro, Inc. (Conso)	12,934,266	38,666,644	(26,745,625)	-	24,855,284	-	24,855,284
Philippine Integrated Energy Solutions, Inc.	111,023,189	-	-	-	111,023,189	-	111,023,189
Roxas Land Corp.	765,610	-	-	-	765,610	-	765,610
Serendra Inc.	24,418,418	9,089,420	-	-	33,507,838	-	33,507,838
Soltea Commercial Corp.	65,954,363	5,430,935	(6,882,847)	-	64,502,451	-	64,502,451
Southportal Properties, Inc.	(1,259,430)	420,000	-	-	(839,430)	-	(839,430)
Station Square East Commercial Corp	-	1,099,816	(1,043,816)	-	56,000	-	56,000
Subic Bay Town Center Inc.	-	1,275,403	(681,434)	-	593,970	-	593,970
Summerhill Commercial Ventures Corp.	-	1,047,765	(991,765)	-	56,000	-	56,000
Sunnyfield E-Office Corp	-	1,848,330	(1,710,805)	-	137,525	-	137,525
Taft Punta Engaño Property, Inc.	-	1,142,400	(1,142,400)	-	-	-	-
Ten Knots Development Corporation(Conso)	220,590	10,292,638	-	-	10,513,228	-	10,513,228
Ten Knots Philippines, Inc.(Conso)	25,423,614	31,179,665	(32,003,256)	-	24,600,022	-	24,600,022
Vesta Property Holdings Inc.	473,704	5,959,884	(5,897,478)	-	536,110	-	536,110
Westview Commercial Ventures Corp.	175,711	236,393	(236,393)	-	175,711	-	175,711
Subtotal	1,198,529,095	2,702,499,677	(2,594,766,676)	-	1,306,262,093	-	1,306,262,093
Amount Receivable by Ayala Theaters Management, Inc. from related parties							
ALI Commercial Center, Inc. (Conso)	3,996	-	(3,996)	-	-	-	-
Arvo Commercial Corporation	46,592	93,184	(139,776)	-	-	-	-
Ayala Land Inc.	-	19,902,204	(19,902,204)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	6,993	-	(6,993)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	845,407	(739,019)	-	106,388	-	106,388
Ayalaland Metro North, Inc.	45,640	91,280	(136,920)	-	-	-	-
Bay City Commercial Ventures Corp.	-	221,088	(221,088)	-	-	-	-
Capitol Central Commercial Ventures Corp.	104,720	104,720	(209,440)	-	-	-	-
FIVE STAR Cinema Inc.	-	48,272	(48,272)	-	-	-	-
Makati Cornerstone Leasing Corp.	115,480	116,480	(232,960)	-	(1,000)	-	(1,000)
North Eastern Commercial Corp.	36,064	299,936	(336,000)	-	-	-	-
North Triangle Depot Commercial Corp	-	14,598,664	(14,598,664)	-	-	-	-
North Ventures Commercial Corp.	179,984	179,984	(359,968)	-	-	-	-
NorthBeacon Commercial Corporation	-	88,928	(88,928)	-	-	-	-
Subic Bay Town Center Inc.	-	103,376	(103,376)	-	-	-	-
Summerhill Commercial Ventures Corp.	-	89,600	(89,600)	-	-	-	-
Subtotal	539,469	36,783,123	(37,217,204)	-	105,388	-	105,388
Amount Receivable by AyalaLand Club Management, Inc. from related parties							
Anvaya Cove Beach and Nature Club Inc	3,040,897	-	(3,040,897)	-	-	-	-
Anvaya Cove Golf and Sports Club Inc.	1,548,093	-	(1,548,093)	-	-	-	-
APRISA Business Process Solutions, Inc	4,500	-	(4,500)	-	-	-	-
Ayala Land Inc.	231,823	-	(231,823)	-	-	-	-
Ayala Land Sales Inc.	84,000	-	(84,000)	-	-	-	-
AyalaLand Estates Inc. (Conso)	73,500	-	(73,500)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	500	-	(500)	-	-	-	-
AyalaLand Offices, Inc. (Conso)	1,500	-	(1,500)	-	-	-	-

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Ayalaland Premier, Inc.	319,500	-	(319,500)	-	-	-	-
Verde Golf Development Corporation	-	-	-	-	-	-	-
Subtotal	5,304,313	-	(5,304,313)	-	-	-	-
Amount Receivable by AyalaLand Estates Inc. from related parties							
Accendo Commercial Corp	7,237	58,270	-	-	65,507	-	65,507
Adauge Commercial Corp.	-	1,400	-	-	1,400	-	1,400
ALI Capital Corp. (Conso)	175,615	-	-	-	175,615	-	175,615
ALI Commercial Center, Inc. (Conso)	311,433	-	(311,433)	-	-	-	-
Altaraza Development Corporation	8,414	-	-	-	8,414	-	8,414
Altaraza Prime Realty Corporation	10	-	(10)	-	-	-	-
Alveo Land Corporation (Conso)	-	280,000	-	-	280,000	-	280,000
Amaia Land Corporation (Conso)	21,812	-	-	-	21,812	-	21,812
Amorsedia Development Corporation (Conso)	5,902,947	570,719	-	-	6,473,666	-	6,473,666
Arca South Integrated Terminal, Inc	2,242,825	7,264	-	-	2,250,089	-	2,250,089
Arvo Commercial Corporation	1,901,922	-	-	-	1,901,922	-	1,901,922
Aurora Properties, Inc.	10	-	-	-	10	-	10
Aviana Development Corporation	3,726	82,238	-	-	85,964	-	85,964
Avida Land Corporation (Conso)	15,032	300,000	-	-	315,032	-	315,032
Ayala Land Inc.	4,858,330	44,500,838	(43,367,899)	-	5,991,269	-	5,991,269
Ayala Property Management Corporation (Conso)	-	-	-	-	-	-	-
AyalaLand Estates Inc. (Conso)	2,028,943	-	-	-	2,028,943	-	2,028,943
AyalaLand Hotels and Resorts Corp. (Conso)	817,730	20,703	-	-	838,433	-	838,433
Ayalaland Logistics Holdings Corp. (Conso)	40,891	12,288	-	-	53,179	-	53,179
AyalaLand Malls, Inc. (Conso)	-	311,433	-	-	311,433	-	311,433
Bay City Commercial Ventures Corp.	467,009	-	-	-	467,009	-	467,009
Cagayan De Oro Gateway Corporation	276,823	-	-	-	276,823	-	276,823
CECI Realty Corp.	92,668	4,060,903	-	-	4,153,571	-	4,153,571
Crans Montana Property Holdings Corporation	158,633	26,966,676	(26,966,676)	-	158,633	-	158,633
Lagdigan Land Corporation	10,852	14,368	-	-	25,220	-	25,220
Makati Development Corporation (Conso)	507,285	570,481	-	-	1,077,766	-	1,077,766
North Eastern Commercial Corp.	51,507,486	16,926,806	(46,879,506)	-	21,554,786	-	21,554,786
Nuevocentro, Inc. (Conso)	8,485	4,310,458	-	-	4,318,943	-	4,318,943
Vesta Property Holdings Inc.	10	-	-	-	10	-	10
Subtotal	**71,366,128**	**98,994,845**	**(117,525,524)**	**-**	**52,835,449**	**-**	**52,835,449**
Amount Receivable by AyalaLand Hotels and Resorts Corp. from related parties							
Accendo Commercial Corp	7,000,000	-	(7,000,000)	-	-	-	-
ALI Capital Corp. (Conso)	423,195	10,105,125	(9,966,373)	-	561,946	-	561,946
ALI Commercial Center, Inc. (Conso)	-	-	-	-	-	-	-
ALI-CII Development Corporation	-	-	-	-	-	-	-
Alveo Land Corporation (Conso)	-	5,991,437	-	-	5,991,437	-	5,991,437
Amaia Land Corporation (Conso)	(2,811)	35,006,304	-	-	35,003,493	-	35,003,493
AREIT, Inc.	-	-	-	-	-	-	-
Arvo Commercial Corporation	-	2,508,052	(2,501,078)	-	6,974	-	6,974
Aviana Development Corporation	-	-	-	-	-	-	-
Avida Land Corporation (Conso)	53,771	81,196	-	-	134,967	-	134,967
Ayala Hotels Inc.	362	2,300	-	-	2,662	-	2,662
Ayala Land Inc.	25,180,321	167,784,251	-	-	192,964,572	-	192,964,572
Ayala Land International Sales, Inc.(Conso)	-	-	-	-	-	-	-
Ayala Property Management Corporation (Conso)	370,404	-	-	-	370,404	-	370,404
AyalaLand Estates Inc. (Conso)	-	-	-	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	32,915,148	5,000,000	(482,529,943)	-	(444,614,795)	-	(444,614,795)
Ayalaland Logistics Holdings Corp. (Conso)	423,195	24,223,000	-	-	24,646,195	-	24,646,195
Ayalaland Malls Synergies, Inc.	-	-	-	-	-	-	-
AyalaLand Malls, Inc. (Conso)	419,040	-	(419,040)	-	-	-	-

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
AyalaLand Malls, Inc. (Conso)	-	419,040	-	-	419,040	-	419,040
AyalaLand Offices, Inc. (Conso)	422,070	-	-	-	422,070	-	422,070
Ayalaland Premier, Inc.	-	125,736	(125,736)	-	-	-	-
Bay City Commercial Ventures Corp.	(973,563)	10,000,000	(8,984,238)	-	42,199	-	42,199
BellaVita Land Corp.	427	-	-	-	427	-	427
BG West Properties, Inc	-	-	-	-	-	-	-
Cagayan De Oro Gateway Corporation	-	-	-	-	-	-	-
Capitol Central Commercial Ventures Corp.	-	-	-	-	-	-	-
Central Bloc Hotel Ventures	18,518,430	33,819,787	(5,538,708)	-	46,799,509	-	46,799,509
Crans Montana Property Holdings Corporation	-	10,627,000	-	-	10,627,000	-	10,627,000
Direct Power Services Inc.	-	-	-	-	-	-	-
Integrated Eco-Resort Inc.	29,568	-	-	-	29,568	-	29,568
Lagdigan Land Corporation	-	-	-	-	-	-	-
Makati Development Corporation (Conso)	4,553	2,468,434	-	-	2,472,986	-	2,472,986
North Triangle Depot Commercial Corp	(5,370,696)	11,000,000	-	-	5,629,304	-	5,629,304
Southportal Properties, Inc.	-	-	-	-	-	-	-
Ten Knots Development Corporation(Conso)	2,114,695	10,431,885	(3,117,803)	-	9,428,777	-	9,428,777
Ten Knots Philippines, Inc.(Conso)	50,620	29,781,388	(29,750,041)	-	81,966	-	81,966
Vesta Property Holdings Inc.	-	11,536	-	-	11,536	-	11,536
Subtotal	81,578,729	359,386,471	(549,932,960)	-	(108,967,763)	-	(108,967,763)
Amount Receivable by Ayalaland Logistics Holdings Corp. from related parties							
Accendo Commercial Corp	16,047,952	10,102,601	-	-	26,150,554	-	26,150,554
Alabang Commercial Corporation (Conso)	35,390	-	(35,390)	-	-	-	-
ALI Capital Corp. (Conso)	37,695,007	468,910	(25,078,874)	-	13,085,043	-	13,085,043
ALI Commercial Center, Inc. (Conso)	87,635,776	-	(87,635,776)	-	-	-	-
Alveo Land Corporation (Conso)	14,160	76,068,792	-	-	76,082,953	-	76,082,953
Amaia Land Corporation (Conso)	53,453,656	18,137,724	(71,333,035)	-	258,345	-	258,345
Amorsedia Development Corporation (Conso)	84,263	38,764,663	-	-	38,848,926	-	38,848,926
APRISA Business Process Solutions, Inc	-	111,220	-	-	111,220	-	111,220
Arvo Commercial Corporation	28,265,720	41,002,642	(48,741,953)	-	20,526,410	-	20,526,410
Avida Land Corporation (Conso)	3,232,493	21,533,177	(18,423,520)	-	6,342,150	-	6,342,150
Ayala Land Inc.	130,474,050	400,977,788	(400,981,000)	-	130,470,838	-	130,470,838
Ayala Property Management Corporation (Conso)	1,233	-	-	-	1,233	-	1,233
AyalaLand Estates Inc. (Conso)	-	18,763,779	(18,448,940)	-	314,839	-	314,839
AyalaLand Hotels and Resorts Corp. (Conso)	9,080,814	202,004,864	(114,128,602)	-	96,957,076	-	96,957,076
Ayalaland Logistics Holdings Corp. (Conso)	-	581,060,000	(790,870,859)	-	(209,810,859)	-	(209,810,859)
Ayalaland Malls Synergies, Inc.	269,522	2	-	-	269,524	-	269,524
AyalaLand Malls, Inc. (Conso)	-	18,972,348	(13,219,353)	-	5,752,995	-	5,752,995
Ayalaland Metro North, Inc.	3,408,394	3,360	-	-	3,411,754	-	3,411,754
Bay City Commercial Ventures Corp.	111,716,072	93,920,097	-	-	205,636,168	-	205,636,168
BellaVita Land Corp.	-	-	-	-	-	-	-
Cagayan De Oro Gateway Corporation	134,953	-	(28,376)	-	106,576	-	106,576
Capitol Central Commercial Ventures Corp.	3,753,774	20,124,187	(6,366,723)	-	17,511,238	-	17,511,238
Cavite Commercial Towncenter Inc.	17,141,204	81,714,044	(97,523,653)	-	1,331,595	-	1,331,595
Crans Montana Property Holdings Corporation	4,608	-	-	-	4,608	-	4,608
Leisure and Allied Industries Phils. Inc.	(50,600)	-	-	-	(50,600)	-	(50,600)
Makati Cornerstone Leasing Corp.	-	1,003,310	(1,000,443)	-	2,867	-	2,867
Makati Development Corporation (Conso)	4,699,310	-	(1,654,405)	-	3,044,904	-	3,044,904
North Eastern Commercial Corp.	90,580	-	-	-	90,580	-	90,580
North Triangle Depot Commercial Corp	601,164	60,431,601	(60,634,054)	-	398,711	-	398,711
North Ventures Commercial Corp.	274,320	-	-	-	274,320	-	274,320
Nuevocentro, Inc. (Conso)	4,139,057	8,540,578	(8,505,435)	-	4,174,200	-	4,174,200
Primavera Towncentre, Inc.	50,502,605	151,151,061	(143,538,763)	-	58,114,903	-	58,114,903
Soltea Commercial Corp.	3,799,105	32,567	(3,088,544)	-	743,129	-	743,129
Station Square East Commercial Corp	1,687,120	10,150	-	-	1,697,270	-	1,697,270

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Summerhill Commercial Ventures Corp.	51,726	-	-	-	51,726	-	51,726
Ten Knots Development Corporation(Conso)	8,092,258	5,188,912	-	-	13,281,170	-	13,281,170
Ten Knots Philippines, Inc.(Conso)	(219,942)	49,937,577	(38,909,710)	-	10,807,925	-	10,807,925
Subtotal	576,115,744	1,900,025,954	(1,950,147,408)	-	525,994,291	-	525,994,291
Amount Receivable by Ayalaland Malls Synergies, Inc. from related parties							
ALI Commercial Center, Inc. (Conso)	19,252,657	-	(19,252,657)	-	-	-	-
Alveo Land Corporation (Conso)	-	24,257,334	(24,257,334)	-	-	-	-
AREIT Fund Manager, Inc.	345	-	-	-	345	-	345
Ayala Land Inc.	-	22,091,056	(22,091,056)	-	-	-	-
Ayalaland Logistics Holdings Corp. (Conso)	6,262,805	-	(9,240)	-	6,253,565	-	6,253,565
AyalaLand Malls, Inc. (Conso)	-	656,766	-	-	656,766	-	656,766
Bay City Commercial Ventures Corp.	5,355,795	24,895,328	-	-	30,251,123	-	30,251,123
North Eastern Commercial Corp.	29,864	-	-	-	29,864	-	29,864
Soltea Commercial Corp.	4,155,583	4,099,892	(8,143,085)	-	112,390	-	112,390
Ten Knots Philippines, Inc.(Conso)	8,263,041	556,160	(464,939)	-	8,354,262	-	8,354,262
Subtotal	43,320,090	76,556,536	(74,218,311)	-	45,658,315	-	45,658,315
Amount Receivable by AyalaLand Malls, Inc. from related parties							
Accendo Commercial Corp	582,168	-	(582,168)	-	-	-	-
Adauge Commercial Corp.	391,583	-	(391,583)	-	-	-	-
Alabang Commercial Corporation (Conso)	1,804,159	-	(1,804,159)	-	-	-	-
ALI Capital Corp. (Conso)	947,784	-	(947,784)	-	-	-	-
ALI Commercial Center, Inc. (Conso)	16,101,571	-	(16,101,571)	-	-	-	-
Amaia Land Corporation (Conso)	(29,000,000)	29,000,000	-	-	-	-	-
AREIT, Inc.	1,822,698	-	(1,822,698)	-	-	-	-
Arvo Commercial Corporation	6,692,431	-	(6,692,431)	-	-	-	-
Avida Land Corporation (Conso)	(6,000,000)	6,000,000	-	-	-	-	-
Ayala Land Inc.	12,250,119	-	(12,250,119)	-	-	-	-
Ayalaland Logistics Holdings Corp. (Conso)	1,448,491	-	(1,448,491)	-	-	-	-
Ayalaland Malls Synergies, Inc.	239,473	-	(239,473)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	6,936,644	-	(6,936,644)	-	-	-	-
Ayalaland Metro North, Inc.	1,701,679	-	(1,701,679)	-	-	-	-
Bay City Commercial Ventures Corp.	10,547,432	-	(10,547,432)	-	-	-	-
Cagayan De Oro Gateway Corporation	1,249,181	-	(1,249,181)	-	-	-	-
Capitol Central Commercial Ventures Corp.	1,914,348	-	(1,914,348)	-	-	-	-
Cavite Commercial Towncenter Inc.	3,001,719	-	(3,001,719)	-	-	-	-
Makati Cornerstone Leasing Corp.	5,213,932	-	(5,213,932)	-	-	-	-
North Eastern Commercial Corp.	6,668,708	-	(6,668,708)	-	-	-	-
North Triangle Depot Commercial Corp	2,272,041	-	(2,272,041)	-	-	-	-
North Ventures Commercial Corp.	9,808,566	-	(9,808,566)	-	-	-	-
NorthBeacon Commercial Corporation	24,273	-	(24,273)	-	-	-	-
Nuevocentro, Inc. (Conso)	2,415	-	(2,415)	-	-	-	-
Primavera Towncentre, Inc.	282,887	-	(282,887)	-	-	-	-
Soltea Commercial Corp.	1,574,090	-	(1,574,090)	-	-	-	-
Station Square East Commercial Corp	3,431,098	-	(3,431,098)	-	-	-	-
Subic Bay Town Center Inc.	1,352,199	-	(1,352,199)	-	-	-	-
Summerhill Commercial Ventures Corp.	2,741,866	-	(2,741,866)	-	-	-	-
Westview Commercial Ventures Corp.	108,762	-	(108,762)	-	-	-	-
Subtotal	66,112,317	35,000,000	(101,112,317)	-	-	-	-

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by Ayalaland Medical Facilities Leasing Inc. from related parties							
Avida Land Corporation (Conso)	15,958	3,019,279	(3,019,279)	-	15,958	-	15,958
Ayala Land Inc.	(478,272)	3,011,786	-	-	2,533,514	-	2,533,514
Bay City Commercial Ventures Corp.	1,227,692	-	-	-	1,227,692	-	1,227,692
Whiteknight Holdings, Inc.	291	-	-	-	291	-	291
Subtotal	765,669	6,031,065	(3,019,279)	-	3,777,455	-	3,777,455
Amount Receivable by Ayalaland Metro North, Inc. from related parties							
Accendo Commercial Corp	12,092,148	16,884,001	-	-	28,976,149	-	28,976,149
Alabang Commercial Corporation (Conso)	-	1,814	(194)	-	1,620	-	1,620
ALI Capital Corp. (Conso)	12,501	74,781,824	(72,432,716)	-	2,361,610	-	2,361,610
ALI Commercial Center, Inc. (Conso)	13,176,573	-	(13,176,573)	-	-	-	-
Alveo Land Corporation (Conso)	(51,825,108)	116,406,033	(121,405,952)	-	(56,825,027)	-	(56,825,027)
Amaia Land Corporation (Conso)	79,258	60,312,139	(60,041,804)	-	349,592	-	349,592
Amorsedia Development Corporation (Conso)	4,823	44,793,854	(5,233,093)	-	39,565,584	-	39,565,584
AREIT, Inc.	808	-	-	-	808	-	808
Arvo Commercial Corporation	3,670,877	6,106,058	(7,013,652)	-	2,763,283	-	2,763,283
Avida Land Corporation (Conso)	-	10,040,700	(10,005,451)	-	35,249	-	35,249
Ayala Land Inc.	1,499,082	399,173,964	(398,585,439)	-	2,087,607	-	2,087,607
Ayala Malls Zing Inc.	-	73,630	-	-	73,630	-	73,630
AyalaLand Estates Inc. (Conso)	75,714	33,235,108	(33,031,488)	-	279,335	-	279,335
AyalaLand Hotels and Resorts Corp. (Conso)	32,031,264	34,190,574	(61,785,196)	-	4,436,642	-	4,436,642
Ayalaland Logistics Holdings Corp. (Conso)	15,225,661	67,362,231	-	-	82,587,892	-	82,587,892
AyalaLand Malls, Inc. (Conso)	-	21,439,842	(20,080,808)	-	1,359,034	-	1,359,034
Bay City Commercial Ventures Corp.	177,995,003	110,732,307	(156,761,512)	-	131,965,797	-	131,965,797
Cagayan De Oro Gateway Corporation	47,954	504	-	-	48,458	-	48,458
Capitol Central Commercial Ventures Corp.	15,266,173	916,546	(8,643,664)	-	7,539,056	-	7,539,056
Cavite Commercial Towncenter Inc.	34,585,169	723,265	(14,382,168)	-	20,926,266	-	20,926,266
Crans Montana Property Holdings Corporation	-	117,028,590	(116,917,222)	-	111,368	-	111,368
Leisure and Allied Industries Phils. Inc.	-	24,797	(24,797)	-	-	-	-
Makati Cornerstone Leasing Corp.	-	560	(60)	-	500	-	500
North Eastern Commercial Corp.	56,946	3,097	-	-	60,043	-	60,043
North Triangle Depot Commercial Corp	1,586	11,480	(1,230)	-	11,836	-	11,836
North Ventures Commercial Corp.	1,250	1,120	(120)	-	2,250	-	2,250
NorthBeacon Commercial Corporation	1,581	-	-	-	1,581	-	1,581
Primavera Towncentre, Inc.	-	6,133,104	-	-	6,133,104	-	6,133,104
Soltea Commercial Corp.	10,078,200	4,483,418	(10,065,559)	-	4,496,059	-	4,496,059
Station Square East Commercial Corp	34,256	14,137	-	-	48,393	-	48,393
Subic Bay Town Center Inc.	220	-	(220)	-	-	-	-
Summerhill Commercial Ventures Corp.	5,136	6,413	-	-	11,548	-	11,548
Ten Knots Development Corporation(Conso)	-	7,127,294	-	-	7,127,294	-	7,127,294
Ten Knots Philippines, Inc.(Conso)	32,199,439	851,182	(9,467,222)	-	23,583,400	-	23,583,400
Subtotal	296,316,514	1,132,859,586	(1,119,056,140)	-	310,119,961	-	310,119,961
Amount Receivable by AyalaLand Offices, Inc. from related parties							
Accendo Commercial Corp	132,963,556	86,631,900	-	-	219,595,456	-	219,595,456
Alabang Commercial Corporation (Conso)	332,837	-	-	-	332,837	-	332,837
ALI Capital Corp. (Conso)	189,543,921	125,914,942	-	-	315,458,863	-	315,458,863
ALI Commercial Center, Inc. (Conso)	205,873,053	-	(205,873,053)	-	-	-	-
ALO Prime Realty Corporation	3,021,761	850	-	-	3,022,611	-	3,022,611
Alveo Land Corporation (Conso)	94,633,463	319,923,348	(111,181,805)	-	303,375,006	-	303,375,006
Amaia Land Corporation (Conso)	139,705,362	229,339,283	(364,438,955)	-	4,605,691	-	4,605,691
Amorsedia Development Corporation (Conso)	1,758	76,479,526	-	-	76,481,284	-	76,481,284
AREIT, Inc.	7,495,152	3,947,272	-	-	11,442,424	-	11,442,424
Arvo Commercial Corporation	315,117,182	386,803,022	(428,986,408)	-	272,933,796	-	272,933,796

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Aviana Development Corporation	-	22,356,953	(21,107,351)	-	1,249,603	-	1,249,603
Avida Land Corporation (Conso)	8,911,805	241,246,363	(226,243,834)	-	23,914,334	-	23,914,334
Ayala Land Inc.	21,552,995	1,768,569,627	(1,685,939,928)	-	104,182,694	-	104,182,694
Ayala Land International Sales, Inc.(Conso)	40,320	-	-	-	40,320	-	40,320
Ayala Land Sales Inc.	11,330	-	(11,330)	-	-	-	-
Ayala Property Management Corporation (Conso)	120,156	10,731,195	-	-	10,851,351	-	10,851,351
AyalaLand Estates Inc. (Conso)	5,632,960	160,100,590	(160,608,873)	-	5,124,677	-	5,124,677
AyalaLand Hotels and Resorts Corp. (Conso)	1,016,147,063	246,770,866	(51,287,448)	-	1,211,630,482	-	1,211,630,482
Ayalaland Logistics Holdings Corp. (Conso)	408,651,406	1,137,934,478	-	-	1,546,585,885	-	1,546,585,885
AyalaLand Malls, Inc. (Conso)	-	170,877,857	(163,514,953)	-	7,362,904	-	7,362,904
Ayalaland Medical Facilities Leasing Inc.	-	-	-	-	-	-	-
Ayalaland Metro North, Inc.	320,731	1,627	-	-	322,358	-	322,358
AyalaLand Offices, Inc. (Conso)	169,951,387	214,800,074	-	-	384,751,460	-	384,751,460
Ayalaland Premier, Inc.	-	11,330	-	-	11,330	-	11,330
Bay City Commercial Ventures Corp.	1,855,092,774	1,159,926,691	(1,022,457,258)	-	1,992,562,206	-	1,992,562,206
BellaVita Land Corp.	92,091	-	-	-	92,091	-	92,091
Cagayan De Oro Gateway Corporation	31,352,136	971,950	(32,235,774)	-	88,312	-	88,312
Capitol Central Commercial Ventures Corp.	458,328,573	38,474,380	(110,221,099)	-	386,581,854	-	386,581,854
Cavite Commercial Towncenter Inc.	109,118,970	315,309,797	-	-	424,428,767	-	424,428,767
CECI Realty Corp.	4,905,774	-	-	-	4,905,774	-	4,905,774
Crans Montana Property Holdings Corporation	39,740,699	196,962,561	-	-	236,703,260	-	236,703,260
Direct Power Services Inc.	28,234	145,417	-	-	173,651	-	173,651
Hillsford Property Corporation	95,996	162,082	-	-	258,078	-	258,078
Leisure and Allied Industries Phils. Inc.	-	11,084,920	(11,011,373)	-	73,547	-	73,547
Makati Cornerstone Leasing Corp.	3,604,136	-	(61,247)	-	3,542,890	-	3,542,890
Makati Development Corporation (Conso)	560,464	-	-	-	560,464	-	560,464
North Eastern Commercial Corp.	3,628,823	365,764	-	-	3,994,586	-	3,994,586
North Triangle Depot Commercial Corp	148,332,044	65,401,538	(206,487,203)	-	7,246,379	-	7,246,379
North Ventures Commercial Corp.	343,672	178,391	-	-	522,063	-	522,063
Nuevocentro, Inc. (Conso)	527,126	896,490	-	-	1,423,617	-	1,423,617
Primavera Towncentre, Inc.	10,297,360	26,800,176	-	-	37,097,535	-	37,097,535
Red Creek Properties, Inc.	-	20,125,536	-	-	20,125,536	-	20,125,536
Soltea Commercial Corp.	103,658,132	16,908,695	(48,845,306)	-	71,721,521	-	71,721,521
Sunnyfield E-Office Corp	3,877,369	-	(354,081)	-	3,523,288	-	3,523,288
Ten Knots Development Corporation(Conso)	76,757,896	3,738,567	(34,361,505)	-	46,134,958	-	46,134,958
Ten Knots Philippines, Inc.(Conso)	401,822,297	382,670,868	(601,357,369)	-	183,135,796	-	183,135,796
Westview Commercial Ventures Corp.	336,073,299	151,528,405	(187,433,106)	-	300,168,597	-	300,168,597
Subtotal	6,308,266,063	7,594,093,331	(5,674,019,259)	-	8,228,340,136	-	8,228,340,136
Amount Receivable by Ayalaland Premier, Inc. from related parties							
Accendo Commercial Corp	3,053,210	12,728,502	(12,247,544)	-	3,534,168	-	3,534,168
AKL Properties Inc.	-	4,717,534	-	-	4,717,534	-	4,717,534
ALI Capital Corp. (Conso)	-	10,137,823	-	-	10,137,823	-	10,137,823
ALI Commercial Center, Inc. (Conso)	5,063,069	-	(5,063,069)	-	-	-	-
Alveo Land Corporation (Conso)	-	344,970	-	-	344,970	-	344,970
Amaia Land Corporation (Conso)	6,592	30,030,322	(29,702,600)	-	334,314	-	334,314
Amorsedia Development Corporation (Conso)	13,882,456	18,779,678	(1,815,729)	-	30,846,405	-	30,846,405
Anvaya Cove Beach and Nature Club Inc	-	5,295,396	-	-	5,295,396	-	5,295,396
Anvaya Cove Golf and Sports Club Inc.	-	7,887,591	-	-	7,887,591	-	7,887,591
APRISA Business Process Solutions, Inc	-	4,500	-	-	4,500	-	4,500
AREIT, Inc.	-	1,055,737	-	-	1,055,737	-	1,055,737
Arvo Commercial Corporation	-	3,075,548	(631,718)	-	2,443,830	-	2,443,830
Aviana Development Corporation	-	5,009,194	(4,985,305)	-	23,889	-	23,889
Avida Land Corporation (Conso)	-	18,579,249	(3,962,668)	-	14,616,580	-	14,616,580
Ayala Land Inc.	29,370,026	421,416,235	(323,243,217)	-	127,543,045	-	127,543,045
Ayala Land-Tagle Property Inc.	-	92,763,814	-	-	92,763,814	-	92,763,814

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Ayala Property Management Corporation (Conso)	176,551	-	-	-	176,551	-	176,551
AyalaLand Estates Inc. (Conso)	-	73,500	-	-	73,500	-	73,500
AyalaLand Hotels and Resorts Corp. (Conso)	3,023,221	55,815,878	(37,644,300)	-	21,194,799	-	21,194,799
Ayalaland Logistics Holdings Corp. (Conso)	-	51,787,348	(34,697,840)	-	17,089,508	-	17,089,508
AyalaLand Malls, Inc. (Conso)	-	81,225	-	-	81,225	-	81,225
AyalaLand Offices, Inc. (Conso)	-	1,500	-	-	1,500	-	1,500
Ayalaland Premier, Inc.	-	6,322	-	-	6,322	-	6,322
Bay City Commercial Ventures Corp.	15,037,857	28,740,621	(9,149,676)	-	34,628,802	-	34,628,802
BellaVita Land Corp.	-	52,832	-	-	52,832	-	52,832
Capitol Central Commercial Ventures Corp.	-	20,182,764	(20,083,315)	-	99,449	-	99,449
Cavite Commercial Towncenter Inc.	-	26,216,488	(5,253,831)	-	20,962,658	-	20,962,658
North Triangle Depot Commercial Corp	-	151,932	-	-	151,932	-	151,932
Nuevocentro, Inc. (Conso)	-	2,469,500	-	-	2,469,500	-	2,469,500
Soltea Commercial Corp.	-	164,758	-	-	164,758	-	164,758
Summerhill Commercial Ventures Corp.	-	214,743	-	-	214,743	-	214,743
Ten Knots Philippines, Inc.(Conso)	-	43,019,416	(19,762,322)	-	23,257,094	-	23,257,094
Verde Golf Development Corporation	-	3,891,832	-	-	3,891,832	-	3,891,832
Subtotal	69,612,982	864,696,752	(508,243,134)	-	426,066,601	-	426,066,601
Amount Receivable by Bay City Commercial Ventures Corp. from related parties							
Accendo Commercial Corp	241,471	184,163	(183,363)	-	242,271	-	242,271
Alabang Commercial Corporation (Conso)	73,900	422,049	(413,849)	-	82,100	-	82,100
ALI Capital Corp. (Conso)	-	2,265,887	-	-	2,265,887	-	2,265,887
ALI Commercial Center, Inc. (Conso)	258,280	-	(258,280)	-	-	-	-
Arca South Integrated Terminal, Inc	9,181	-	-	-	9,181	-	9,181
Arvo Commercial Corporation	146,469	-	-	-	146,469	-	146,469
Avida Land Corporation (Conso)	548,874	4,132,789	(3,514,992)	-	1,166,671	-	1,166,671
Ayala Land Inc.	378,798	6,490,853	(5,035,398)	-	1,834,253	-	1,834,253
Ayala Malls Zing Inc.	-	4,650	-	-	4,650	-	4,650
AyalaLand Hotels and Resorts Corp. (Conso)	-	20,151,045	-	-	20,151,045	-	20,151,045
Ayalaland Malls Synergies, Inc.	-	-	-	-	-	-	-
AyalaLand Malls, Inc. (Conso)	16,124	-	(16,124)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	41,760,976	(39,264,459)	-	2,496,517	-	2,496,517
Ayalaland Metro North, Inc.	100,189	-	-	-	100,189	-	100,189
Cagayan De Oro Gateway Corporation	221,030	-	-	-	221,030	-	221,030
Capitol Central Commercial Ventures Corp.	218,133	-	(218,133)	-	-	-	-
Direct Power Services Inc.	-	6,384	(6,384)	-	-	-	-
Leisure and Allied Industries Phils. Inc.	-	2,240	(2,240)	-	-	-	-
Makati Cornerstone Leasing Corp.	10,133,967	-	-	-	10,133,967	-	10,133,967
Makati Development Corporation (Conso)	16,393,615	-	(4,079,305)	-	12,314,310	-	12,314,310
North Eastern Commercial Corp.	631,831	-	(193,222)	-	438,608	-	438,608
North Triangle Depot Commercial Corp	79,000	1,214,264	(1,274,584)	-	18,680	-	18,680
North Ventures Commercial Corp.	203,581	-	-	-	203,581	-	203,581
NorthBeacon Commercial Corporation	226,214	-	(226,214)	-	-	-	-
Soltea Commercial Corp.	172,900	-	(102,062)	-	70,838	-	70,838
Station Square East Commercial Corp	28,730	139,765	(135,485)	-	33,010	-	33,010
Subic Bay Town Center Inc.	145,368	-	-	-	145,368	-	145,368
Summerhill Commercial Ventures Corp.	115,411	-	-	-	115,411	-	115,411
Subtotal	30,343,066	76,775,065	(54,924,094)	-	52,194,036	-	52,194,036
Amount Receivable by BellaVita Land Corp. from related parties							
Accendo Commercial Corp	-	10,064,420	-	-	10,064,420	-	10,064,420
ALI Capital Corp. (Conso)	-	41,215,117	(40,162,739)	-	1,052,378	-	1,052,378
Alveo Land Corporation (Conso)	-	96,611,239	(95,935,660)	-	675,579	-	675,579
Amaia Land Corporation (Conso)	85,351	10,039,900	(9,984,396)	-	140,854	-	140,854
Arvo Commercial Corporation	128,800	-	-	-	128,800	-	128,800

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Aviana Development Corporation	-	21,035,744	(15,372,349)	-	5,663,396	-	5,663,396
Avida Land Corporation (Conso)	846,530	124,806	-	-	971,336	-	971,336
Ayala Land Inc.	1,730,970	121,868,668	(93,452,906)	-	30,146,732	-	30,146,732
Ayala Land Sales Inc.	21,375	-	(21,375)	-	-	-	-
Ayala Property Management Corporation (Conso)	-	21,375	-	-	21,375	-	21,375
AyalaLand Estates Inc. (Conso)	-	20,047,739	(20,006,394)	-	41,345	-	41,345
AyalaLand Hotels and Resorts Corp. (Conso)	-	8,133,130	-	-	8,133,130	-	8,133,130
Ayalaland Logistics Holdings Corp. (Conso)	78,740	-	-	-	78,740	-	78,740
AyalaLand Malls, Inc. (Conso)	-	10,005,508	(10,000,738)	-	4,771	-	4,771
Ayalaland Premier, Inc.	-	21,375	-	-	21,375	-	21,375
Bay City Commercial Ventures Corp.	153,540	27,345,371	(18,678,697)	-	8,820,214	-	8,820,214
Capitol Central Commercial Ventures Corp.	-	-	-	-	-	-	-
Cavite Commercial Towncenter Inc.	-	12,852,388	(12,547,195)	-	305,193	-	305,193
Makati Development Corporation (Conso)	1,438,318	84,281	-	-	1,522,599	-	1,522,599
Primavera Towncentre, Inc.	1,486,693	-	-	-	1,486,693	-	1,486,693
Ten Knots Philippines, Inc.(Conso)	-	15,444,797	(5,285,075)	-	10,159,722	-	10,159,722
Subtotal	5,970,317	394,915,858	(321,447,524)	-	79,438,652	-	79,438,652
Amount Receivable by BG North Properties Inc. from related parties							
Accendo Commercial Corp	-	-	-	-	-	-	-
Amorsedia Development Corporation (Conso)	-	-	-	-	-	-	-
Avida Land Corporation (Conso)	-	1,172,664,349	(1,172,526,443)	-	137,906	-	137,906
Ayala Land Inc.	-	1,685,823	-	-	1,685,823	-	1,685,823
Ayala Land International Sales, Inc.(Conso)	-	50,850	-	-	50,850	-	50,850
Ayala Property Management Corporation (Conso)	-	1,896,304	-	-	1,896,304	-	1,896,304
AyalaLand Estates Inc. (Conso)	-	-	-	-	-	-	-
Ayalaland Premier, Inc.	-	-	-	-	-	-	-
BG North Properties Inc.	-	-	-	-	-	-	-
BG South Properties, Inc.	-	570,206,512	-	-	570,206,512	-	570,206,512
BG West Properties, Inc	-	2,040,442,500	-	-	2,040,442,500	-	2,040,442,500
Cagayan De Oro Gateway Corporation	-	-	-	-	-	-	-
Makati Development Corporation (Conso)	-	5,800,475	-	-	5,800,475	-	5,800,475
Nuevocentro, Inc. (Conso)	-	-	-	-	-	-	-
Subtotal	-	3,792,746,813	(1,172,526,443)	-	2,620,220,370	-	2,620,220,370
Amount Receivable by BG South Properties, Inc. from related parties							
Accendo Commercial Corp	-	-	-	-	-	-	-
Alveo Land Corporation (Conso)	-	116,850,290	-	-	116,850,290	-	116,850,290
Amorsedia Development Corporation (Conso)	-	2,033,184	-	-	2,033,184	-	2,033,184
Avida Land Corporation (Conso)	-	1,645,700	-	-	1,645,700	-	1,645,700
Ayala Land Inc.	-	1,216,447	-	-	1,216,447	-	1,216,447
Ayala Property Management Corporation (Conso)	-	180,000	-	-	180,000	-	180,000
AyalaLand Estates Inc. (Conso)	-	-	-	-	-	-	-
BG West Properties, Inc	-	684,020	-	-	684,020	-	684,020
Crans Montana Property Holdings Corporation	-	-	-	-	-	-	-
Makati Development Corporation (Conso)	-	30,126,222	-	-	30,126,222	-	30,126,222
Nuevocentro, Inc. (Conso)	-	-	-	-	-	-	-
Serendra Inc.	-	-	-	-	-	-	-
Subtotal	-	152,735,863	-	-	152,735,863	-	152,735,863
Amount Receivable by BG West Properties, Inc. from related parties							
Amorsedia Development Corporation (Conso)	8,342	-	-	-	8,342	-	8,342
Ayala Land Inc.	7,253,737	-	-	-	7,253,737	-	7,253,737
Ayala Property Management Corporation (Conso)	60,000	3,000,000	-	-	3,060,000	-	3,060,000

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
BG West Properties, Inc	194,500	-	-	-	194,500	-	194,500
Makati Development Corporation (Conso)	41,584,461	24,448,085	-	-	66,032,546	-	66,032,546
Subtotal	49,101,040	27,448,085	-	-	76,549,125	-	76,549,125
Amount Receivable by Buendia Landholdings, Inc. from related parties							
AyalaLand Estates Inc. (Conso)	-	2,115,721	(2,115,721)	-	-	-	-
Crans Montana Property Holdings Corporation	-	2,000,000	-	-	2,000,000	-	2,000,000
Subtotal	-	4,115,721	(2,115,721)	-	2,000,000	-	2,000,000
Amount Receivable by Cagayan De Oro Gateway Corporation from related parties							
Accendo Commercial Corp	48,112	-	-	-	48,112	-	48,112
ALI Commercial Center, Inc. (Conso)	41,505	-	(41,505)	-	-	-	-
Alveo Land Corporation (Conso)	350,432	16,474,736	(5,916,125)	-	10,909,044	-	10,909,044
Amaia Land Corporation (Conso)	22,000	-	-	-	22,000	-	22,000
Arvo Commercial Corporation	180	-	-	-	180	-	180
Aviana Development Corporation	-	5,027,583	(5,003,694)	-	23,889	-	23,889
Avida Land Corporation (Conso)	860,859	2,888,656	(2,539,555)	-	1,209,960	-	1,209,960
Ayala Land Inc.	5,211,326	25,289,281	(25,265,953)	-	5,234,654	-	5,234,654
Ayala Property Management Corporation (Conso)	6,000	-	-	-	6,000	-	6,000
AyalaLand Hotels and Resorts Corp. (Conso)	7,582,597	2,390,398	(2,196,828)	-	7,776,167	-	7,776,167
AyalaLand Malls, Inc. (Conso)	18,142	-	(18,142)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	59,647	-	-	59,647	-	59,647
Ayalaland Metro North, Inc.	200	-	-	-	200	-	200
Bay City Commercial Ventures Corp.	-	5,036,667	(4,911)	-	5,031,756	-	5,031,756
BellaVita Land Corp.	20,000	-	-	-	20,000	-	20,000
Cagayan De Oro Gateway Corporation	78,345	100,353	-	-	178,698	-	178,698
Lagdigan Land Corporation	1,361,437	672,758	-	-	2,034,194	-	2,034,194
Leisure and Allied Industries Phils. Inc.	59,794	2,832,795	(2,784,164)	-	108,425	-	108,425
Makati Development Corporation (Conso)	24,000	-	-	-	24,000	-	24,000
North Eastern Commercial Corp.	600	-	-	-	600	-	600
North Triangle Depot Commercial Corp	11,520	-	-	-	11,520	-	11,520
North Ventures Commercial Corp.	50	-	-	-	50	-	50
Philippine Integrated Energy Solutions, Inc.	2,611,178	-	(247,868)	-	2,363,310	-	2,363,310
Soltea Commercial Corp.	200	-	-	-	200	-	200
Subtotal	18,308,477	60,772,874	(44,018,745)	-	35,062,606	-	35,062,606
Amount Receivable by Capitol Central Commercial Ventures Corp. from related parties							
Accendo Commercial Corp	6,573	12,040	-	-	18,613	-	18,613
Adauge Commercial Corp.	8,800	-	(4,099)	-	4,701	-	4,701
Alabang Commercial Corporation (Conso)	540	-	-	-	540	-	540
ALI Commercial Center, Inc. (Conso)	8,240	-	(8,240)	-	-	-	-
Amaia Land Corporation (Conso)	-	445,199	(445,199)	-	-	-	-
Arvo Commercial Corporation	22,489	-	-	-	22,489	-	22,489
Ayala Land Inc.	-	8,468,480	-	-	8,468,480	-	8,468,480
AyalaLand Hotels and Resorts Corp. (Conso)	-	-	-	-	-	-	-
AyalaLand Malls, Inc. (Conso)	3,500	-	(3,500)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	1,707,833	(1,543,468)	-	164,365	-	164,365
Ayalaland Metro North, Inc.	460	-	-	-	460	-	460
Cagayan De Oro Gateway Corporation	6,573	1,090,977	(1,079,304)	-	18,246	-	18,246
Capitol Central Commercial Ventures Corp.	-	18,500	(18,500)	-	-	-	-
Cebu Leisure Co. Inc.	2,520	364,613	(363,673)	-	3,460	-	3,460
Leisure and Allied Industries Phils. Inc.	-	1,997,544	(1,997,544)	-	-	-	-
Makati Development Corporation (Conso)	30,000	30,000	-	-	60,000	-	60,000
North Eastern Commercial Corp.	520	-	-	-	520	-	520
North Triangle Depot Commercial Corp	7,320	166,118	(165,898)	-	7,540	-	7,540

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Station Square East Commercial Corp	870	-	-	-	870	-	870
Westview Commercial Ventures Corp.	17,506	-	-	-	17,506	-	17,506
Subtotal	115,911	14,301,304	(5,629,425)	-	8,787,790	-	8,787,790
Amount Receivable by Cavite Commercial Towncenter Inc. from related parties							
Alveo Land Corporation (Conso)	(45,967)	-	-	-	(45,967)	-	(45,967)
Amaia Land Corporation (Conso)	465,635	1,213,117	(961,658)	-	717,094	-	717,094
Arvo Commercial Corporation	-	3,248	-	-	3,248	-	3,248
Avida Land Corporation (Conso)	156,132	-	-	-	156,132	-	156,132
Ayala Land Inc.	23,926	-	-	-	23,926	-	23,926
Ayala Malls Zing Inc.	-	58,197	-	-	58,197	-	58,197
Ayala Property Management Corporation (Conso)	589,158	-	-	-	589,158	-	589,158
AyalaLand Estates Inc. (Conso)	24,638	-	-	-	24,638	-	24,638
Ayalaland Logistics Holdings Corp. (Conso)	24,638	-	-	-	24,638	-	24,638
Ayalaland Malls Synergies, Inc.	(17,350)	-	(172,129)	-	(189,479)	-	(189,479)
AyalaLand Malls, Inc. (Conso)	4,000	-	(4,000)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	54,120	-	-	54,120	-	54,120
AyalaLand Offices, Inc. (Conso)	24,638	-	-	-	24,638	-	24,638
Bay City Commercial Ventures Corp.	1,199	-	-	-	1,199	-	1,199
Capitol Central Commercial Ventures Corp.	28,644	-	-	-	28,644	-	28,644
Cavite Commercial Towncenter Inc.	-	1,109	-	-	1,109	-	1,109
Leisure and Allied Industries Phils. Inc.	522,555	801,325	(702,128)	-	621,752	-	621,752
Makati Cornerstone Leasing Corp.	6,116	-	-	-	6,116	-	6,116
Makati Development Corporation (Conso)	63,918	-	-	-	63,918	-	63,918
North Ventures Commercial Corp.	4,690	-	-	-	4,690	-	4,690
Soltea Commercial Corp.	46,750	3,327	-	-	50,077	-	50,077
Station Square East Commercial Corp	-	1,109	-	-	1,109	-	1,109
Summerhill Commercial Ventures Corp.	137,276	-	-	-	137,276	-	137,276
Ten Knots Development Corporation(Conso)	24,638	-	(13,804)	-	10,833	-	10,833
Subtotal	2,085,234	2,135,552	(1,853,719)	-	2,367,066	-	2,367,066
Amount Receivable by Cebu Leisure Co. Inc. from related parties							
Accendo Commercial Corp	34,029	3,974,682	-	-	4,008,711	-	4,008,711
Alabang Commercial Corporation (Conso)	38,864	-	-	-	38,864	-	38,864
ALI Capital Corp. (Conso)	2,811,507	7,993,103	(3,608,017)	-	7,196,593	-	7,196,593
ALI Commercial Center, Inc. (Conso)	9,485,755	-	(9,485,755)	-	-	-	-
Alveo Land Corporation (Conso)	106,118	-	(106,118)	-	-	-	-
Amaia Land Corporation (Conso)	38,559,933	8,172,291	(46,725,873)	-	6,351	-	6,351
Amorsedia Development Corporation (Conso)	-	-	-	-	-	-	-
APRISA Business Process Solutions, Inc	638	-	-	-	638	-	638
Arvo Commercial Corporation	48,857	-	-	-	48,857	-	48,857
Avida Land Corporation (Conso)	127,263	-	(127,263)	-	-	-	-
Ayala Land Inc.	74,620,732	11,589,639	(62,089,639)	-	24,120,732	-	24,120,732
Ayala Land International Sales, Inc.(Conso)	29,587	-	-	-	29,587	-	29,587
Ayala Malls Zing Inc.	-	11,570	-	-	11,570	-	11,570
AyalaLand Hotels and Resorts Corp. (Conso)	-	15,024,788	(15,003,320)	-	21,468	-	21,468
Ayalaland Logistics Holdings Corp. (Conso)	-	19,181,882	-	-	19,181,882	-	19,181,882
AyalaLand Malls, Inc. (Conso)	-	35,127,524	(33,538,618)	-	1,588,906	-	1,588,906
Ayalaland Medical Facilities Leasing Inc.	162,600	-	-	-	162,600	-	162,600
Ayalaland Metro North, Inc.	460	-	(460)	-	-	-	-
Bay City Commercial Ventures Corp.	77,620,041	20,537,336	(24,576,669)	-	73,580,707	-	73,580,707
Cagayan De Oro Gateway Corporation	(1,143)	68,835	-	-	67,692	-	67,692
Capitol Central Commercial Ventures Corp.	400	600	-	-	1,000	-	1,000
Cebu Leisure Co. Inc.	1,786	352,311	(352,311)	-	1,786	-	1,786
Leisure and Allied Industries Phils. Inc.	142,835	-	(142,835)	-	-	-	-
North Eastern Commercial Corp.	-	1,100	-	-	1,100	-	1,100

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
North Triangle Depot Commercial Corp	862,069	9,717,150	(9,630,485)	-	948,734	-	948,734
North Ventures Commercial Corp.	200	-	-	-	200	-	200
Primavera Towncentre, Inc.	-	9,888,592	(105,593)	-	9,782,999	-	9,782,999
Soltea Commercial Corp.	3,229	1,280	-	-	4,509	-	4,509
Station Square East Commercial Corp	-	990	-	-	990	-	990
Summerhill Commercial Ventures Corp.	600	-	(600)	-	-	-	-
Ten Knots Development Corporation(Conso)	-	7,055,000	-	-	7,055,000	-	7,055,000
Ten Knots Philippines, Inc.(Conso)	29,572,045	44,674,932	-	-	74,246,976	-	74,246,976
Subtotal	234,228,405	193,373,605	(205,493,556)	-	222,108,452	-	222,108,452
Amount Receivable by CECI Realty Corp. from related parties							
Accendo Commercial Corp	-	14,067,203	(14,067,203)	-	-	-	-
ALI Capital Corp. (Conso)	5,868,971	-	-	-	5,868,971	-	5,868,971
ALI Commercial Center, Inc. (Conso)	1,641,682	-	(1,641,682)	-	-	-	-
Alveo Land Corporation (Conso)	165,763	-	(164,798)	-	965	-	965
Amaia Land Corporation (Conso)	11,662,193	10,047,216	(19,156,891)	-	2,552,519	-	2,552,519
Amorsedia Development Corporation (Conso)	918,934,052	176,210,360	(346,018,336)	-	749,126,076	-	749,126,076
Arca South Integrated Terminal, Inc	55,584,671	3,912,575	(671,775)	-	58,825,471	-	58,825,471
AREIT, Inc.	36,948,490	12,438,997	(17,399,828)	-	31,987,659	-	31,987,659
Arvo Commercial Corporation	27,118,453	30,739,085	(31,599,170)	-	26,258,368	-	26,258,368
Aurora Properties, Inc.	14,882,016	-	-	-	14,882,016	-	14,882,016
Avida Land Corporation (Conso)	5,517,946	1,135,497	-	-	6,653,443	-	6,653,443
Ayala Land Inc.	9,277,671	138,730,629	(125,645,906)	-	22,362,394	-	22,362,394
Ayala Property Management Corporation (Conso)	-	-	-	-	-	-	-
AyalaLand Estates Inc. (Conso)	31,103,970	350,125,205	(381,202,096)	-	27,079	-	27,079
AyalaLand Hotels and Resorts Corp. (Conso)	11,727,236	19,680,610	(14,897,503)	-	16,510,342	-	16,510,342
Ayalaland Logistics Holdings Corp. (Conso)	10,809,094	18,176,436	(28,563,266)	-	422,264	-	422,264
Ayalaland Malls Synergies, Inc.	55,211	-	-	-	55,211	-	55,211
AyalaLand Malls, Inc. (Conso)	-	1,641,682	-	-	1,641,682	-	1,641,682
AyalaLand Offices, Inc. (Conso)	12,262,722	-	-	-	12,262,722	-	12,262,722
Bay City Commercial Ventures Corp.	6,976,307	125,377,512	-	-	132,353,819	-	132,353,819
Cagayan De Oro Gateway Corporation	8,697	-	(8,697)	-	-	-	-
Capitol Central Commercial Ventures Corp.	7,768	-	-	-	7,768	-	7,768
Cavite Commercial Towncenter Inc.	4,407,457	-	-	-	4,407,457	-	4,407,457
Crans Montana Property Holdings Corporation	910,630,520	132,995,213	(370,066,474)	-	673,559,258	-	673,559,258
Crimson Field Enterprises, Inc.	17,045,278	3,151,617	-	-	20,196,894	-	20,196,894
Direct Power Services Inc.	15,459	-	-	-	15,459	-	15,459
Leisure and Allied Industries Phils. Inc.	108,300	-	-	-	108,300	-	108,300
Makati Development Corporation (Conso)	4,634,938	4,977,517	-	-	9,612,455	-	9,612,455
North Triangle Depot Commercial Corp	108,627	10,268,181	(10,376,808)	-	-	-	-
Nuevocentro, Inc. (Conso)	9,094	-	(2,161)	-	6,932	-	6,932
Red Creek Properties, Inc.	-	12,065,372	-	-	12,065,372	-	12,065,372
Soltea Commercial Corp.	3,108,198	38,384,253	(5,360,346)	-	36,132,105	-	36,132,105
Ten Knots Philippines, Inc.(Conso)	20,794,980	91,944	(20,183,199)	-	703,725	-	703,725
Vesta Property Holdings Inc.	17,991,937	40,673	-	-	18,032,609	-	18,032,609
Subtotal	2,139,407,701	1,104,257,777	(1,387,026,139)	-	1,856,639,335	-	1,856,639,335
Amount Receivable by Central Bloc Hotel Ventures from related parties							
Accendo Commercial Corp	-	7,000,000	(7,000,000)	-	-	-	-
ALI Commercial Center, Inc. (Conso)	-	-	-	-	-	-	-
Alveo Land Corporation (Conso)	-	-	-	-	-	-	-
Amaia Land Corporation (Conso)	-	19,500,000	(19,500,000)	-	-	-	-
Avida Land Corporation (Conso)	7,509,203	-	(7,509,203)	-	-	-	-
Ayala Land Inc.	-	8,005,408	-	-	8,005,408	-	8,005,408
AyalaLand Hotels and Resorts Corp. (Conso)	27,301,000	108,916,152	-	-	136,217,152	-	136,217,152
AyalaLand Malls, Inc. (Conso)	-	-	-	-	-	-	-

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Central Bloc Hotel Ventures	(21,732,292)	21,732,292	-	-	-	-	-
Makati Development Corporation (Conso)	-	-	-	-	-	-	-
Ten Knots Development Corporation(Conso)	-	20,173,842	-	-	20,173,842	-	20,173,842
Subtotal	13,077,911	185,327,694	(34,009,203)	-	164,396,402	-	164,396,402
Amount Receivable by CMPI Holdings, Inc from related parties	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
Amount Receivable by Crans Montana Property Holdings Corporation from related parties							
Accendo Commercial Corp	-	8,100	-	-	8,100	-	8,100
Alveo Land Corporation (Conso)	143,100	(8,100)	(126,900)	-	8,100	-	8,100
Ayala Land Inc.	(5,290)	-	-	-	(5,290)	-	(5,290)
Ayala Property Management Corporation (Conso)	68,750	6,160	-	-	74,910	-	74,910
AyalaLand Estates Inc. (Conso)	63,686	3,920	(67,606)	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	-	6,048	-	-	6,048	-	6,048
Ayalaland Medical Facilities Leasing Inc.	627,421	-	(627,421)	-	-	-	-
Subtotal	897,667	16,128	(821,927)	-	91,868	-	91,868
Amount Receivable by Crimson Field Enterprises, Inc. from related parties							
Ayala Land Inc.	10,050,000	-	-	-	10,050,000	-	10,050,000
Subtotal	10,050,000	-	-	-	10,050,000	-	10,050,000
Amount Receivable by Darong Agricultural and Development Corporation from related parties							
Subtotal	-	-	-	-	-	-	-

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by Direct Power Services Inc. from related parties							
Accendo Commercial Corp	11,042	67,228,835	(67,228,835)	-	11,042	-	11,042
Adauge Commercial Corp.	-	-	-	-	-	-	-
Alabang Commercial Corporation (Conso)	11,083,597	192,773,442	(187,901,027)	-	15,956,011	-	15,956,011
ALI Capital Corp. (Conso)	-	43,617,467	(18,081,510)	-	25,535,957	-	25,535,957
ALI Commercial Center, Inc. (Conso)	38,905,913	-	(38,905,913)	-	-	-	-
ALI-CII Development Corporation	1,753,235	33,298,556	(32,051,045)	-	3,000,746	-	3,000,746
Alveo Land Corporation (Conso)	7,867	443,430,876	(431,129,556)	-	12,309,187	-	12,309,187
Amaia Land Corporation (Conso)	30,056,553	248,565,825	(278,454,778)	-	167,599	-	167,599
Amorsedia Development Corporation (Conso)	-	10,057,867	(10,057,867)	-	-	-	-
AREIT, Inc.	25,324,403	280,713,276	(217,477,119)	-	88,560,559	-	88,560,559
Arvo Commercial Corporation	4,698,468	169,409,567	(152,972,760)	-	21,135,275	-	21,135,275
Aviana Development Corporation	-	27,729,776	(27,703,988)	-	25,788	-	25,788
Avida Land Corporation (Conso)	9,492	133,000,433	(132,796,012)	-	213,914	-	213,914
Ayala Land Inc.	66,300,889	1,921,235,275	(1,899,234,902)	-	88,301,263	-	88,301,263
AyalaLand Estates Inc. (Conso)	-	39,622,901	(39,622,901)	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	14,401,348	396,242,112	(384,154,226)	-	26,489,234	-	26,489,234
Ayalaland Logistics Holdings Corp. (Conso)	10,036,034	247,386,013	(133,726,763)	-	123,695,284	-	123,695,284
AyalaLand Malls, Inc. (Conso)	-	562,580,087	(516,424,080)	-	46,156,007	-	46,156,007
Ayalaland Metro North, Inc.	(39,290)	155,022,058	(141,164,715)	-	13,818,053	-	13,818,053
AyalaLand Offices, Inc. (Conso)	26,092,156	298,258,775	(297,928,680)	-	26,422,251	-	26,422,251
Bay City Commercial Ventures Corp.	15,659,322	603,401,133	(595,104,911)	-	23,955,545	-	23,955,545
Cagayan De Oro Gateway Corporation	30,070	8,676,746	(8,649,252)	-	57,565	-	57,565
Capitol Central Commercial Ventures Corp.	5,234,228	110,503,374	(96,117,272)	-	19,620,330	-	19,620,330
Cavite Commercial Towncenter Inc.	3,364,190	200,599,748	(199,178,280)	-	4,785,659	-	4,785,659
Central Bloc Hotel Ventures	-	22,711,053	(20,775,440)	-	1,935,613	-	1,935,613
Crans Montana Property Holdings Corporation	(3,342)	3,342	-	-	-	-	-
Hillsford Property Corporation	-	7,941,691	(4,103,405)	-	3,838,287	-	3,838,287
Lagdigan Land Corporation	-	8,617,558	-	-	8,617,558	-	8,617,558
Makati Cornerstone Leasing Corp.	219,958	104,371,223	(94,499,732)	-	10,091,449	-	10,091,449
Makati Development Corporation (Conso)	954,603	14,704,092	(14,448,105)	-	1,210,589	-	1,210,589
North Eastern Commercial Corp.	10,129,452	135,783,522	(134,171,869)	-	11,741,105	-	11,741,105
North Triangle Depot Commercial Corp	14,058,263	309,966,242	(303,908,465)	-	20,116,040	-	20,116,040
North Ventures Commercial Corp.	6,487,862	92,820,719	(90,746,860)	-	8,561,721	-	8,561,721
NorthBeacon Commercial Corporation	5,796,458	83,087,206	(81,357,558)	-	7,526,106	-	7,526,106
Philippine Integrated Energy Solutions, Inc.	19,212,983	293,032,496	(281,855,442)	-	30,390,037	-	30,390,037
Primavera Towncentre, Inc.	4,109,339	2,019,266	(6,002,984)	-	125,621	-	125,621
Serendra Inc.	3,219,627	31,193,450	(29,393,410)	-	5,019,666	-	5,019,666
Soltea Commercial Corp.	4,120,361	78,939,714	(76,447,105)	-	6,612,970	-	6,612,970
Station Square East Commercial Corp	15,023,801	268,107,284	(259,679,787)	-	23,451,298	-	23,451,298
Subic Bay Town Center Inc.	2,924,929	41,498,430	(40,412,748)	-	4,010,611	-	4,010,611
Summerhill Commercial Ventures Corp.	7,716,238	110,142,686	(107,936,936)	-	9,921,987	-	9,921,987
Ten Knots Development Corporation(Conso)	-	10,131,146	(8,217,272)	-	1,913,873	-	1,913,873
Ten Knots Philippines, Inc.(Conso)	5,440,706	214,230,135	(219,000,686)	-	670,156	-	670,156
Westview Commercial Ventures Corp.	327,121	4,347,975	(3,894,664)	-	780,433	-	780,433
Subtotal	352,667,876	8,027,003,372	(7,682,918,860)	-	696,752,389	-	696,752,389
Amount Receivable by Ecoholdings Company, Inc. from related parties							
AyalaLand Hotels and Resorts Corp. (Conso)	-	347,428	(46,531)	-	300,898	-	300,898
Ten Knots Development Corporation(Conso)	5,040,142	18,820,770	-	-	23,860,911	-	23,860,911
Ten Knots Philippines, Inc.(Conso)	119,376,471	101,855,924	-	-	221,232,395	-	221,232,395
Subtotal	124,416,613	121,024,122	(46,531)	-	245,394,204	-	245,394,204

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by First Longfield Investments Ltd. from related parties							
ALI Capital Corp. (Conso)	81,881,250	-	-	-	81,881,250	-	81,881,250
Arca South Integrated Terminal, Inc	10,798,555	-	-	-	10,798,555	-	10,798,555
Ayala Land Inc.	192,282,680	1,799,621	(2,791,978)	-	191,290,324	-	191,290,324
Ayalaland Malls Synergies, Inc.	2,210,503	-	-	-	2,210,503	-	2,210,503
Subtotal	287,172,988	1,799,621	(2,791,978)	-	286,180,632	-	286,180,632
Amount Receivable by FIVE STAR Cinema Inc. from related parties							
Accendo Commercial Corp	-	1,040	-	-	1,040	-	1,040
Alabang Commercial Corporation (Conso)	583,109	800	-	-	583,909	-	583,909
ALI Commercial Center, Inc. (Conso)	11,996,624	-	(11,996,624)	-	-	-	-
Arvo Commercial Corporation	-	1,200	-	-	1,200	-	1,200
Ayala Land Inc.	-	11,896,554	-	-	11,896,554	-	11,896,554
AyalaLand Malls, Inc. (Conso)	-	569,939	(445,289)	-	124,650	-	124,650
Bay City Commercial Ventures Corp.	3,179,703	218,569	(194,644)	-	3,203,628	-	3,203,628
Cebu Leisure Co. Inc.	400	3,060	-	-	3,460	-	3,460
Makati Cornerstone Leasing Corp.	800	-	-	-	800	-	800
North Eastern Commercial Corp.	4,750	-	-	-	4,750	-	4,750
North Triangle Depot Commercial Corp	2,280	7,450	-	-	9,730	-	9,730
North Ventures Commercial Corp.	-	900	-	-	900	-	900
NorthBeacon Commercial Corporation	-	2,320	-	-	2,320	-	2,320
Soltea Commercial Corp.	3,390	1,500	-	-	4,890	-	4,890
Station Square East Commercial Corp	2,000	3,710	-	-	5,710	-	5,710
Summerhill Commercial Ventures Corp.	(49,420)	-	-	-	(49,420)	-	(49,420)
Subtotal	15,723,636	12,707,042	(12,636,557)	-	15,794,121	-	15,794,121
Amount Receivable by Hillsford Property Corporation from related parties							
Accendo Commercial Corp	-	13,585,914	-	-	13,585,914	-	13,585,914
ALI Commercial Center, Inc. (Conso)	14,172,667	-	(14,172,667)	-	-	-	-
Alveo Land Corporation (Conso)	-	10,601,627	(4,139,269)	-	6,462,358	-	6,462,358
Amaia Land Corporation (Conso)	-	26,126,725	(26,016,972)	-	109,753	-	109,753
Amorsedia Development Corporation (Conso)	14,199,698	11,036,192	-	-	25,235,890	-	25,235,890
Avida Land Corporation (Conso)	19	13,021,482	(13,002,896)	-	18,605	-	18,605
Ayala Land Inc.	-	54,748,347	(54,748,347)	-	-	-	-
AyalaLand Estates Inc. (Conso)	-	9,608,142	(9,514,483)	-	93,658	-	93,658
AyalaLand Hotels and Resorts Corp. (Conso)	4,109,148	35,008,232	(17,340,275)	-	21,777,105	-	21,777,105
Ayalaland Logistics Holdings Corp. (Conso)	-	41,377,272	-	-	41,377,272	-	41,377,272
AyalaLand Malls, Inc. (Conso)	-	509,341	-	-	509,341	-	509,341
Bay City Commercial Ventures Corp.	74,510,438	27,294,196	(46,605,600)	-	55,199,034	-	55,199,034
Cavite Commercial Towncenter Inc.	35,075,430	2,399,161	(321,732)	-	37,152,860	-	37,152,860
North Eastern Commercial Corp.	1,550	-	-	-	1,550	-	1,550
NorthBeacon Commercial Corporation	1,391	-	-	-	1,391	-	1,391
Nuevocentro, Inc. (Conso)	-	5,997,629	-	-	5,997,629	-	5,997,629
Soltea Commercial Corp.	-	9,599,960	(476,181)	-	9,123,779	-	9,123,779
Ten Knots Philippines, Inc.(Conso)	9,840	13,226,676	-	-	13,236,516	-	13,236,516
Subtotal	142,080,181	274,140,896	(186,338,422)	-	229,882,655	-	229,882,655
Amount Receivable by Integrated Eco-Resort Inc. from related parties							
Ayala Land Inc.	-	-	-	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	15,186,467	110,746,496	(125,373,899)	-	559,064	-	559,064
Bay City Commercial Ventures Corp.	112,341	-	-	-	112,341	-	112,341
Ten Knots Development Corporation(Conso)	22,680,637	175,449,653	(159,120,605)	-	39,009,685	-	39,009,685
Ten Knots Philippines, Inc.(Conso)	517,179,699	450,304,161	(437,030,076)	-	530,453,783	-	530,453,783
Subtotal	555,159,144	736,500,310	(721,524,580)	-	570,134,873	-	570,134,873

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by Lagdigan Land Corporation from related parties							
Bay City Commercial Ventures Corp.	15,474,545	36,608	(14,508,445)	-	1,002,708	-	1,002,708
Cagayan De Oro Gateway Corporation	1,044,854	-	-	-	1,044,854	-	1,044,854
Summerhill Commercial Ventures Corp.	128,037	-	-	-	128,037	-	128,037
Subtotal	16,647,436	36,608	(14,508,445)	-	2,175,599	-	2,175,599
Amount Receivable by Leisure and Allied Industries Phils. Inc. from related parties							
Accendo Commercial Corp	30,000	-	(30,000)	-	-	-	-
Alabang Commercial Corporation (Conso)	60,000	1,740,318	-	-	1,800,318	-	1,800,318
ALI Commercial Center, Inc. (Conso)	51,000	-	(51,000)	-	-	-	-
Alveo Land Corporation (Conso)	-	5,000	(5,000)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	32,000	(32,000)	-	-	-	-
Bay City Commercial Ventures Corp.	105,000	-	(105,000)	-	-	-	-
Capitol Central Commercial Ventures Corp.	-	1,000	(1,000)	-	-	-	-
Cavite Commercial Towncenter Inc.	30,000	-	(30,000)	-	-	-	-
North Eastern Commercial Corp.	6,000	15,000	(21,000)	-	-	-	-
North Triangle Depot Commercial Corp	-	72,400	(72,400)	-	-	-	-
NorthBeacon Commercial Corporation	15,000	-	(15,000)	-	-	-	-
Soltea Commercial Corp.	90,000	-	(90,000)	-	-	-	-
Subtotal	387,000	1,865,718	(452,400)	-	1,800,318	-	1,800,318

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by Makati Cornerstone Leasing Corp. from related parties							
Accendo Commercial Corp	24,509	72,981,534	-	-	73,006,043	-	73,006,043
Alabang Commercial Corporation (Conso)	5,715	-	-	-	5,715	-	5,715
ALI Capital Corp. (Conso)	2,467,846	10,166,072	-	-	12,633,919	-	12,633,919
ALI Commercial Center, Inc. (Conso)	37,236,789	-	(37,236,789)	-	-	-	-
Alveo Land Corporation (Conso)	40,470	25,580,653	(38,893,808)	-	(13,272,686)	-	(13,272,686)
Amaia Land Corporation (Conso)	155,066	-	(6,496)	-	148,571	-	148,571
Amorsedia Development Corporation (Conso)	-	44,626,732	-	-	44,626,732	-	44,626,732
Arvo Commercial Corporation	258,968	2,360,182	-	-	2,619,150	-	2,619,150
Avida Land Corporation (Conso)	595,276	81,030,630	(109,623,458)	-	(27,997,552)	-	(27,997,552)
Ayala Land Inc.	307,633,331	134,750,397	(202,736,137)	-	239,647,590	-	239,647,590
Ayala Property Management Corporation (Conso)	-	10,450	-	-	10,450	-	10,450
Ayala Theaters Management, Inc.	2,250	-	(2,250)	-	-	-	-
AyalaLand Estates Inc. (Conso)	-	11,251,633	(11,141,960)	-	109,674	-	109,674
AyalaLand Hotels and Resorts Corp. (Conso)	5,071,290	13,593,182	(31,969,905)	-	(13,305,433)	-	(13,305,433)
Ayalaland Logistics Holdings Corp. (Conso)	354,802	30,647,451	-	-	31,002,253	-	31,002,253
Ayalaland Malls Synergies, Inc.	-	70,954	-	-	70,954	-	70,954
AyalaLand Malls, Inc. (Conso)	-	8,702,515	(7,399,260)	-	1,303,255	-	1,303,255
Ayalaland Metro North, Inc.	(2,530)	2,530	-	-	-	-	-
Bay City Commercial Ventures Corp.	5,594,540	65,988,652	-	-	71,583,192	-	71,583,192
BellaVita Land Corp.	192,665	8,300,928	(8,137,017)	-	356,576	-	356,576
Cagayan De Oro Gateway Corporation	3,415	-	-	-	3,415	-	3,415
Capitol Central Commercial Ventures Corp.	26,375	-	-	-	26,375	-	26,375
Cavite Commercial Towncenter Inc.	6,830	-	-	-	6,830	-	6,830
Cebu Leisure Co. Inc.	4,800	-	-	-	4,800	-	4,800
Crans Montana Property Holdings Corporation	-	11,159,600	-	-	11,159,600	-	11,159,600
Leisure and Allied Industries Phils. Inc.	-	4,742,496	(4,742,496)	-	-	-	-
Makati Cornerstone Leasing Corp.	-	-	-	-	-	-	-
Makati Development Corporation (Conso)	9,154,918	1,323,940	-	-	10,478,857	-	10,478,857
North Eastern Commercial Corp.	4,415	541,129	(545,544)	-	-	-	-
North Triangle Depot Commercial Corp	4,144,304	83,477	(4,120,345)	-	107,436	-	107,436
North Ventures Commercial Corp.	27,195	-	-	-	27,195	-	27,195
NorthBeacon Commercial Corporation	3,415	-	(3,415)	-	-	-	-
Nuevocentro, Inc. (Conso)	-	13,519,233	(13,463,603)	-	55,630	-	55,630
Soltea Commercial Corp.	201,053	3,521,850	(3,521,850)	-	201,053	-	201,053
Station Square East Commercial Corp	14,730	100	-	-	14,830	-	14,830
Summerhill Commercial Ventures Corp.	-	151,206	-	-	151,206	-	151,206
Ten Knots Development Corporation(Conso)	-	-	-	-	-	-	-
Ten Knots Philippines, Inc.(Conso)	9,068,986	196,734	(2,805,858)	-	6,459,863	-	6,459,863
Subtotal	382,291,423	545,304,260	(476,350,191)	-	451,245,493	-	451,245,493

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by North Eastern Commercial Corp. from related parties							
Accendo Commercial Corp	12,221,682	62,610,304	-	-	74,831,986	-	74,831,986
Alabang Commercial Corporation (Conso)	13,027	3,838	-	-	16,865	-	16,865
ALI Capital Corp. (Conso)	65,543,278	44,415,850	(14,585,427)	-	95,373,701	-	95,373,701
ALI Commercial Center, Inc. (Conso)	178,563,418	-	(178,563,418)	-	-	-	-
ALI-CII Development Corporation	470	-	-	-	470	-	470
Alveo Land Corporation (Conso)	699,583	62,249,677	-	-	62,949,260	-	62,949,260
Amaia Land Corporation (Conso)	109,149,329	233,771,678	(134,389,051)	-	208,531,956	-	208,531,956
Amorsedia Development Corporation (Conso)	329,999	-	-	-	329,999	-	329,999
AREIT, Inc.	106,832,507	108,639	-	-	106,941,146	-	106,941,146
Arvo Commercial Corporation	77,731,389	30,890,519	(5,328,711)	-	103,293,197	-	103,293,197
Aviana Development Corporation	-	10,152,435	-	-	10,152,435	-	10,152,435
Avida Land Corporation (Conso)	2,790,045	41,422,529	(37,689,181)	-	6,523,393	-	6,523,393
Ayala Land Inc.	86,255,172	322,652,337	(309,668,246)	-	99,239,263	-	99,239,263
Ayala Malls Zing Inc.	-	559,734	-	-	559,734	-	559,734
Ayala Property Management Corporation (Conso)	-	-	-	-	-	-	-
AyalaLand Estates Inc. (Conso)	2,818,158	82,473,963	(54,972,044)	-	30,320,076	-	30,320,076
AyalaLand Hotels and Resorts Corp. (Conso)	268,060,291	63,367,049	(14,197,683)	-	317,229,658	-	317,229,658
Ayalaland Logistics Holdings Corp. (Conso)	16,882,686	156,040,125	-	-	172,922,811	-	172,922,811
Ayalaland Malls Synergies, Inc.	747,004	-	(743,473)	-	3,530	-	3,530
AyalaLand Malls, Inc. (Conso)	41,899	-	(41,899)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	186,018,435	(125,330,741)	-	60,687,694	-	60,687,694
Ayalaland Metro North, Inc.	6,516	169,165	(168,265)	-	7,416	-	7,416
Bay City Commercial Ventures Corp.	282,620,833	369,408,151	-	-	652,028,984	-	652,028,984
Cagayan De Oro Gateway Corporation	2,970,533	-	(89,215)	-	2,881,317	-	2,881,317
Capitol Central Commercial Ventures Corp.	39,203,417	12,750,689	-	-	51,954,106	-	51,954,106
Cavite Commercial Towncenter Inc.	16,156	44,618,154	-	-	44,634,310	-	44,634,310
Cebu Leisure Co. Inc.	3,593	-	-	-	3,593	-	3,593
CECI Realty Corp.	1,067	-	(1,067)	-	-	-	-
Crans Montana Property Holdings Corporation	21,828	-	-	-	21,828	-	21,828
Direct Power Services Inc.	23,047	3,654,336	(3,654,336)	-	23,047	-	23,047
Hillsford Property Corporation	3,778	-	-	-	3,778	-	3,778
Leisure and Allied Industries Phils. Inc.	396,792	8,455,982	(8,210,824)	-	641,950	-	641,950
Makati Cornerstone Leasing Corp.	1,067	3,238	-	-	4,305	-	4,305
Makati Development Corporation (Conso)	50,205,970	888,798	-	-	51,094,768	-	51,094,768
North Eastern Commercial Corp.	3,260	162,425	(154,187)	-	11,498	-	11,498
North Triangle Depot Commercial Corp	10,515,687	43,442,582	(31,215,675)	-	22,742,593	-	22,742,593
North Ventures Commercial Corp.	13,378	106,136	(90,627)	-	28,888	-	28,888
NorthBeacon Commercial Corporation	8,617	181,175	(160,073)	-	29,719	-	29,719
Nuevocentro, Inc. (Conso)	-	20,472,268	(20,388,027)	-	84,241	-	84,241
Primavera Towncentre, Inc.	-	11,192,734	-	-	11,192,734	-	11,192,734
Serendra Inc.	1,207	-	-	-	1,207	-	1,207
Soltea Commercial Corp.	106,926,519	34,879,204	(54,020,758)	-	87,784,965	-	87,784,965
Station Square East Commercial Corp	16,683	7,118	-	-	23,802	-	23,802
Subic Bay Town Center Inc.	15,243	16,983	-	-	32,227	-	32,227
Summerhill Commercial Ventures Corp.	1,639,901	1,598	-	-	1,641,499	-	1,641,499
Ten Knots Philippines, Inc.(Conso)	66,593,504	40,295,175	(33,408,947)	-	73,479,733	-	73,479,733
Westview Commercial Ventures Corp.	819	1,526,265	(3,518)	-	1,523,567	-	1,523,567
Subtotal	1,489,889,352	1,888,969,288	(1,027,075,393)	-	2,351,783,249	-	2,351,783,249

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by North Triangle Depot Commercial Corp from related parties							
Accendo Commercial Corp	8,067	-	-	-	8,067	-	8,067
Alabang Commercial Corporation (Conso)	118,960	-	-	-	118,960	-	118,960
ALI Capital Corp. (Conso)	875,769	-	-	-	875,769	-	875,769
ALI Commercial Center, Inc. (Conso)	3,477,560	-	(3,477,560)	-	-	-	-
Alveo Land Corporation (Conso)	(30,281)	3,810,907	(3,693,334)	-	87,292	-	87,292
Amaia Land Corporation (Conso)	223,794	548,800	(201,460)	-	571,134	-	571,134
Amorsedia Development Corporation (Conso)	33,689	-	-	-	33,689	-	33,689
Arvo Commercial Corporation	1,862,992	9,649	-	-	1,872,641	-	1,872,641
Avida Land Corporation (Conso)	709,674	2,123,072	(2,116,128)	-	716,618	-	716,618
Ayala Land Inc.	39,095,871	64,635,173	(63,439,870)	-	40,291,174	-	40,291,174
Ayala Malls Zing Inc.	-	119,016	-	-	119,016	-	119,016
AyalaLand Estates Inc. (Conso)	-	39,089,370	(39,011,969)	-	77,401	-	77,401
AyalaLand Hotels and Resorts Corp. (Conso)	115,415	10,025,667	(10,132,442)	-	8,640	-	8,640
Ayalaland Logistics Holdings Corp. (Conso)	865,280	12,586,180	(12,572,167)	-	879,293	-	879,293
Ayalaland Malls Synergies, Inc.	-	-	-	-	-	-	-
AyalaLand Malls, Inc. (Conso)	29,770	-	(29,770)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	4,008,580	-	-	4,008,580	-	4,008,580
Ayalaland Medical Facilities Leasing Inc.	119,340	-	-	-	119,340	-	119,340
Ayalaland Metro North, Inc.	19,099	11,609	-	-	30,708	-	30,708
Bay City Commercial Ventures Corp.	314,016	31,541	-	-	345,557	-	345,557
BG South Properties, Inc.	-	10,000	-	-	10,000	-	10,000
Cagayan De Oro Gateway Corporation	105,344	-	-	-	105,344	-	105,344
Capitol Central Commercial Ventures Corp.	1,400	27,465,309	(27,434,729)	-	31,980	-	31,980
Cavite Commercial Towncenter Inc.	-	15,038,500	(15,005,156)	-	33,344	-	33,344
Cebu Leisure Co. Inc.	29,881	-	-	-	29,881	-	29,881
Crans Montana Property Holdings Corporation	145,428	-	-	-	145,428	-	145,428
Direct Power Services Inc.	-	-	-	-	-	-	-
Leisure and Allied Industries Phils. Inc.	567,580	17,355,264	(14,570,494)	-	3,352,350	-	3,352,350
Makati Development Corporation (Conso)	4,662,145	-	-	-	4,662,145	-	4,662,145
North Eastern Commercial Corp.	552,343	139,363	-	-	691,706	-	691,706
North Ventures Commercial Corp.	147,706	-	-	-	147,706	-	147,706
NorthBeacon Commercial Corporation	3,381	-	-	-	3,381	-	3,381
Nuevocentro, Inc. (Conso)	115,145	-	-	-	115,145	-	115,145
Serendra Inc.	-	-	-	-	-	-	-
Soltea Commercial Corp.	417,555	1,002,567	(1,000,344)	-	419,778	-	419,778
Station Square East Commercial Corp	113,202	-	-	-	113,202	-	113,202
Subic Bay Town Center Inc.	1,942	-	-	-	1,942	-	1,942
Summerhill Commercial Ventures Corp.	684,724	19,129	-	-	703,854	-	703,854
Ten Knots Development Corporation(Conso)	19,019	-	-	-	19,019	-	19,019
Ten Knots Philippines, Inc.(Conso)	160,214	-	-	-	160,214	-	160,214
Subtotal	55,566,024	198,029,696	(192,685,423)	-	60,910,298	-	60,910,298

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by North Ventures Commercial Corp. from related parties							
Accendo Commercial Corp	21,635,866	13,885,269	-	-	35,521,135	-	35,521,135
Alabang Commercial Corporation (Conso)	14,690	3,840	-	-	18,530	-	18,530
ALI Capital Corp. (Conso)	75,284,587	19,401,077	-	-	94,685,664	-	94,685,664
ALI Commercial Center, Inc. (Conso)	55,544,368	-	(55,544,368)	-	-	-	-
Alveo Land Corporation (Conso)	160,479	41,910,820	(31,200,457)	-	10,870,841	-	10,870,841
Amaia Land Corporation (Conso)	48,966,855	3,607,892	(21,606,728)	-	30,968,019	-	30,968,019
Amorsedia Development Corporation (Conso)	98,944	5,187,831	-	-	5,286,775	-	5,286,775
Arca South Integrated Terminal, Inc	187,211	-	-	-	187,211	-	187,211
Arvo Commercial Corporation	129,551,171	32,126,235	-	-	161,677,406	-	161,677,406
Avida Land Corporation (Conso)	832,955	5,019,279	(5,002,582)	-	849,652	-	849,652
Ayala Land Inc.	21,823,255	158,417,571	(175,065,019)	-	5,175,807	-	5,175,807
Ayala Malls Zing Inc.	-	367,048	-	-	367,048	-	367,048
Ayala Property Management Corporation (Conso)	1,790,801	-	-	-	1,790,801	-	1,790,801
AyalaLand Estates Inc. (Conso)	-	25,059,583	(25,007,980)	-	51,603	-	51,603
AyalaLand Hotels and Resorts Corp. (Conso)	105,767,801	45,323,044	(92,358,591)	-	58,732,254	-	58,732,254
Ayalaland Logistics Holdings Corp. (Conso)	668,490	45,185,566	-	-	45,854,056	-	45,854,056
Ayalaland Malls Synergies, Inc.	845	-	-	-	845	-	845
AyalaLand Malls, Inc. (Conso)	10,160	-	(10,160)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	26,686,746	(22,197,300)	-	4,489,445	-	4,489,445
Ayalaland Medical Facilities Leasing Inc.	193,932	-	-	-	193,932	-	193,932
Ayalaland Metro North, Inc.	2,642	600	-	-	3,242	-	3,242
Bay City Commercial Ventures Corp.	374,112,372	130,073,796	-	-	504,186,168	-	504,186,168
Cagayan De Oro Gateway Corporation	5,800	-	-	-	5,800	-	5,800
Capitol Central Commercial Ventures Corp.	107,729,382	88,408,312	(135,133,855)	-	61,003,839	-	61,003,839
Cavite Commercial Towncenter Inc.	40,438,725	54,759,816	(11,053,095)	-	84,145,446	-	84,145,446
Crans Montana Property Holdings Corporation	228,867	10,640	-	-	239,507	-	239,507
Leisure and Allied Industries Phils. Inc.	804,063	15,598,656	(16,105,338)	-	297,380	-	297,380
Makati Development Corporation (Conso)	2,742,315	-	-	-	2,742,315	-	2,742,315
North Eastern Commercial Corp.	137,572	10,235	-	-	147,807	-	147,807
North Triangle Depot Commercial Corp	308,881	25,045,979	-	-	25,354,859	-	25,354,859
NorthBeacon Commercial Corporation	1,600	308,230	(296,292)	-	13,539	-	13,539
Nuevocentro, Inc. (Conso)	-	26,224,598	(52,216,687)	-	(25,992,089)	-	(25,992,089)
Soltea Commercial Corp.	18,907,644	20,954,539	(36,615,070)	-	3,247,113	-	3,247,113
Station Square East Commercial Corp	20,130	2,700	-	-	22,830	-	22,830
Subic Bay Town Center Inc.	-	2,144	-	-	2,144	-	2,144
Summerhill Commercial Ventures Corp.	282,084	-	-	-	282,084	-	282,084
Ten Knots Development Corporation(Conso)	2,294	8,847,536	-	-	8,849,830	-	8,849,830
Ten Knots Philippines, Inc.(Conso)	3,424	44,424,646	(38,123,350)	-	6,304,719	-	6,304,719
Subtotal	1,008,260,205	836,854,228	(717,536,872)	-	1,127,577,557	-	1,127,577,557

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by NorthBeacon Commercial Corporation from related parties							
Accendo Commercial Corp	123,379,886	54,921,533	(176,801,675)	-	1,499,743	-	1,499,743
Alabang Commercial Corporation (Conso)	13,272	3,190	-	-	16,462	-	16,462
ALI Capital Corp. (Conso)	49,450,284	36,546,977	-	-	85,997,261	-	85,997,261
ALI Commercial Center, Inc. (Conso)	818,960	-	(818,960)	-	-	-	-
Alveo Land Corporation (Conso)	1,586,622	31,060,625	(23,506,884)	-	9,140,363	-	9,140,363
Amaia Land Corporation (Conso)	297,499	32,041,764	(32,030,315)	-	308,948	-	308,948
Amorsedia Development Corporation (Conso)	-	16,960,378	-	-	16,960,378	-	16,960,378
APRISA Business Process Solutions, Inc	1,200	1,710	-	-	2,910	-	2,910
AREIT, Inc.	-	5,000	-	-	5,000	-	5,000
Arvo Commercial Corporation	26,107,019	1,510,981	(9,863,169)	-	17,754,831	-	17,754,831
Aviana Development Corporation	-	23,876,664	(17,414,144)	-	6,462,519	-	6,462,519
Avida Land Corporation (Conso)	414,243	32,226,171	(31,100,744)	-	1,539,670	-	1,539,670
Ayala Land Inc.	6,751,133	131,157,014	(131,108,864)	-	6,799,283	-	6,799,283
Ayala Malls Zing Inc.	-	31,083	-	-	31,083	-	31,083
AyalaLand Estates Inc. (Conso)	-	30,071,608	(30,071,608)	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	15,286,173	48,268,220	-	-	63,554,393	-	63,554,393
Ayalaland Logistics Holdings Corp. (Conso)	16,459,627	14,698,706	-	-	31,158,333	-	31,158,333
AyalaLand Malls, Inc. (Conso)	18,256	-	(18,256)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	48,033,832	(45,134,383)	-	2,899,449	-	2,899,449
Ayalaland Metro North, Inc.	9,622	-	-	-	9,622	-	9,622
Bay City Commercial Ventures Corp.	243,372,103	72,617,075	-	-	315,989,178	-	315,989,178
Cagayan De Oro Gateway Corporation	27,852	-	(16,600)	-	11,252	-	11,252
Capitol Central Commercial Ventures Corp.	7,078,486	10,532,646	(10,502,323)	-	7,108,809	-	7,108,809
Cavite Commercial Towncenter Inc.	84,536,394	69,131,554	(30,834,045)	-	122,833,903	-	122,833,903
Crans Montana Property Holdings Corporation	-	8,004,976	-	-	8,004,976	-	8,004,976
Direct Power Services Inc.	-	-	-	-	-	-	-
Hillsford Property Corporation	5,898	-	-	-	5,898	-	5,898
Leisure and Allied Industries Phils. Inc.	75,154	2,792,018	(2,869,445)	-	(2,273)	-	(2,273)
Makati Cornerstone Leasing Corp.	106,486	-	-	-	106,486	-	106,486
Makati Development Corporation (Conso)	-	3,460	-	-	3,460	-	3,460
North Eastern Commercial Corp.	99,735	14,690	-	-	114,426	-	114,426
North Triangle Depot Commercial Corp	107,185	75,158,545	(75,158,545)	-	107,185	-	107,185
North Ventures Commercial Corp.	44,716	14,318	-	-	59,034	-	59,034
Nuevocentro, Inc. (Conso)	4,993,431	6,460,409	(5,597,465)	-	5,856,375	-	5,856,375
Primavera Towncentre, Inc.	-	9,499,260	-	-	9,499,260	-	9,499,260
Soltea Commercial Corp.	36,941,552	13,642,753	(642,113)	-	49,942,191	-	49,942,191
Station Square East Commercial Corp	17,048	3,500	-	-	20,548	-	20,548
Subic Bay Town Center Inc.	16,200	24,144	-	-	40,344	-	40,344
Summerhill Commercial Ventures Corp.	3,900	114,630	-	-	118,530	-	118,530
Ten Knots Philippines, Inc.(Conso)	-	12,061,220	-	-	12,061,220	-	12,061,220
Subtotal	618,019,936	781,490,654	(623,489,538)	-	776,021,050	-	776,021,050

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by Nuevocentro, Inc. from related parties							
Accendo Commercial Corp	-	13,335,592	(13,335,592)	-	-	-	-
ALI Commercial Center, Inc. (Conso)	102,461	-	(102,461)	-	-	-	-
Alveo Land Corporation (Conso)	25,930	15,002,975	(15,019,905)	-	9,000	-	9,000
Amaia Land Corporation (Conso)	82,099	7,007,898	(7,007,898)	-	82,099	-	82,099
Amorsedia Development Corporation (Conso)	-	40,397,541	(40,397,541)	-	-	-	-
Arvo Commercial Corporation	158,428	-	-	-	158,428	-	158,428
Avida Land Corporation (Conso)	517,412	133,819	-	-	651,231	-	651,231
Ayala Land Inc.	(5,376,792)	34,246,789	(28,107,625)	-	762,372	-	762,372
AyalaLand Estates Inc. (Conso)	67,189	175,380,068	(175,238,758)	-	208,499	-	208,499
AyalaLand Hotels and Resorts Corp. (Conso)	496,136	-	(435,321)	-	60,814	-	60,814
Ayalaland Logistics Holdings Corp. (Conso)	196,258	7,322,379	(5,491,785)	-	2,026,852	-	2,026,852
AyalaLand Malls, Inc. (Conso)	-	15,138,683	(14,916,113)	-	222,571	-	222,571
Bay City Commercial Ventures Corp.	381,944	-	-	-	381,944	-	381,944
CECI Realty Corp.	154,209	-	(83,337)	-	70,872	-	70,872
Crans Montana Property Holdings Corporation	151,580	52,508,316	(52,508,316)	-	151,580	-	151,580
Nuevocentro, Inc. (Conso)	4,141,799	-	(4,141,799)	-	-	-	-
Primavera Towncentre, Inc.	-	40,797,789	(40,106,847)	-	690,942	-	690,942
Prow Holdings, Inc.	199,255,639	-	-	-	199,255,639	-	199,255,639
Red Creek Properties, Inc.	-	10,118,081	(10,118,081)	-	-	-	-
Ten Knots Philippines, Inc.(Conso)	-	5,116,492	(5,116,492)	-	-	-	-
Vesta Property Holdings Inc.	26,154	-	-	-	26,154	-	26,154
Subtotal	200,380,446	416,506,422	(412,127,871)	-	204,758,997	-	204,758,997
Amount Receivable by Philippine Integrated Energy Solutions, Inc. from related parties							
Accendo Commercial Corp	13,418,284	116,381,118	(114,888,789)	-	14,910,613	-	14,910,613
Alabang Commercial Corporation (Conso)	(199,312)	157,023,182	(145,333,642)	-	11,490,229	-	11,490,229
ALI Capital Corp. (Conso)	667,140	13,427,438	(61,738)	-	14,032,840	-	14,032,840
ALI Commercial Center, Inc. (Conso)	90,290,901	-	(90,290,901)	-	-	-	-
Alveo Land Corporation (Conso)	56,149,784	93,702,879	(97,842,425)	-	52,010,238	-	52,010,238
Amaia Land Corporation (Conso)	6,244,459	15,481,104	(34,469,327)	-	(12,743,763)	-	(12,743,763)
Amorsedia Development Corporation (Conso)	-	6,218,828	-	-	6,218,828	-	6,218,828
AREIT, Inc.	-	83,199,568	(68,556,487)	-	14,643,081	-	14,643,081
Arvo Commercial Corporation	648	6,113,344	(2,020,888)	-	4,093,104	-	4,093,104
Avida Land Corporation (Conso)	(50,120,000)	104,205,148	-	-	54,085,148	-	54,085,148
Ayala Land Inc.	2,737,400	274,338,194	(229,884,479)	-	47,191,115	-	47,191,115
AyalaLand Estates Inc. (Conso)	-	43,518,199	(56,584,724)	-	(13,066,525)	-	(13,066,525)
AyalaLand Hotels and Resorts Corp. (Conso)	6,528,820	76,285,247	-	-	82,814,067	-	82,814,067
Ayalaland Logistics Holdings Corp. (Conso)	3,273,372	71,870,225	(42,503,026)	-	32,640,572	-	32,640,572
AyalaLand Malls, Inc. (Conso)	-	343,697,839	(195,729,129)	-	147,968,710	-	147,968,710
Bay City Commercial Ventures Corp.	29,410,363	178,639,324	(199,750,659)	-	8,299,027	-	8,299,027
Cagayan De Oro Gateway Corporation	17,787,736	129,490,241	(129,054,597)	-	18,223,380	-	18,223,380
Capitol Central Commercial Ventures Corp.	122,149	-	-	-	122,149	-	122,149
Cavite Commercial Towncenter Inc.	61,590,128	87,179,593	(112,534,550)	-	36,235,171	-	36,235,171
Crans Montana Property Holdings Corporation	-	45,020,993	-	-	45,020,993	-	45,020,993
Direct Power Services Inc.	-	-	-	-	-	-	-
Makati Cornerstone Leasing Corp.	-	3,401,918	(3,400,257)	-	1,661	-	1,661
North Eastern Commercial Corp.	-	-	-	-	-	-	-
North Triangle Depot Commercial Corp	5,829,331	60,613,753	(59,072,415)	-	7,370,670	-	7,370,670
Nuevocentro, Inc. (Conso)	-	10,124,958	(10,124,958)	-	-	-	-
Primavera Towncentre, Inc.	-	3,200,147	(26,526)	-	3,173,622	-	3,173,622
Soltea Commercial Corp.	-	10,162,363	(10,162,363)	-	-	-	-
Ten Knots Development Corporation(Conso)	-	10,167,483	-	-	10,167,483	-	10,167,483
Ten Knots Philippines, Inc.(Conso)	-	-	-	-	-	-	-
Westview Commercial Ventures Corp.	2,650,250	-	-	-	2,650,250	-	2,650,250
Subtotal	246,381,453	1,943,463,086	(1,602,291,880)	-	587,552,663	-	587,552,663

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by Primavera Towncentre, Inc. from related parties							
Amaia Land Corporation (Conso)	127,183	-	-	-	127,183	-	127,183
Arvo Commercial Corporation	401,906	-	-	-	401,906	-	401,906
Avida Land Corporation (Conso)	93,317	-	-	-	93,317	-	93,317
Ayala Land Inc.	1,407,328	-	-	-	1,407,328	-	1,407,328
AyalaLand Malls, Inc. (Conso)	5,705	-	(5,705)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	5,705	-	-	5,705	-	5,705
AyalaLand Offices, Inc. (Conso)	837,584	-	-	-	837,584	-	837,584
Cavite Commercial Towncenter Inc.	4,554,045	-	-	-	4,554,045	-	4,554,045
North Ventures Commercial Corp.	3,749	-	-	-	3,749	-	3,749
Subtotal	7,430,817	5,705	(5,705)	-	7,430,817	-	7,430,817
Amount Receivable by Prow Holdings, Inc. from related parties							
Subtotal	-	-	-	-	-	-	-
Amount Receivable by Red Creek Properties, Inc. from related parties							
Ayala Land Inc.	18,000,592	-	-	-	18,000,592	-	18,000,592
Crimson Field Enterprises, Inc.	250,000	-	(250,000)	-	-	-	-
Subtotal	18,250,592	-	(250,000)	-	18,000,592	-	18,000,592
Amount Receivable by Regent Time International, Limited from related parties							
Ayala Land Inc.	602,164,160	39,369,907	-	-	641,534,067	-	641,534,067
Subtotal	602,164,160	39,369,907	-	-	641,534,067	-	641,534,067
Amount Receivable by Regent Wise Investments Limited from related parties							
Ayala Land Inc.	326,489,761	2,395,532,428	-	-	2,722,022,189	-	2,722,022,189
Regent Wise Investments Limited(Conso)	(140,551,818)	-	-	-	(140,551,818)	-	(140,551,818)
Subtotal	185,937,943	2,395,532,428	-	-	2,581,470,371	-	2,581,470,371
Amount Receivable by Roxas Land Corp. from related parties							
Ayala Property Management Corporation (Conso)	60,000	1,000,000	-	-	1,060,000	-	1,060,000
Subtotal	60,000	1,000,000	-	-	1,060,000	-	1,060,000

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by Serendra Inc. from related parties							
Accendo Commercial Corp	-	15,264,835	(15,266,310)	-	(1,475)	-	(1,475)
ALI Capital Corp. (Conso)	-	2,816,316	(2,784,864)	-	31,452	-	31,452
Alveo Land Corporation (Conso)	4,792,162	20,050,467	(5,521,729)	-	19,320,899	-	19,320,899
Amaia Land Corporation (Conso)	1,852,783	30,064,985	(27,620,845)	-	4,296,923	-	4,296,923
Amorsedia Development Corporation (Conso)	2,106	-	-	-	2,106	-	2,106
Arvo Commercial Corporation	-	15,414,288	(55,485)	-	15,358,803	-	15,358,803
Aviana Development Corporation	-	10,086,250	(10,087,725)	-	(1,475)	-	(1,475)
Avida Land Corporation (Conso)	3,591,329	18,065,017	(18,008,708)	-	3,647,639	-	3,647,639
Ayala Land Inc.	150,561,890	26,612,706	(49,173,395)	-	128,001,201	-	128,001,201
Ayala Land International Sales, Inc.(Conso)	-	-	-	-	-	-	-
Ayala Property Management Corporation (Conso)	15,171,401	2,647,138	-	-	17,818,539	-	17,818,539
AyalaLand Estates Inc. (Conso)	-	15,035,804	(4,795)	-	15,031,009	-	15,031,009
AyalaLand Hotels and Resorts Corp. (Conso)	5,176,745	5,190,336	(10,242,511)	-	124,570	-	124,570
Bay City Commercial Ventures Corp.	67,099	-	-	-	67,099	-	67,099
BellaVita Land Corp.	958	-	-	-	958	-	958
BG North Properties Inc.	-	-	-	-	-	-	-
BG West Properties, Inc	17,001,618	-	-	-	17,001,618	-	17,001,618
Cagayan De Oro Gateway Corporation	37,862	-	-	-	37,862	-	37,862
Crans Montana Property Holdings Corporation	980	3,557,679	-	-	3,558,659	-	3,558,659
Leisure and Allied Industries Phils. Inc.	355,950	11,080,386	(11,010,766)	-	425,569	-	425,569
Makati Development Corporation (Conso)	183,195	-	-	-	183,195	-	183,195
Nuevocentro, Inc. (Conso)	-	5,188,219	(7,797)	-	5,180,422	-	5,180,422
Soltea Commercial Corp.	-	4,173,831	(4,127,278)	-	46,553	-	46,553
Ten Knots Philippines, Inc.(Conso)	3,375,839	196,923	(3,523,906)	-	48,855	-	48,855
Subtotal	202,171,917	185,445,180	(157,436,114)	-	230,180,981	-	230,180,981

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by Soltea Commercial Corp. from related parties							
Accendo Commercial Corp	15,294	-	-	-	15,294	-	15,294
Alabang Commercial Corporation (Conso)	28,624	4,092,359	(4,082,979)	-	38,004	-	38,004
ALI Commercial Center, Inc. (Conso)	1,075,554	-	(1,075,554)	-	-	-	-
Alveo Land Corporation (Conso)	2,064,306	6,122,929	(5,386,902)	-	2,800,333	-	2,800,333
Amaia Land Corporation (Conso)	107,736	1,406,029	(1,406,029)	-	107,736	-	107,736
Arvo Commercial Corporation	36,154	600	-	-	36,754	-	36,754
Avida Land Corporation (Conso)	2,189,428	5,130,242	(4,277,046)	-	3,042,623	-	3,042,623
Ayala Hotels Inc.	-	-	-	-	-	-	-
Ayala Land Inc.	1,736,013	227,638	(227,638)	-	1,736,013	-	1,736,013
Ayala Malls Zing Inc.	-	63,136	-	-	63,136	-	63,136
Ayalaland Logistics Holdings Corp. (Conso)	-	-	-	-	-	-	-
Ayalaland Malls Synergies, Inc.	151,065	-	-	-	151,065	-	151,065
AyalaLand Malls, Inc. (Conso)	410	-	(410)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	20,783,743	(19,304,019)	-	1,479,724	-	1,479,724
Ayalaland Metro North, Inc.	-	200	-	-	200	-	200
Bay City Commercial Ventures Corp.	15,294	-	-	-	15,294	-	15,294
Cagayan De Oro Gateway Corporation	15,294	250	-	-	15,544	-	15,544
Cavite Commercial Towncenter Inc.	88,030	6,000	-	-	94,030	-	94,030
Cebu Leisure Co. Inc.	19,300	440,914	(440,614)	-	19,600	-	19,600
Leisure and Allied Industries Phils. Inc.	-	1,737,294	(1,737,294)	-	-	-	-
Makati Cornerstone Leasing Corp.	15,294	-	-	-	15,294	-	15,294
North Eastern Commercial Corp.	52,382	1,100	-	-	53,482	-	53,482
North Triangle Depot Commercial Corp	93,854	2,650	-	-	96,504	-	96,504
North Ventures Commercial Corp.	16,794	800	-	-	17,594	-	17,594
NorthBeacon Commercial Corporation	16,164	-	-	-	16,164	-	16,164
Serendra Inc.	15,294	-	-	-	15,294	-	15,294
Station Square East Commercial Corp	61,640	-	-	-	61,640	-	61,640
Summerhill Commercial Ventures Corp.	21,044	2,740	-	-	23,784	-	23,784
Subtotal	7,834,968	40,018,624	(37,938,485)	-	9,915,106	-	9,915,106
Amount Receivable by Southportal Properties, Inc. from related parties							
Accendo Commercial Corp	151,769,466	10,594,789	(9,296,189)	-	153,068,066	-	153,068,066
ALI Capital Corp. (Conso)	16,260,606	20,158,982	-	-	36,419,588	-	36,419,588
ALI Commercial Center, Inc. (Conso)	118,715	-	(118,715)	-	-	-	-
Alveo Land Corporation (Conso)	58,370	-	-	-	58,370	-	58,370
Amaia Land Corporation (Conso)	2,114,944	3,026,880	(4,831,991)	-	309,833	-	309,833
Amorsedia Development Corporation (Conso)	266	-	-	-	266	-	266
Arvo Commercial Corporation	10,203,426	10,548,422	(17,074,222)	-	3,677,626	-	3,677,626
Avida Land Corporation (Conso)	525,904	-	(444,491)	-	81,413	-	81,413
Ayala Land Inc.	159,244,878	68,251,072	(65,434,761)	-	162,061,189	-	162,061,189
AyalaLand Estates Inc. (Conso)	10,048,810	2,353,979	(12,402,789)	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	52,699,681	38,327,269	(34,979,194)	-	56,047,755	-	56,047,755
Ayalaland Logistics Holdings Corp. (Conso)	22,019,712	18,758,415	(17,971,777)	-	22,806,350	-	22,806,350
AyalaLand Malls, Inc. (Conso)	-	118,715	-	-	118,715	-	118,715
Ayalaland Metro North, Inc.	3,452	-	-	-	3,452	-	3,452
Bay City Commercial Ventures Corp.	295,140,041	85,276,344	(279,952,751)	-	100,463,634	-	100,463,634
Cagayan De Oro Gateway Corporation	150,538	-	-	-	150,538	-	150,538
Capitol Central Commercial Ventures Corp.	10,434,850	10,529,020	(17,059,122)	-	3,904,748	-	3,904,748
Cavite Commercial Towncenter Inc.	5,087,018	6,442,681	-	-	11,529,699	-	11,529,699
Nuevocentro, Inc. (Conso)	-	14,174,942	(14,174,942)	-	-	-	-
Soltea Commercial Corp.	25,271,040	13,546,446	(38,295,557)	-	521,928	-	521,928
Summerhill Commercial Ventures Corp.	543,740	-	-	-	543,740	-	543,740
Ten Knots Development Corporation(Conso)	90,346	-	-	-	90,346	-	90,346
Ten Knots Philippines, Inc.(Conso)	2,015,349	10,180,620	-	-	12,195,970	-	12,195,970
Subtotal	763,801,152	312,288,576	(512,036,501)	-	564,053,226	-	564,053,226

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by Station Square East Commercial Corp from related parties							
Accendo Commercial Corp	7,013	30,379,081	-	-	30,386,093	-	30,386,093
Alabang Commercial Corporation (Conso)	7,630	-	-	-	7,630	-	7,630
ALI Capital Corp. (Conso)	2,029,670	56,994,134	-	-	59,023,804	-	59,023,804
ALI Commercial Center, Inc. (Conso)	138,240,351	-	(138,240,351)	-	-	-	-
Alveo Land Corporation (Conso)	1,234,655	222,428,098	(163,870,511)	-	59,792,241	-	59,792,241
Amaia Land Corporation (Conso)	2,629,247	149,468,908	(150,202,541)	-	1,895,614	-	1,895,614
Amorsedia Development Corporation (Conso)	176,788	12,274,005	-	-	12,450,793	-	12,450,793
APRISA Business Process Solutions, Inc	365,416	17,514,441	(17,727,388)	-	152,469	-	152,469
Arca South Integrated Terminal, Inc	37,398	-	(35,941)	-	1,457	-	1,457
Arvo Commercial Corporation	5,228,123	58,622,048	-	-	63,850,171	-	63,850,171
Aviana Development Corporation	-	11,312,449	(11,301,667)	-	10,782	-	10,782
Avida Land Corporation (Conso)	3,170,696	54,513,946	(55,838,368)	-	1,846,274	-	1,846,274
Ayala Land Inc.	6,482,354	591,091,282	(587,847,139)	-	9,726,498	-	9,726,498
Ayala Malls Zing Inc.	-	328,554	-	-	328,554	-	328,554
AyalaLand Estates Inc. (Conso)	-	23,078,282	(11,074,074)	-	12,004,208	-	12,004,208
AyalaLand Hotels and Resorts Corp. (Conso)	86,705,317	259,496,380	(219,457,738)	-	126,743,960	-	126,743,960
Ayalaland Logistics Holdings Corp. (Conso)	21,686,243	100,294,020	-	-	121,980,263	-	121,980,263
AyalaLand Malls, Inc. (Conso)	19,118	-	(19,118)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	41,111,849	(21,388,976)	-	19,722,873	-	19,722,873
Ayalaland Metro North, Inc.	-	67,922	-	-	67,922	-	67,922
Bay City Commercial Ventures Corp.	126,902,044	249,497,467	(211,637,429)	-	164,762,082	-	164,762,082
BellaVita Land Corp.	323,323	(88,978)	(218,253)	-	16,092	-	16,092
BG North Properties Inc.	-	1,521,855	-	-	1,521,855	-	1,521,855
BG South Properties, Inc.	-	716,435	-	-	716,435	-	716,435
Cagayan De Oro Gateway Corporation	39,595,523	29,685,571	(68,613,750)	-	667,344	-	667,344
Capitol Central Commercial Ventures Corp.	6,465,151	55,422,455	-	-	61,887,607	-	61,887,607
Cavite Commercial Towncenter Inc.	113,158,779	65,643,957	(74,494,449)	-	104,308,287	-	104,308,287
Cebu Leisure Co. Inc.	18,375	-	-	-	18,375	-	18,375
Crans Montana Property Holdings Corporation	2,025,453	-	-	-	2,025,453	-	2,025,453
Lagdigan Land Corporation	-	5,510,443	-	-	5,510,443	-	5,510,443
Leisure and Allied Industries Phils. Inc.	3,018,873	3,390,618	(4,207,512)	-	2,201,979	-	2,201,979
Makati Development Corporation (Conso)	983,593	-	-	-	983,593	-	983,593
North Eastern Commercial Corp.	2,053,858	-	(2,000,904)	-	52,954	-	52,954
North Triangle Depot Commercial Corp	5,336,160	32,383,131	(37,065,082)	-	654,209	-	654,209
North Ventures Commercial Corp.	8,279	-	-	-	8,279	-	8,279
NorthBeacon Commercial Corporation	14,396	-	-	-	14,396	-	14,396
Nuevocentro, Inc. (Conso)	-	10,620,460	(10,576,758)	-	43,702	-	43,702
Primavera Towncentre, Inc.	89,298	10,608,419	(79,602)	-	10,618,115	-	10,618,115
Red Creek Properties, Inc.	55,235,769	58,689,461	(58,004,075)	-	55,921,155	-	55,921,155
Serendra Inc.	955,432	67,010	(338,255)	-	684,187	-	684,187
Soltea Commercial Corp.	9,456,724	70,922,588	-	-	80,379,312	-	80,379,312
Subic Bay Town Center Inc.	1,500	-	-	-	1,500	-	1,500
Ten Knots Development Corporation(Conso)	-	39,807,145	(11,087,018)	-	28,720,127	-	28,720,127
Ten Knots Philippines, Inc.(Conso)	3,695,640	24,110,412	(4,924,979)	-	22,881,073	-	22,881,073
Subtotal	637,358,189	2,287,483,848	(1,860,251,878)	-	1,064,590,160	-	1,064,590,160

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by Subic Bay Town Center Inc. from related parties							
Accendo Commercial Corp	47,548	-	-	-	47,548	-	47,548
Alabang Commercial Corporation (Conso)	1,740	-	-	-	1,740	-	1,740
ALI Commercial Center, Inc. (Conso)	35,911,601	-	(35,911,601)	-	-	-	-
Amaia Land Corporation (Conso)	225,222	24,029,613	(24,442,455)	-	(187,621)	-	(187,621)
Amorsedia Development Corporation (Conso)	-	5,216,354	-	-	5,216,354	-	5,216,354
Arvo Commercial Corporation	14,598,937	808,633	(14,048,873)	-	1,358,696	-	1,358,696
Avida Land Corporation (Conso)	-	10,069,919	(10,069,919)	-	-	-	-
Ayala Land Inc.	3,081,732	56,824,957	(56,824,957)	-	3,081,732	-	3,081,732
Ayala Malls Zing Inc.	-	16,570	-	-	16,570	-	16,570
AyalaLand Hotels and Resorts Corp. (Conso)	53,201,728	59,404,511	(81,758,110)	-	30,848,129	-	30,848,129
Ayalaland Logistics Holdings Corp. (Conso)	868,966	36,882,323	-	-	37,751,289	-	37,751,289
AyalaLand Malls, Inc. (Conso)	-	39,702,540	(36,916,666)	-	2,785,874	-	2,785,874
Ayalaland Metro North, Inc.	-	1,243	-	-	1,243	-	1,243
Bay City Commercial Ventures Corp.	709,131	83,765,563	-	-	84,474,694	-	84,474,694
Capitol Central Commercial Ventures Corp.	41,725	-	-	-	41,725	-	41,725
Cavite Commercial Towncenter Inc.	16,957,197	1,301,791	(139,478)	-	18,119,510	-	18,119,510
Leisure and Allied Industries Phils. Inc.	(331,506)	32,256	(88,552)	-	(387,803)	-	(387,803)
North Eastern Commercial Corp.	1,400	1,243	-	-	2,643	-	2,643
North Triangle Depot Commercial Corp	24,403,808	1,300,584	(25,683,867)	-	20,525	-	20,525
North Ventures Commercial Corp.	1,500	1,243	-	-	2,743	-	2,743
NorthBeacon Commercial Corporation	1,050	5,715	-	-	6,765	-	6,765
Nuevocentro, Inc. (Conso)	-	32,665,004	-	-	32,665,004	-	32,665,004
Primavera Towncentre, Inc.	160,234	-	-	-	160,234	-	160,234
Soltea Commercial Corp.	1,205,053	-	(1,750,654)	-	(545,601)	-	(545,601)
Station Square East Commercial Corp	1,000	-	-	-	1,000	-	1,000
Summerhill Commercial Ventures Corp.	-	-	-	-	-	-	-
Ten Knots Philippines, Inc.(Conso)	13,304	27,657,896	-	-	27,671,199	-	27,671,199
Subtotal	151,101,370	379,687,958	(287,635,132)	-	243,154,192	-	243,154,192
Amount Receivable by Summerhill Commercial Ventures Corp. from related parties							
Accendo Commercial Corp	37,634,319	13,079,419	(18,484,977)	-	32,228,761	-	32,228,761
Alabang Commercial Corporation (Conso)	13,850	900	-	-	14,750	-	14,750

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
ALI Capital Corp. (Conso)	31,981,030	1,791,628	(30,049,997)	-	3,722,661	-	3,722,661
ALI Commercial Center, Inc. (Conso)	281,633,476	-	(281,633,476)	-	-	-	-
Alveo Land Corporation (Conso)	15,263,332	90,156,759	(70,203,238)	-	35,216,853	-	35,216,853
Amaia Land Corporation (Conso)	35,346,822	133,346,907	(166,744,776)	-	1,948,953	-	1,948,953
Amorsedia Development Corporation (Conso)	-	5,187,831	-	-	5,187,831	-	5,187,831
Arvo Commercial Corporation	173,783,594	360,137,778	-	-	533,921,371	-	533,921,371
Avida Land Corporation (Conso)	397,694,888	43,165,250	(48,047,575)	-	392,812,563	-	392,812,563
Ayala Land Inc.	51,161	185,602,321	(165,596,101)	-	20,057,381	-	20,057,381
Ayala Malls Zing Inc.	-	188,562	-	-	188,562	-	188,562
AyalaLand Estates Inc. (Conso)	-	5,080,890	(5,080,890)	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	16,117,281	147,842,425	(106,862,838)	-	57,096,868	-	57,096,868
Ayalaland Logistics Holdings Corp. (Conso)	4,491,921	104,265,013	(34,738,849)	-	74,018,085	-	74,018,085
Ayalaland Malls Synergies, Inc.	420,527	-	(420,527)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	103,617,618	(99,641,525)	-	3,976,092	-	3,976,092
Ayalaland Metro North, Inc.	1,200	6,070	-	-	7,270	-	7,270
AyalaLand Offices, Inc. (Conso)	1,394	-	-	-	1,394	-	1,394
Bay City Commercial Ventures Corp.	270,678,092	1,337,183,815	(894,794,360)	-	713,067,547	-	713,067,547
BellaVita Land Corp.	535,618	-	-	-	535,618	-	535,618
Cagayan De Oro Gateway Corporation	11,435	-	(11,435)	-	-	-	-
Cavite Commercial Towncenter Inc.	67,645,733	120,289,093	(183,352,833)	-	4,581,993	-	4,581,993
Direct Power Services Inc.	162,011	-	-	-	162,011	-	162,011
Leisure and Allied Industries Phils. Inc.	402,093	6,312,286	(8,951,117)	-	(2,236,737)	-	(2,236,737)
Makati Development Corporation (Conso)	843,050	-	-	-	843,050	-	843,050
North Eastern Commercial Corp.	38,859	6,950	-	-	45,809	-	45,809
North Triangle Depot Commercial Corp	81,696,163	48,994,408	(125,369,717)	-	5,320,855	-	5,320,855
North Ventures Commercial Corp.	10,490	3,440	-	-	13,930	-	13,930
NorthBeacon Commercial Corporation	5,160	13,600	-	-	18,760	-	18,760
Nuevocentro, Inc. (Conso)	-	16,273,457	-	-	16,273,457	-	16,273,457
Primavera Towncentre, Inc.	-	10,860,998	-	-	10,860,998	-	10,860,998
Soltea Commercial Corp.	18,755,636	831,740	(16,873,785)	-	2,713,591	-	2,713,591
Station Square East Commercial Corp	37,290	8,270	-	-	45,560	-	45,560
Subic Bay Town Center Inc.	1,380	-	-	-	1,380	-	1,380
Ten Knots Philippines, Inc.(Conso)	64,821,932	133,027,593	(194,617,318)	-	3,232,207	-	3,232,207
Subtotal	1,500,079,737	2,867,275,021	(2,451,475,334)	-	1,915,879,424	-	1,915,879,424

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by Sunnyfield E-Office Corp from related parties							
ALI Capital Corp. (Conso)	-	16,642,640	-	-	16,642,640	-	16,642,640
Alveo Land Corporation (Conso)	5,019,739	-	(5,019,739)	-	-	-	-
Amaia Land Corporation (Conso)	18,698,147	2,152,923	(20,851,070)	-	-	-	-
Avida Land Corporation (Conso)	301,277	3,751,025	(3,254,764)	-	797,538	-	797,538
Ayala Land Inc.	-	23,345,305	(23,345,305)	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	-	3,084,169	(3,084,169)	-	-	-	-
Ayalaland Logistics Holdings Corp. (Conso)	-	21,048,728	(3,137,219)	-	17,911,509	-	17,911,509
Bay City Commercial Ventures Corp.	-	2,005,876	(2,000,787)	-	5,089	-	5,089
Crans Montana Property Holdings Corporation	-	20,167,095	-	-	20,167,095	-	20,167,095
Makati Cornerstone Leasing Corp.	-	2,003,744	(2,000,501)	-	3,243	-	3,243
Nuevocentro, Inc. (Conso)	-	20,110,333	(20,014,777)	-	95,557	-	95,557
Ten Knots Development Corporation(Conso)	-	6,096,723	-	-	6,096,723	-	6,096,723
Ten Knots Philippines, Inc.(Conso)	28,255,139	11,354,131	-	-	39,609,270	-	39,609,270
Subtotal	52,274,302	131,762,692	(82,708,331)	-	101,328,664	-	101,328,664
Amount Receivable by Taft Punta Engaño Property, Inc. from related parties							
Accendo Commercial Corp	63,520,510	4,448,107	(3,888,149)	-	64,080,469	-	64,080,469
ALI Capital Corp. (Conso)	7,145,941	1,917,267	(6,582,330)	-	2,480,878	-	2,480,878
ALI Commercial Center, Inc. (Conso)	9,959,865	-	(9,959,865)	-	-	-	-
Alveo Land Corporation (Conso)	-	7,805,289	-	-	7,805,289	-	7,805,289
Amaia Land Corporation (Conso)	70,007	1,408,119	(1,478,127)	-	-	-	-
Arvo Commercial Corporation	12,312,587	537,552	(11,265,564)	-	1,584,575	-	1,584,575
Avida Land Corporation (Conso)	188,174	46,331,862	(46,520,037)	-	-	-	-
Ayala Land Inc.	53,532	36,962,434	(36,427,856)	-	588,109	-	588,109
AyalaLand Hotels and Resorts Corp. (Conso)	5,039,552	14,290,645	-	-	19,330,197	-	19,330,197
Ayalaland Logistics Holdings Corp. (Conso)	1,230,923	28,649,332	-	-	29,880,255	-	29,880,255
AyalaLand Malls, Inc. (Conso)	-	52,172,982	(51,266,881)	-	906,101	-	906,101
Ayalaland Metro North, Inc.	-	-	-	-	-	-	-
Bay City Commercial Ventures Corp.	139,258,582	10,717,069	(3,730,955)	-	146,244,697	-	146,244,697
Capitol Central Commercial Ventures Corp.	4,480,831	287,191	(535,644)	-	4,232,378	-	4,232,378
Cavite Commercial Towncenter Inc.	67,816,755	37,152,496	-	-	104,969,251	-	104,969,251
Soltea Commercial Corp.	2,017	-	-	-	2,017	-	2,017
Ten Knots Philippines, Inc.(Conso)	25,163,104	23,041,160	(2,363,354)	-	45,840,910	-	45,840,910
Subtotal	336,242,380	265,721,505	(174,018,762)	-	427,945,126	-	427,945,126
Amount Receivable by Ten Knots Development Corporation from related parties							
ALI Capital Corp. (Conso)	-	-	-	-	-	-	-
ALI Commercial Center, Inc. (Conso)	10,382	-	(10,382)	-	-	-	-
Avida Land Corporation (Conso)	551,544	-	(551,544)	-	-	-	-
Ayala Land Inc.	204,600	(464)	(204,136)	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	359,520,362	1,744,522,075	(2,089,590,389)	-	14,452,047	-	14,452,047
AyalaLand Malls, Inc. (Conso)	-	10,382	-	-	10,382	-	10,382
Ayalaland Medical Facilities Leasing Inc.	-	-	-	-	-	-	-
Direct Power Services Inc.	9,458	-	-	-	9,458	-	9,458
Ecoholdings Company, Inc.	500	-	-	-	500	-	500
Integrated Eco-Resort Inc.	55,293	-	-	-	55,293	-	55,293
Makati Development Corporation (Conso)	103,021	-	-	-	103,021	-	103,021
Soltea Commercial Corp.	94,511	-	-	-	94,511	-	94,511
Ten Knots Development Corporation(Conso)	-	363,600,000	(363,599,954)	-	46	-	46
Ten Knots Philippines, Inc.(Conso)	247,324,355	1,538,109,192	(1,210,825,361)	-	574,608,186	-	574,608,186
Subtotal	607,874,026	3,646,241,185	(3,664,781,766)	-	589,333,444	-	589,333,444

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by Ten Knots Philippines, Inc. from related parties							
Accendo Commercial Corp	-	3,026,631	(3,003,567)	-	23,064	-	23,064
Adauge Commercial Corp.	9,105	3,000	-	-	12,105	-	12,105
ALI Capital Corp. (Conso)	13,356,734	26,937,764	-	-	40,294,498	-	40,294,498
ALI Commercial Center, Inc. (Conso)	-	-	-	-	-	-	-
Amaia Land Corporation (Conso)	-	3,005,792	(3,000,776)	-	5,016	-	5,016
Ayala Land Inc.	1,313,287	322,098	-	-	1,635,385	-	1,635,385
Ayala Land Sales Inc.	11,085	-	(11,085)	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	2,387,503	3,690,705	-	-	6,078,207	-	6,078,207
AyalaLand Malls, Inc. (Conso)	3,000	-	(3,000)	-	-	-	-
AyalaLand Malls, Inc. (Conso)	-	-	-	-	-	-	-
Ayalaland Premier, Inc.	-	11,085	-	-	11,085	-	11,085
Cagayan De Oro Gateway Corporation	-	-	-	-	-	-	-
Ecoholdings Company, Inc.	645,491	49,383	-	-	694,874	-	694,874
Integrated Eco-Resort Inc.	4,174,551	-	(4,095,451)	-	79,100	-	79,100
Integrated Eco-Resort Inc.	60,215	-	(60,215)	-	-	-	-
Philippine Integrated Energy Solutions, Inc.	2,350	-	-	-	2,350	-	2,350
Ten Knots Development Corporation(Conso)	11,298,471	24,416,506	(26,088,252)	-	9,626,725	-	9,626,725
Ten Knots Philippines, Inc.(Conso)	363,309	183,000,000	(183,363,309)	-	-	-	-
Subtotal	33,625,101	244,462,964	(219,625,655)	-	58,462,409	-	58,462,409
Amount Receivable by Verde Golf Development Corporation from related parties							
Ayala Land Inc.	142,445	79,522	-	-	221,967	-	221,967
Subtotal	142,445	79,522	-	-	221,967	-	221,967
Amount Receivable by Vesta Property Holdings Inc. from related parties							
ALI Capital Corp. (Conso)	74,565,391	63,987,884	(127,917,918)	-	10,635,358	-	10,635,358
ALI Commercial Center, Inc. (Conso)	47,302,268	-	(47,302,268)	-	-	-	-
Alveo Land Corporation (Conso)	81,049,911	-	(140,195)	-	80,909,716	-	80,909,716
Amaia Land Corporation (Conso)	62,921,995	3,313,035	(66,235,029)	-	-	-	-
Amorsedia Development Corporation (Conso)	456,049,258	33,078,910	(13,074,618)	-	476,053,549	-	476,053,549
Arvo Commercial Corporation	119,737,197	113,848,333	(154,541,644)	-	79,043,887	-	79,043,887
Avida Land Corporation (Conso)	12,441,854	3,004,509	(3,000,604)	-	12,445,760	-	12,445,760
Ayala Land Inc.	5,903,188	42,594,512	(11,584,871)	-	36,912,830	-	36,912,830
Ayala Land International Sales, Inc.(Conso)	188,476	-	-	-	188,476	-	188,476
AyalaLand Estates Inc. (Conso)	-	13,181,307	(13,181,307)	-	-	-	-
AyalaLand Hotels and Resorts Corp. (Conso)	67,314,744	33,811,847	-	-	101,126,590	-	101,126,590
Ayalaland Logistics Holdings Corp. (Conso)	13,591,744	47,918,342	(47,480,674)	-	14,029,413	-	14,029,413
AyalaLand Malls, Inc. (Conso)	-	1,248,335	-	-	1,248,335	-	1,248,335
Ayalaland Medical Facilities Leasing Inc.	2,795,983	-	-	-	2,795,983	-	2,795,983
Bay City Commercial Ventures Corp.	169,451,784	329,676,669	(463,459,847)	-	35,668,606	-	35,668,606
Cagayan De Oro Gateway Corporation	10,639	-	(7,827)	-	2,811	-	2,811
Cavite Commercial Towncenter Inc.	39,794,733	1,474,362	(35,683,674)	-	5,585,420	-	5,585,420
Crans Montana Property Holdings Corporation	123,355,929	173,216,048	(224,593,571)	-	71,978,406	-	71,978,406
Makati Development Corporation (Conso)	18,000	16,200	-	-	34,200	-	34,200
North Eastern Commercial Corp.	35,150	-	-	-	35,150	-	35,150
North Triangle Depot Commercial Corp	18,342,320	1,847,728	-	-	20,190,048	-	20,190,048
Nuevocentro, Inc. (Conso)	-	176,723,620	-	-	176,723,620	-	176,723,620
Red Creek Properties, Inc.	211,532,524	15,558,330	(14,686,440)	-	212,404,414	-	212,404,414
Soltea Commercial Corp.	3,309,060	3,068,654	(6,101,685)	-	276,029	-	276,029
Summerhill Commercial Ventures Corp.	21,690,714	-	-	-	21,690,714	-	21,690,714
Ten Knots Development Corporation(Conso)	3,018,902	207,413	(174,120)	-	3,052,195	-	3,052,195
Ten Knots Philippines, Inc.(Conso)	122,505,424	8,937,403	(31,022,265)	-	100,420,562	-	100,420,562
Subtotal	1,656,927,188	1,066,713,441	(1,260,188,557)	-	1,463,452,072	-	1,463,452,072

Names and Designation of debtor	Balance at beginning of period (in '000)	Additions (in '000)	Amounts collected (in '000)	Amounts written off (in '000)	Current (in '000)	Non-current (in '000)	Balance at end of period (in '000)
Amount Receivable by Westview Commercial Ventures Corp. from related parties							
Adauge Commercial Corp.	2,900	-	(5,800)	-	(2,900)	-	(2,900)
Amaia Land Corporation (Conso)	577,624	-	-	-	577,624	-	577,624
AREIT, Inc.	6,424,401	-	-	-	6,424,401	-	6,424,401
Avida Land Corporation (Conso)	326,282	-	-	-	326,282	-	326,282
Ayala Land Inc.	121,144	-	-	-	121,144	-	121,144
Capitol Central Commercial Ventures Corp.	154,518	-	(100,558)	-	53,960	-	53,960
North Triangle Depot Commercial Corp	5,210	-	-	-	5,210	-	5,210
Subic Bay Town Center Inc.	9,983	-	-	-	9,983	-	9,983
Subtotal	7,622,062	-	(106,358)	-	7,515,704	-	7,515,704
Amount Receivable by Whiteknight Holdings, Inc. from related parties							
ALI Commercial Center, Inc. (Conso)	32,335,052	-	(32,335,052)	-	-	-	-
Amaia Land Corporation (Conso)	-	6,701,500	(6,701,500)	-	-	-	-
Ayala Land Inc.	-	3,009,821	-	-	3,009,821	-	3,009,821
AyalaLand Hotels and Resorts Corp. (Conso)	-	14,621,026	-	-	14,621,026	-	14,621,026
Ayalaland Logistics Holdings Corp. (Conso)	-	3,089,540	-	-	3,089,540	-	3,089,540
AyalaLand Malls, Inc. (Conso)	-	1,400,487	-	-	1,400,487	-	1,400,487
Ayalaland Medical Facilities Leasing Inc.	2,928,214	-	-	-	2,928,214	-	2,928,214
Bay City Commercial Ventures Corp.	10,814,555	8,618,557	-	-	19,433,112	-	19,433,112
Soltea Commercial Corp.	3,032,961	104,495	(3,137,456)	-	-	-	-
Summerhill Commercial Ventures Corp.	556,880	-	-	-	556,880	-	556,880
Ten Knots Philippines, Inc.(Conso)	-	14,198,994	-	-	14,198,994	-	14,198,994
Subtotal	49,667,662	51,744,420	(42,174,008)	-	59,238,074	-	59,238,074
Grand Total	125,617,899,570	125,769,176,792	(118,600,327,141)	-	132,786,749,200	-	132,786,749,201

Ayala Land, Inc. and Subsidiaries

Schedule D - Long-Term Debt

As at December 31, 2023

Title of Issue and type of obligation	Amount authorized by indenture (in '000)	Amount shown under caption "Current portion of long-term debt" in related balance sheet (in '000)	Amount shown under caption "Long-Term Debt" in related balance sheet (in '000)	Interest Rate	No. of Periodic Installments	Maturity Date
Ayala Land, Inc.:						
Bonds						
Philippine Peso	12,000,000	11,964,602	-	4.397%	N/A, Bullet	July 4, 2024
Philippine Peso	3,000,000	2,993,838	-	4.758%	N/A, Bullet	September 30, 2024
Philippine Peso	10,000,000	-	9,959,900	3.626%	N/A, Bullet	May 4, 2025
Philippine Peso	6,250,000	-	6,222,200	3.862%	N/A, Bullet	September 29, 2025
Philippine Peso	7,000,000	-	6,984,429	4.750%	N/A, Bullet	October 25, 2025
Philippine Peso	8,000,000	-	7,978,689	4.850%	N/A, Bullet	March 23, 2026
Philippine Peso	8,000,000	-	7,962,227	6.369%	N/A, Bullet	May 6, 2026
Philippine Peso	1,000,000	-	976,665	4.990%	N/A, Bullet	February 6, 2027
Philippine Peso	7,000,000	-	6,986,235	5.262%	N/A, Bullet	May 2, 2027
Philippine Peso	7,000,000	-	6,942,199	6.211%	N/A, Bullet	July 4, 2027
Philippine Peso	12,000,000	-	11,931,740	5.809%	N/A, Bullet	May 5, 2028
Philippine Peso	10,075,000	-	9,961,324	6.025%	N/A, Bullet	June 26, 2028
Philippine Peso	14,000,000	-	13,870,012	6.805%	N/A, Bullet	July 4, 2029
Philippine Peso	3,000,000	-	2,981,600	4.078%	N/A, Bullet	October 26, 2031
Philippine Peso	4,925,000	-	4,866,279	6.295%	N/A, Bullet	June 26, 2033
Philippine Peso	2,000,000	-	1,988,434	6.000%	N/A, Bullet	October 10, 2033
Bank loan - US Dollar						
Bank Loan *(MBTC)*	2,641,265	3,045,350	-	4.389%	N/A, Bullet	November 6, 2024
Bank loan - Peso						
Bank Loan *(BDO)*	9,900,000	-	9,845,939	Various fixed rates	Various	Various from 2026 to 2031
Bank Loan *(BPI)*	306,000	17,000	254,431	Various fixed/floating rates	Various	Various from 2023 to 2027
Bank Loan (CBC)	17,100,000	-	16,999,493	Various fixed rates	Various	Various from 2029 to 2031
Bank Loan *(LBP)*	25,000,000	116,050	24,362,376	Various fixed rates	Various	Various from 2028 to 2033
Bank Loan *(MBTC)*	20,000,000	270,782	18,518,488	Various fixed rates	Various	Various from 2027 to 2033
Bank Loan *(PNB)*	10,000,000	160,922	9,159,717	4.000%	39	December 18, 2030

(forward)

Title of Issue and type of obligation	Amount authorized by indenture (in '000)	Amount shown under caption "Current portion of long-term debt" in related balance sheet (in '000)	Amount shown under caption "Long-Term Debt" in related balance sheet (in '000)	Interest Rate	No. of Periodic Installment	Maturity Date
Subsidiaries:						
Bank loan - Peso						
Bank Loan *(BDO)*	23,955,000	63,440	23,632,597	Various fixed rates	Various	Various from 2025 to 2032
Bank Loan *(BPI)*	3,552,182	152,225	1,801,100	Various fixed and floating rates	Various	Various from 2023 to 2028
Bank Loan *(LBP)*	6,930,000	50,714	6,795,469	Various fixed rates	Various	Various from 2030 to 2032
Bank Loan *(MBTC)*	9,725,000	-	9,653,171	Various floating rates	Various	October 26, 2032
Bank loan - MYR	Various	134,497	1,745,019	Various	Various	Various
Total		**18,969,421**	**222,379,734**			

Ayala Land, Inc. and Subsidiaries

Schedule E - Indebtedness to Related Parties (Long-term Loans from Related Companies)

As at December 31, 2023

Name of related party	Balance at beginning of period (in '000)	Balance at end of period (in '000)
Bank of the Philippine Islands	4,623,237	2,225,325

Ayala Land, Inc. and Subsidiaries

Schedule F - Guarantees of Securities of Other Issuers
As at December 31, 2023

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
Not applicable.				

Ayala Land, Inc. and Subsidiaries

Schedule G - Capital Stock

As at December 31, 2023

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding at shown under related Statement of Financial Position caption				Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
		Issued	Subscribed	Treasury stocks	Total				
Common Stock	20,000,000,000	15,595,195,060	126,330,567	(779,349,914)	14,942,175,713	-	7,624,318,976	152,682,385	-
Preferred Stock	15,000,000,000	13,066,494,760	-	(623,999,728)	12,442,495,032	-	12,163,180,640	2,157,932	-

Ayala Land, Inc.

Reconciliation of Retained Earnings Available for Dividend Declaration

For the year ended December 31, 2023

Unappropriated Retained Earnings, beginning of the year/period		**53,000,568,937**
Add: Category A: Items that are directly credited to Unappropriated retained earnings		
Reversal of Retained earnings appropriation/s	-	
Effect of restatements or prior-period adjustments	-	
Others (describe nature)	-	-
Less: Category B: Items that are directly debited to Unappropriated retained earnings		
Dividend declaration during the reporting period	(5,662,154,745)	
Retained earnings appropriated during the reporting period	-	
Effect of restatements or prior-period adjustments	-	
Others (describe nature)	-	(5,662,154,745)
Unappropriated Retained Earnings, as adjusted		**47,338,414,192**
Add/Less: Net Income (loss) for the current year/period		18,578,320,220
Less: Category C.1: Unrealized income recognized in the profit or loss during the year/period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	-	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	844,331,912	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	2,686,740	
Unrealized fair value gain of investment property	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	847,018,652
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	-	
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	(326,348,835)	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Realized fair value gain of Investment property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	(326,348,835)
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	-	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-	
Reversal of previously recorded fair value adjustment (mark-to- market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Reversal of previously recorded fair value gain of investment property	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	-	-
Adjusted net income/loss		**19,098,990,037**
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)		-
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others (describe nature)	-	-
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	(3,695,647,069)	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(2,234,626)	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	6,353,946	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-	
Others (describe nature)	-	(3,691,527,749)
Total Retained Earnings, end of the year/period available for dividend declaration		**62,745,876,480**

Ayala Land, Inc. and Subsidiaries

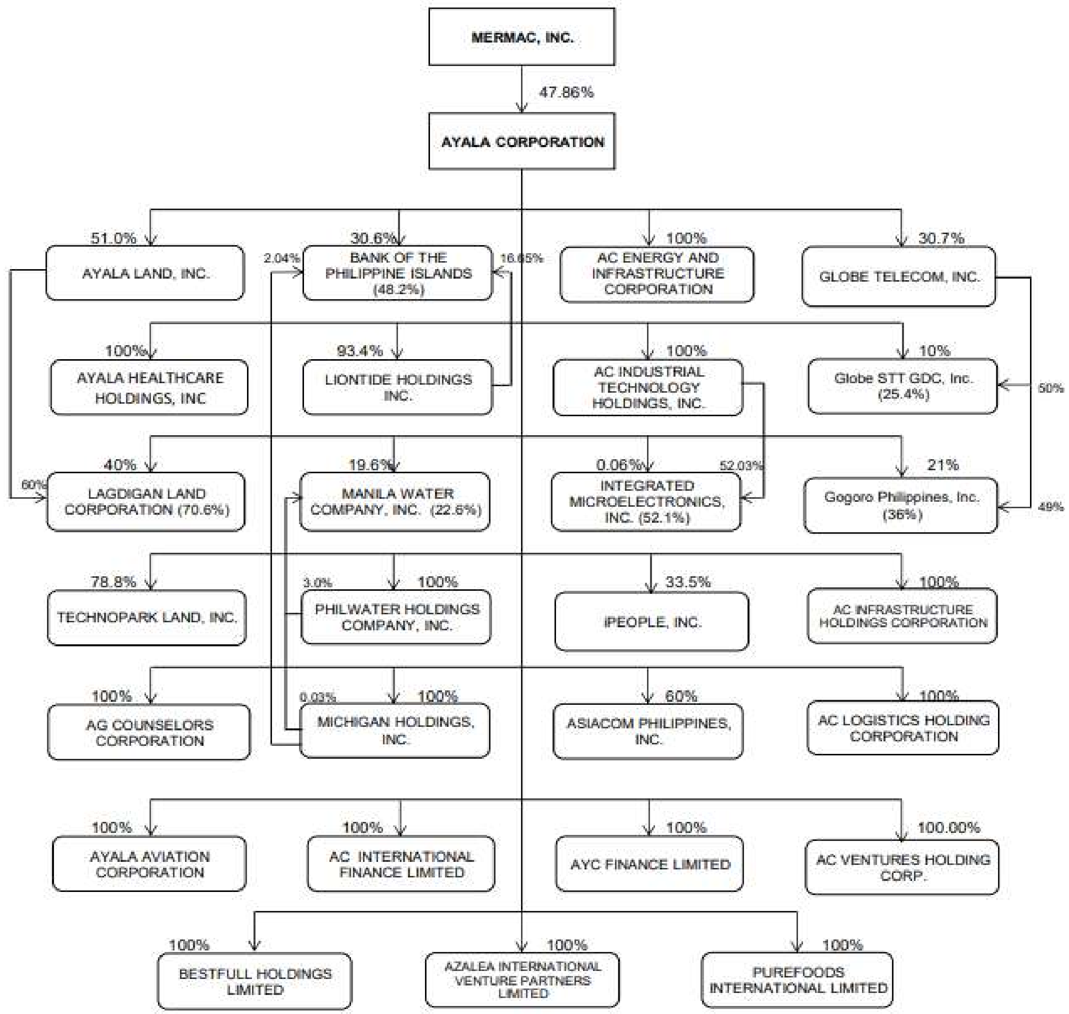
Financial Soundness Indicators

As at December 31, 2023

Ratio	Formula	2023	2022	2021
Current ratio	Current assets / Current liabilities	1.76	1.77	1.58
Acid test ratio	Quick assets (Total current assets excluding inventory)/ Current liabilities	0.87	0.88	0.87
Solvency ratio	EBITDA / Total debt (Total debt includes short-term debt, long-term debt and current portion of long-term debt)	0.23	0.2	0.16
Debt-to-equity ratio	Total debt / Consolidated stockholders' equity	0.81	0.8	0.82
Asset-to-equity ratio	Total assets / Consolidated stockholders' equity	2.65	2.66	2.76
Interest rate coverage ratio	EBITDA / Interest expense	5.19	4.82	4.01
Return on equity	Net income attributable to equity holders of the company / Average total stockholders' equity	0.08	0.07	0.05
Return on assets	Net income after tax / Average total assets	0.04	0.03	0.02
Net profit margin	Net income attributable to equity holders of the company / Total consolidated revenue	0.16	0.15	0.12

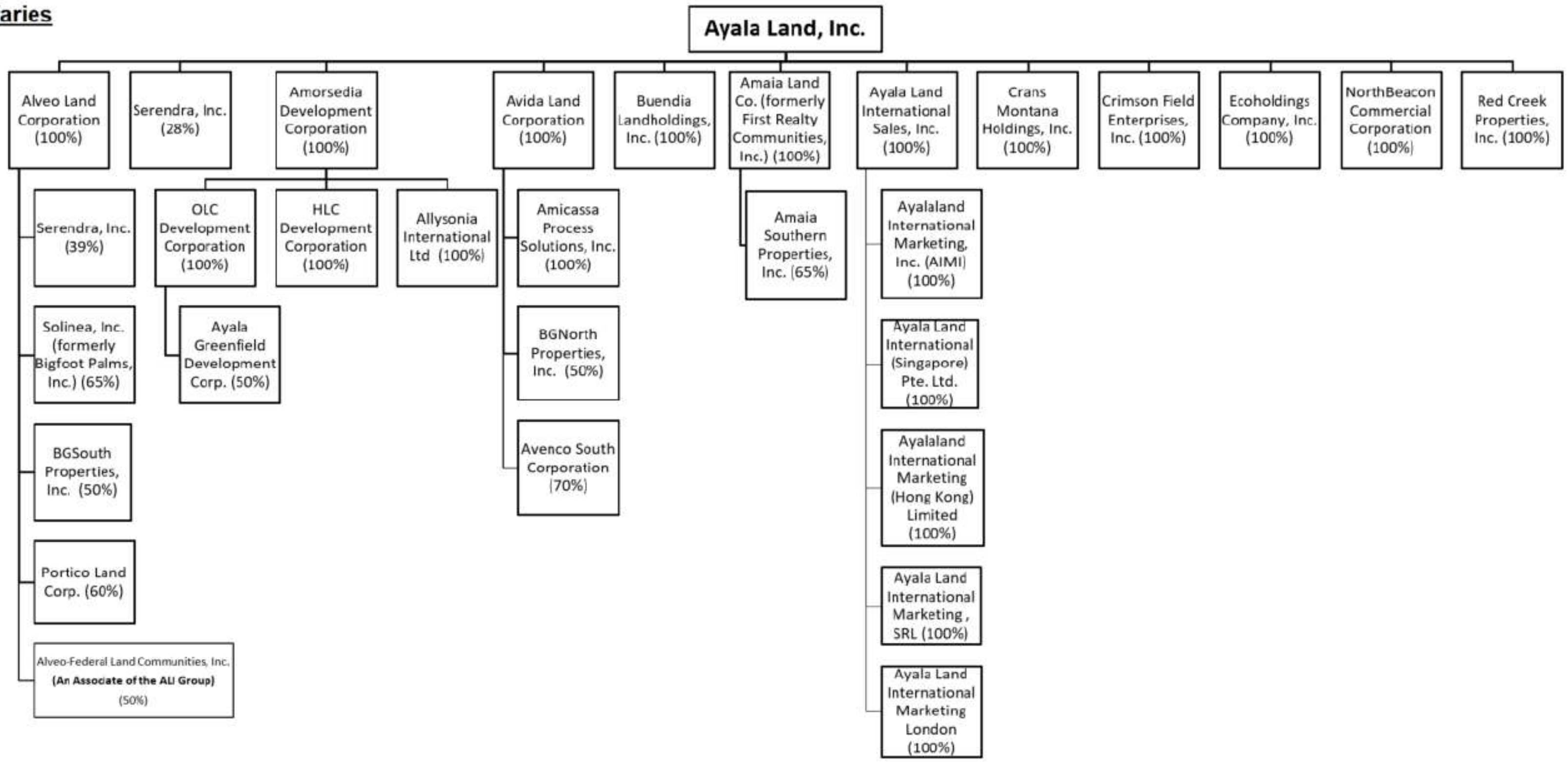
Ayala Land, Inc. and Subsidiaries

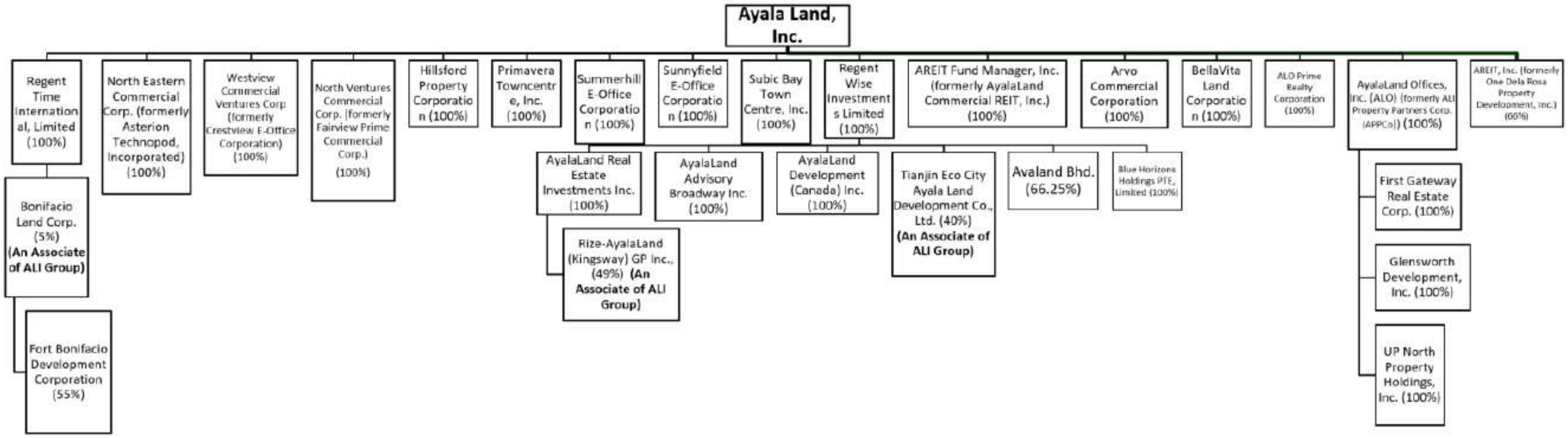
Map of the Group of Companies within which the Parent Company belongs
As at December 31, 2023

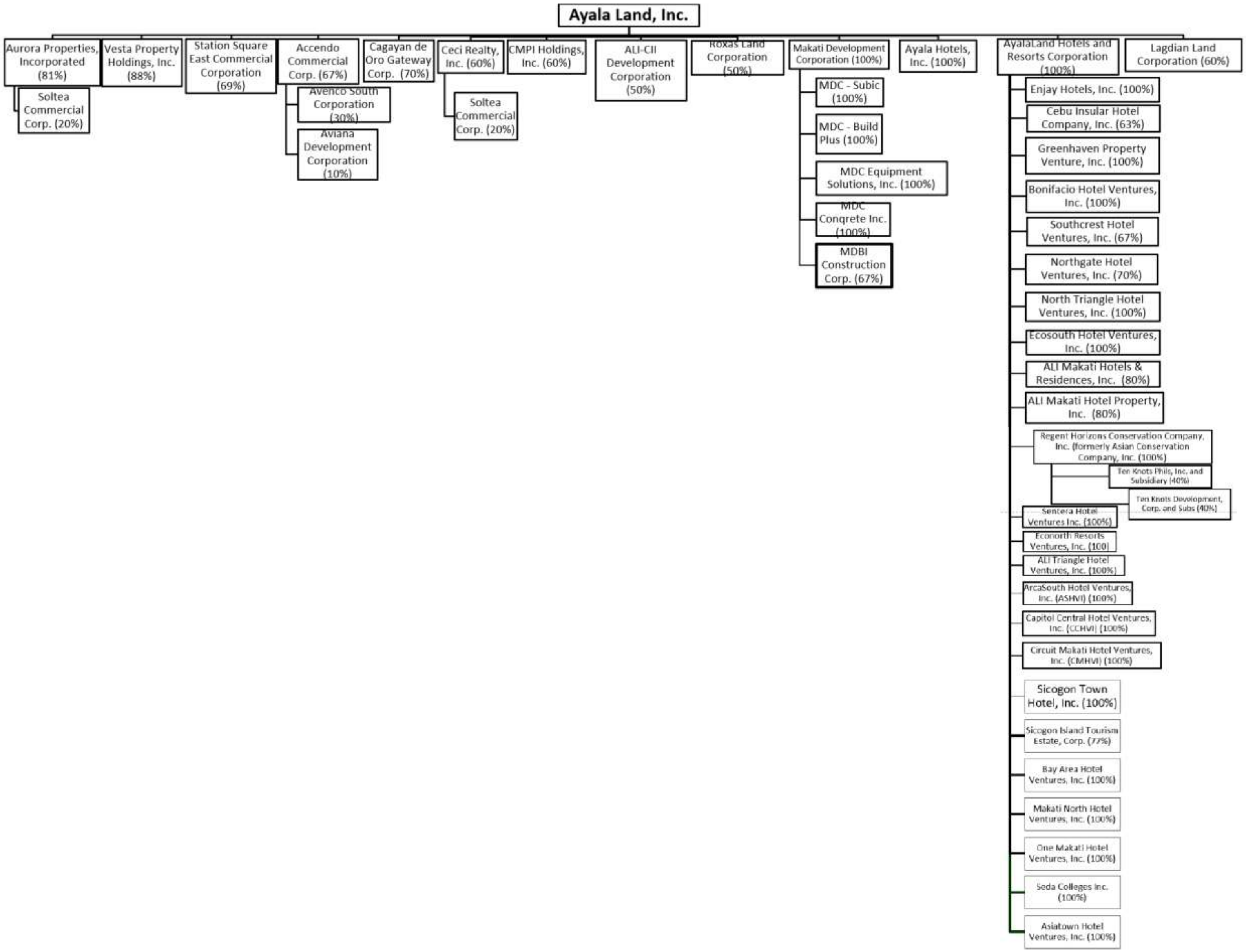


Legend:
% of ownership appearing outside the box - direct % of economic ownership
% of ownership appearing inside the box - effective % of economic ownership

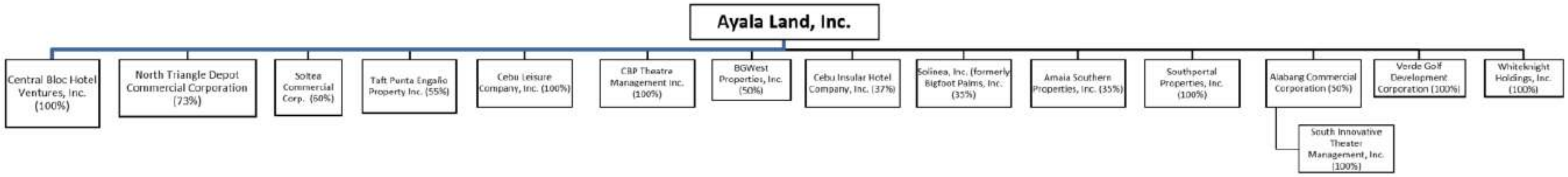
Subsidiaries

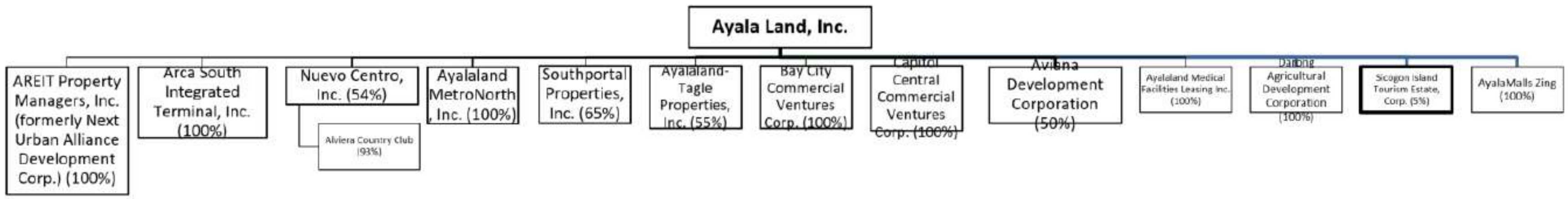



Ayala Land, Inc.
Regent Time International, Limited (100%)
Bonifacio Land Corp. (5%) (An Associate of ALI Group)
Fort Bonifacio Development Corporation (55%)
North Eastern Commercial Corp. (formerly Asterion Technopod, Incorporated) (100%)
Westview Commercial Ventures Corp (formerly Crestview E-Office Corporation) (100%)
North Ventures Commercial Corp. (formerly Fairview Prime Commercial Corp.) (100%)
Hillsford Property Corporation (100%)
Primavera Towncentre, Inc. (100%)
Summerhill E-Office Corporation (100%)
AyalaLand Real Estate Investments Inc. (100%)
Rize-AyalaLand (Kingsway) GP Inc., (49%) (An Associate of ALI Group)
Sunnyfield E-Office Corporation (100%)
AyalaLand Advisory Broadway Inc. (100%)
Subic Bay Town Centre, Inc. (100%)
AyalaLand Development (Canada) Inc. (100%)
Regent Wise Investments Limited (100%)
Tianjin Eco City Ayala Land Development Co., Ltd. (40%) (An Associate of ALI Group)
Avaland Bhd. (66.25%)
Blue Horizons Holdings PTE, Limited (100%)
AREIT Fund Manager, Inc. (formerly AyalaLand Commercial REIT, Inc.) (100%)
Arvo Commercial Corporation (100%)
BellaVita Land Corporation (100%)
ALO Prime Realty Corporation (100%)
AyalaLand Offices, Inc. (ALO) (formerly ALI Property Partners Corp. (APPCo)) (100%)
First Gateway Real Estate Corp. (100%)
Glensworth Development, Inc. (100%)
UP North Property Holdings, Inc. (100%)
AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.) (65%)

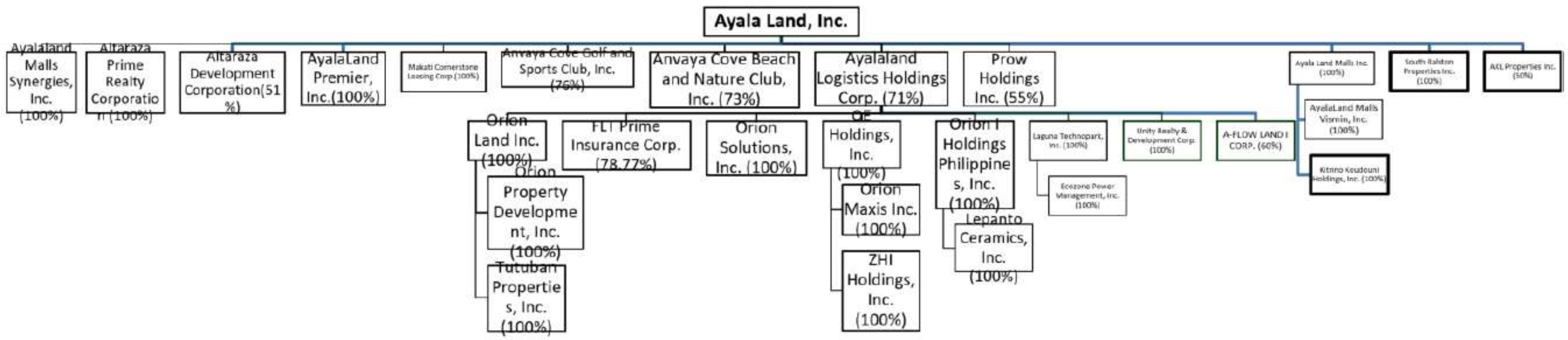


Ayala Land, Inc.
Aurora Properties, Incorporated (81%)
Soltea Commercial Corp. (20%)
Vesta Property Holdings, Inc. (88%)
Station Square East Commercial Corporation (69%)
Accendo Commercial Corp. (67%)
Avenco South Corporation (30%)
Aviana Development Corporation (10%)
Cagayan de Oro Gateway Corp. (70%)
Ceci Realty, Inc. (60%)
Soltea Commercial Corp. (20%)
CMPI Holdings, Inc. (60%)
ALI-CII Development Corporation (50%)
Roxas Land Corporation (50%)
Makati Development Corporation (100%)
MDC - Subic (100%)
MDC - Build Plus (100%)
MDC Equipment Solutions, Inc. (100%)
MDC Conqrete Inc. (100%)
MDBI Construction Corp. (67%)
Ayala Hotels, Inc. (100%)
AyalaLand Hotels and Resorts Corporation (100%)
Enjay Hotels, Inc. (100%)
Cebu Insular Hotel Company, Inc. (63%)
Greenhaven Property Venture, Inc. (100%)
Bonifacio Hotel Ventures, Inc. (100%)
Southcrest Hotel Ventures, Inc. (67%)
Northgate Hotel Ventures, Inc. (70%)
North Triangle Hotel Ventures, Inc. (100%)
Ecosouth Hotel Ventures, Inc. (100%)
ALI Makati Hotels & Residences, Inc. (80%)
ALI Makati Hotel Property, Inc. (80%)
Regent Horizons Conservation Company, Inc. (formerly Asian Conservation Company, Inc. (100%)
Ten Knots Phils, Inc. and Subsidiary (40%)
Ten Knots Development, Corp. and Subs (40%)
Sentera Hotel Ventures Inc. (100%)
Econorth Resorts Ventures, Inc. (100)
ALI Triangle Hotel Ventures, Inc. (100%)
ArcaSouth Hotel Ventures, Inc. (ASHVI) (100%)
Capitol Central Hotel Ventures, Inc. (CCHVI) (100%)
Circuit Makati Hotel Ventures, Inc. (CMHVI) (100%)
Sicogon Town Hotel, Inc. (100%)
Sicogon Island Tourism Estate, Corp. (77%)
Bay Area Hotel Ventures, Inc. (100%)
Makati North Hotel Ventures, Inc. (100%)
One Makati Hotel Ventures, Inc. (100%)
Seda Colleges Inc. (100%)
Asiatown Hotel Ventures, Inc. (100%)
Lagdian Land Corporation (60%)

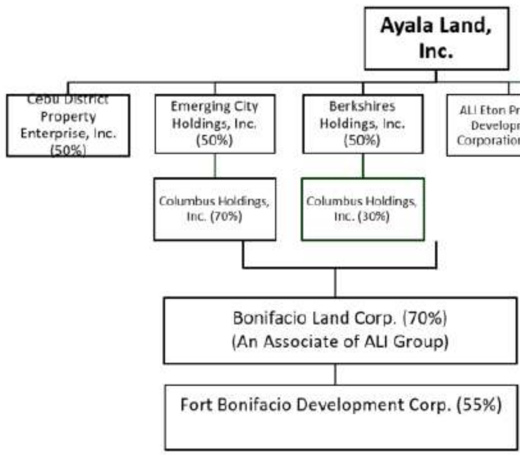

Ayala Land, Inc.
Central Bloc Hotel Ventures, Inc. (100%)
North Triangle Depot Commercial Corporation (73%)
Soltea Commercial Corp. (60%)
Taft Punta Engaño Property Inc. (55%)
Cebu Leisure Company, Inc. (100%)
CBP Theatre Management Inc. (100%)
BGWest Properties, Inc. (50%)
Cebu Insular Hotel Company, Inc. (37%)
Solinea, Inc. (formerly Bigfoot Palms, Inc. (35%)
Amaia Southern Properties, Inc. (35%)
Southportal Properties, Inc. (100%)
Alabang Commercial Corporation (50%)
South Innovative Theater Management, Inc. (100%)
Verde Golf Development Corporation (100%)
Whiteknight Holdings, Inc. (100%)

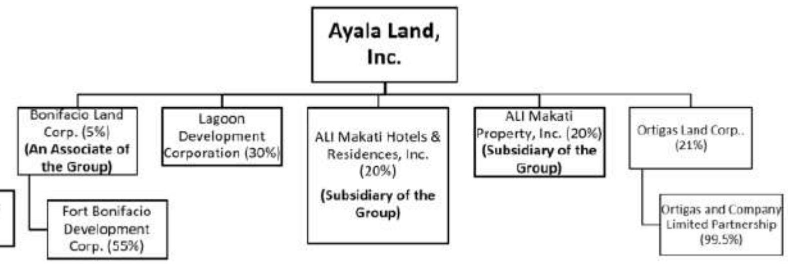


Ayala Land, Inc.
AREIT Property Managers, Inc. (formerly Next Urban Alliance Development Corp.) (100%)
Arca South Integrated Terminal, Inc. (100%)
Nuevo Centro, Inc. (54%)
Alviera Country Club (93%)
Ayalaland MetroNorth, Inc. (100%)
Southportal Properties, Inc. (65%)
Ayalaland-Tagle Properties, Inc. (55%)
Bay City Commercial Ventures Corp. (100%)
Capitol Central Commercial Ventures Corp. (100%)
Aviana Development Corporation (50%)
Ayalaland Medical Facilities Leasing Inc. (100%)
Darong Agricultural Development Corporation (100%)
Sicogon Island Tourism Estate, Corp. (5%)
AyalaMalls Zing (100%)



Ayala Land, Inc.
Ayalaland Malls Synergies, Inc. (100%)
Altaraza Prime Realty Corporation (100%)
Altaraza Development Corporation(51%)
AyalaLand Premier, Inc.(100%)
Makati Cornerstone Leasing Corp (100%)
Anvaya Cove Golf and Sports Club, Inc. (76%)
Anvaya Cove Beach and Nature Club, Inc. (73%)
Ayalaland Logistics Holdings Corp. (71%)
Prow Holdings Inc. (55%)
Ayala Land Malls Inc. (100%)
South Ralston Properties Inc. (100%)
AKL Properties Inc. (50%)
Orion Land Inc. (100%)
FLT Prime Insurance Corp. (78.77%)
Orion Solutions, Inc. (100%)
OE Holdings, Inc. (100%)
Orion I Holdings Philippines, Inc. (100%)
Laguna Technopark, Inc. (100%)
Unity Realty & Development Corp (100%)
A-FLOW LAND I CORP. (60%)
AyalaLand Malls Vismin, Inc. (100%)
Kitrino Koudouni Holdings, Inc. (100%)
Orion Property Development, Inc. (100%)
Tutuban Properties, Inc. (100%)
Orion Maxis Inc. (100%)
ZHI Holdings, Inc. (100%)
Lepanto Ceramics, Inc. (100%)
Ecozone Power Management, Inc. (100%)


Ayala Land, Inc.
Cebu District Property Enterprise, Inc. (50%)
Emerging City Holdings, Inc. (50%)
Berkshires Holdings, Inc. (50%)
ALI Eton Property Development Corporation (50%)
Cebu District Property Enterprise, Inc (50%)
Ayalaland Logistics Holdings Corp. (71%)
Columbus Holdings, Inc. (70%)
Columbus Holdings, Inc. (30%)
A-FLOW Properties I Corp (50%)
Bonifacio Land Corp. (70%)
(An Associate of ALI Group)
Fort Bonifacio Development Corp. (55%)


Ayala Land, Inc.
Bonifacio Land Corp. (5%)
(An Associate of the Group)
Lagoon Development Corporation (30%)
ALI Makati Hotels & Residences, Inc. (20%)
(Subsidiary of the Group)
ALI Makati Property, Inc. (20%)
(Subsidiary of the Group)
Ortigas Land Corp. (21%)
Fort Bonifacio Development Corp. (55%)
Ortigas and Company Limited Partnership (99.5%)

Ayala Land, Inc. and Subsidiaries

Bond Proceeds

As at December 31, 2023

P15.0 Billion Fixed Rate Bonds due 2028 (Series A- P10.1 Billion) and 2033 (Series B- P4.9 Billion)

(In thousands)	Estimated Per prospectus	Actual
Issue Amount	**14,000,000**	**15,000,000**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	6,123	6,123
Documentary Stamp Tax	105,000	112,500
Underwriting Fee	52,500	56,250
Estimated Professional Expenses & Agency fees	8,420	8,156
Marketing/Printing/Photocopying Costs and OPEs	1,000	545
Listing Fee	200	200
Total Expenses	173,243	183,775
Net Proceeds	**13,826,757**	**14,816,225**
Balance of Proceeds as of December 31, 2023		**NIL**

Ayala Land raised from the Bonds gross proceeds of P15.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P14.82 billion were used to partially refinance various short-term Philippine peso-denominated obligations amounting to ₱4.42 billion and approximately ₱10.40 billion to fund general corporate requirements, including but not limited to various capital expenditures.

P33.0 Billion Fixed Rate Bonds due 2024 (Series A - P12.0 Billion), 2027 (Series B- P7.0 Billion) and 2029 (Series C - P14.0 Billion)

(In thousands)	Estimated Per prospectus	Actual
Issue Amount	**33,000,000**	**33,000,000**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	8,333	8,333
Documentary Stamp Tax	247,500	247,500
Underwriting Fee	123,750	123,750
PDEX Listing Fee	100	585
Accounting	2,000	1,800
Legal	80	633
Credit Rating	6,600	3,780
Registry and Paying Agency	300	300
Trusteeship	150	150
Out-of-pocket expenses	500	187
Total Estimated Upfront Expenses	389,313	387,018
Net Proceeds	**32,610,687**	**32,612,982**
Balance of Proceeds as of December 31, 2023		**NIL**

Ayala Land raised from the Bonds gross proceeds of P33.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P32.61 billion were used to partially refinance various short-term Philippine peso-denominated obligations amounting to ₱22.10 billion and approximately ₱10.52 billion to fund general corporate requirements, including but not limited to expenses in the ordinary course of business including the ₱1.20 billion worth of various capital expenditures.

P12.0 Billion Fixed Rate Bonds due 2028

(In thousands)	Estimated Per prospectus	Actual
Issue Amount	**12,000,000**	**12,000,000**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	3,030	3,030
Documentary Stamp Tax	90,000	90,000
Underwriting Fee	45,000	45,000
PDEX Listing Fee	100	223
Accounting	2,500	2,500
Legal	563	1,013
Credit Rating	2,402	2,463
Registry and Paying Agency	285	285
Trusteeship	150	150
Out-of-pocket expenses	500	93
Total Estimated Upfront Expenses	144,530	144,756
Net Proceeds	**11,855,470**	**11,855,244**
Balance of Proceeds as of December 31, 2023		**NIL**

Ayala Land raised from the Bonds gross proceeds of P12.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P11.86 billion were used to partially refinance short-term loans that were drawn to finance the full settlement of the Company's 6.0% per annum ₱5.65 billion fixed-rate bonds issued in 20124 ("6.0% ALI 2022 Bonds") and the balance to partially fund the settlement of the 4.5% per annum ₱7.00 billion fixed-rate bonds issued in 20155 ("4.5% ALI 2022 Bonds", together, the "ALI 04-2022 Bonds") that matured on April 27 and 29, 2022, respectively, and approximately ₱1.00 billion to fund general corporate requirements, including but not limited to expenses in the ordinary course of business including capital expenditures.

P3.0 Billion Fixed Rate Bonds due 2031

(In thousands)	Estimated Per prospectus	Actual
Issue Amount	**2,750,000**	**3,000,000**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	1,263	1,957
Documentary Stamp Tax	20,625	22,500
Underwriting Fee	10,313	11,250
Estimated Professional Expenses & Agency fees	7,300	5,733
Marketing/Printing/Photocopying Costs and OPEs	1,000	334
Listing Fee	100	100
Total Expenses	40,600	41,874
Net Proceeds	**2,709,400**	**2,958,126**
Balance of Proceeds as of December 31, 2023		**NIL**

Ayala Land raised from the Bonds gross proceeds of P3.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P2.96 billion. Net proceeds were used to refinance the short-term loan drawn to finance the early redemption of the Company's 7.0239% per annum ₱8.00 billion fixed-rate bonds due 2023 issued in 2018 on October 5, 2021 (the "7.0239% p.a. 2018 Bonds") and partially finance the Company's capital expenditures.

P10.0 Billion Fixed Rate Bonds due 2025

(In thousands)	Estimated Per prospectus	Actual
Issue Amount	**10,000,000**	**10,000,000**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	2,525	2,525
Documentary Stamp Tax	75,000	75,000
Underwriting Fee	37,500	37,500
Estimated Professional Expenses & Agency fees	5,000	4,758
Marketing/Printing/Photocopying Costs and OPEs	1,000	177
Listing Fee	100	100
Total Expenses	121,125	120,060
Net Proceeds	**9,878,875**	**9,879,940**
Balance of Proceeds as of December 31, 2023		**NIL**

Ayala Land raised from the Bonds gross proceeds of P10.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P9.88 billion. Net proceeds were used to refinance any short-term loans that will be drawn to finance the early redemption of the Company's 5.625% per annum ₱8.0 billion fixed-rate bonds due 2025 issued in 2014, and partially finance the Company's general corporate requirements.

P6.3 Billion Fixed Rate Bonds due 2025

(In thousands)	Estimated Per prospectus	Actual
Issue Amount	**6,250,000**	**6,250,000**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	1,578	1,578
Documentary Stamp Tax	46,875	46,875
Underwriting Fee	23,438	23,438
Estimated Professional Expenses & Agency fees	5,000	5,520
Marketing/Printing/Photocopying Costs and OPEs	1,000	274
Listing Fee	100	100
Total Expenses	77,991	77,785
Net Proceeds	**6,172,009**	**6,172,215**
Balance of Proceeds as of December 31, 2023		**NIL**

Ayala Land raised from the Bonds gross proceeds of P6.3 billion. After issue-related expenses, actual net proceeds amounted to approximately P6.17 billion. Net proceeds were used to refinance the Company's 4.725% per annum ₱1.8 billion term loan maturity on September 29, 2020, 4.625% per annum ₱4.0 billion bond maturity on October 10, 2020 and a portion of its existing short-term loans.

P9.0 Billion Fixed Rate Bonds due 2021 and P1.0 Billion Fixed Rate Bonds due 2027

(In thousands)	Estimated Per prospectus	Actual
Issue Amount	**10,000,000**	**10,000,000**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	3,093	3,093
Documentary Stamp Tax	75,000	75,000
Underwriting Fee	37,500	37,500
Estimated Professional Expenses & Agency fees	9,000	4,207
Marketing/Printing/Photocopying Costs and OPEs	1,000	118
Listing Fee	150	254
Total Expenses	125,743	120,172
Net Proceeds	**9,874,257**	**9,879,828**
Balance of Proceeds as of December 31, 2023		**NIL**

Ayala Land raised from the Bonds gross proceeds of P10.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P9.88 billion. Net proceeds were used to partially finance various projects.

P3.0 Billion Fixed Rate Bonds due 2024

(In thousands)	Estimated Per prospectus	Actual
Issue Amount	**3,000,000**	**3,000,000**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	758	758
Documentary Stamp Tax	22,500	22,500
Underwriting Fee	11,250	11,025
Estimated Professional Expenses & Agency fees	9,000	3,965
Marketing/Printing/Photocopying Costs and OPEs	1,000	69
Listing Fee	150	152
Total Expenses	44,658	38,469
Net Proceeds	**2,955,343**	**2,961,531**
Balance of Proceeds as of December 31, 2023		**NIL**

Ayala Land raised from the Bonds gross proceeds of P3.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P2.96 billion. Net proceeds were used to partially finance various projects.

P8.0 Billion Fixed Rate Bonds due 2026

(In thousands)	Estimated Per prospectus	Actual
Issue Amount	**8,000,000**	**8,000,000**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	2,588	2,588
Documentary Stamp Tax	60,000	60,000
Underwriting Fee	30,000	30,000
Estimated Professional Expenses & Agency fees	9,000	6,066
Marketing/Printing/Photocopying Costs and OPEs	5,000	339
Listing Fee	150	218
Total Expenses	106,738	99,211
Net Proceeds	**7,893,262**	**7,900,789**
Balance of Proceeds as of December 31, 2023		**NIL**

Ayala Land raised from the Bonds gross proceeds of P8.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P7.90 billion. Net proceeds were used to partially finance various projects.

P7.0 Billion Fixed Rate Bonds due 2027

(In thousands)	Estimated Per prospectus	Actual
Issue Amount	**7,000,000**	**7,000,000**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	1,768	1,768
Documentary Stamp Tax	35,000	35,000
Underwriting Fee	26,250	26,250
Estimated Professional Expenses & Agency fees	9,000	3,161
Marketing/Printing/Photocopying Costs and OPEs	5,000	990
Listing Fee	100	100
Total Expenses	77,118	67,269
Net Proceeds	**6,922,883**	**6,932,731**
Balance of Proceeds as of December 31, 2023		**NIL**

Ayala Land raised from the Bonds gross proceeds of P10.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P6.92 billion. Net proceeds were used to partially finance various projects.

P7.0 Billion Fixed Rate Bonds due 2025

(In thousands)	Estimated Per prospectus	Actual
Issue Amount	**7,000,000**	**8,000,000**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	1,768	1,768
Documentary Stamp Tax	35,000	35,000
Underwriting Fee	26,250	26,250
Estimated Professional Expenses & Agency fees	7,500	2,302
Marketing/Printing/Photocopying Costs and OPEs	2,500	249
Listing Fee	100	100
Total Expenses	73,118	65,668
Net Proceeds	**6,926,883**	**7,934,332**
Balance of Proceeds as of December 31, 2023		**NIL**

Ayala Land raised from the Bonds gross proceeds of P7.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P6.9 billion. Net proceeds were used to partially finance various projects.

P8.0 Billion Fixed Rate Bonds due 2026

(In thousands)	Estimated Per prospectus	Actual
Issue Amount	**8,000,000**	**8,000,000**
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	2,588	2,588
Documentary Stamp Tax	40,000	40,000
Underwriting Fee	30,000	30,000
Estimated Professional Expenses & Agency fees	7,500	3,651
Marketing/Printing/Photocopying Costs and OPEs	2,500	399
Listing Fee	100	100
Total Expenses	82,688	76,738
Net Proceeds	**7,917,312**	**7,923,262**
Balance of Proceeds as of December 31, 2023		**NIL**

Ayala Land raised from the Bonds gross proceeds of P8.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P7.9 billion. Net proceeds were used to partially finance various projects.

P4.0 Billion in Fixed Rate Bonds due 2020 and P2.0 Billion Fixed Rate Bonds due 2033

(In thousands)	**Estimated Per prospectus**	**Actual**
Issue Amount	**6,000,000**	**6,000,000**
Expenses		
Documentary Stamp Tax	30,000	30,000
Upfront Fees		
Underwriting Fee (375 bps + GRT)	22,500	22,500
Professional Expenses	1,458	2,518
Listing Fee	100	100
Out of Pocket Expenses (publication, printing etc.)	1,000	6
Total Expenses	**55,058**	**55,123**
Net Proceeds	**5,944,943**	**5,944,877**
Balance of Proceeds as of December 31, 2023		**NIL**

Ayala Land raised from the Bonds gross proceeds of P6.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P5.9 billion. Net proceeds were used to partially finance various projects.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	5	2	7	4	7					

COMPANY NAME

A Y A L A   L A N D ,   I N C .

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

31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, if Applicable
AFS	SEC	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	7 908-3677	

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
13,115	04/27	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ma. Luisa D. Chiong	chiong.malou@ayalaland.com.ph	7 908-3681	

CONTACT PERSON's ADDRESS

31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

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

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

Independent Auditor's Report

To the Board of Directors and Stockholders of
Ayala Land, Inc.
31st Floor, Tower One and Exchange Plaza, Ayala Triangle
Ayala Avenue, Makati City

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements of Ayala Land, Inc. (the "Parent Company") as at and for the year ended December 31, 2023 are prepared, in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting relief issued and approved by the Securities and Exchange Commission (SEC), as described in Note 32 to the financial statements.

What we have audited

The financial statements of the Parent Company comprise:

- the statement of financial position as at December 31, 2023;
- the statement of income for the year ended December 31, 2023;
- the statement of comprehensive income for the year ended December 31, 2023;
- the statement of changes in equity for the year ended December 31, 2023;
- the statement of cash flows for the year ended December 31, 2023; and
- the notes to the financial statements, including material accounting policy information.

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and Code of Ethics.

Emphasis of Matter

We draw attention to Note 32 to the financial statements, which indicates that the financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting relief issued and approved by the SEC in response to the COVID-19 pandemic. The details of the financial reporting relief availed by the Parent Company and the impact of the application on the 2023 financial statements are discussed in Note 32.2. Our opinion is not modified in respect of this matter. Our opinion remains to be unqualified on the financial statements taken as a whole.

Other Matter

The financial statements of the Parent Company as at and for the year ended December 31, 2022 were audited by another firm of auditors whose report, dated February 21, 2023, expressed an unmodified opinion on those statements.

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

Management is responsible for the preparation of the financial statements in accordance with PFRSs, as modified by the application of the financial reporting relief issued and approved by the SEC, as described in Note 32 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in accordance with PFRSs, as modified by the application of the financial reporting relief issued and approved by the SEC, as described in Note 32 to the financial statements.

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

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

Report on the Bureau of Internal Revenue Requirement

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 33 to the financial statements is presented for the purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Roderick M. Danao.

Isla Lipana & Co.

Roderick M. Danao
Partner
CPA Cert. No. 88453
P.T.R. No. 0011280, issued on January 12, 2024, Makati City
TIN 152-015-078
BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
February 20, 2024

Ayala Land, Inc.
(The Parent Company)

Statement of Financial Position
As at December 31, 2023
(With comparative figures as at December 31, 2022)
(All amounts in Philippine Peso)

	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents	2	487,063,380	559,609,838
Financial assets at fair value through profit or loss (FVTPL)	3	35,834,889	6,881,752
Accounts and notes receivable	4	76,999,244,528	84,710,232,539
Inventories	5	66,451,148,351	52,664,201,212
Other current assets	6	22,081,932,663	18,418,705,630
Total current assets		166,055,223,811	156,359,630,971
Non-current assets			
Accounts and notes receivable, net of current portion	4	15,162,061,188	14,155,756,512
Financial assets at fair value through other comprehensive income (FVOCI)	7	716,337,497	663,761,300
Investments in subsidiaries, associates and joint ventures	8	210,165,412,168	200,565,974,361
Right-of-use assets, net	27	338,995,109	355,192,732
Investment properties, net	9	85,530,894,359	91,128,434,243
Property and equipment, net	10	2,161,396,792	3,220,578,595
Deferred tax assets, net	19	2,638,624,661	2,276,665,771
Other non-current assets	11	12,438,086,461	5,038,850,745
Total non-current assets		329,151,808,235	317,405,214,259
Total assets		495,207,032,046	473,764,845,230

(forward)

Ayala Land, Inc.
(The Parent Company)

Statement of Financial Position
As at December 31, 2023
(With comparative figures as at December 31, 2022)
(All amounts in Philippine Peso)

(continuation)

	Notes	2023	2022
Liabilities and Equity			
Current liabilities			
Short-term debt	13	7,005,000,000	688,000,000
Accounts and other payables	12	75,948,712,903	62,504,865,090
Current portion of lease liabilities	27	40,042,512	28,253,675
Current portion of long-term debt	13	18,495,800,819	14,570,101,002
Deposits and other current liabilities	14	8,908,303,492	16,167,403,676
Total current liabilities		110,397,859,726	93,958,623,443
Non-current liabilities			
Long-term debt, net of current portion	13	178,825,121,828	177,311,875,979
Pension liabilities	21	1,419,513,560	835,426,798
Lease liabilities, net of current portion	27	325,809,896	333,711,622
Deposits and other non-current liabilities	15	13,141,106,486	20,564,706,140
Total non-current liabilities		193,711,551,770	199,045,720,539
Total liabilities		304,109,411,496	293,004,343,982
Equity	16		
Paid-in capital		98,115,042,022	97,636,861,482
Treasury stock		(22,776,360,598)	(19,080,713,529)
Equity reserves		3,254,264,425	2,061,846,271
Fair value reserve of financial assets at FVOCI	7	177,443,320	124,305,105
Remeasurement loss on defined benefit plan	21	(711,908,373)	(104,772,360)
Retained earnings		113,039,139,754	100,122,974,279
Total equity		191,097,620,550	180,760,501,248
Total liabilities and equity		495,207,032,046	473,764,845,230

The notes on pages 1 to 90 are an integral part of these financial statements.

Ayala Land, Inc.
(The Parent Company)

Statement of Income
For the year ended December 31, 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

	Notes	2023	2022
Revenue			
Real estate sales	17	30,947,637,153	30,703,430,374
Interest income from real estate sales	4, 17	2,159,640,356	2,950,883,232
		33,107,277,509	33,654,313,606
Interest income		291,517,667	754,922,290
Dividend income	20	9,672,354,814	7,799,663,161
Other income	18	8,710,955,277	10,247,380,609
		18,674,827,758	18,801,966,060
		51,782,105,267	52,456,279,666
Cost and expenses	18		
Real estate		20,120,010,169	20,094,466,577
General and administrative expenses		2,031,096,302	1,635,473,738
Interest and other financing charges		10,667,413,049	10,718,662,760
Other charges and expenses		79,200,098	491,322,674
		32,897,719,618	32,939,925,749
Income before income tax		18,884,385,649	19,516,353,917
Income tax expense	19	306,065,429	528,743,813
Net income		18,578,320,220	18,987,610,104
Earnings Per Share			
Basic and diluted	22	1.23	1.28

The notes on pages 1 to 90 are an integral part of these financial statements.

Ayala Land, Inc.
(The Parent Company)

Statement of Comprehensive Income
For the year ended December 31, 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

	Notes	2023	2022
Net income		18,578,320,220	18,987,610,104
Other comprehensive loss			
Items that will not be subsequently reclassified to profit or loss:			
Fair value reserve of financial assets at FVOCI	7	53,138,215	53,165,820
Remeasurement loss on pension liability	21	(809,514,684)	(102,189,109)
Income tax effect		202,378,671	25,547,277
		(553,997,798)	(23,476,012)
Total comprehensive income		18,024,322,422	18,964,134,092

The notes on pages 1 to 90 are an integral part of these financial statements.

Ayala Land, Inc.
(The Parent Company)

Statement of Changes in Equity
For the year ended December 31, 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Subscriptions Receivables (Note 16)	Appropriated Retained Earnings (Note 16)	Unappropriated Retained Earnings (Note 16)	Equity Reserves (Note 16)	Fair Value Reserve of Financial Assets at FVOCI (Note 7)	Remeasurement Loss on Defined Benefit Plan (Note 21)	Treasury Stock (Note 16)	Total
Balances at January 1, 2022	16,687,845,437	65,494,262,907	(2,284,640,805)	25,000,000,000	60,197,372,483	2,044,561,984	71,139,285	(11,044,779)	(16,894,379,503)	150,305,117,009
Total comprehensive income										
Net income	-	-	-	-	18,987,610,105	-	-	-	-	18,987,610,105
Other comprehensive income (loss)	-	-	-	-	-	-	53,165,820	(93,727,581)	-	(40,561,761)
Total comprehensive income for the year	-	-	-	-	18,987,610,105	-	53,165,820	(93,727,581)	-	18,947,048,344
Cost of stock options	-	78,859,516	-	-	-	-	-	-	-	78,859,516
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(2,186,334,026)	(2,186,334,026)
Collections of subscription receivable	-	-	200,365,366	-	-	-	-	-	-	200,365,366
Stock options exercised	14,170,576	451,829,412	(391,994,927)	-	-	-	-	-	-	74,005,061
Legal merger	-	-	-	-	-	17,284,287	-	-	-	17,284,287
Property for share swap	311,580,000	17,074,584,000	-	-	-	-	-	-	-	17,386,164,000
Cash dividends declared	-	-	-	-	(4,062,008,309)	-	-	-	-	(4,062,008,309)
Balances at December 31, 2022	17,013,596,013	83,099,535,835	(2,476,270,366)	25,000,000,000	75,122,974,279	2,061,846,271	124,305,105	(104,772,360)	(19,080,713,529)	180,760,501,248
Total comprehensive income										
Net income	-	-	-	-	18,578,320,220	-	-	-	-	18,578,320,220
Other comprehensive income (loss)	-	-	-	-	-	-	53,138,215	(607,136,013)	-	(553,997,798)
Total comprehensive income for the year	-	-	-	-	18,578,320,220	-	53,138,215	(607,136,013)	-	18,024,322,422
Cost of stock options	-	149,456,256	-		-	-	-	-	-	149,456,256
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(3,695,647,069)	(3,695,647,069)
Collections of subscription receivable	-	-	(332,538,892)	-	-	-	-	-	-	(332,538,892)
Stock options exercised	14,579,091	317,959,801	311,947,301	-	-	-	-	-	-	644,486,193
Legal merger	-	-	-	-	-	1,192,418,154	-	-	-	1,192,418,154
Cash dividends declared	-	-	-	-	(5,662,154,745)	-	-	-	-	(5,662,154,745)
Appropriation	-	16,776,983	-	-	-	-	-	-	-	16,776,983
Balances at December 31, 2023	17,028,175,104	83,583,728,875	(2,496,861,957)	25,000,000,000	88,039,139,754	3,254,264,425	177,443,320	(711,908,373)	(22,776,360,598)	191,097,620,550

The notes on pages 1 to 90 are an integral part of these financial statements.

Ayala Land, Inc.
(The Parent Company)

Statement of Cash Flows
For the year ended December 31, 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

	Notes	2023	2022
Cash flows from operating activities			
Income before income tax		18,884,385,649	19,516,353,917
Adjustments for:			
Interest expense and amortization of transaction cost	13, 18	10,667,413,049	10,718,662,760
Depreciation	9, 10 18	1,581,131,236	1,893,509,564
Cost of share-based payments	21	149,456,256	152,864,577
Loss on foreign exchange	18	690,644,102	259,295,078
Provision for impairment losses and write-offs	18	10,390,658	80,058,171
Unrealized (gain) loss on financial assets at FVTPL	18	(3,582,320)	3,806,089
Loss (gain) on sale of property and equipment	18	882,448	(15,808,202)
Dividend income	20	(9,672,354,814)	(7,799,663,161)
Gain on sale of investment in subsidiaries, associates and joint ventures		(985,286,988)	(1,730,020,949)
Interest income		(291,517,667)	(754,922,290)
Retirement benefit expense	21	203,430,962	222,838,283
Gain on sale of investment property	18	(7,070,706,133)	(8,022,019,173)
Operating income before working capital changes		14,164,286,438	14,524,954,664
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts and notes receivable	4	17,373,009,657	16,672,597,539
Inventories	5, 27	(3,495,728,833)	(3,974,497,613)
Other current assets		(3,516,289,922)	938,575,975
(Decrease) increase in:			
Deposits and other current liabilities		(7,259,100,184)	3,694,278,771
Accounts and other payables	12	13,061,520,800	(8,050,267,441)
Cash generated from operations		30,327,697,956	23,805,641,895
Dividends received		-	6,021,194,359
Interest received		291,460,177	754,171,338
Interest paid, inclusive of capitalized borrowing cost		(10,666,445,665)	(11,019,520,237)
Net cash from operating activities		19,952,712,468	19,561,487,355
Cash flows from investing activities			
Proceeds from disposal/redemption of:			
Investments in subsidiaries, associates and joint ventures	8	6,973,429,865	2,067,228,908
Investment properties	9	9,731,829,886	10,899,185,159
Property and equipment	10	61,501,689	939,860,784
Financial assets at FVTPL	24	966,106,294	2,242,338,930
Financial assets at FVOCI		562,018	10,862,017
Purchases/additions to:			
Financial assets at FVTPL	24	(991,477,111)	(2,236,166,300)
Property and equipment	10	(605,324,583)	(694,057,305)
Investment properties	9	(7,152,852,168)	(5,070,720,950)
Investments in subsidiaries, associates and joint ventures	8	(15,587,580,685)	(13,866,531,997)
Increase in other non-current assets		(7,399,235,716)	(977,680,985)
Increase in accounts and notes receivable - non-trade	4	(1,006,304,676)	(2,052,303,875)
Net cash used in investing activities		(15,009,345,187)	(8,737,985,614)

(forward)

Ayala Land, Inc.
(The Parent Company)

Statement of Cash Flows
For the year ended December 31, 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

(continuation)

	Notes	2023	2022
Cash flows from financing activities			
Proceeds from short-term and long-term debts	13	75,612,000,000	114,630,000,000
Proceeds from capital stock subscriptions		328,724,284	200,365,366
Decrease in deposits and other non-current liabilities	15	(7,423,599,654)	(6,314,673,764)
Payments of contribution	21	(425,475,692)	(572,483,531)
Payments of lease liabilities	27	(66,039,194)	(50,618,720)
Acquisition of treasury shares	16	(3,695,647,069)	(2,186,334,026)
Payments of cash dividends	16	(5,454,086,760)	(4,062,008,309)
Payments of short-term and long-term debts	13	(63,891,726,563)	(112,352,773,750)
Net cash used in financing activities		(5,015,850,648)	(10,708,526,734)
Net (decrease) increase in cash and cash equivalents		(72,483,367)	114,975,007
CASH AND CASH EQUIVALENTS			
At January 1		559,609,838	442,349,909
Effect of exchange rate changes on cash and cash equivalents		(63,091)	2,284,922
At December 31	2	487,063,380	559,609,838
Non-cash investing and financing activities	29		

The notes on pages 1 to 90 are an integral part of these financial statements.

Ayala Land, Inc.
(The Parent Company)

Notes to the Financial Statements
As at and for the year ended December 31, 2023
(With comparative figures and notes as at and for the year ended December 31, 2022)
(In the notes, all amounts are shown in Philippine Pesos unless otherwise stated)

1 General information

Corporate information

Ayala Land, Inc. (the "Parent Company", or "ALI") is domiciled and was incorporated on June 30, 1988 in the Republic of the Philippines with corporate life of fifty years. The Parent Company is a subsidiary of Ayala Corporation (AC). AC is a publicly-listed company, 47.86%-owned by Mermac, Inc. and the rest by the public as of December 31, 2023. The Parent Company's registered office and principal place of business is at 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The Parent Company is incorporated to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, residential including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property; to acquire, purchase, hold, manage, develop and sell subdivision lots, with or without buildings or improvements; to erect, construct, alter, manage, operate, lease, in whole or in part, buildings and tenements of the Parent Company or of other persons; and to engage or act as real estate broker.

Approval and authorization for issuance of financial statements

These financial statements have been approved and authorized for issue by the Board of Directors (BOD) on February 20, 2024.

2 Cash and cash equivalents

The account as at December 31 consists of:

	2023	2022
Cash on hand	1,504,610	1,559,622
Cash in banks	485,426,955	558,050,216
Cash equivalents	131,815	-
	487,063,380	559,609,838

Cash in banks earn interest at the prevailing bank deposit rates.

Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Parent Company and earn interest at the respective short-term investment rates.

As at December 31, 2023 and 2022, there is no restriction on the Parent Company's cash and cash equivalents balances.

3 Financial assets at fair value through profit or loss (FVTPL)

The account consists of investment in BPI Money Market Fund and BPI USD Short Term Fund (collectively referred to as the "Funds"). The Funds, which are structured as Unit Investment Trust Funds (UITFs), aim to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments and with no minimum holding period requirement.

As at December 31, 2023, the financial assets at FVTPL of the Parent Company amounted to P35.8 million (2022 - P6.8 million).

4 Accounts and notes receivable

The account as at December 31 consists of:

	Note	2023	2022
Trade receivable from:			
Residential, commercial and office development		27,404,621,770	31,258,641,754
Shopping centers		2,278,339,113	2,144,626,613
Corporate business		2,104,050,388	1,796,501,911
Others		297,439,715	500,528,788
Receivable from related parties	20	48,625,025,398	53,824,773,264
Advances to other companies		6,897,590,213	7,695,185,847
Dividends receivable		4,968,436,118	2,136,222,555
Receivable from employees		216,217,460	129,589,610
Interest receivable		13,488,661	13,431,171
		92,805,208,836	99,499,501,513
Allowance for impairment losses		(643,903,120)	(633,512,462)
		92,161,305,716	98,865,989,051
Less: Non-current portion		15,162,061,188	14,155,756,512
Current portion of accounts and notes receivable		76,999,244,528	84,710,232,539

The classes of trade receivables of the Parent Company follow:

- Residential, commercial for and office development consist of receivables from the sale of high-end and upper middle-income residential lots and units, sale of commercial lots, sale of office units; and leisure community developments;
- Shopping centers consist of lease receivables from retail spaces;
- Corporate business consists of lease receivables of office buildings; and
- Others consist of receivables from lease of land, facility management and other support services.

Residential, commercial and office development receivables are collectible in monthly installments over a period of one to ten years. These are carried at amortized cost using the effective interest rate method with annual interest rates ranging from 5.5% to 11.5%. Titles to real estate properties are transferred to buyers once full payment has been made.

Receivables from shopping centers and receivables from lease of land are due within 30 days upon billing.

Corporate business receivables are collectible on a monthly or quarterly basis depending on the terms of the lease contracts.

Receivables from facility management and other support services included under other trade receivables are normally due within 30 days upon billing.

Receivables from related parties, dividends receivable and interest receivable are due on demand.

Advances to other companies mainly comprise of advances made to joint venture partners that have been made in consideration of project costs and purchases of land that are still subject to completion. The advances are liquidated when proceeds from the sale of the related projects are applied. The remaining amount of advances to other companies are collectible over a fixed term or on demand.

Dividends receivable pertain to distribution from related parties payable in the subsequent year.

Receivables from employees pertain to housing, car, salary and other loans granted to the Parent Company's employees which are collectible through salary deduction, are interest-bearing (6.0% per annum) and payable on various maturity dates.

As at December 31, 2023, the receivables amounting to P643.9 million (2022 - P633.5 million) were impaired and fully provided for.

The movement in the allowance for impairment losses follow:

		Trade		Advances	
	Note	Shopping centers	Corporate business	to other companies	Total
At January 1, 2022		209,747,330	209,982,369	133,724,592	553,454,291
Provisions during the year	18	23,775,000	-	56,283,171	80,058,171
At December 31, 2022		233,522,330	209,982,369	190,007,763	633,512,462
Provisions during the year	18	(17,053,982)	25,764,932	1,679,708	10,390,658
At December 31, 2023		216,468,348	235,747,301	191,687,471	643,903,120

As at December 31, 2023, the nominal amount of trade receivables from residential development amounting to P27,405 million (2022 - P31,126.3 million) were recorded initially at fair value. The fair values of the receivables were obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Movements in the unamortized discount of the Parent Company's receivables follow:

	Note	2023	2022
At January 1		2,695,215,573	4,689,943,719
Additions during the year		929,157,429	956,155,086
Accretion for the year	17	(2,159,640,356)	(2,950,883,232)
At December 31		1,464,732,646	2,695,215,573

In 2023, the Parent Company sold receivables on a without recourse basis to partner mortgage banks, which include Bank of the Philippine Islands, a related party, amounting to P6,437.4 million (2022 - P7,887.9 million). These were sold at discount with total proceeds of P5,654.8 million (2022 - P6,229.7 million) and resulted to a loss on sale amounting to P782.6 million (2022 - P1,658.3 million) presented within interest expense and other financing charges other expenses in the statement of income (Note 18).

5 Inventories

The account as at December 31 consists of:

	2023	2022
Real estate - at cost		
Residential and commercial lots	53,572,476,977	41,296,172,714
Residential and commercial units	12,878,671,374	11,368,028,498
	66,451,148,351	52,664,201,212

Movements in inventories follow:

	Notes	Residential and commercial lots	Residential and condominium units	Total
As at January 1, 2022		26,347,766,600	9,620,449,594	35,968,216,194
Construction/development costs incurred/adjustments		7,421,648,994	8,052,257,605	15,473,906,599
Disposals (recognized as cost of real estate sales)	18	(5,624,496,436)	(5,796,848,865)	(11,421,345,301)
Transfers within inventories		507,829,836	(507,829,836)	-
Transfers from investment properties	9	878,530,188	-	878,530,188
Transfers from property and equipment	10	11,764,893,532	-	11,764,893,532
As at December 31, 2022		41,296,172,714	11,368,028,498	52,664,201,212
Construction/development costs incurred/adjustments		6,270,070,378	10,712,850,126	16,982,920,504
Disposals (recognized as cost of real estate sales)	18	(3,135,219,840)	(9,522,495,185)	(12,657,715,025)
Transfers within inventories		(320,287,935)	320,287,935	-
Transfers from investment properties	9	9,461,741,660	-	9,461,741,660
As at December 31, 2023		53,572,476,977	12,878,671,374	66,451,148,351

As at December 31, 2023 and 2022, the Parent Company has no purchase commitments, liens and encumbrances pertaining to its inventories.

6 Other current assets

The account as at December 31 consists of:

	2023	2022
Prepaid taxes and licenses	12,837,432,153	11,348,967,033
Advances to contractors and suppliers	7,058,335,399	4,062,064,781
Prepaid expenses	2,024,124,287	2,115,145,158
Input value added tax (VAT)	162,040,824	892,528,658
	22,081,932,663	18,418,705,630

Prepaid taxes and licenses consist of excess payments made against current income tax due which can be claimed against income tax for future periods, and prepayments on other taxes and licenses.

Advances to contractors and suppliers pertain to prepayments for the construction of inventories. These are recouped from billings which are expected to occur within 12 months.

Prepaid expenses mainly consist of prepayments for commissions, marketing and management fees, and rentals and insurance.

In 2023, the cost to obtain contracts, which includes prepaid commissions, amounted to P589.5 million (2022 - P764.5 million). If a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgement was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. Management performs an impairment assessment of the costs to complete the contract. The ability to reasonably forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits (Note 11).

Input VAT is to be applied against output VAT. The remaining balance is assessed to be recoverable in future periods.

7 Financial assets at fair value through other comprehensive income (FVOCI)

The account as at December 31 consists of:

	2023	2022
Shares of stock:		
Quoted	76,773,170	76,831,385
Unquoted	462,121,007	462,624,810
	538,894,177	539,456,195
Net unrealized gain	177,443,320	124,305,105
	716,337,497	663,761,300

Investments in quoted shares of stock include shares held in clubs wherein the Parent Company does not exercise control or demonstrate significant influence.

Investments in unquoted shares of stock include unlisted shares of public utility companies which the Parent Company will continue to hold as part of the infrastructure that it provides to its real estate projects.

Movements in the fair value reserve of financial assets at FVOCI follow:

	2023	2022
At January 1	124,305,105	71,139,285
Fair value changes during the year	53,138,215	53,165,820
At December 31	177,443,320	124,305,105

8 Investments in subsidiaries, associates and joint ventures

The account as at December 31 consists of:

	Percentages of Direct Ownership		Carrying amounts	
	2023	2022	2023	2022
Subsidiaries:				
AyalaLand Hotels and Resorts Corporation and Subsidiaries (AHRC)	100	100	16,760,432,000	16,760,432,000
Regent Wise Investment Ltd. and Subsidiary (Regent Wise)	100	100	16,654,593,355	16,654,593,355
Ayala Hotels, Inc. (AHI)	100	100	13,763,396,233	13,763,396,233
Amaia Land Corporation and Subsidiary (Amaia)	100	100	7,286,931,640	7,286,931,640
Avida Land Corporation and Subsidiaries (Avida)	100	100	6,689,977,831	6,689,977,831
Summerhill E-Office Corporation (Summerhill)	100	100	6,579,990,035	6,579,990,035
AyalaLand Offices, Inc. and Subsidiaries (ALO)	100	100	6,522,486,376	6,522,486,376
AyalaLand Estates, Inc. (formerly Southgateway Development Corp. (SDC))	100	100	5,976,310,479	4,005,642,479
Bay City Commercial Ventures Corp. (BCCVC)	100	100	4,929,421,699	4,929,421,699
North Ventures Commercial Corp. (NVCC)	100	100	3,784,145,284	3,784,145,284
AyalaLand MetroNorth, Inc. (AMNI)	100	100	3,745,726,210	3,895,726,210
Alveo Land Corporation and Subsidiaries (Alveo)	100	100	2,677,613,403	2,677,613,403
ALI Capital Corp. (ALICap) (formerly Varejo Corp.)	100	100	2,625,000,000	2,625,000,000
Capitol Central Commercial Ventures Corp. (CCCVC)	100	100	2,517,000,000	2,517,000,000
BellaVita Land Corporation (BellaVita)	100	100	2,300,000,000	2,300,000,000
Amorsedia Development Corporation and Subsidiaries (ADC)	100	100	2,274,943,627	2,274,943,627
Makati Cornerstone Leasing Corp.(MCLC)	100	100	2,213,961,000	2,213,961,000
Arvo Commercial Corporation (Arvo)	100	100	1,800,000,000	1,800,000,000
Darong Agricultural And Development Corporation (DADC)	100	100	1,722,601,620	1,722,601,620
AyalaLand Malls, Inc. (ALMI) (formerly ALI Commercial Center, Inc.)	100	100	1,697,680,000	1,692,680,000
Cavite Commercial Town Center, Inc. (CCTCI)	100	100	1,496,390,793	1,515,390,793
North Eastern Commercial Corp. (NECC)	100	100	1,300,000,000	1,300,000,000
Northbeacon Commercial Corporation (NBCC)	100	100	1,238,100,000	1,238,100,000
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	100	100	854,500,000	854,500,000
Makati Development Corporation and Subsidiaries (MDC)	100	100	750,958,813	750,958,813
ALO Prime Realty Corporation	100	100	733,676,554	733,676,554
Westview Commercial Ventures Corp. (Westview)	100	100	731,075,299	731,075,299
Ecoholdings Company, Inc. (ECI)	100	100	718,368,400	718,368,400
Crans Montana Holdings, Inc.	100	100	505,329,030	505,329,030
Integrated Eco-resort, Inc. (IERI)	100	100	492,922,224	492,922,224
Subic Bay Town Centre, Inc. (SBTCI)	100	100	478,500,000	478,500,000
Red Creek Properties, Inc. (RCPI)	100	100	431,511,128	431,511,128
AREIT Fund Manager, Inc. (formerly AyalaLand Commercial REIT, Inc. (ALCRI))	100	100	300,000,000	300,000,000
Southportal Properties, Inc. (Southportal)	100	100	290,000,000	290,000,000
Primavera Towncentre, Inc. (PTI)	100	100	248,420,000	248,420,000
Cebu Insular Hotel Company, Inc. (CIHCI)	100	37	239,302,475	239,302,475
AMSI, Inc. (formerly Ayalaland Malls Synergies, Inc.) (AMSI)	100	100	235,000,000	235,000,000
Crimson Field Enterprises, Inc.	100	100	219,714,272	219,714,272
Sunnyfield E-Office Corporation (Sunnyfield)	100	100	173,000,000	173,000,000
First Longfield Investments Limited (First Longfield) (Hongkong Company)	100	100	167,923,610	167,923,610
Arca South Integrated Terminal, Inc.	100	100	151,000,000	151,000,000
Hillsford Property Corporation (Hillsford)	100	100	150,000,000	150,000,000
Ayala Land International Sales, Inc. (ALISI)	100	100	138,700,000	138,700,000
ALInet.com, Inc. (ALInet)	100	100	130,482,764	130,482,764
Ayalaland Medical Facilities Leasing, Inc. (AMFLI)	100	100	128,000,000	128,000,000
Cebu Leisure Company, Inc. (CLCI)	100	100	46,000,000	46,000,000
Aprisa Business Process Solutions (Aprisa)	100	100	40,000,000	40,000,000
DirectPower Services, Inc. (DirectPower)	100	100	40,000,000	40,000,000
Ayala Malls Zing, Inc.	100	100	21,875,000	21,875,000
Ayala Land Sales, Inc. (ALSI)	100	100	10,000,000	10,000,000
Ayala Land Premier, Inc. (ALPI)	100	100	5,000,000	5,000,000
Altaraza Prime Realty Corporation (Altaraza)	100	100	4,000,000	4,000,000
Verde Golf Development Corp (Verde Golf)	100	100	3,125,000	3,125,000
Buendia Landholdings, Inc. (BLI)	100	100	2,833,562	2,833,562
Ayala Land Club Management, Inc.	100	100	2,500,000	2,500,000
Ayala Property Management Corporation (APMC)	100	100	1,912,026	1,912,026
Whiteknight Holdings, Inc. (WHI)	100	100	1,000,000	1,000,000
Ayala Theatres Management, Inc. (ATMI)	100	100	864,559	864,559
Next Urban Alliance Development Corp.	100	100	365,500	365,500
Five Star Cinema, Inc. (FSCI)	100	100	250,000	250,000

(forward)

	Percentages of Direct Ownership		Carrying amounts	
	2023	2022	2023	2022
Cebu Business Park Theater Management Inc. (CBPTMI)	100	100	62,500	62,500
Regent Time International, Limited (Regent Time) (British Virgin Islands)	100	100	52	52
Vesta Property Holdings, Inc. (VPHI)	88	84	2,294,273,333	1,905,635,902
Aurora Properties Incorporated	81	81	1,199,997,664	1,199,997,664
Anvaya Cove Golf & Sports Club, Inc. (Anvaya Cove Golf)	76	76	532,713,951	562,210,799
North Triangle Depot Commercial Corporation (NTDCC)	73	73	2,640,805,402	2,640,805,402
Anvaya Cove Beach & Nature Club Inc. (Anvaya Cove Beach)	73	73	498,810,548	503,493,566
AyalaLand Logistics Holdings Corp. and Subsidiaries (ALLHC) (formerly Prime Orion Philippines, Inc.)	71	71	10,582,725,757	10,582,725,757
Cagayan de Oro Gateway Corp. (CDOGC)	70	70	867,680,000	867,680,000
Station Square East Commercial Corporation (SSECC)	69	69	461,825,050	461,825,050
Accendo Commercial Corp. (Accendo)	67	67	874,697,062	874,697,062
AREIT, Inc. (AREIT) (formerly One Dela Rosa Property Development, Inc.(ODR)) (Note 20)	66	55	30,586,290,223	26,376,871,681
Soltea Commercial Corp. (Soltea)	60	60	796,416,740	796,416,740
Ceci Realty, Inc. (Ceci)	60	60	699,785,665	699,785,665
Adauge Commercial Corporation (Adauge)	60	60	600,000,000	600,000,000
Ten Knots Development, Corporation and Subsidiaries (TKDC)	60	60	495,000,000	495,000,000
Lagdigan Land Corp. (Lagdigan)	60	60	99,000,000	99,000,000
Ten Knots Phils., Inc.(TKPI)	60	60	93,131,600	93,131,600
CMPI Holdings, Inc. (CMPI)	60	60	28,800,000	28,800,000
Ayalaland- Tagle Properties, Inc.	55	55	1,568,325,000	303,325,000
Nuevo Centro, Inc. (Nuevo Centro)	55	55	819,223,620	819,223,620
Prow Holdings, Inc. (Prow)	55	55	670,273,870	670,273,870
Taft Punta Engaño Property Inc. (TPEPI)	55	55	550,000,000	550,000,000
Amaia Southern Properties, Inc. (ASPI)	55	35	93,100,000	93,100,000
Altaraza Development Corporation	51	51	188,062,500	153,000,000
AKL Properties, Inc. (AKL)	50	-	3,083,523,294	-
BGWest Properties (BGW)	50	50	1,340,000,000	1,340,000,000
Aviana Development Corporation	50	50	966,000,000	966,000,000
Berkshires Holdings, Inc. (BHI)	50	50	666,430,520	666,430,520
Alabang Commercial Corporation (ACC)	50	50	258,431,769	258,431,769
Leisure and Allied Industries Philippines, Inc. (LAIP)	50	50	191,300,000	191,300,000
Roxas Land Corp (RLC)	50	50	137,272,960	327,022,960
ALI-CII Development Corporation (ALI-CII)	50	50	102,765,300	102,765,300
Solinea, Inc.	37	35	124,250,000	124,250,000
Central Bloc Hotel Ventures, Inc.	35	100	47,500,000	47,500,000
Serendra, Inc.	28	28	266,027,100	266,027,100
ALI Makati Hotel Property, Inc.	20	20	584,702,865	584,702,865
ALI Makati Hotel & Residences, Inc. (AMHRI)	20	20	22,097,135	22,097,135
AyalaLand Malls, Inc. (ALMI) (formerly Solerte, Inc.)	-	100	-	5,000,000
Joint Ventures:				
ALI-ETON Property Development Corporation	50	50	9,306,500,000	7,386,500,000
Cebu District Property Enterprise, Inc. (CDPEI)	50	50	1,810,000,000	1,810,000,000
Emerging City Holdings, Inc. (ECHI)	50	50	1,555,004,550	1,555,004,550
AKL Properties, Inc. (AKL)	-	50	-	3,083,523,294
Associates:				
Lagoon Development Corporation (LDC)	30	30	37,050,000	37,050,000
OCLP Holdings, Inc. (OHI)	21	21	7,190,241,827	7,190,241,827
Bonifacio Land Corp. (BLC)	5	5	346,881,016	346,881,016
Sicogon Island Tourism Estate Corp.	5	-	203,581,200	-
			210,485,371,874	200,885,934,067
Allowance for probable losses			(319,959,706)	(319,959,706)
			210,165,412,168	200,565,974,361

The above companies are domestic except for Regent Time which is domiciled and incorporated in British Virgin Islands and First Longfield and Regent Wise which are domiciled and incorporated in Hong Kong.

As at December 31, 2023 and 2022, the Parent Company had no commitments to its interests in joint ventures.

As at December 31, 2023 and 2022, the Parent Company recognized an allowance for probable losses on its investment in ALI Capital amounting to P320.0 million.

The relevant transactions during the year that mainly attributes to the movement in investments in subsidiaries, associates and joint ventures account are as follow:

Investment in AyalaLand Estates, Inc. (formerly Southgateway Development Corp. (SDC))

In 2023, the Parent Company made an additional capital infusion P1,970.67 million to AyalaLand Estates, Inc. There has been no change in percentage of direct ownership as the additional shares came from the increased in capital stock.

As at December 31, 2023, the Parent Company's investment in VPHI amounted to P5,976.3 million (2022 - P4,005.6 million).

Investment in AyalaLand Metro North, Inc.

AMNI was incorporated in November 29, 2012 and is a wholly owned subsidiary of the Parent Company. It is established primarily to develop and operate shopping malls and offices.

In 2019, the Parent Company made additional infusion amounting to P2,019.7 million and redeemed P130 million of its preference shares. Furthermore, in 2023, there is also a redemption of preference shares amounting to P150.0 million.

As at December 31, 2023, the investment in Ayalaland Metro North, Inc. amounted to P3,745.7 million and (2022 - P3,895.7 million).

Investment in AyalaLand Malls, Inc. (formerly ALI Commercial Center, Inc.)

ALI Commercial Center, Inc (ACCI) was organized and registered on October 13, 2014 and has started its leasing operations on January 1, 2015. It is a wholly-owned subsidiary of the Parent Company.

In 2019, the Parent Company made additional infusion amounting to P1,567.7 million.

On December 29, 2021, SEC has approved the merger of Ayalaland Malls, Inc. (ALMI) and Ayalaland Malls NorthEast Inc. (AMNE) with and into ALI Commercial Center, Inc. (ACCI), with ACCI as the surviving entity (the "Merger"). ACCI subsequently changed its corporate name to AyalaLand Malls Inc. effective January 30, 2023.

With ACCI's investment of P1,692.6 million and ALMI's at P5.0 million prior merger, the Company's total investment as at December 31, 2023 is at P1,697.6 million.

Investment in Cavite Commercial Towncenter Inc.

In 2020, The Parent Company infused additional amounting to 391.2 million shares which increased the Parent Company's investment to P1,515.4 million.

In 2023, the Parent Company redeemed P19.0 million of its investment in Cavite Commercial Towncenter Inc.

As at December 31, 2023, the investment amounted to P1,496.4 million (2022 - P1,515.4 million).

Investment in Vesta Property Holdings, Inc.

The Parent Company acquired additional 187,985 common shares and 149,007 preferred shares of VPHI for a value of P415.62 million in April 2022. As a result of the additional investments in common and preferred shares, the ownership interest in Vesta increased from 78% in 2021 to 84% in 2022. The acquisition is accounted as common control. As a holder of preferred share, the parent Company has voting rights same as that attached to common shares. Impact to equity reserves as a result of this transaction amounted to P523.36 million.

In July 2023, the Parent Company acquired Terelay shares with the total of 175,778 common shares and 139,331 preference shares amounting to P388.63 million, making the ownership interest increased from 84% in 2022 to 88% in 2023.

As at December 31, 2023, the Parent Company's investment in VPHI amounted to P2,294.2 million (2022 - P1,905.6 million).

Investment in Anvaya Cove Golf and Sports Club Inc.

In 2023, the Parent Company sold its investment in Anvaya Cove Golf amounting to P29.5 million (2022 - P26.8 million). Gain on sale of the shares was recognized amounting to P137.18 million (2022 - P100.29 million).

As at December 31, 2023, the Parent Company's investment in Anvaya Cove Golf amounted to P532.7 million (2022 - P562.2 million).

Investment in Anvaya Cove Beach & Nature Club, Inc.

In 2023, the Parent Company sold its investment in Anvaya Cove Beach amounting to 4.7 million (2022 - P3.0 million). Gain on sale of the shares was recognized amounting to P28.81 million (2022 - P44.9 million).

As at December 31, 2023, the Parent Company's investment in Anvaya Cove Beach amounted to P498.8 million (2022 - P503.4 million).

Investment in AREIT, Inc.

AREIT, Inc., (formerly, One Dela Rosa Property Development, Inc.) (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 4, 2006. On September 26, 2018, the Company amended its Articles of Incorporation to engage in the business of a real estate investment trust (REIT), as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), and its implementing rules and regulations (the "REIT Act"). In October 2018, AREIT increased its authorized capital stock by 881,500,000 shares which were subsequently acquired by ALI for P8,815.0 million, resulting to a 90% ownership in AREIT.

On March 9, 2022, the Executive Committee of ALI approved the subscription to 252,136,383 AREIT primary common shares, in exchange for six office buildings located in Cebu with an aggregate value of P11,257.89 million, under a property-for-share swap as validated by a third-party fairness opinion. The transaction was approved by AREIT shareholders at their annual meeting held on April 21, 2022.

On April 27, 2022, Ayala Land, Inc. sold 87,370,000 shares of AREIT at a transaction price of P39.70 per share, equivalent to P3.47 billion (exclusive of fees and taxes). ALI's net equity reserve from the sale of AREIT shares aggregated to P2.53 billion out of the P3.40 net proceeds. This transaction was executed in relation to the property-for-share swap transaction with AREIT.

On May 19, 2022, ALI and AREIT executed the Deed of Exchange on the property-for-share swap transaction involving the issuance of 252,136,383 primary common shares of AREIT (Shares) to ALI, at an issue price of P44.65 per share in exchange for identified properties valued at P11,257.89 million. This was approved by the SEC on December 29, 2022.

On December 29, 2022, ALI and AREIT executed the Amendment to the Deed of Exchange to set October 1, 2022 as the effective date of assignment by ALI of the income of the properties and the tenant lease contracts and permits to AREIT. The gain on this property for share-swap amounted to P8.02 billion in 2022 (Note 18).

On March 29, 2023, ALI sold 205,000,000 shares of AREIT at a transaction price of P32.10 per share, equivalent to P6.58 billion with an impact to equity reserves amounting to P4.41 billion, in relation to its P22.5 billion property-for-share swap transaction with AREIT. As a result, ALI's holdings in AREIT was reduced from 66.0% to 54.4%.

On September 20, 2023, Ayala Land and AREIT received the Securities and Exchange Commission's (SEC) approval of its property-for-share swap involving identified prime flagship offices and malls with an aggregate value of P22.5 billion in exchange for 607,559,380 primary common shares of AREIT, pursuant to the Deed of Exchange executed last June 2, 2023. Consequently, ALI's holdings in AREIT increased to 66.0% (Note 9).

As at December 31, 2023, the investment in AREIT amounted to P30,586.2 million (2022 - P26,376.87 million).

Investment Ayalaland-Tagle Properties, Inc.

Ayalaland-Tagle Properties, Inc. was incorporated with the SEC on August 27, 2021. The company is 55% owned by Ayala Land, Inc. 35% owned by Griffinstone, Inc. and 10% owned by CTM Management Corp. The primary purpose of the Company is to deal and engage in land or real estate business in all its branches and ramifications.

In 2022, the Parent Company made additional infusion amounting to P275.0 million, which increased the Parent Company's total investment from P28.3 million to P303.325 million as at December 31, 2022.

In 2023, the Parent Company made additional infusion amounting to P1,265.0 million, which increased the Parent Company's total investment from P303.325 million to 1,568.3 million as at December 31, 2023.

Investment in Altaraza Development Corporation

Altaraza Development Corporation was incorporated on May 27, 2020 and is 51% owned by ALI and 49% owned by Gregorio Araneta, Inc. and Araza Resources, Inc. ("Araneta Group"). The company was organized primarily to acquire and develop or hold land for investments in Altaraza Estate in Bulacan.

The Parent Company paid an amount of P13.5 million in relation to 382,496 subscribed common shares and 3.4 million subscribed preferred shares.

In 2022, the Parent Company made additional cash infusion amounting to P139.485 million equivalent to 1.3 million common shares and 12.6 million preferred shares which lead to increase of investment amounting to P153.0 million as at December 31, 2022.

In November 2023, the Parent Company made an equity infusion amounting to P35.1 million which led to increase of investment amount to P188.1 million as at December 31, 2023 (2022 - P153.0 million).

Investment in AKL Properties Inc.

The Parent Company invested P1,959.7 million in AKL, which is a 50:50 venture between Ayala Land, Inc. and Royal Asia Land, Inc. (RALI), and is organized primarily for future mixed-use development in South Luzon area.

In 2023, the Parent Company, through its 50.0% effective ownership and by virtue of Development Management Agreement, exercises control over the operations and management of AKL. Accordingly, the assets, liabilities, equity, and result of its operations are consolidated into the Parent Company. The Parent Company reclassified the amount from investment in joint ventures to investment in subsidiaries.

As at December 31, 2023 and 2022, the Parent Company's investment in AKL amounted to P3,083.5 million.

Investment in Roxas Land Corp.

In 2023, the Parent Company redeemed its preference shares amounting to ₱189.75 million. As at December 31, 2023, the investment in RLC amounted to P137.2 million (2022 - P327.5 million).

Investment in ALI-ETON Property Development Corporation

ALI-ETON Property Development Corporation (ALI-ETON) was incorporated on March 13, 2016. ALI-ETON is a joint venture between Ayala Land, Inc. and LT Parent Company, Inc. The ALI and LT Parent Company, Inc. entered into an agreement on January 21, 2016 to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City.

In 2022 and 2023, the Parent Company and LT Group, Inc. made additional equity infusions to fund the development requirements of Parklinks amounting to P2,099.0 million, and P1,920 million, respectively.

As at December 31, 2023, the investment in ALI - ETON Property Development Corporation amounted to P9,306.5 million (2022 - P7,386.5 million).

Investment in Sicogon Island Tourism Estate

On November 14, 2023, the Parent Company purchased 7,143 common shares and 64,289 preferred shares of SITE Corp. for a total consideration of P203.58 million from the existing investor which is equivalent to a 5% stake in the company. This acquisition is accounted as involving entities under control.

The Parent Company considers a joint venture and an associate as material interest if its net assets exceed 5% of the total net assets of the Parent Company as at reporting period and considers the relevance of the nature of activities of the joint venture and associate compared to other operations of the Parent Company.

The financial information, as presented in thousands, of the Parent Company's significant joint venture with material interest follows:

ALI Eton

	2023	2022
Current assets	22,043,118	20,526,458
Non-current assets	4,289,259	4,377,413
Current liabilities	(6,426,059)	(8,420,911)
Non-current liabilities	(371,951)	(922,411)
Equity	19,534,367	15,560,549
Proportion of Parent Company's ownership	50.0%	50.0%
Parent Company's share in identifiable net assets	9,767,184	7,780,275
Carrying amount of the investment	9,306,500	7,386,500

As at December 31, 2023, net assets attributable to the equity holders of ALI Eton amounted to P19,534.4 million (2022 - P15,560.5 million).

	2023	2022
Revenue	3,617,321	1,974,714
Cost and expenses	(3,077,696)	(1,721,039)
Net income (continuing operations)	539,625	253,675
Parent Company's share in net income for the year	269,813	126,837
Total comprehensive income attributable to equity holders of the Parent Company	539,625	253,675
Parent Company's share in total comprehensive income for the year	269,813	126,837

As at December 31, 2023 and 2022, there are no significant associates considered to be with material interest.

9 Investment properties, net

The movement of the account follows:

	Notes	Land	Buildings	Construction-in-progress	Total
Cost					
At January 1, 2022		48,331,811,986	30,909,657,240	40,555,186,857	119,796,656,083
Additions		3,194,346,395	3,115,541,083	1,887,073,628	8,196,961,106
Transfers to inventories	5	(11,762,263,825)	(2,629,707)	-	(11,764,893,532)
Transfers from (to) property and equipment	10	3,054,464	(1,950,983)	-	1,103,481
Disposals		(259,152,669)	(5,965,246,386)	-	(6,224,399,055)
At December 31, 2022		39,507,796,351	28,055,371,247	42,442,260,485	110,005,428,083
Additions		2,790,637,210	1,261,301,760	3,463,854,706	7,515,793,676
Transfers to inventories	5	(9,461,741,660)	-	-	(9,461,741,660)
Transfers from property and equipment	10	-	1,211,140,209	230,400,568	1,441,540,777
Transfers within investment properties		(3,230,702,167)	10,308,316,748	(7,077,614,581)	-
Disposals		(1,054,553,043)	(3,746,914,803)	(2,183,935)	(4,803,651,781)
At December 31, 2023		28,551,436,691	37,089,215,161	39,056,717,243	104,697,369,095
Accumulated depreciation					
At January 1, 2022		-	19,460,441,037	-	19,460,441,037
Depreciation	18	-	1,645,387,074	-	1,645,387,074
Disposals		-	(2,607,867,912)	-	(2,607,867,912)
At December 31, 2022		-	18,497,960,199	-	18,497,960,199
Depreciation	18	-	1,337,909,511	-	1,337,909,511
Disposals		-	(1,048,428,615)	-	(1,048,428,615)
At December 31, 2023		-	18,787,441,095	-	18,787,441,095
Accumulated impairment losses					
At December 31, 2022		153,825,482	225,208,159	-	379,033,641
At December 31, 2023		153,825,482	225,208,159	-	379,033,641
Net book value					
December 31, 2022		39,353,970,869	9,332,202,889	42,442,260,485	91,128,434,243
December 31, 2023		28,397,611,209	18,076,565,907	39,056,717,243	85,530,894,359

Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements (such as buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit.

Construction-in-progress (CIP) pertain to buildings under construction to be leased as retail and office spaces upon completion. Ongoing projects are expected to be completed in 2022 to 2025.

On January 31, 2020, the Parent Company entered into a finance lease transaction with AREIT for the Mckinley Property, which includes land of approximately 4,513 square meters and a five story building with gross floor area of 14,598.4 square meters, with net book value of P417.0 million and fair value of P853.2 million resulting to a gain of P436.1 million. The lease commenced on February 1, 2020 and will terminate on December 31, 2054.

In 2023, ALI and AREIT executed the Deed of Exchange on the property-for-share swap transaction (Note 8). Gain on property-for-share swap amounted to P7,042.1 million in 2023 (2022 - P8,022.0 million) which is included within Other income in the statement of income (Note 18).

The Parent Company capitalized borrowing costs for its investment properties under construction. Interest capitalized amounted to P558.0 million with a capitalization rate of 3.44%. In 2023, interest capitalized amounted to P683.1 million with a capitalization rate of 4.50% (2022 - P739.4 million with a capitalization rate of 4.44%)

The aggregate fair value of the Parent Company's investment properties amounted to P383,781.1 million and as at December 31, 2023 (2022 - P227,029.7 million). The fair value hierarchy of the Parent Company's investment properties is disclosed in Note 24.

In 2023, rental income from investment properties amounted to P6,231.94 million (2022 - P5,638.7 million) (Note 17).

In 2023, the direct operating expenses arising from the investment properties amounted to P3,203.3 million (2022 - P2,805.0 million). The depreciation expense pertaining to investment properties amounted to P1,337.9 million (2022 - P1,592.0 million) (Note 18).

The Parent Company has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements, other than those already reflected or disclosed in the financial statements.

Certain short-term and long-term debt are secured by real estate mortgages dated September 2, 2014 and March 14, 2016 covering both land and building of the Greenbelt Mall. Net book value of the investment property amounted to P3,154.5 million and as at December 31, 2023 (2022 - P2,974.3 million) (Note 13).

Capital commitments are disclosed in Note 16 and Note 28.

10 Property and equipment, net

Property and equipment as at December 31 consist of:

	Notes	Land, Buildings and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost					
At January 1, 2022		4,806,499,724	2,040,074,327	601,404,131	7,447,978,182
Additions		535,221,808	88,806,376	70,029,121	694,057,305
Disposals		(921,625,993)	(44,634)	(69,583,374)	(991,254,001)
Transfers to inventories	5	(878,530,188)	-	-	(878,530,188)
Transfers to investment properties	9	(1,103,481)	-	-	(1,103,481)
At December 31, 2022		3,540,461,870	2,128,836,069	601,849,878	6,271,147,817
Additions		477,183,647	69,604,666	58,536,270	605,324,583
Disposals		(59,749,760)	(4,622,925)	(874,107)	(65,246,792)
Transfers within property and equipment		280,343,594	(258,313,702)	(22,029,892)	-
Transfers to investment properties	9	(1,441,540,777)	-	-	(1,441,540,777)
At December 31, 2023		2,796,698,574	1,935,504,108	637,482,149	5,369,684,831
Accumulated depreciation and amortization					
At January 1, 2022		745,960,911	1,686,968,554	479,486,411	2,912,415,876
Depreciation	18	60,520,293	88,003,321	56,831,151	205,354,765
Disposals		-	(44,634)	(67,156,785)	(67,201,419)
At December 31, 2022		806,481,204	1,774,927,241	469,160,777	3,050,569,222
Depreciation	18	46,727,242	84,167,203	58,324,346	189,218,791
Disposals		(13,391,229)	(17,234,638)	(874,107)	(31,499,974)
Transfer within property and equipment		214,191,515	(203,329,506)	(10,862,009)	-
At December 31, 2023		1,054,008,732	1,638,530,300	515,749,007	3,208,288,039
Net book value					
December 31, 2022		2,733,980,666	353,908,828	132,689,101	3,220,578,595
December 31, 2023		1,742,689,842	296,973,808	121,733,142	2,161,396,792

Loss on disposal of property and equipment amounting to P.88 million in 2023 (2022 - P15.81 million) are included under “Other income” in the parent company statement of income (Note 18).

In 2023, the gain on property-for-share swap amounted to P28.6 million (2022 - nil) which is included under “Other income” in the Parent Company’s statement of income (Note 18).

Depreciation of property and equipment included in the general and administrative expenses amounted to P189.2 million in 2023 (2022 - P205.4 million) (Note 18). No interest on borrowings capitalized in 2023 and 2022.

The Parent Company has no restrictions on its property and equipment and none of these have been pledged as security for its obligations.

11 Other non-current assets

The account consists of:

	2023	2022
Project costs	4,142,665,439	608,872,493
Deposit on land purchases	1,346,399,671	1,346,399,671
Advances to contractors and supplies	974,929,733	726,290,237
Deferred charges	427,201,074	709,350,401
Recoverable deposits	249,735,488	247,175,600
Others	5,297,155,056	1,400,762,343
	12,438,086,461	5,038,850,745

Project costs represents incurred expenses for unlaunched projects.

Deposit on land purchases refer to prepayments for acquisition of land.

Advances to contractors and supplies represents prepayments for the construction of investment property and property and equipment.

Deferred charges and project costs consist of project costs incurred for unlaunched projects of the Parent Company, advance rental payments, and noncurrent prepaid management fees. As at December 31, 2023, non-current portion of cost to obtain contracts, which includes prepaid commissions, amounted to P194.4 million (2022 - P522.3 million).

Recoverable deposits pertain to various utility deposits and security deposits for leases.

Other assets mainly comprise of investment in bonds measured at FVTPL, prepayments for expenses that are amortized for more than one year and unamortized VAT portion from purchases of capital goods.

12 Accounts and other payables

The account as at December 31 consists of:

	Note	2023	2022
Accounts payable		33,981,554,425	22,875,085,120
Payable to related parties	20	17,738,277,450	15,997,914,470
Accrued expenses			
Salaries and employee benefits		5,865,829,035	5,419,316,204
Professional and management fees		1,149,843,893	992,809,045
Advertising and promotions		956,403,956	956,403,956
Project costs		945,884,365	945,884,365
Utilities		575,628,163	418,654,024
Commissions		504,702,389	684,711,806
Representation		387,393,907	382,984,929
Repairs and maintenance		387,055,791	326,244,443
Rentals		34,930,347	33,023,750
Others		478,719,372	392,440,983
Taxes payable		7,578,043,129	8,131,113,129
Liability for purchased land - current portion		2,543,665,432	2,504,101,871
Interest payable		1,679,207,913	1,678,240,529
Retentions payable		1,141,573,336	765,936,466
		75,948,712,903	62,504,865,090

Accounts payable and accrued expenses are non-interest bearing and are normally settled within 30-60 days.

Accrued project costs are billings not yet received from suppliers for direct materials, and services from subcontractors. These are accruals of project costs such as equipment charges, materials, labor, overhead, and provision for repairs and maintenance. Other accrued expenses consist mainly of transportation and travel, janitorial and security, postal and communication, insurance and supplies.

Taxes payable pertain to statutory liabilities for expanded withholding tax, withholding tax on compensation, final tax and fringe benefit tax.

Liability for purchased land pertains to the current portion of unpaid unsubdivided land acquired payable during the year. These are normally payable in quarterly or annual installment payments or upon demand.

Retentions payable pertains to the amount withheld by the Parent Company on contractor's billings to be released after the guarantee period, usually one year after the completion of the project or upon demand. The retention serves as a security from the contractor should there be defects in the project.

Other payables are noninterest-bearing and are normally settled within one year.

13 Short-term and long-term debts

As at December 31, 2023, the short-term debt of P7,005.0 million (2022 - P688.0 million) represents peso-denominated bank loans. Peso-denominated short-term loans had a weighted average cost of 6.01% (2022 - 2.1%).

As at December 31, 2023, in compliance with the Bangko Sentral ng Pilipinas (BSP) rules on directors, officers, stockholders and related interests, certain short-term and long-term debt with a carrying value as at December 31, 2023 amounting to P271.4 million (2022 - P1,087.5 million) are secured by a real estate mortgages dated September 2, 2014 and March 14, 2016 covering both land and building of the Greenbelt Mall. Net book value of the property as at December 31, 2023 amounted to P3,154.5 million (2022 - P2,974.3 million) which is accounted as part of the "Investment properties" account (Note 9). As at December 31, 2023, The remaining balance unsecured balance of short-term and long-term debt amounted to P205,176.4 million (2022 - P192,660.5 million).

Long-term debt consists of:

	2023	2022
Bonds:		
Due 2023	-	7,000,000,000
Due 2024	15,000,000,000	15,000,000,000
Due 2025	23,250,000,000	23,250,000,000
Due 2026	16,000,000,000	16,000,000,000
Due 2027	15,000,000,000	15,000,000,000
Due 2028	22,075,000,000	22,000,000,000
Due 2029	14,000,000,000	14,000,000,000
Due 2031	3,000,000,000	3,000,000,000
Due 2033	6,925,000,000	2,000,000,000
Fixed rate corporate notes (FXCNs)	-	4,500,000,000
Php - denominated long-term loans	80,148,000,000	68,244,726,563
US Dollar - denominated long-term loans	3,045,350,000	3,066,525,000
	198,443,350,000	193,061,251,563
Less: Unamortized transaction costs	1,122,427,353	1,179,274,582
	197,320,922,647	191,881,976,981
Less: Current portion	18,495,800,819	14,570,101,002
Long-term debt, net of current portion	178,825,121,828	177,311,875,979

Below is the summary of the outstanding Peso bonds issued by the Parent Company:

Year Issued	Term (Years)	Interest Rate	Principal Amount	Carrying Value 2023	2022	Features
2013	20	6.00%	2,000,000,000	1,988,434,154	1,987,589,339	Fixed rate bond due 2033
2016	7	3.89%	7,000,000,000	-	6,976,737,540	Fixed rate bond due 2023
2016	10	4.85%	8,000,000,000	7,978,689,291	7,970,112,226	Fixed rate bond due 2026
2016	9.5	4.75%	7,000,000,000	6,984,429,364	6,990,956,631	Fixed rate bond due 2025
2017	10	5.26%	7,000,000,000	6,986,234,747	6,982,555,686	Fixed rate bond due 2027
2018	10	5.92%	10,000,000,000	-	9,927,760,776	Fixed rate bond due 2028
2019	7	6.37%	8,000,000,000	7,962,226,665	-	Fixed rate bond due 2026
2019	5	4.76%	3,000,000,000	2,993,838,039	7,947,809,270	Fixed rate bond due 2024
2019	7.3	4.99%	1,000,000,000	976,665,228	2,985,944,030	Fixed rate bond due 2027
2020	5	3.86%	6,250,000,000	6,222,200,008	969,970,640	Fixed rate bond due 2025
2021	4	3.63%	10,000,000,000	9,959,900,183	-	Fixed rate bond due 2025
2021	10	4.08%	3,000,000,000	2,981,599,832	6,207,138,788	Fixed rate bond due 2031
2022	6	5.81%	12,000,000,000	11,931,739,903	9,931,346,581	Fixed rate bond due 2028
2022	2	4.40%	12,000,000,000	11,964,602,287	2,979,654,877	Fixed rate bond due 2024
2022	5	6.21%	7,000,000,000	6,942,199,395	11,918,358,107	Fixed rate bond due 2027
2022	7	6.80%	14,000,000,000	13,870,012,391	11,897,141,525	Fixed rate bond due 2029
2023	5	6.03%	10,075,000,000	9,961,324,210	6,927,960,207	Fixed rate bond due 2028
2023	10	6.29%	4,925,000,000	4,866,279,395	13,851,288,836	Fixed rate bond due 2033
Total				114,570,375,092	116,452,325,059	

Philippine Rating Services Corporation (PhilRatings) rated the Parent Company's 2023 and 2022 bond issuances "PRS Aaa" with a stable outlook and maintained the "PRS Aaa" rating with a stable outlook for all other outstanding bonds. PRS Aaa is the highest credit rating possible on PhilRatings' rating scale for long-term issuances, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong and that it has the smallest degree of investment risk. A Stable Outlook indicates that the rating is likely to be maintained or to remain unchanged in the next twelve months.

Bonds

Philippine Peso 20-year Bonds due 2033

In October 2013, the Parent Company issued a P2,000.0 million bond due 2033 at a fixed rate equivalent to 6.0% p.a. The Credit Rating and Investors Services Philippines, Inc. (CRISP) assigned a "AAA" rating on the bonds indicating that it has a minimal credit risk owing to the Parent Company's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP.

Philippine Peso 10-year Bonds due 2026

In March 2016, the Parent Company issued and listed on the PDEx a total of P8,000.0 million bonds due 2026 at a fixed rate equivalent to 4.85% p.a. This is the first tranche of debt securities issued under the Parent Company's 2016 Program. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook by PhilRatings.

Philippine Peso 9-year and 6-month Bonds due 2025

In April 2016, the Parent Company issued and listed on the PDEx a total of P7,000.0 million bonds due 2025 at a fixed rate equivalent to 4.75% p.a. The Bonds represent the second tranche of debt securities issued under the Parent Company's 2016 Program. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook by PhilRatings.

Philippine Peso 7-year Bonds due 2023

In October 2016, the Parent Company issued and listed on the PDEx a total of P7,000.0 million fixed rate bonds due 2023 at a rate equivalent to 3.89% p.a. The Bonds represent the third tranche of the Parent Company's P50,000.0 million Debt Securities Program registered and rendered effective by the SEC on March 8, 2016 (the “2016 Program”). The Bonds were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 10-year Bonds due 2027

In May 2017, the Parent Company issued its P7,000.0 million fixed rate bonds due 2027 at a rate equivalent to 5.26% p.a. The Bonds, the fourth tranche of the Parent Company's 2016 Program, were listed on the PDEx and were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 10-year Bonds due 2028

In April 2018, the Parent Company issued and listed on the PDEx a total of P10,000.0 million fixed rate bonds due 2028 at a rate equivalent to 5.92% p.a. and subject to repricing on April 27, 2023, the fifth anniversary of the Issue Date, at the higher of 5.92% p.a. or the prevailing 5-year benchmark plus 75 bps. The Bonds represent the fifth tranche of the of debt securities issued under the Parent Company's 2016 Program. The Bonds were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 7-year Bonds due 2026

In May 2019, the Parent Company issued and listed on the PDEx P8,000.0 million fixed rate bonds due 2026 at a rate equivalent to 6.37% p.a. The Bonds, the first tranche of Parent Company's 2019 Program, were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 5-year Bonds due 2024

In September 2019, the Parent Company issued and listed on the PDEx its P3,000.0 million bonds due 2024 at a fixed rate equivalent to 4.76% p.a. The Bonds represent the second tranche of debt securities issued under the Parent Company's 2019 Program and were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 7-year and 3-month due on 2027

In November 2019, the Parent Company issued a P1,000.0 million fixed rate bonds due 2027 at a rate equivalent to 4.99% p.a. The Bonds, the third tranche of bonds issued under the Parent Company’s 2019 Program, were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 5-year Bonds due 2025

In September 2020, the Parent Company issued and listed on the PDEx its P6,250.0 million fixed rate bonds due 2025 at a rate equivalent to 3.86% p.a. The Bonds represent the fifth tranche of debt securities issued under the Parent Company's 2019 Program. The Bonds were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 4-year Bonds due 2025

In May 2021, the Parent Company issued and listed on the PDEx its P10,000.0 million fixed rate bonds due 2025 at a rate equivalent to 3.63% p.a. The Bonds represent the sixth tranche of debt securities issued under the Parent Company's 2019 Program. The Bonds were rated PRS Aaa with a Stable Outlook by PhilRatings.

Philippine Peso 10-year Bonds due 2031

In October 2021, the Parent Company issued a total of P3,000.0 million bonds due 2031 at a fixed rate equivalent to 4.08% p.a. and subject to repricing on October 26, 2026, the fifth anniversary of the Issue Date, at the higher of 4.08% p.a. or the prevailing 5-year benchmark plus 70 bps. The offering which was listed on the PDEX is composed of P2,750.0 million issued as the first tranche of Parent Company's 2021 Program while P250.0 million representing the seventh tranche of debt securities were issued under the Company's 2019 Program. The Bonds were assigned an issue credit rating of PRS Aaa, with a Stable Outlook by PhilRatings. The Parent Company exercised the call option and the bonds were fully redeemed in April 2023.

Philippine Peso 6-year Bonds due 2028

In May 2022, the Parent Company issued a total of P12,000.0 million bonds due 2028 at a fixed rate equivalent to 5.81% p.a. The offering is composed of P9,500.0 million as the second tranche of debt securities issued under the Parent Company's P50,000.0 million Debt Securities Program registered and rendered effective by the SEC on October 11, 2021 (the "2021 Program") while P2,500.0 million represent the eighth and final tranche of debt securities that were issued under the 2019 Program. The Bonds were listed on the PDEx and were assigned an issue credit rating of PRS Aaa, with a Stable Outlook by PhilRatings.

Philippine Peso 2-Year, 5-Year and 7-year Bonds due 2024, 2027 and 2029

In July 2022, the Parent Company issued a total of P33,000 million fixed rate bonds, broken down into P12,000.0 million bonds due 2024 at a rate equivalent to 4.40% p.a., P7,000.0 million bonds due 2027 at a rate equivalent to 6.21% p.a. and a P14,000.0 million bond due 2029 at a rate equivalent to 6.80% p.a. The offering is the third tranche of debt securities issued under the Parent Company's 2021 Program. The Bonds were listed on the PDEx and were assigned an issue credit rating of PRS Aaa, with a Stable Outlook by PhilRatings.

Philippine Peso 5-Year and 10-year Bonds due 2028 and 2033

In June 2023, the Parent Company issued a total of P15,000 million fixed rate bonds, broken down into P10,075.0 million bonds due 2028 at a rate equivalent to 6.03% p.a. and P4,925.0 million bond due 2033 at a rate equivalent to 6.29% p.a. The offering is composed of P4,750.0 million issued as the fourth and final tranche of the Parent Company's 2021 Program while P10,250.0 million representing the first tranche of debt securities issued under the Company's 2023 Program. The Bonds were listed on the PDEx and were assigned an issue credit rating of PRS Aaa, with a Stable Outlook by PhilRatings.

<u>Philippine Peso - denominated Long-term Loans</u>

In August to September 2015, the Parent Company assumed an aggregate of P15,526.9 million various long-term facilities of some subsidiaries from various banks. The loans bear fixed interest rates ranging from 4.50% to 4.70% p.a. and terms ranging from 4.4 years to 10.5 years. In March 2016, the Company additionally assumed from ALI Makati Hotel Property, Inc. US$30.0 million in long-term loans from the Bank of the Philippine Islands. The loan carried a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR) and is repriceable quarterly. The loan was prepaid in December 2018. In August 2022, coinciding with the repricing date of the Parent Company's P10,000.0 million 10.5-year long-term facility, the Company executed a Deed of Assignment with a domestic bank. The Parent Company assigned the remaining balance of the loan amounting to P7,872.0 million to Avida Land, Corp. (P4,086.0 million), Alveo Land, Corp. (P2,880.0 million) and Accendo Commercial, Corp. (P906.0 million) (collectively the "Assigned Loan"). The Assigned Loan carries a floating rate applicable for the remaining 3.5 years of the long -term facility. As at December 31, 2023, the remaining balance of the assumed long-term facilities amounted to nil (2022 - 1,903.6 million). This was fully paid upon its maturity in the first quarter of 2023.

In March 2017, the Parent Company executed a P10,000.0 million long-term facility with a domestic bank, in which the Parent Company had simultaneously drawn an initial P5,000.0 million. The balance of P5,000.0 million was drawn in April 2017. The loan carries a fixed interest rate of 4.95% p.a. and a term of 10 years. As at December 31, 2023, the remaining balance of long-term facility amounted to P8,875.0 million (2022 - P9,175.0 million).

In March 2018, the Parent Company executed a P5,000.0 million long-term facility with a domestic bank, in which the Parent Company had simultaneously drawn the entire facility amount. As at December 31, 2023, the remaining balance of long-term facility amounted to P4,712.5 million (2022 - P4,762.5 million).

In January 2020, the Parent Company executed and availed a P5,000.0 million 10-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 4.50% p.a. for the initial 5 years. In December 2020, the Parent Company also executed and availed a P10,000.0 million 10-year long-term facility with a domestic bank. The loan carries a fixed interest rate of 4.0% p.a. for the first 7 years. Both loans will be repriced on the 5th and 7th anniversary. As at December 31, 2023, the remaining balance of the loans amount to P4,912.5 million (2022 - P4,962.5 million) and P9,376.0 million (2022 - P9,584.0 million), respectively.

In 2021, the Company originated a total of P37,000 million in long-term financing with various domestic banks. In July 2021, the Company availed a P10,000.0 million 10-year long-term facility which carries a fixed interest rate of 3.88% p.a. for the initial 5 years. In August 2021, the Company executed a P5,000.0 million 10-year long-term facility which carries a fixed interest rate of 3.88% p.a. for the initial 5 years. Another P4,900.0 million 6-year long- term facility was drawn in October 2021 at an interest rate of 3.78% p.a. for the initial 3 years. In October 2021, the Company executed a P5,000.0 million 10-year long-term facility which carries a fixed interest rate of 3.75% p.a. for the initial 5 years. In November 2021, the Company also executed a P5,000.0 million 9-year long-term facility which carries a fixed interest rate of 3.95% p.a. for the initial 5 years. In December 2021, the Company executed a P7,100.0 million 8-year long-term facility which carries a fixed interest rate of 3.87% p.a. for the initial 3 years. As at December 31, 2023 and 2022, the outstanding balance of the loans amount to P37,000 million.

On December 16, 2021, the SEC approved and made effective the merger of Cebu Holdings, Inc. (CHI), Asian-I Office Properties (AiO), Arca South Commercial Ventures Corp. (ASCVC) and Central Bloc Developers, Inc. (CBDI) with and into ALI, with ALI as the surviving entity (the “Merger”). ALI became the surviving entity in the Merger and thus, shall possess all the rights, privileges and immunities of CHI, AiO, ASCVC and CDBI (the “Absorbed Corporations”), and all properties and liabilities, and all and every other interest of or belonging to the Absorbed Corporations were taken and deemed transferred to ALI without further act or deed. With that, the Parent Company assumed an aggregate of P914.1 million long-term facilities of AiO from a domestic bank. As at December 31, 2023, the remaining balance of long-term facilities amounted to P272.0 million (2022 - P857.1 million).

In 2023, the Company originated a total of P15,000 million 10-year long-term financing with various domestic banks. The loans carry a floating interest rate and contain a one-time option to shift from a floating rate to a fixed rate available for one or two years from initial availment. In April 2023, the Parent Company executed and availed a P5,000.0 million 10-year long-term facility with a domestic bank which carries a floating interest rate equivalent to the higher of (i) 3-month BVAL plus 45 bps, (ii) BSP Overnight Reverse Repurchase Agreement Rate, and (iii) floor rate of 2.75% p.a., with one time option to convert all or a portion of Fixed to Floating or vice versa. In October 2023, the Company executed a P5,000.0 million 10-year long-term facility which carries a floating interest rate equivalent to the higher of (i) 3-month BVAL plus 70 bps, and (ii) BSP Overnight Reverse Repurchase Agreement Rate, with one time option to convert all or a portion of Fixed to Floating or vice versa. In November 2023, the Company executed another P5,000.0 million 10-year long-term facility which carries a floating interest rate equivalent to the higher of (i) 3-month BVAL plus 45 bps, (ii) BSP Overnight Reverse Repurchase Agreement Rate, and (iii) floor rate of 5.25% p.a., with one time option to convert all or a portion of Fixed to Floating or vice versa. As at December 31, 2023, the remaining balance of the long-term facilities amount to P15,000 million (2022 - nil).

As at December 31, 2023, the remaining aggregate balance of the Philippine Peso-denominated long-term loans amounted to P80,148 million (2022 - P68,244.7 million).

<u>US Dollar-denominated Long-term Loans</u>

In November 2019, the Parent Company executed and had simultaneously drawn a US$125.0 million long-term facility. The loan bears a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR), repriceable quarterly. All proceeds were lent to MCT to refinance its existing loans. The loan will mature on the fifth anniversary of the initial drawdown date. The Parent Company initiated a partial payment of US$70.0 million in November 2022. The remaining US$55.0 million was repriced in 2022 by transitioning out of the LIBOR-based dollar loan pricing ahead of its cessation on June 30, 2023 by shifting to a two-year US$ fixed rate of 3.95% (net of 10% onshore tax).

As at December 31, 2023, the remaining aggregate balance of US Dollar-denominated long term loans amounted to P3,045.4 million (2022 - P3,066.5 million). The unrealized foreign currency gain recognised in the statement of income amounted to P21,175 million (2022 - unrealized loss of P261,580 million) (Note 24).

<u>Fixed rate corporate notes (FXCNs)</u>

Philippine Peso 10-year and 3-month Notes due 2023

In December 2012, the Parent Company executed a P5,000.0 million committed Corporate Note facility with a local bank, of which an initial P3,500.0 million was drawn in 2012. The balance of P1,500.0 million was subsequently drawn in January 2013. The notes bear a fixed interest rate of 4.50% p.a. The Corporate Notes will mature on the third month succeeding the tenth anniversary of the initial drawdown date. As at December 31, 2023, the remaining balance of the notes amounted to nil (2022 - P4,500.0 million). The notes were fully paid upon maturity on March 10, 2023.

14 Deposits and other current liabilities

The account as at December 31 consists of:

	2023	2022
Deposits	6,528,031,243	7,174,963,962
Current portion of customers' deposits	1,729,241,671	8,350,010,327
Unearned income	651,030,578	642,429,387
	8,908,303,492	16,167,403,676

Deposits are equivalent to three to six months' rent of tenants with cancellable lease contracts and whose lease term will end in the succeeding year. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts.

Customers' deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion. The amount of revenue recognized from amounts included in customers' deposits at the beginning of the year amounted to P6,377.1 million (2022 - P4,308.4 million).

Unearned income pertains to rents and other charges paid in advance by the tenants and are being deferred monthly.

15 Deposits and other non-current liabilities

The account as at December 31 consists of:

	2023	2022
Deposits	6,057,388,058	8,495,645,815
Liability for purchased land	4,031,014,460	6,574,679,892
Customers' deposits, net of current portion	2,002,960,565	4,644,246,167
Retentions payable, net of current portion	966,642,494	765,936,466
Subscriptions payable	25,875,052	25,875,052
Others	57,225,857	58,322,748
	13,141,106,486	20,564,706,140

Deposits include security deposits from tenants of retail and office spaces and deferred credits arising from sale of real estate properties. Security deposits are equivalent to three to six months' rent of long-term tenants with non-cancellable leases. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts. Deferred credits pertain to advances from buyers of real estate properties to cover various processing fees including, but not limited to, fees related to transfer of title such as registration fees, documentary taxes and transfer taxes. Payments made by the Parent Company for the processing of title are charged to this account.

Liability for purchased land pertains to the portion of unpaid investment in land acquired during the year. It is payable in annual installment payments within five years.

Customers' deposits consist of excess of collections over the recognized receivables based on percentage of completion.
Retentions payable pertain to retentions from the contractors' progress billings which will be released after the guarantee period, usually one year after the completion of the project or upon demand. The retention serves as a security from the contractor should there be defects in the project.

Subscription payable mainly pertains to the Parent Company's subscription payable to its subsidiaries and associates. The outstanding balance pertains to subscriptions to Brightnote Assets Corporation formerly known as Batangas Assets Corporation., Crimson Field Enterprises, Regent Time and Las Lucas Development Corp.

Others pertain to non-trade payables which are expected to be paid beyond 12 months.

16 Equity

The details of the number of shares as at December 31 follow:

	2023			
	Number of shares		Amount	
	Preferred	Common	Preferred	Common
Authorized	15,000,000,000	20,000,000,000	1,500,000,000	20,000,000,000
Issued*	13,066,494,760	15,595,195,060	1,306,649,476	15,595,195,060
Subscribed	-	126,330,567	-	126,330,568
	13,066,494,760	15,721,525,627	1,306,649,476	15,721,525,628

**Out of the total issued shares, 779,349,914 Common shares at P1.00 par value and 623,999,728 Preferred shares at P0.10 par value or aggregate of P841.75 million pertain to Treasury shares at December 31, 2023*

	2022			
	Number of shares		Amount	
	Preferred	Common	Preferred	Common
Authorized	15,000,000,000	20,000,000,000	1,500,000,000	20,000,000,000
Issued*	13,066,494,760	15,580,698,760	1,306,649,476	15,580,698,760
Subscribed	-	126,247,777	-	126,247,777
	13,066,494,760	15,706,946,537	1,306,649,476	15,706,946,537

**Out of the total issued shares, 642,283,806 Common shares at P1.00 par value and 623,970,536 Preferred shares at P0.10 par value or aggregate of P704.68 million pertain to Treasury shares, as at December 31, 2022*

The movement in the Parent Company's treasury shares follows:

	Number of shares			Amount (in millions)		
	Common	Preferred	Total	Common	Preferred	Total
At January 1, 2022	570,069,282	-	570,069,282	16,894.40	-	16,894.40
Additions	72,214,524	623,970,536	696,185,060	2,123.41	62.9	2,186.31
At December 31, 2022	642,283,806	623,970,536	1,266,254,342	19,017.81	62.9	19,080.71
Additions	137,066,108	29,192	137,095,300	3,695.65	-	3,695.65
At December 31, 2023	779,349,914	623,999,728	1,403,349,642	22,713.46	62.9	22,776.36

Preferred Shares (P0.10 par value per share)

The Parent Company's preferred shares prior to 2012 were subscribed and issued through a stock rights offer with the following features: (a) non-voting; (b) dividend rate of 4.6% p.a., payable annually, non-cumulative; (c) non-participating; (d) convertible at the option of the holder at a ratio of one (1) preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (e) no pre-emptive rights; (f) non-redeemable; (g) non-listed; and, (h) preferred in liquidation to the extent of par value.

The dividends for preferred shares are declared upon the sole discretion of the Parent Company's BOD.

On February 20, 2012, the BOD approved the following restructuring exercise in order to comply with the regulatory requirement on Filipino-ownership following the Supreme Court's ruling that non-voting shares do not count as equity when computing for a company's Filipino-ownership level:

a. Redemption and retirement of the 13.0 billion outstanding preferred shares with par value of P0.10.
b. Reclassification of the 1,970.0 million unissued preferred shares to voting preferred shares through an amendment of Article Seventh of the Articles of Incorporation.
c. Increase in authorized capital stock by P1,300.0 million creating new voting preferred shares and a stock right offer of 1,300 million voting preferred shares from the increase in the authorized capital stock.

On April 18, 2012, the stockholders ratified the BOD resolution on the capital restructuring. The voting preferred shares shall have the following features, rights, and privileges (a) voting; (b) dividend rate of 4.75% per annum, equivalent to 90% of the 10-year PDST R2 (repriced every ten (10) years from issue date), payable annually, non-cumulative; (c) convertible at the option of the holder at a ratio of one (1) voting preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (d) no pre-emptive rights; (e) redeemable at par at the sole option of the corporation; (f) non-listed; and (g) preferred in liquidation to the extent of par value.

The SEC approved on January 31, 2013 the following:

a. The decrease in authorized capital stock by P1,303.5 million, the aggregate par value of the 13,034.6 preferred shares which have been redeemed and retired, from P22,803.5 million to P21,500.0 million, and
b. The amendments to Articles of Incorporation reflecting the decrease in capital stock.

On June 24, 2022, 623,392,160 Voting Preferred Shares (VPS) were redeemed. The remaining number of outstanding VPS is 12,443,102,599. All of the redeemed VPS will be retired subject to the final approval of the SEC.

As at December 31, 2023, the Parent Company's authorized and outstanding preferred shares amounted to P1,244 million (2022 - P1,244 million) at P0.10 par value.

Common Shares (P1.00 par value per share)

On April 7, 2014, the stockholders resolved to approve the amendment of the Seventh Article of the Articles of Incorporation exempting from pre-emptive rights (1) the issuance of 1 billion common shares for properties or assets needed for the business of the Parent Company or for cash to acquire properties or assets needed for the business of the Parent Company or in payment of a debt contracted prior to the issuance of such shares, and (2) the issuance of common shares covered by the Parent Company's Stock Option Plans for members of the management committees of the Parent Company's subsidiaries or affiliates.

Likewise, the stockholders resolved to approve the amendment of the Stock Option Plan of the Parent Company to include the members of the Management Committees of the Parent Company's subsidiaries and affiliates as eligible grantees of stock options.

The roll forward analysis of the common shares follows:

	Number of shares (in thousands)		Amount (in thousands)	
	2023	2022	2023	2022
Issued capital stock*				
At beginning of year	15,580,699	15,257,294	15,580,699	15,257,294
Issued shares	14,496	323,405	14,496	323,405
At end of year	15,595,195	15,580,699	15,595,195	15,580,699
Subscribed capital stock				
At beginning of year	126,248	123,901	126,248	123,901
Issued shares	(14,496)	(11,825)	(14,496)	(11,825)
Additional subscriptions	14,579	14,172	14,579	14,172
At end of year	126,331	126,248	126,331	126,248
	15,721,526	15,706,947	15,721,526	15,706,947

**Out of the total issued shares, 779,349,914 shares or P779,350 million as at December 31 2023 and 642,283,806 shares or P642,284 million as at December 31, 2022 pertain to Treasury shares.*

No transfer of stock or interest which will reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the books of the Parent Company.

The Parent Company's track record of capital stock is as follows:

Type of shares	Number of shares registered	Issue/ Offer price	Date of approval	Number of holders of securities as of 2023***	Number of holders of securities as of 2022***
Class B shares	800,000,000	Par value - P1.00/ Issue price P26.00	April 18, 1991	13,115	13,181
Class B shares	400,000,000	Par value - P1.00*	July 6, 1992	-	-
Class A shares	900,000,000	Par value - P1.00**	July 5, 1993	-	-
Class B shares	600,000,000	Par value - P1.00**	July 5, 1993	-	-

Note: Class A Shares and Class B Shares were declassified into one type of common shares on September 12, 1997.
**increase in authorized capital stock, registered to cover the shares held by the directors and 20% stock dividend amounting to P108,662,000*
***increase in authorized capital stock, registered to cover the 20% stock dividend amounting to P391,240,953*
****in absolute number*

On January 9, 2015, the Executive Committee of the Parent Company approved a top-up placement of 484,848,500 common shares of the Parent Company at a price of P33.00 per share. The placement was conducted via an accelerated bookbuilt offering structured as a top-up placement, whereby AC sold 484,848,500 listed common shares of stock to qualified third party buyers and subscribe to the same number of new shares from the Parent Company. The Parent Company completed the placement on January 12, 2015, raising an aggregate of P16,000.0 million in paid-up capital. The price was at 3.9% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to P194.0 million.

On April 13, 2013, the stockholders resolved to approve the amendment of the Seventh Article of the Company's Articles of Incorporation for the purpose of excluding or exempting treasury shares from the pre-emptive rights of stockholders.

On March 6, 2013, the Parent Company's Board resolved to approve the placement made by AC of its existing 320,000,000 listed common shares of the Company to certain qualified third-party buyers or investors at P30.50 per share. The Parent Company completed the top-up placement, raising an aggregate of P12,200.0 million in paid up capital. The price was at 3.6% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to P162.4 million.

On July 10, 2012, the Parent Company's Executive Committee approved the placement of 680 million listed common shares of stock with par value of P1.00 per share, at a price of P20.00 per share, and the issuance of equal number of new shares of the Parent Company, at the same price of P20.00 per share, with AC as the seller of the placement tranche and subscriber of the subscription tranche. The Parent Company completed the top-up placement, raising an aggregate of P13,600 million in paid up capital. The price was at 5.0% discount to the closing price. Transaction cost charged to additional paid-in capital amounted to P200.0 million.

On February 12, 2008, the BOD approved the allotment and subsequent issuance of up to 1 billion common shares of stock with an aggregate par value of P1,000.0 million for the purpose of exchanging such shares for properties or assets and/or to raise funds to acquire properties or assets needed for the business of the Parent Company via issuance of equity or equity-linked instruments, the price and the terms and conditions of which shall be determined by the BOD based on prevailing market conditions or on agreements negotiated.

On April 2, 2008, the Parent Company's stockholders approved the allotment and subsequent issuance of the shares for the below-mentioned purposes and for the further amendment of the Amended Articles of Incorporation of the Parent Company to exclude the issuance of shares from the pre-emptive rights of the stockholders pursuant to Section 39 of the Philippine Corporation Code.

On July 5, 1991, the Parent Company launched its initial public offering where a total of 400 million common shares were offered at an offering price of P26.00 per share. The registration statement was approved on July 20, 1992. As at December 31, 2023, the Parent Company has 13,115 existing certified shareholders (2022 - 13,181 existing certified shareholders).

Subscription receivable as at December 31, 2023 amounted to P2,496.8 million (2022 - P2,476.3 million) and presented as a reduction in paid-in capital.

Treasury Shares

The movement in the Parent Company's treasury shares follows:

	2023		2022	
	Shares	Amount	Shares	Amount
At January 1	1,266,254,342	19,080,713,529	570,069,282	16,894,379,503
Additions	137,124,492	3,695,676,261	696,763,436	2,186,912,403
Conversion of VPS	(29,192)	(29,192)	(578,376)	(578,377)
At December 31	1,403,349,642	22,776,360,598	1,266,254,342	19,080,713,529

In 2023, ALI purchased a total of 137,066,108 common shares at an average price of P26.96 per share for a total consideration of P3,695.6 million.

Under its buyback program in 2022, ALI purchased a total of 71,214,524 common shares at an average price of P27.95 per share for a total consideration of P2,124.0 million and 623,970,536 preferred shares at an average price of P0.10 per share for a total consideration of P62.9 million which aggregated to P2,186.9 million.

In April and December 2021, ALI purchased a total of 48,976,900 common shares at an average price of P33.90 per share for a total consideration of P1,656.6 million under its share buyback program.

On December 16, 2021, SEC has approved the merger of CHI, AiO, ASCVC and CBDI with and into ALI, with ALI as the surviving entity (the “Merger”). All of the shares of the absorbed entities owned by their respective stockholders prior to the Merger were acquired by ALI, and in exchange for the net assets of the absorbed entities, a total of 609,626,351 ALI common shares were issued to the stockholders of the absorbed entities. Of these shares, 491,306,375 shares were issued to ALI itself and were treated as treasury shares with a total consideration of P13,977.0 million.

On February 28, March 11, March 12, and March 16, 2020, ALI purchased a total of 4,412,000 common shares at an average price of P35.67 per share for a total consideration of P156.4 million, pursuant to its share buyback program.

On February 21, 2020, the Board of Directors of ALI at its regular meeting approved the increase of an additional P25 billion to the Company’s current share buyback program bringing the available balance to P26.1 billion. The program has been implemented through open market purchases executed via the trading facilities of the Philippine Stock Exchange.

On March 5, 2019, the Parent Company purchased a total of 10,372,746 of its common shares at P43.20 per share through open market purchases using the trading facilities of the Philippine Stock Exchange for a total purchase price of P448.10 million in relation in its share buyback program. On November 26, 2019, the Parent Company also acquired a total of 15million of its common shares at P43.75 per share for a total purchase price of P656.25 million.

The amendment of the Articles of Incorporation on April 17, 2013 allowed the re-selling of the 79,528,299 listed common shares as part of the top-up placement transaction completed in July 2013. Treasury common shares were sold at P30.50 per share resulting in additional paid-in capital of P1,601.6 million.

On August 12, 2008, the BOD approved a share buyback program. It is part of the Parent Company’s balance sheet management program and aims to (i) improve the Parent Company’s balance sheet structure and capital efficiency and (ii) enhance shareholder value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Parent Company as not reflective of its fair corporate value.

In 2008, the Parent Company repurchased a total of 79,528,228 of its common shares through open market purchases using the trading facilities of the Philippine Stock Exchange for a total purchase price of P823.9 million in relation to its share buyback program. These have been reported as treasury shares.

Retained Earnings

In 2023, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of P0.38 per share (2022 - P0.28 per share) to all issued and outstanding common and preferred shares.

On February 21, 2023, the Board of Directors during its meeting approved the declaration of cash dividends of P0.1495 per outstanding common share. The cash dividends were paid on March 23, 2023, to stockholders of common shares as of record date of March 7, 2023.

On May 30, 2023, the Board of Directors approved the declaration of cash dividends to all stockholders of unlisted voting preferred shares of P0.006 per share. The dividends were paid on June 27, 2023 to stockholders of voting preferred shares as of record date of June 13, 2023.

On October 25, 2023, the Board of Directors during its meeting approved the declaration of cash dividends of P0.2231 per outstanding common share. The cash dividends were paid on November 24, 2023, to stockholders of common shares as of record date of November 13, 2023.

On March 24, 2022, the Board of Directors during its meeting approved the declaration of cash dividends of P0.1352 per outstanding common share. The cash dividends were paid on March 25, 2022 to stockholders of common shares as of record date of March 11, 2022.

On June 21, 2022, the Board of Directors during its meeting approved the declaration of cash dividends of P0.0047 per outstanding preferred share. The cash dividends were paid on June 24, 2022 to stockholders of preferred shares as of record date of June 09, 2022.

On November 17, 2022, the Board of Directors during its meeting approved the declaration of cash dividends of P0.1355 per outstanding common share. The cash dividends were paid on November 18, 2022 to stockholders of common shares as of record date of November 08, 2022. Total dividends for common shares declared for 2022 amounted to P4,000.0 million.

As at December 31, 2023, retained earnings of P25,000.0 million are appropriated for future expansion. The P17,000 million of the appropriated retained earnings was approved by the BOD on November 25, 2021 for land banking activities and planned building construction projects. Each year, the Parent Company incurs capital expenditures for property development which include among others land banking and building construction projects. The appropriation is being fully utilized to cover part of the annual expenditure requirement of the Parent Company.

The Parent Company has earmarked additional funds for expansion projects in the residential, shopping centers, office and hotel business segments, as well as various infrastructure projects for the Parent Company's mixed-use developments.

The following are among the major capital expenditures of the Parent Company which were approved by the BOD on November 25, 2021:

a. Arca South, a 74 hectares lifestyle district in the City of Taguig with residential, office, retail, hotel and other commercial component. Phase 1 of the mixed-use development was approved by the Board on November 25, 2014. It consists of a retail project with 4k sqm gross leasable area (GLA), 2 BPO towers with 34k sqm GLA and a 265-room hotel with total estimated cost of P11 billion, for completion in 2026.

b. Vertis North, a 29 hectares estate positioned as the Central Business District of the North with residential, office, retail and hotel component. Phase 1 of the mixed-use development was approved by the Board on October 11, 2013. It consists of the completed Vertis mall with 40k sqm GLA, three office towers with 125k sqm GLA and a 438 room Seda hotel. For future development consists of the 4th Office Tower with 46k sqm GLA estimated at P5 billion, for completion beyond 2026.

c. Vermosa, a 700- hectare estate located south of Ayala Alabang. It is a mixed-use development with residential and commercial component. Phase 1 of the mixed-use development consists of residential developments, commercial lots, school and sports and lifestyle complex. For future development consists of a mall with 41k sqm GLA approved by the Board on May 19, 2017. Estimated cost for this project is at P2.5 billion, for completion in phases by 2022-2024.

d. Continuing payments for various acquisitions within the country amounting to P14.5 billion to be paid until 2024-2026.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings, after reconciling items, available for dividend declaration as of December 31, 2023 amounted to P62,039.5 million (2022 - P53,000.6 million).

Retained earnings are further restricted for the payment of dividends to the extent of the cost of treasury shares.

Equity Reserves

On December 16, 2021, SEC has approved the merger of CHI, AiO, ASCVC and CBDI with and into ALI, with ALI as the surviving entity (the “Merger”). All of the shares of the absorbed entities owned by their respective stockholders prior to the Merger shall be acquired by ALI, and in exchange for the net assets of the absorbed entities, a total of 609,626,351 ALI common shares will be issued to the stockholders of the absorbed entities. Of these shares, 491,306,375 shares shall be issued to ALI itself and shall be treated as treasury shares with a total consideration of P13,977.0 million. As a result, the impact to equity reserves is an increase of P1,192.4 million.

17 Revenue

The account for the years ended December 31 consists of:

	Notes	2023	2022
Revenue from contracts with customers			
Residential development		23,051,572,654	22,198,603,271
Interest income from real estate sales	4	2,159,640,356	2,950,883,232
Management and marketing fees		1,664,127,888	2,866,130,917
Rental income	9	6,231,936,611	5,638,696,186
		33,107,277,509	33,654,313,606

The Parent Company’s disaggregation of each sources of revenue from contracts with customers are presented below:

Residential development (including interest income from real estate sales)

	2023	2022
Type of product		
Condominium	14,534,233,649	11,740,634,177
House and lot	10,463,907,124	12,866,517,363
Lot only	213,072,237	542,334,963
	25,211,213,010	25,149,486,503

All of the Parent Company’s real estate sales from residential development are revenue from contracts with customers recognized over time.

Management and marketing fees

	2023	2022
Segment		
Property development	1,062,051,637	2,186,162,499
Shopping centers	552,455,543	515,125,084
Offices	49,620,708	164,843,334
	1,664,127,888	2,866,130,917

Set-out below is the reconciliation of contracts with customers with the amounts disclosed in segment information (in millions):

	2023				
	Property development	Shopping centers	Offices	Property management and others	Total
Sales to external customer	20,962	552	50	3,152	24,716
Interest	2,160	-	-	-	2,160
Total revenue from contracts with customers	23,122	552	50	3,152	26,876

	2022				
	Property development	Shopping centers	Offices	Property management and others	Total
Sales to external customer	20,969	545	165	3,361	25,040
Interest	2,951	-	-	-	2,951
Total revenue from contracts with customers	23,920	545	165	3,361	27,991

18 Costs and expenses and other income (charges)

The account for the year ended December 31 consists of:

	Note	2023	2022
Cost of real estate sales	5	12,657,715,025	11,421,345,301
Depreciation	9, 27	1,391,912,445	1,688,154,799
Rental		444,012,170	214,830,719
Manpower costs		326,742,291	546,683,399
Direct operating expenses:			
Commissions		1,588,774,351	1,608,905,116
Taxes and licenses		1,084,863,287	1,007,877,074
Repairs and maintenance		806,175,227	272,321,233
Service fees		690,790,435	1,633,980,357
Security		501,101,196	462,560,642
Insurance		90,731,990	51,367,211
Transportation and travel		45,392,391	47,500,867
Supplies		8,796,269	11,599,751
Others		483,003,092	1,127,340,108
		20,120,010,169	20,094,466,577

Others consist of utilities expense pertaining to light and power, water, gas, aircon, and miscellaneous expense for the parent company’s development projects.

General and administrative expenses the year ended December 31 consist of:

	Notes	2023	2022
Manpower costs		930,281,148	651,977,538
Professional fees		455,187,094	323,776,584
Depreciation	10	189,218,791	205,354,765
Repairs and maintenance		138,089,477	114,939,064
Advertising		67,673,183	54,645,303
Rentals		58,157,931	58,376,804
Utilities		43,249,270	38,483,675
Security and janitorial		23,138,041	23,261,589
Entertainment, amusement and recreation		20,274,416	14,612,213
Transportation and travel		12,433,657	28,213,012
Supplies		6,628,649	7,413,449
Donations and contribution		5,500,000	1,128,333
Others		81,264,645	113,291,409
		2,031,096,302	1,635,473,738

Depreciation expense included in the parent company statement of income follow:

	Notes	2023	2022
Included in:			
Real estate costs and expenses	9	1,337,909,511	1,645,387,074
Amortization of right-of-use asset	27	54,002,934	42,767,725
General and administrative expenses	10	189,218,791	205,354,765
		1,581,131,236	1,893,509,564

Interest expense and other financing charges the year ended December 31 consist of:

	Note	2023	2022
Interest expense on:			
Long-term debt		9,378,317,654	8,745,718,141
Intercompany loans		201,142,059	147,140,951
Short-term debt		304,191,843	148,966,457
Accretion of interest from lease liabilities	27	32,120,994	28,657,287
Other financing charges		751,640,499	1,648,179,924
		10,667,413,049	10,718,662,760

Other financing charges pertain mainly to processing fees attributable to the discount on cost to sell financing arising from assignment of accounts receivable to banks (Note 4). It includes transaction costs from availment of short-term and intercompany loans and bank charges.

Included in other charges and expenses is the provision for impairment losses on receivables in 2023 amounting to P10.4 million (2022 - P80.1 million) (Note 4). No provision for impairment loss on investment properties recognized in 2023 and 2022 (Note 9).

Other income for the years ended December 31 consists of:

	Notes	2023	2022
Gain on property-for-share swap	9, 10	7,070,706,133	8,022,019,173
Gain on sale of investment in subsidiaries, associates and joint ventures	8	1,151,279,548	1,730,020,949
Gain on foreign exchange		15,308,593	-
(Loss) gain on sale of property and equipment	10	(882,448)	15,808,202
Unrealized (loss) gain on financial assets at FVTPL	3	(3,582,320)	(3,806,089)
Others	10	478,125,771	483,338,374
		8,710,955,277	10,247,380,609

Others include income from sponsorships, forfeited deposits arising from cancellations due to backout, income recognized from project close out and other various transactions.

19 Income tax

The components of net deferred tax assets are as follows:

	2023	2022
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	1,373,917,746	1,330,619,481
Allowance for impairment losses	154,336,080	644,575,668
Employee benefits	405,342,391	262,994,228
Minimum corporate income tax (MCIT)	-	-
Net operating loss carryover (NOLCO)	-	-
Lease liability	51,237,213	57,911,433
Allowance for probable losses	644,575,667	151,738,415
	2,629,409,097	2,447,839,225
Deferred tax liabilities on:		
Deferred tax liabilities on capitalized interest	(617,232,061)	(611,931,886)
Unrealized foreign exchange gain	(43,189,405)	496,976,005
Right-of-use assets	669,637,030	(56,217,573)
	9,215,564	(171,173,454)
	2,638,624,661	2,276,665,771

No NOLCO and MCIT recognized in 2023 and 2022. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.

As at December 31, 2023, the deferred tax related to remeasurement gain (loss) on defined benefit plans recognized in OCI amounted to P202.3 million (2022 - P25.5 million).

There are no income tax consequences for the payment of dividends by the Parent Company to its shareholders.

Provision for income tax consists of:

	2023	2022
Current	398,427,426	1,492,399,805
Deferred	(146,813,905)	(1,029,133,955)
Others	54,451,908	65,477,963
	306,065,429	528,743,813

Reconciliation between the statutory and the effective income tax rates follows:

	2023	2022
Statutory income tax rate	25.00%	25.00%
Tax effects of:		
Interest income and capital gains taxed at lower rates	(0.67)	(0.51)
Dividend income	(12.80)	(9.99)
Change in tax rate		-
Others - net	(9.91)	(11.79)
	1.62%	2.71%

20 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

In its regular conduct of business, the Parent Company has entered into transactions with its subsidiaries, associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, loans, construction contracts, development, management, underwriting, marketing, leasing and administrative service agreements.

Terms and conditions of transactions with related parties

Transactions with related parties are made at normal market prices. Outstanding balances at year end are unsecured, interest free and settlement occurs generally in cash, except otherwise indicated. There have been no guarantees provided or received for any related party receivables or payables. The Parent Company does not provide any allowance relating to receivable from related parties. The Parent Company has an active intercompany lending program and intercompany receivables are short-term. Related party borrowers are assessed to have financial capacity based on operational performance and cash flow requirements.

This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The Related Party Transaction Review Committee shall approve all material related party transactions before their commencement. Material related party transactions shall be identified taking into account the related party registry. Transactions amounting to ten percent (10%) or more of the total assets of the corporation that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process requirement.

The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year:

a. Transactions with Bank of the Philippine Islands (BPI), an associate of AC:

   i. As at December 31, 2023 and 2022, the Parent Company maintains current and savings account, money market placements, UITF investments, short-term debt and long-term debt payable with BPI broken down as follows:

	2023	2022
Cash in bank	136,628,960	473,867,901
Financial assets at FVTPL	35,834,889	6,881,752
Short-term debt	4,000,000,000	688,000,000
Long-term debt	271,431,200	1,087,488,641

As at December 31, the fair value of the financial assets at FVTPL and the Fund's Net Asset Value (NAV) follow (in millions):

2023	Fair Value	Fund's NAV	Duration
BPI Money Market Fund	1.6	P34,804.0	55 days
BPI USD Short Term Fund	34.2	P32,517.7	91 days

2022	Fair Value	Fund's NAV	Duration
BPI Money Market Fund	1.6	P38,946.5	124 days
BPI USD Short Term Fund	5.3	P33,852.2	120 days

   ii. As of December 31, 2023 and 2022, the Parent Company has outstanding interest payable to BPI amounting to P6.3 million and P3.8 million, respectively.

iii. Income earned and expenses incurred with BPI are as follows:

	2023	2022
Interest income	4,801,489	3,705,847
Interest expense	84,172,305	52,188,536

b. Outstanding balances with AC, subsidiaries, associates, joint ventures and other related parties (entities under common control).

Receivables from and payables to related parties pertain mostly to development and management fees, advances and reimbursements of operating expenses related to development cost, working capital requirements and land acquisitions which are due and demandable.

Receivables from and payables to related parties as at December 31 are as follow:

	2023					
	Receivable from			Payables to		
	Current	Noncurrent	Total	Current	Noncurrent	Total
AC	73,380,933	-	73,380,933	42,592,444	-	42,592,444
Subsidiaries	46,474,496,222	900,258,813	47,374,755,035	17,438,608,445	-	17,438,608,445
Associates	569,194,794	-	569,194,794	223,349,215	-	223,349,215
Joint ventures	44,167,686	-	44,167,686	26,880	-	26,880
Other related parties	563,526,950	-	563,526,950	33,700,466	-	33,700,466
	47,724,766,585	900,258,813	48,625,025,398	17,738,277,450	-	17,738,277,450

	2022					
	Receivable from			Payables to		
	Current	Noncurrent	Total	Current	Noncurrent	Total
AC	83,989,418	-	83,989,418	616,617	-	616,617
Subsidiaries	51,739,131,676	879,736,337	52,618,868,013	15,727,396,207	-	15,727,396,207
Associates	473,337,688	-	473,337,688	212,353,896	-	212,353,896
Joint ventures	264,153,685	-	264,153,685	4,332,082	-	4,332,082
Other related parties	384,424,460	-	384,424,460	53,215,668	-	53,215,668
	52,945,036,927	879,736,337	53,824,773,264	15,997,914,470	-	15,997,914,470

As at December 31, 2023, receivables from related parties include a non-current receivable pertaining to a contract of lease with AREIT amounting to P900.3 million (2022 - P879.7 million) (Note 27).

c. Revenue from related parties

The revenue from the Parent Company, subsidiaries, associates, joint ventures and other related parties pertains to income from leasing and development projects, dividend income, marketing and management fees, while expenses composed of service fees, commission, and training expenses. Transactions are settled within one year, non-interest bearing and assessed for impairment. There is no impairment on these related receivables.

Revenue for the years ended December 31 are as follow:

2023	Dividend income	Management and marketing income	Rental income	Interest income	Total
AC	-	-	-	-	-
Subsidiaries	9,202,903,703	1,065,290,115	1,181,151,652	287,694,294	11,737,039,764
Joint ventures	347,154,870	-	-	-	347,154,870
Associates	122,296,241	426,105,989	-	899,380	549,301,610
Other related parties	-	19,531,324	430,302,624	4,360,000	454,193,948
Total	9,672,354,814	1,510,927,428	1,611,454,276	292,953,674	13,087,690,192

2022	Dividend income	Management and marketing income	Rental income	Interest income	Total
AC	-	-	5,292	-	5,292
Subsidiaries	7,471,720,574	1,533,816,852	513,495,425	680,528,999	10,199,561,850
Joint ventures	243,935,000	430,085,478	-	-	674,020,478
Associates	84,007,587	126,422,312	-	5,703,000	216,132,899
Other related parties	-	775,806,274	146,192,867	-	921,999,141
Total	7,799,663,161	2,866,130,916	659,693,584	686,231,999	12,011,719,660

Costs and expenses for the years ended December 31 are as follow:

2023	Rental expenses	Service fees	Commission expenses	Interest expense	Total
AC	-	-	-	-	-
Subsidiaries	29,046,992	946,448,147	177,955,468	258,902,623	1,412,353,230
Joint ventures	-	-	-	-	-
Associates	-	-	-	288,364	288,364
Other related parties	1,026,605	2,074,037	-	435,127,611	438,228,253
Total	30,073,597	948,522,184	177,955,468	694,318,598	1,850,869,847

2022	Rental expenses	Service fees	Commission expenses	Interest expense	Total
AC	-	-	-	-	-
Subsidiaries	697,547	1,276,377,243	542,353,743	147,087,665	1,966,516,198
Joint ventures	-	-	-	-	-
Associates	2,415,765	-	-	73,417	2,489,182
Other related parties	5,149,825	71,770	-	-	5,221,595
Total	8,263,137	1,276,449,013	542,353,743	147,161,082	1,974,226,975

The following describes the nature of the material transactions of the Parent Company with related parties as at December 31, 2023 and 2022:

Parent Company lent to and borrowed funds from various subsidiaries and affiliates on an interest-bearing basis. Outstanding intercompany peso-denominated loans of the Parent Company to subsidiaries and affiliates amounted to P2,923.6 million (2022 - P4,531.0 million). Interest rates in 2023 ranges from 5.59% to 5.94% (2022 - 5.49% to 5.91%), with terms of 1 day up to 90 days.

- On January 31, 2020, the Parent Company entered into a contract of lease with AREIT for the lease of land and building for a period of 34 years. The rent is payable at a fixed monthly rate of P2.73 million, subject to 5% annual escalation rate (Note 27).

- On September 30, 2020, the Parent Company paid P6,430.8 million to its subsidiary Makati Cornerstone Leasing Corp., for its Ayala Triangle Garden 2 (ATG2) acquisition in December 18, 2019.

- The Parent Company sold residential receivables on a without recourse basis to Bank of the Philippine Islands, a related party, in 2023 amounting to P1,561.3 million. Proceeds of receivables sold to BPI amounted to P1,429.7 million and loss on sale recognized amounted to P131.6 milliion. The loss on sale is recorded within other financing charges in the Costs and expenses and other income (charges).

- Receivables from/payables to MDC pertain to advances and retentions in relation to construction contracts involving the Parent Company's real estate projects, with MDC being the primary contractor.

- Transaction with APMC pertain to agreements to administer properties of the Parent Company for stipulated fees. Under this agreement, APMC shall manage, maintain, preserve and provide services for the efficient use of such properties. Further, APMC leases its carpark facilities (Ayala Center Carparks and Central Business District Carparks) under lease agreements with the Parent Company. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of net operating income, whichever is higher. The lease agreements are renewed annually upon mutual agreement of the parties. Aside from the property management services provided by APMC and the leases discussed above, transactions with the Parent Company include noninterest-bearing advances and reimbursements of expenses incurred in connection with the maintenance of the administered properties.

- Receivable from ALISI pertains to lease agreement with the Parent Company for office and parking spaces.

- Receivables from Alveo pertain mostly to advances and reimbursement of operating expenses related to development cost and land acquisitions. These are generally trade related.

- On January 1, 2015, the Parent Company and ACCI entered into a lease contract for the lease of parcels of land and buildings within the Greenbelt and Glorietta development located at the Ayala Center, Makati City. The lease shall be for a period of two years from January 1, 2015 until December 31, 2016, renewable for another two years upon the written agreement of both parties. The lease generally provides for a fixed monthly rent and a certain percentage of gross rental revenue per month.

  In consideration of the lease, the Parent Company and ACCI executed a Deed of Assignment wherein, the Parent Company assigned to ACCI contracts of lease, security deposits, construction bonds and trade receivables with merchants occupying said development. ACCI assumed all rights and obligations under the contracts of lease, other contracts, permits and licenses, trade receivables, security deposits and construction bonds. The lease contract between ACCI and Parent Company has been renewed for twenty (20) years covering the period January 1, 2022 to December 31, 2041. (Note 27).

  The lease contract between ACCI and Parent Company has been renewed for twenty (20) years covering the period January 1, 2022 to December 31, 2041 (Note 27).

- On January 1, 2017, the Parent Company and NECC entered into a lease contract for the lease of a parcel of land with an area of 19,988 sq.m., three office towers and a common retail podium mixed-use commercial building. The lease shall be for a period of 40 years which commenced on January 1, 2017. The commencement of the lease period for the buildings are by phase, Phase 1 started on January 18, 2017, Phase 2 on April 1, 2017, Phase 3 on October 1, 2017 and Phase 4 shall start on October 1, 2018. The lease on the buildings is co-terminous with the land lease. The lease is renewable for another 40 years upon mutual agreement of both parties. The lease generally provides for a fixed monthly rent and a certain percentage of gross rental revenue per month (Note 27).

- On September 2017, the Parent Company signed a Lease Agreement with AyalaLand Estates, Inc. (ALEI) for the lease of a 4.3-hectare portion of land located in Vermosa, Pasong Buaya I, Imus City, Province of Cavite. The term of the lease shall ten (10) years commencing from September 2017 to August 2027 (Note 27).

- On December 27, 2017, the Parent Company sold at cost to MCLC buildings under construction located at Ayala Triangle Gardens and Sta. Ana Park, A.P. Reyes Ave., Brgy. Carmona, Makati City. Subsequently, the Parent Company signed a lease agreement with MCLC for the lease on the parcels of land it owns where the buildings were constructed (Notes 9 and 27).

- During 2017, the Parent Company and NECC entered into a lease contract for the lease of a 24-storey building with a total construction floor area of 146,830 sq. m. located at 30 Meralco Ave., Pasig City. The lease shall be for a period of 40 years which commenced on February 1, 2016 for Phase 1 and August 1, 2017 for Phase 2. The lease is renewable for another 40 years upon mutual agreement of both parties. The lease generally provides for a fixed monthly rent and a certain percentage of gross rental revenue per month (Notes 9 and 27).

d. Notes receivable pertains to housing, car, salary and other loans granted to the Parent Company's officers and employees which are collectible through salary deduction, bears 6% interest p.a. and have various maturity dates ranging from 2020 to 2040 (Note 4).

e. Compensation of key management personnel by benefit type follows:

	2023	2022
Short-term employee benefits	201,610,085	183,968,760
Post-employment benefits	18,431,000	15,496,600
	220,041,085	199,465,360

Key management personnel of the Parent Company include all officers with position of vice president and up.

21 Retirement plan

The Parent Company has funded, non-contributory tax-qualified defined benefit type of retirement plan (the Plan) covering substantially all of its employees. The benefits are based on a defined benefit formula. The latest actuarial valuation report is as at December 31, 2023.

The Plan aims to maintain a full funding, i.e., the Plan's assets fully covered the Plan's liabilities, as measured through generally accepted actuarial methodologies. Such will provide a higher level of assurance that all promised benefits can be paid from existing assets and expected investment returns.

The Parent Company's fund is in the form of a trust fund being maintained by the trustee bank, BPI Asset Management and Trust Parent Company (the "Retirement Fund"). The primary objective of the Fund is to achieve the highest total rate of return possible, consistent with a prudent level of risk. The investment strategy articulated in the asset allocation policy has been developed in the context of long-term capital market expectations, as well as multi-year projections of actuarial liabilities. Accordingly, the investment objectives and strategies emphasize a long-term outlook, and interim performance fluctuations will be viewed with the corresponding perspective.

The components of pension expense for the years ended December 31 (included within manpower costs under "General and administrative expenses") in the Parent Company statement of income follows:

	2023	2022
Current service cost	139,660,663	159,754,982
Net interest cost on benefit obligation	63,770,299	63,083,301
Total pension expense	203,430,962	222,838,283

The remeasurement effects recognized in other comprehensive loss income in the Parent Company statement of comprehensive income follow:

	2023	2022
Loss on plan assets (excluding amount included in net interest)	(78,979,557)	(81,811,596)
Actuarial loss due to changes in experience assumption	(78,160,149)	(119,987,783)
Actuarial (loss) gain due to changes in economic liability assumption	(652,374,978)	99,610,270
Remeasurements in other comprehensive loss	(809,514,684)	(102,189,109)

As at December 31, the funded status and amounts recognized in the Parent Company statement of financial position for the pension plans are as follows:

	2023	2022
Defined benefit obligation	2,504,738,226	1,912,673,080
Plan assets	(1,085,224,666)	(1,077,246,282)
Net defined liability	1,419,513,560	835,426,798

Changes in net defined benefit liability for the year ended 2023 are as follows:

	Presented value of defined obligation	Fair value of plan assets	Net defined benefit liability
At January 1	1,912,673,080	(1,077,246,282)	835,426,798
Net benefit cost in statement of income			
Current service cost	139,660,663	-	139,660,663
Net interest	146,179,640	(82,409,341)	63,770,299
	285,840,303	(82,409,341)	203,430,962
Remeasurements in other comprehensive income:			
Remeasurement loss due to changes in experience assumption	78,160,149	-	78,160,149
Remeasurement loss due to changes in economic liability assumption	652,374,978	-	652,374,978
Return on plan assets*	-	78,979,557	78,979,557
Net remeasurement loss	730,535,127	78,979,557	809,514,684
Benefits paid	(420,927,092)	420,927,092	-
Contribution by employer	-	(425,475,692)	(425,475,692)
Transfer out	(3,383,192)	-	(3,383,192)
At December 31, 2023	2,504,738,226	(1,085,224,666)	1,419,513,560

**Excluding amount included in net interest*

Changes in net defined benefit liability for the year ended 2022 are as follows:

	Presented value of defined obligation	Fair value of plan assets	Net defined benefit liability
At January 1	2,172,283,850	(1,095,207,293)	1,077,076,557
Net benefit cost in statement of income			
Current service cost	159,754,982	-	159,754,982
Net interest	126,933,886	(63,850,585)	63,083,301
	286,688,868	(63,850,585)	222,838,283
Remeasurements in other comprehensive income:			
Remeasurement loss due to liability experience	119,987,783	-	119,987,783
Remeasurement gain due to liability assumption changes	(99,610,270)	-	(99,610,270)
Return on plan assets*	-	81,811,596	81,811,596
Net remeasurement loss	20,377,513	81,811,596	102,189,109
Benefits paid	(572,483,531)	572,483,531	-
Contribution by employer	-	(572,483,531)	(572,483,531)
Transfer in	5,806,380	-	5,806,380
At December 31, 2022	1,912,673,080	(1,077,246,282)	835,426,798

**Excluding amount included in net interest*

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

All equity and debt instruments held have quoted prices in an active market. The remaining plan assets do not have quoted market prices in an active market.

The plan assets have diverse investments and do not have any concentration risk.

As at December 31, 2023, the fair value of plan assets by each class are as follows:

	2023	2022
Cash and cash equivalents	10,865	3,721,956
Equity investments		
Unit investment trust funds	132,310,825	104,571,244
Holding firms	89,113,184	83,454,708
Financials	7,268,420	34,036,663
Property	221,845,618	231,756,472
Industrials	4,525,200	6,575,578
Services	6,839,080	13,168,792
Preferred shares	47,292,594	37,397,353
Exchange traded funds	-	-
	509,194,921	510,960,810
Debt investments		
Government securities	218,023,472	161,638,399
AAA rated debt securities	144,290,606	116,529,185
Others	213,704,802	284,395,932
	576,018,880	562,563,516
	1,085,224,666	1,077,246,282

The Retirement Fund’s investments are appropriately diversified to control overall risk and exhibit portfolio characteristics similar to the set benchmark for each asset class. In case of securities, the aggregate holdings of any security may not exceed 10% of the Plan assets. The criteria for including an asset class in the strategic policy include: (a) wide recognition and acceptance among institutional investors; (b) low correlation with other accepted asset classes; and (c) a meaningful performance history. The Parent Company expects to make contributions of P139.9 million to its retirement fund in 2023.

The allocation of the fair value of plan assets as at December 31 follows:

	2023	2022
Investments in debt securities	45.2835%	48.8990%
Investments in equity securities	34.7287%	37.7249%
Others	19.9878%	14.3761%

Funds invested in debt securities include government securities, corporate notes and bonds, and special deposit accounts. Investments in equity securities consist of investments in PSE-listed stocks and equity securities held by unit investment trust funds. Others were in the form of cash and cash equivalents.

The Parent Company’s transactions with the Fund mainly pertain to contributions, benefit payments and settlements.

As at December 31, 2023 and 2022, the carrying amount of plan assets approximates its fair value.

As at December 31, 2023, the plan assets include shares of stock of the Parent Company with fair value amounting to P52.8 million (2022 - P50.9 million). It also includes shares of stocks of related parties within the AC Group with fair value as at December 31, 2023 amounting to P26.6 million (2022 - P38.4 million). The Parent Company gives the trustee bank the discretion to exercise voting rights over the shares. The plan assets include debt securities of the Parent Company as at December 31, 2023 amounting to P24.7 million (2022 - P10.3 million). The fund incurred is P3.2 million 2023 and P1.3 million in 2022.

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension liabilities are determined using actuarial valuation. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2023	2022
Discount rate	6.68%	7.65%
Future salary increase	10.00%	7.80%

The sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	2023		2022	
	Effect on defined benefit obligation Increase (decrease)			
Change in basis points	+ 100 basis points	- 100 basis point	+ 100 basis points	- 100 basis point
Discount rate	(250,798,582)	296,140,317	(152,005,698)	177,315,662
Salary increase rate	271,143,480	(236,504,339)	167,925,905	(147,285,024)

Shown below is the maturity analysis of the undiscounted benefit payments:

Year ending	2023	2022
1 year and less	-	226,550,957
More than 1 year to 5 years	469,670,322	293,799,356
More than 5 years to 10 years	2,429,877,370	1,819,691,705
More than 10 years	12,164,614,347	8,602,000,167

The weighted average duration of the defined benefit obligation as at December 31, 2023 and 2022 is 15.0 years.

22 Earnings per share

The following table presents information necessary to compute Earnings per share (EPS):

	2023	2022
Net income attributable to equity holders of Ayala Land, Inc.	18,578,320,220	18,987,610,104
Less: Dividends on preferred stock	(78,743,935)	(62,037,888)
Net income	18,499,576,285	18,925,572,216
Weighted average number of common shares for basic EPS	14,977,735,063	14,777,782,265
Add: Dilutive shares arising from stock options	2,362,126	2,457,080
Adjusted weighted average number of common shares for diluted EPS	14,980,097,189	14,780,239,345
Basic and diluted EPS	1.23	1.28

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 adjusted for any subsequent stock dividends declared.

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. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

The convertibility of the preferred shares will start on the 10th year from the issue date which was in 2012. This has an antidilutive effect on the computation of diluted EPS.

23 Stock options and ownership plans

The Parent Company has stock option plans for key employees covering 2.5% of the Parent Company's authorized capital stock. The grantee is selected based on certain criteria like outstanding performance over a three-year period.

Employee Stock Ownership Plan (ESOWN)

In November 2001, the Parent Company offered all its ESOWN subscribers with outstanding ESOWN subscriptions the option to cancel the subscriptions within the 5-year holding period. In December 2001, the program for ESOWN was indefinitely suspended.

In 2005, the Parent Company introduced a revised ESOWN Plan (the Plan) wherein grantees may subscribe in whole or in part to the shares awarded to them based on a discounted market price that was determined by the Compensation Committee as the offer price set at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. The subscription is subject to a holding period stated in the plan. To subscribe, the grantee must be an employee of the Parent Company or any of its subsidiaries during the ten (10)-year payment period. In case the grantee resigns, unsubscribed shares are cancelled, while the subscription may be paid up to the percent of holding period completed and payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares. All shares acquired through the Plan are subject to the Parent Company's right to repurchase.

The subscribed shares are effectively treated as options exercisable within a given period which is the same time as the grantee's payment schedule. The fair values of stock options granted are estimated on the date of grant using the Black-Scholes Merton (BSM) Formula, taking into account the terms and conditions upon which the options were granted. The BSM Formula requires six inputs to produce an option stock value namely; market value of the share, book value of the share, time to maturity, volatility rate, dividend yield, and risk free rate. The expected volatility was determined based on an independent valuation.

Movements in the number of options outstanding and weighted average exercise prices (WAEP) under ESOWN follow:

	2023	WAEP	2022	WAEP
At January 1	-	-	-	-
Granted	20,741,692	-	17,349,169	-
Subscribed	(14,579,091)	24.68	(14,170,576)	30.29
Availment	859,789	-	1,067,483	-
Cancelled	(7,022,390)	-	(4,246,076)	-
At December 31	-		-	

The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follow:

	March 31, 2023	March 31, 2022	March 15, 2021	August 17, 2020	March 21, 2019	March 28, 2018	March 01, 2017	April 05, 2016	March 20, 2015
Number of unsubscribed shares	-	-	-	-	-	-	-	181,304	-
Fair value of each option (BTM)	-	-	-	-	-	-	8.48	13.61	16
Fair value of each option (BSM)	9.42	12.62	9.25	9.12	17.13	12.71	-	18.21	20.63
Weighted average share price	29.04	35.63	39.17	32.61	44.70	41.02	39.72	35.58	36.53
Exercise price	24.68	30.29	33.29	27.72	44.49	45.07	35.81	26.27	29.58
Expected volatility	27.50%	24%	27.19%	25.05%	31.48%	34.04%	30.95%	32.03%	31.99%
Dividend yield	1.11%	0.77%	0.38%	0.81%	1.16%	1.22%	1.34%	1.27%	1.02%
Interest rate	5.00%	1.18%	1.03%	1.13%	5.57%	4.14%	4.41%	4.75%	4.11%

In 2023, the total expense included under General and administrative expenses recognized in the parent company statement of income arising from share-based payments amounted to P149.45 million (2022 - P152.86 million) (Note 18).

24 Financial risk and capital management

The Parent Company's activities expose it to a variety of financial risks: credit risk, market risk (including foreign currency risk, interest rate risk and equity price risk), and liquidity risk. The Parent Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Parent Company's financial performance.

The Parent Company's risk management policies are designed to identify and analyze these risks and to monitor the risks by means of reliable and up-to-date information systems. The Parent Company regularly reviews its risk management policies and systems to reflect changes in markets, products, and emerging best practices.

24.1 Financial risk management

24.1.1 Credit risk management

Credit risk

Credit risk is a risk that counterparty will not meet its obligation under its financial instrument or customer contract leading to a financial loss.
The Parent Company's credit risks are primarily attributable to installments receivable, rental receivables and other financial assets. To manage credit risks, the Parent Company maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

In respect to installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Parent Company also undertakes supplemental credit review procedures for certain installment payment structures. The Parent Company's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements.

Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of the buyers. Also, to the extent allowed by regulations, certain payments are not returned which minimizes exposure to bad debts.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Parent Company security deposits and advance rentals which helps reduce the Parent Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Parent Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity. The amount of exposure from bad debts is minimized to the extent of the advance rentals and security deposits from the tenants.

Other financial assets comprise cash and cash equivalents, excluding cash on hand, financial assets at FVTPL and financial assets at FVOCI. The Parent Company adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Parent Company closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The Parent Company has an active intercompany lending program and intercompany receivable that are short term. To minimize credit exposure, the Parent Company assesses the financial capacity of the affiliated entities and operating cash flows.

As at December 31, 2023 and 2022, the Parent Company's maximum exposure to credit risk is equal to the carrying values of its financial assets.

Given the Parent Company's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

As at December 31, the credit quality of the Parent Company's financial assets are as follows:

	2023							
	Neither past due nor impaired					Past due but		
	High Grade	Medium Grade	Low Grade	Unrated	Total	not impaired	Impaired	Total
Cash and cash equivalents (excluding cash on hand)	485,558,770	-	-	-	485,558,770	-	-	485,558,770
Accounts and notes receivables:								
Trade:								
Residential, commercial and office development	24,566,877,099	-	-	-	24,566,877,099	2,827,457,974	10,286,697	27,404,621,770
Shopping centers	1,969,949,002	-	-	-	1,969,949,002	91,921,763	216,468,348	2,278,339,113
Corporate business	1,398,846,029	-	-	-	1,398,846,029	478,064,047	227,140,312	2,104,050,388
Others	297,439,715	-	-	-	297,439,715	-	-	297,439,715
Receivable from related parties	48,625,025,398	-	-	-	48,625,025,398	-	-	48,625,025,398
Advances to other companies	6,707,757,450	-	-	-	6,707,757,450	-	190,007,763	6,897,765,213
Dividends receivable	4,968,436,118	-	-	-	4,968,436,118	-	-	4,968,436,118
Receivable from employees	216,042,460	-	-	-	216,042,460	-	-	216,042,460
Interest receivable	13,488,661	-	-	-	13,488,661	-	-	13,488,661
	88,763,861,932	-	-	-	88,763,861,932	3,397,443,784	643,903,120	92,805,208,836
	89,249,420,702				89,249,420,702	3,397,443,784	643,903,120	93,290,767,606

	2022							
	Neither past due nor impaired					Past due but		
	High Grade	Medium Grade	Low Grade	Unrated	Total	not impaired	Impaired	Total
Cash and cash equivalents (excluding cash on hand)	558,050,216	-	-	-	558,050,216	-	-	558,050,216
Accounts and notes receivables:								
Trade:								
Residential, commercial and office development	24,952,381,817	-	-	-	24,952,381,817	6,295,973,240	10,286,697	31,258,641,754
Shopping centers	1,847,810,185	-	-	-	1,847,810,185	63,294,098	233,522,330	2,144,626,613
Corporate business	1,388,295,586	-	-	-	1,388,295,586	208,510,653	199,695,672	1,796,501,911
Others	500,528,788	-	-	-	500,528,788	-	-	500,528,788
Receivable from related parties	53,824,773,264	-	-	-	53,824,773,264	-	-	53,824,773,264
Advances to other companies	7,505,178,084	-	-	-	7,505,178,084	-	190,007,763	7,695,185,847
Dividends receivable	2,136,222,555	-	-	-	2,136,222,555	-	-	2,136,222,555
Receivable from employees	129,589,610	-	-	-	129,589,610	-	-	129,589,610
Interest receivable	13,431,171	-	-	-	13,431,171	-	-	13,431,171
	92,298,211,060	-	-	-	92,298,211,060	6,567,777,991	633,512,462	99,499,501,513
	92,856,261,276	-	-	-	92,856,261,276	6,567,777,991	633,512,462	100,057,551,729

As at December 31, the aging analysis of past due but not impaired trade receivables presented per class, is as follows:

2023	Neither past due nor impaired	Past due but not impaired						Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
Trade:									
Residential, commercial and office development	24,566,877,099	724,353,341	359,107,206	159,257,935	319,054,653	1,265,684,839	2,827,457,974	10,286,697	27,404,621,770
Shopping centers	1,969,949,002	14,946,060	15,611,066	12,407,370	9,074,992	39,882,275	91,921,763	216,468,348	2,278,339,113
Corporate business	1,398,846,028	3,667,589	52,375,165	19,858,466	69,622,290	332,540,538	478,064,048	227,140,312	2,104,050,388
Others	297,439,715	-	-	-	-	-	-	-	297,439,715
Receivable from related parties	48,625,025,398	-	-	-	-	-	-	-	48,625,025,398
Advances to other companies	6,707,757,450	-	-	-	-	-	-	190,007,763	6,897,765,213
Dividends receivable	4,968,436,118	-	-	-	-	-	-	-	4,968,436,118
Receivable from employees	216,042,460	-	-	-	-	-	-	-	216,042,460
Interest receivable	13,488,661	-	-	-	-	-	-	-	13,488,661
	88,763,861,931	742,966,990	427,093,437	191,523,771	397,751,935	1,638,107,652	3,397,443,785	643,903,120	92,805,208,836

2022	Neither past due nor impaired	Past due but not impaired						Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
Trade:									
Residential, commercial and office development	24,952,381,817	702,924,108	1,146,523,568	1,080,550,298	440,920,770	2,925,054,496	6,295,973,240	10,286,697	31,258,641,754
Shopping centers	1,847,810,185	11,444,936	8,130,430	6,880,383	17,864,079	18,974,271	63,294,099	233,522,330	2,144,626,614
Corporate business	1,388,295,586	12,624,462	16,895,831	2,953,564	22,513,153	153,523,642	208,510,652	199,695,672	1,796,501,910
Others	500,528,788	-	-	-	-	-	-	-	500,528,788
Receivable from related parties	53,824,773,264	-	-	-	-	-	-	-	53,824,773,264
Advances to other companies	7,505,178,084	-	-	-	-	-	-	190,007,763	7,695,185,847
Dividends receivable	2,136,222,555	-	-	-	-	-	-	-	2,136,222,555
Receivable from employees	129,589,610	-	-	-	-	-	-	-	129,589,610
Interest receivable	13,431,171	-	-	-	-	-	-	-	13,431,171
	92,298,211,060	726,993,506	1,171,549,829	1,090,384,245	481,298,002	3,097,552,409	6,567,777,991	633,512,462	99,499,501,513

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents - based on the nature of the counterparty and the Parent Company's internal rating system.

The unquoted financial assets at FVOCI are unrated.

Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to three (3) defaults in payment in the past; and low grade pertains to receivables with more than three (3) defaults in payment.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate based on days past due of all customers as they have similar loss patterns. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The security deposits and advance rental are considered in the calculation of impairment as recoveries.

As at December 31, 2023, the exposure at default amounted to P2,035.9 million (2022 - P3,578.9 million). The average expected credit loss rates (over total receivable) is 0.7% (2022 - and 0.6%) that resulted in the ECL of P643.9 million (2022 - P633.5 million).

24.1.2 Liquidity risk management

Liquidity risk

Liquidity risk is defined by the Parent Company as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Parent Company that makes it difficult for the Parent Company to raise the necessary funds or that forces the Parent Company to raise funds at significantly higher interest rates than usual.

This is also the possibility of experiencing losses due to the inability to sell or convert marketable securities into cash immediately or in instances where conversion to cash is possible but at loss due to wider than normal bid-offer spreads.

The Parent Company employs scenario analysis and contingency planning to actively manage its liquidity position and guarantee that all operating, investing and financing needs are met. The Parent Company has come up with a three-layered approach to liquidity through the prudent management of sufficient cash and cash equivalents, the potential sale of accounts receivables and the maintenance of short-term revolving credit facilities.

Cash and cash equivalents are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise. Management develops viable funding alternatives through a continuous program for the sale of its receivables and ensures the availability of ample unused short-term revolving credit facilities from both local and foreign banks as back-up liquidity.

The Parent Company ascertains that its cash is invested in short-term bank placements and special deposit accounts, as well as in high-quality and marketable government and corporate securities.

Credit line

As at December 31, 2023, of the P118.8 billion short term credit facilities (2022 - P111.0 billion), the Parent Company has a total available credit line up to P60.5 billion (2022 - P70.0 billion) with various local banks.

The tables below summarize the maturity profile of the Parent Company’s financial assets and liabilities as at December 31 based on contractual undiscounted payments:

2023	< 1 year	1 to < 5 years	> 5 years	Non maturing specific	Total
Financial assets					
Cash and cash equivalents	485,558,770	-	-	-	485,558,770
Financial assets at FVTPL	-	-	-	35,834,889	35,834,889
Accounts and notes receivable	94,629,941,482	-	-	-	94,629,941,482
Total undiscounted financial assets	95,115,500,252	-	-	35,834,889	95,151,335,141
Financial liabilities					
Accounts and other payables*	68,370,669,774	-	-	-	68,370,669,774
Short-term debt	7,005,000,000	-	-	-	7,005,000,000
Long- term debt	18,969,420,594	94,602,375,939	83,749,126,114	-	197,320,922,647
Deposits and other current liabilities	8,257,272,914	-	-	-	8,257,272,914
Deposits and other noncurrent liabilities**	25,875,052	9,084,216,974	-	-	9,110,092,026
Total undiscounted financial liabilities	102,628,238,334	103,686,592,913	83,749,126,114	-	290,063,957,361
Net liquidity position	(7,512,738,082)	(103,686,592,913)	(83,749,126,114)	35,834,889	(194,912,622,220)

2022	< 1 year	1 to < 5 years	> 5 years	Non maturing specific	Total
Financial assets					
Cash and cash equivalents	558,050,226	-	-	-	558,050,226
Financial assets at FVTPL	-	-	-	6,881,752	6,881,752
Accounts and notes receivable	102,194,717,086	-		-	102,194,717,086
Total undiscounted financial assets	102,752,767,312	-	-	6,881,752	102,759,649,064
Financial liabilities					
Accounts and other payables*	54,373,751,961	-	-	-	54,373,751,961
Short-term debt	688,000,000	-	-	-	688,000,000
Long- term debt	14,587,183,950	114,622,122,461	62,672,670,570	-	191,881,976,981
Deposits and other current liabilities	15,524,974,289	-	-	-	15,524,974,289
Deposits and other noncurrent liabilities**	25,875,052	13,964,151,196		-	13,990,026,248
Total undiscounted financial liabilities	85,199,785,252	128,586,273,657	62,672,670,570	-	276,458,729,479
Net liquidity position	17,552,982,060	(128,586,273,657)	(62,672,670,570)	6,881,752	(173,699,080,415)

**excludes payable to government agencies*
***excludes deferred output vat*
****includes future interest payment*

Cash and cash equivalents and financial assets at FVTPL are used for the Parent Company’s liquidity requirements. Please refer to the terms and maturity profile of these financial statements under the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section. There are no undrawn loan commitments from long-term credit facilities as at December 31, 2023 and 2022.

24.1.3 Market risk management

Interest rate risk

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

The Company’s interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Parent Company’s interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Company manages its interest rate risk by leveraging on its premier credit rating and increasing the fixed interest component of its debt portfolio. As at December 31, 2023, the Parent Company’s ratio of fixed to floating rate debt stood at 89:11 (2022 - 99:1).

The table below demonstrates the sensitivity of the Parent Company's income before income tax to a reasonably possible change in interest rates on December 31, with all variables held constant, (through the impact of floating rate borrowings):

	2023	2022
Changes in floating rate borrowings	Increase (decrease) on income before income tax	
+ 100 basis points increase	(222,770,000)	(9,770,000)
- 100 basis points increase	222,770,000	9,770,000

The assumed change in rate is based on the currently observable market environment.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with their corresponding nominal amounts and carrying values are shown in the following table:

2023	Interest terms (p.a.)	Rate fixing period	Nominal amount	< 1 year	1 to 5 years	> 5 years	Carrying value
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	485,558,770	485,558,770	-	-	485,558,770
Accounts and notes receivable	Fixed at the date of sale	Date of sale	216,042,460	66,654,548	149,387,912	-	216,042,460
			701,601,230	552,213,318	149,387,912		701,601,230
Short- term debt							
Floating-Peso	Variable	Monthly	7,005,000,000	7,005,000,000	-	-	7,005,000,000
Long-term debt							
Fixed							
Peso	Fixed at 6.0%	10.5 years	2,000,000,000			1,086,955,039	1,086,955,039
Peso	Fixed at 3.8915% to 4.85%	7, 9.5 and 10 years	15,000,000,000	6,689,897,658	7,586,924,085	-	14,276,821,743
Peso	Fixed at 5.2624%	10 years	7,000,000,000	-	6,563,867,212	-	6,563,867,212
Peso	Fixed at 5.9203%	10 years	3,045,350,000	3,027,163,329		-	3,027,163,329
Peso	Fixed at 1.2253% to 4.3889%	5 years	64,876,000,000	3,010,521,801	23,179,253,060	28,862,394,296	55,052,169,157
Peso	Fixed at 4.758% to 6.369%	5, 7 and 7.25 years	12,000,000,000	-	11,717,982,789	-	11,717,982,789
Peso	Fixed at 3.862%	5 years	6,250,000,000	-	5,898,805,798	-	5,898,805,798
Peso	Fixed at 3.6262% to 4.0776%	4 and 10 years	13,000,000,000	-	9,533,933,653	2,410,859,380	11,944,793,033
Peso	Fixed at 4.3969% to 6.8045%	2, 5, 6 and 7 years	45,000,000,000	11,829,192,677	12,574,469,550	13,648,430,614	38,052,092,841
Floating			15,000,000,000	-	9,598,263,898	4,540,878,619	14,139,142,517
Peso	Variable	3 months	15,272,000,000	805,426,326	3,780,237,778	9,727,152,502	14,312,816,606
			205,448,350,000	32,367,201,791	90,433,737,823	60,276,670,450	183,077,610,064

2022	Interest terms (p.a.)	Rate fixing period	Nominal amount	< 1 year	1 to 5 years	> 5 years	Carrying value
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	558,050,216	558,050,216	-	-	558,050,216
Accounts and notes receivable	Fixed at the date of sale	Date of sale	129,589,610	21,918,698	107,670,912	-	129,589,610
			687,639,826	579,968,914	107,670,912	-	687,639,826
Short- term debt							
Floating-Peso	Variable	Monthly	688,000,000	688,000,000	-	-	688,000,000
Long-term debt							
Fixed							
Peso	Fixed at 6.0%	10.5 years	2,000,000,000	-	-	1,666,347,438	1,666,347,438
Peso	Fixed at 3.8915% to 4.85%	7, 9.5 and 10 years	22,000,000,000	6,865,032,624	13,846,460,651	-	20,711,493,275
Peso	Fixed at 5.2624%	10 years	7,000,000,000	-	6,343,552,688	-	6,343,552,688
Peso	Fixed at 5.9203%	10 years	10,000,000,000	-	9,162,217,528	-	9,162,217,528
Peso	Fixed at 1.2253% to 4.3889%	5 years	3,066,525,000	-	2,973,856,226	-	2,973,856,226
Peso	Fixed at 4.758% to 6.369%	5, 7 and 7.25 years	12,000,000,000	-	11,481,912,694	-	11,481,912,694
Peso	Fixed at 3.862%	5 years	6,250,000,000	-	5,680,329,383	-	5,680,329,383
Peso	Fixed at 3.6262% to 4.0776%	4 and 10 years	13,000,000,000	-	9,182,310,353	2,230,628,338	11,412,938,691
Peso	Fixed at 4.3969% to 6.8045%	2, 5, 6 and 7 years	45,000,000,000	-	24,060,520,237	13,188,640,205	37,249,160,442
Floating							
Peso	Variable	3 months	289,000,000	25,187,353	227,843,643	-	253,030,996
			121,293,525,000	7,578,219,977	82,959,003,403	17,085,615,981	107,622,839,361

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The financial assets and credit facilities of the Parent Company, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso. As such, the Parent Company's foreign currency risk is minimal.

As at December 31, the Parent Company's foreign currency-denominated monetary assets and liabilities and their peso equivalents are as follow:

	2023		2022	
Financial assets	US Dollar	PHP Equivalent	US Dollar	PHP Equivalent
Cash and cash equivalents	163,872	9,073,640	480,379	26,783,531
Financial liabilities				
Long-term debt	55,000,000	3,045,350,000	55,000,000	3,066,525,000
	55,000,000	3,045,350,000	55,000,000	3,066,525,000
Net foreign currency-denominated liabilities	(54,836,128)	(3,036,276,360)	(54,519,621)	(3,039,741,469)

In translating the foreign currency-denominated monetary assets in Peso amounts, the Philippine Peso - USD exchange rates as at December 31, 2023 used were P55.37 to US$1.00 (2022 - P55.755 to US$1.00).

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine Peso - U.S. Dollar exchange rate, with all variables held constant, on the Parent Company's income before income tax (due to changes in the fair value of monetary assets and liabilities):

	Effect on income before income tax	
	Decrease (increase)	
Change in exchange rate	2023	2022
+ 100 basis points	(30,362,764)	(30,397,415)
- 100 basis points	30,362,764	30,397,415

Equity price risk

Quoted financial assets are acquired at a certain price in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, country's economic performance, political stability and domestic inflation rates, the change in price reflect how market participants view the developments.

The Parent Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each country, sector and market.

The analysis below demonstrates the sensitivity to a reasonably possible change of market index with all other variables held constant, of the Parent Company's equity.

	Effect on equity increase (decrease)	
Change in PSEi index 2022	2023	2022
+5%	370,667	308,313
-5%	(370,667)	(308,313)

Quoted financial assets at FVTPL pertain to investment in UITF (Fund). The Fund, which is structured as a money market UITF, aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments.

As at December 31, 2023 and 2022, the impact on net income and equity as a result of a 100 basis points (decrease) increase in interest rates is as follow when all other variables are held constant:

	2023		2022	
	Net income, and equity (in millions)	Duration	Net income, and equity (in millions)	Duration
BPI UITF Money Market	+/- 5,320	0.34 year	+/- 48,234	0.66 year
BPI UITF Short Term	+/- 18,078	0.33 year	+/- 69,727	0.73 year

24.1.4 Fair value information

The following tables set forth the carrying values and estimated fair values of the Parent Company's financial assets and liabilities recognized:

		2023		2022	
	Notes	Carrying value	Fair value	Carrying value	Fair value
Financial assets at FVTPL	3	35,834,889	35,834,889	6,881,752	6,881,752
Financial assets at FVOCI	7				
Unquoted equity securities		469,057,497	469,057,497	469,561,300	469,561,300
Quoted equity securities		247,280,000	247,280,000	194,200,000	194,200,000
		752,172,386	752,172,386	670,643,052	670,643,052
Financial assets at amortized cost					
Cash and cash equivalents	2	487,063,380	487,063,380	559,609,838	559,609,838
Accounts and notes receivable	4	92,161,305,716	91,872,791,195	98,865,989,051	100,747,646,411
Other current assets	6	22,081,932,663	22,081,932,663	18,418,705,630	18,418,705,630
		114,730,301,759	114,441,787,238	117,844,304,519	119,725,961,879
Other financial liabilities					
Short-term debt		7,005,000,000	7,005,000,000	688,000,000	688,000,000
Accounts and other payables*		69,103,221,414	69,103,221,414	54,748,041,914	54,748,041,914
Lease liabilities		365,852,408	365,852,408	361,965,297	361,965,297
Long-term debt	13	197,320,922,647	176,072,610,064	191,881,976,981	164,913,141,357
Deposits and other liabilities	15	22,049,409,978	25,178,720,531	36,732,109,816	36,732,109,816
		295,844,406,447	277,725,404,417	284,412,094,008	257,443,258,384

**Excluding deferred output VAT*

The methods and assumptions used by the Parent Company in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents, current receivables, accounts and other payables, current payables and short-term debt - Carrying amounts approximate fair values due to the relatively short-term maturities of these financial instruments.

Financial assets at FVTPL - These are investments in fund. The fair value of the fund is based on net asset values as of reporting dates.

Non-current accounts receivable - The fair values of residential accounts receivable, and receivable from employees, are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used for residential accounts receivable ranged from 5.50% to 11.50% and from 1.66% to 11.00% as of December 31, 2023 and 2022, respectively. The discount rates used for receivable from employees ranged from 6.00% to 12.00% as of December 31, 2023 and 2022.

Financial assets at FVOCI - Fair values are based on quoted prices published in markets.

Financial assets at FVOCI unquoted equity securities - Fair values are based on the latest selling price available.

Liabilities - The fair value of non-current unquoted instruments are estimated using the discounted cash flow methodology using the Parent Company's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged from 5.24% to 6.08% and 6.71% to 8.66% as of December 31, 2023, and 2022, respectively. The fair value of non-current unquoted debt instruments with floating rates are estimated using discounted cash flow - last repricing method.

Fair Value Hierarchy

The Parent Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable in the market, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The Parent Company categorizes trade receivable, receivable from employees, long-term debt and deposits and other non-current liabilities under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

Quoted FVOCI as at December 31, 2023 amounting to P247.2 million (2022 - P194.2 million) were classified under the Level 1 category and the unquoted FVOCI financial assets amounting to P469.1 million (2022 - P469.6 million) were classified under Level 3 (Note 7).

As at December 31, 2023, investment in UITFs amounting to P35.8 million (2022 - P6.8 million) were classified under Level 2 (Note 3).

The fair value of the investment properties was determined by independent professionally qualified appraisers. The following table provides the fair value hierarchy of the Parent Company's investment properties as at December 31:

		2023			
	Date of valuation	Total	Level 1	Level 2	Level 3
Land properties	Various	273,594,292,296	-	-	273,594,292,296
Office properties	Various	88,422,508,455	-	-	88,422,508,455
Retail properties	Various	21,764,346,489	-	-	21,764,346,489

		2022			
	Date of valuation	Total	Level 1	Level 2	Level 3
Land properties	Various	180,257,054,622	-	-	180,257,054,622
Office properties	Various	34,216,388,255	-	-	34,216,388,255
Retail properties	Various	12,556,252,765	-	-	12,556,252,765

The values of the land were arrived using the Market Data Approach. Market Data Approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. This approach was used for the land as it is commonly used in the property market since inputs and data for this approach are available. For Market Data Approach, the higher the price per sqm., the higher the fair value.

The values of the buildings were arrived using the Income Approach. Income Approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost saving generated by the asset.

The significant unobservable inputs to valuation of investment properties ranges from P5,782 to P67,000 per sqm.

A significant increase (decrease) in any of the unobservable input may result in a significantly higher (lower) fair value measurement. The Parent Company considers that it is impracticable to disclose the possible effects of sensitivities surrounding the estimation of the fair value of investment properties as at the reporting date.

There has been no transfer between levels of fair value hierarchy in 2023 and 2022.

Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI quoted and unquoted equity securities, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Parent Company's operations. The Parent Company has various financial assets such trade receivables and trade payables which arise directly from the conduct of its operations.

Exposure to liquidity, credit, interest rate, foreign currency risks and equity price arise in the normal course of the Parent Company's business activities. The main objectives of the Parent Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The use of derivative financial instruments, if any, is solely for management of the Parent Company's financial risk exposures. It is the Parent Company's policy not to enter into derivative transactions for speculative purposes.

The Parent Company's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Parent Company.

There were no changes in the Parent Company's financial risk management objectives and policies in 2023 and 2022.

The following table provides the fair value hierarchy of the Parent Company's financial assets at FVTPL which are measured at fair value as at December 31:

			Fair value measurement using		
	Valuation date	Total	Level 1	Level 2	Level 3
Investment in UITF	December 31, 2023	35,834,889	-	35,834,889	-

			Fair value measurement using		
	Valuation date	Total	Level 1	Level 2	Level 3
Investment in UITF	December 31, 2022	6,881,752	-	6,881,752	-

The fair value of the investment in UITF is based on net asset values as of reporting dates.

Reconciliation of fair value measurement of Investment in UITF is shown below:

	Notes	2023	2022
At January 1		6,881,752	16,860,471
Additions		991,477,111	2,236,166,300
Disposals		(966,106,294)	(2,242,338,930)
Unrealized gain (loss) included under other income	18	3,582,320	(3,806,089)
At December 31		35,834,889	6,881,752

24.2 Capital management

The primary objective of the Parent Company's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Parent Company establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Parent Company considers debt as a stable source of funding. The Parent Company lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Parent Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both gross debt and net debt basis. As at December 31, the Parent Company had the following ratios:

	2023	2022
Debt to equity	1.069:1	1.065:1
Net debt to equity	1.067:1	1.062:1

Debt consists of short-term and long-term debts. Net debt includes short-term and long-term debt less cash and cash equivalents and financial assets at FVTPL. Equity, which the Parent Company considers as capital, pertains to the total equity. The Parent Company excludes the Fair value reserve of financial assets at FVOCI in computing the debt to equity ratio.

The Parent Company is not subject to externally imposed capital requirements due to loan covenants (Note 13). No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2023 and 2022.

Financial risk assessment

The Parent Company's financial condition and operating results would not be materially affected by the current changes in interest, currency, credit, liquidity and market conditions.

Exposure to changes in interest rates is reduced by a debt portfolio mix of both fixed and floating interest rates. As at December 31, 2023, the Parent Company's ratio of fixed to floating rate debt stood at 88:1 (2022 - 99:1).

As at December 31, 2023, the exposure to foreign currency holdings of the Parent Company is at US$55.0 million and (2022 - US$54.5 million).

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Parent Company's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Liquidity risk is addressed with long-term funding already locked in, while funds are placed on cash equivalents and financial assets at FVTPL.

25 Segment information

The industry segments where the Parent Company operates follow:

Core business:
- Residential developments - sale of high-end and upper middle-income residential lots and units, and leisure community developments; lease of residential developments under joint venture; acquisition, development and sale of large-scale, mixed-use, master-planned communities; sale of override units or the Parent Company's share in properties made available to subsidiaries for development.
- Shopping centers - development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities and carparks in these shopping centers; management and operation of malls which are co-owned with partners
- Corporate business - development and lease of office buildings
- Corporate - company-wide activities not catering to specific business units

Support Business:
- Property management - facilities management of the Parent Company

Assets, liabilities, revenues and expenses of the Strategic Landbank Management and Visayas-Mindanao segment were reallocated to other business segments namely shopping centers, corporate businesses and residential developments according to the nature of the products and services provided.

Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

For the years ended December 31, 2023 and 2022, there were no revenue transactions with a single external customer which accounted for 10% or more of the revenue from external customers.

Business segments

As at and for the years ended December 31, the following tables regarding business segments present the assets and liabilities, and revenue and profit information (in millions):

2023	Property development	Shopping centers	Offices	Property management and others	Corporate	Total
Revenue						
Revenues from contracts with customers	20,962	552	50	3,152	-	24,716
Interest income from real estate sales	2,160	-	-	-	-	2,160
Rental income	129	3,274	2,817	12	-	6,232
Total revenue	23,251	3,826	2,867	3,164	-	33,108
Real estate costs and expenses	16,614	1,859	1,168	3	475	20,119
Operating profit	6,637	1,967	1,699	3,161	(475)	12,989
General and administrative expenses	(647)	(385)	(182)	(52)	(766)	(2,032)
Interest expense and other financing charges	(883)	124	(100)	-	(9,809)	(10,668)
Interest income	-	-	-	-	291	291
Other income	543	805	-	-	7,363	8,711
Dividend income	-	-	-	-	9,672	9,672
Other charges and expenses	-	24	(97)	(5)	-	(78)
Provision for income tax	(504)	(1)	(495)	-	694	(306)
Net income	5,146	2,534	825	3,104	6,970	18,579
Other Information						
Segment assets	229,325	102,643	74,964	26,861	58,775	492,568
Deferred tax assets	-	-	-	-	2,639	2,639
Total assets	229,325	102,643	74,964	26,861	61,414	495,207

(forward)

2023	Property development	Shopping centers	Offices	Property management and others	Corporate	Total
Segment liabilities	(63,596)	(76,367)	(60,469)	(75,064)	(28,614)	(304,110)
Segment additions to:						
Property and equipment	168	367	14	-	57	606
Investment properties	2,101	3,493	1,135	-	787	7,516
Depreciation and amortization	56	888	576	3	128	1,651
Non-cash expenses other than depreciation and amortization	-	-	-	-	-	-
Impairment losses	(196)	(232)	(222)	(5)	11	(644)

2022	Property development	Shopping centers	Offices	Property management and others	Corporate	Total
Revenue						
Revenues from contracts with Customers	20,969	545	165	3,361	-	25,040
Interest income from real estate sales	2,951	-	-	-	-	2,951
Rental income	155	2279	2,730	9	490	5,663
Total revenue	24,075	2824	2,895	3,370	490	33,654
Real estate costs and expenses	15,109	1550	1,048	12	2,375	20,094
Operating profit	8,966	1274	1,847	3,358	(1,885)	13,560
General and administrative expenses	(603)	(434)	(202)	(38)	(358)	(1,635)
Interest expense and other financing charges	(1,644)	25	61	-	(9,161)	(10,719)
Interest income	42	-	66	-	647	755
Other income	(363)	130	(633)	-	11,113	10,247
Dividend income	–	-	-	-	7,800	7,800
Other charges and expenses	(57)	(24)	(41)	-	(369)	(491)
Provision for income tax	(389)	2	(425)	-	283	(529)
Net income	5,952	973	673	3,320	8,070	18,988
Other Information						
Segment assets	189,047	100,987	70,745	29,979	81,377	472,135
Deferred tax assets	–	-	–	-	1,630	1,630
Total assets	189,047	100,987	70,745	29,979	83,007	473,765
Segment liabilities	(63,876)	(77,048)	(73,144)	(62,062)	(16,874)	(293,004)
Segment additions to:						
Property and equipment	75	491	75	-	52	693
Investment properties	2439	3,027	1,885	-	846	8,197
Depreciation and amortization	125	974	645	3	93	1,840
Non-cash expenses other than depreciation and amortization	-	-	-	-	-	-
Impairment losses	56	24	-	-	-	80

26 Performance obligations

Information about the Parent Company's performance obligations are summarized below:

Real estate sales

The Parent Company entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of real estate unit may cover the contract for either the (i) serviced lot; (ii) service lot and house, and (ii) condominium unit and the Parent Company concluded that there is one performance obligation in each of these contracts. The Parent Company recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% of the contract price spread over a certain period (e.g., one to two years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either an unbilled receivable or customers' deposit.

After the delivery of the completed real estate unit, the Parent Company provides one year warranty to repair minor defects on the delivered serviced lot and house and condominium unit. This is assessed by the Parent Company as a quality assurance warranty and not treated as a separate performance obligation.

As at December 31, 2023, The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) are as follows:

	2023	2022
Within one year	11,677,339,347	16,044,700,773
More than one year	6,304,924,031	10,688,539,271
	17,982,263,378	26,733,240,044

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Parent Company's real estate projects. The Parent Company's condominium units are completed within three to five years, respectively, from start of construction while serviced lots and serviced lots and house are expected to be completed within two to three years from start of development.

27 Leases

Operating Leases - Parent Company as Lessor

The Parent Company entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals receivable under noncancellable operating leases of the Parent Company are as follows:

	2023	2022
Within one year	3,051,044,377	1,589,256,273
After one year but not more than five years	13,771,061,669	8,512,893,142
More than five years	5,232,019,638	852,882,777
	22,054,125,684	10,955,032,192

On January 1, 2015, the Parent Company and ACCI entered into a lease contract for the lease of parcels of land and buildings within the Greenbelt and Glorietta development located at the Ayala Center, Makati City. The lease shall be for a period of two years from January 1, 2015 until December 31, 2016, renewable for another two years upon the written agreement of both parties. The lease generally provides for a fixed monthly rent and a certain percentage of gross rental revenue per month. The lease was renewed from January 1, 2017 to December 31, 2021 under the same terms and conditions stated in the original contract of lease.

On January 1, 2017, the Parent Company and NECC entered into a lease contract for the lease of a parcel of land with an area of 19,988 sq.m., three office towers and a common retail podium mixed-use commercial building located at the Vertis North estate. The lease of land shall be for a period of 40 years which commenced on January 1, 2017. The commencement of the lease period for the buildings are by phase, Phase 1 started on January 18, 2017, Phase 2 on April 1, 2017, Phase 3 on October 1, 2017 and Phase 4 started on October 1, 2018. The lease on the buildings is co-terminous with the land lease. The lease is renewable for another 40 years upon mutual agreement of both parties. The lease generally provide for a fixed monthly rent and a certain percentage of gross rental revenue per month.

In 2017, the Parent Company and ATI entered into a lease contract for the lease of a 24-storey building with a total construction floor area of 146,830 sq. m. located at 30 Meralco Ave., Pasig City. The lease shall be for a period of 40 years which commenced on February 1, 2016 for Phase 1 and August 1, 2017 for Phase 2. The lease is renewable for another 40 years upon mutual agreement of both parties. The lease generally provides for a fixed monthly rent and a certain percentage of gross rental revenue per month.

On December 27, 2017, the Parent Company signed a lease agreement with MCLC for the lease on the parcels of land it owns where the buildings bought by MCLC were constructed (Notes 9 and 20).

On December 28, 2017, the Parent Company signed a lease agreement with ASCVC for the lease on the parcels of land it owns where the Arca South BPO and Mall were constructed. (Notes 9 and 20).

The Parent Company granted rent concessions to its tenants which were affected by the community quarantine imposed by the government amounting to P341.0 million in 2022. These rent concessions did not qualify as a lease modification, thus, were accounted for as variable lease payments and reported as reduction of lease income (Note 32).

Operating Leases - Parent Company as Lessee

Future minimum rentals payable under noncancellable operating leases of the Parent Company follows:

	2023	2022
Within one year	3,051,044,377	50,712,937
After one year but not more than five years	13,771,061,669	166,476,213
More than five years	5,232,019,638	229,776,116
	22,054,125,684	446,965,266

Set out below are the carrying amounts of right-of-use assets recognized and the movements in 2023:

Cost	Note	2023	2022
At January 1		604,578,165	474,255,722
Additions		37,805,310	130,322,442
At December 31		642,383,475	604,578,164
Accumulated depreciation and amortization			
At January 1		249,385,432	206,617,707
Depreciation	18	54,002,934	42,767,725
At December 31		303,388,366	249,385,432
Net Book Value		338,995,109	355,192,732

The roll forward analysis of lease liabilities follows:

	Note	2023	2022
At January 1		361,965,298	253,604,291
Additions		37,805,310	130,322,442
Interest expense	18	32,120,994	28,657,287
Payments		(66,039,194)	(50,618,723)
At December 31		365,852,408	361,965,297
Less: Current portion of lease liabilities		(40,042,512)	(28,253,675)
Lease liabilities, net of current portion		325,809,896	333,711,622

The following are the amounts recognized in the Parent Company’s statement of income:

	Note	2023	2022
Depreciation expense of right-of-use assets		54,002,934	42,767,725
Interest expense on lease liabilities	18	32,120,994	28,657,287
Rent expense - variable lease payments		217,131,557	185,228,619
Total amounts recognized in the statement of income		303,255,485	256,653,631

The Parent Company has lease contracts for land that contains variable payments based on a certain percentage of gross rental income of the commercial centers. These terms are negotiated by management for certain commercial spaces without steady customer demand. Management’s objective is to align the lease expense with the revenue earned. The following provides information on the Parent Company’s variable lease payments, including the magnitude in relation to fixed payments:

	2023		
	Fixed payments	Variable payments	Total
Fixed	66,039,194	-	66,039,194
Variable rent only	-	217,131,557	217,131,557
At December 31	66,039,194	217,131,557	283,170,751

	2022		
	Fixed payments	Variable payments	Total
Fixed	50,618,720	-	50,618,720
Variable rent only	-	185,228,619	185,228,619
At December 31	50,618,720	185,228,619	235,847,339

The significant leases entered into by the Parent Company are as follows:

On September 2018, the Parent Company signed a Lease Agreement with Manila Seedling Bank Foundation, Inc. (MSBFI) for the lease of a 4.5-hectare portion of land located at the corner of EDSA and Quezon Avenue, Diliman, Quezon City. The term of the lease shall be coterminous with the Lessor’s usufruct over the Leased Premises, or until September 20, 2027.

On September 2017, the Parent Company signed a Lease Agreement with AyalaLand Estates, Inc. (ALEI) for the lease of a 4.3-hectare portion of land located in Vermosa, Pasong Buaya I, Imus City, Province of Cavite. The term of the lease shall ten (10) years commencing from September 2017 to August 2027.

On January 2017, the Parent Company signed a Lease Agreement with Philippine Racing Club, Inc. for the lease of land located in Circuit Makati, Brgy. Carmona, Makati City with an aggregate area of 12,793 sqm. The term of the lease shall be twenty-three years and three months commencing from Delivery Date. The Lessee shall have the option to renew the lease under the same terms and conditions for another period of five years, provided that renewal period shall be mutually agreed by the Parties. For the period commencing from delivery date until sixty-three (63) months thereafter, the Lessee shall pay the Lessor the rent amounting to P100.00 million. Commencing on the sixty fourth month from execution of the contract until the end of the lease term, the Lessee shall pay the Lessor the rent equal to fifty percent (50%) of the Gross Income of the Lessee.

On October 2022, the Parent Company signed a Lease Agreement with AREIT Inc. for a lease of a 893 square meters office space at the 20*th* floor of Ayala Center Cebu Tower and 8 appurtenant parking slots, located in Cebu City. The term of the lease is 5 years and shall commence from October 2022 to September 2027.

Finance Leases - Parent Company as Lessor
On January 31, 2020, the Company entered into a contract of lease with AREIT for the lease of land and building for a period of 34 years. The agreement pertains to the lease of the following:

a. Parcel of land with a total land area of approximately 4,513 square meters
b. A five story building with gross floor area of 14, 598.4 square meters and gross leasable area of 10, 687 square meters
c. Two basement parkings levels with 120 parking slots
d. Various capital equipment installed in the building

The lease agreement states that the Company shall deliver to AREIT the physical possession of the leased properties on February 1, 2020. The rent is payable at a fixed monthly rate of P2.73 million, subject to 5% annual escalation rate.

The rollforward of finance receivables (under receivable from related parties) follows:

	Note	2023	2022
At January 1		917,552,229	894,810,787
Interest income		60,379,824	58,900,064
Payments		(37,966,553)	(36,158,622)
As at December 31		939,965,500	917,552,229
Current lease receivable	20	39,706,687	37,815,892
Non-current lease receivable	20	900,258,813	879,736,337

The maturity analysis of the receivables, including undiscounted lease payments to be received are as follows:

	2023	2022
Within one year	39,706,687	37,815,892
After one year but not more than five years	230,374,734	219,404,509
More than five years	2,539,595,094	2,575,914,197
Total undiscounted lease payments	2,809,676,515	2,833,134,598
Less: Unearned finance income	2,077,198,076	2,079,951,628
Net investment in the lease	732,478,439	753,182,970

28 Long-term commitments and contingencies

Commitments

a. On January 12, 2016, the Parent Company has entered into a partnership with Manila Water Philippine Ventures, Inc., a wholly owned subsidiary of Manila Water Company, Inc, for the waterworks of Parent Company's projects nationwide. The Memorandum of Agreement (MOA) was signed by Parent Company and its subsidiaries and affiliates, Cebu Holdings, Inc. and Cebu Property Ventures and Development Corp. Total expenses amounted to P0.2 million. As a result of the merger, the Parent Company assumes the rights and obligations of CHI and CPVDC.

b. ALI and LT Group, Inc. (LTG) entered into an agreement on January 21, 2016 to jointly develop a project along the C5 corridor. The project is envisioned to be an estate development that spans portions of Pasig City and Quezon City. A new company named, ALI-ETON Property Development Corporation, was incorporated on March 13, 2016.

   On January 15, 2018, the estate, named Parklinks was launched and is the greenest urban estate of ALI in partnership with Eton Properties Inc. The first residential project of Ayala Land Premier, Parklinks North Tower was launched on the same year, while the Parklinks lifestyle mall broke ground as well, expected to provide a new destination for residents and office workers within the area when it opens in 2026. Alveo's first residential development, The Lattice, was also launched in 2019, together with ALP's second tower, Parklinks South tower.

   On November 28, 2022, Parklinks Bridge was inaugurated. The Parklinks Bridge connects Quezon City and Pasig City over the Marikina River and is considered an iconic feature of the 35-hectare Parklinks Estate.

c. On August 11, 2015, the Parent Company won the bid for the Integrated Transport System Project-South Terminal ("ITS South Project"). The Parent Company was awarded by the Department of Transportation and Communications ("DOTC") with a 35-year concession agreement to build and operate the ITS South Project and will likewise have the right to develop and operate commercial leasing facilities on the same 5.57 hectare former Food Terminal Inc. property on which the future transport terminal will be built. The site of the ITS South Project is right next to ARCA South, where the Parent Company is developing an integrated mixed-use estate.

d. On June 30, 2015, the Parent Company, through SM-ALI Group Consortium (the Consortium), participated and won in the bidding for Lot No. 8-B-1, containing an area of 263,384 sqm, which is portion of Cebu City-owned lot located at the South Road Properties, Cebu City covered by Transfer Certificate of Title No. 107-2011000963. The Consortium is a consortium among SMPHI, the Parent Company and CHI (together with the Parent Company collectively referred to as the "ALI Group"). Consistent with the agreed payment schedule in the Deed of Absolute Sale, as of August 1, 2018, the Parent Company has fully paid Php 4.56 billion, excluding taxes. The SM-ALI Group has finished with the joint masterplan and has secured the development permit last November 2019 from the Cebu City Council.

   On January 29, 2020, SM-ALI Group broke ground the 263,384sqm development and the construction of road networks and underground utilities commence on February 18, 2020.

   As of December 2023, actual completion of the land development works for the launched lots of ALI in the South Road Properties project is at 100%.

   The development is positioned to be "The Gateway and Epicenter of Growth in Central Visayas".

It is envisioned to create a commercially viable mixed-use development and to create a living, vibrant community with world-class facilities, a well-designed urban setting, and lush, extensive landscaping.

e. On February 26, 2021, the Parent Company entered into agreements to restructure the long-outstanding receivables from Mercado General Hospital, Inc., Panay Medical Ventures, Inc., Mercado General Hospital Sta. Rosa, Inc. and Mercado General Hospital San Jose Del Monte, Inc. amounting to P209.0 million, P79.0 million, P5.0 million and P129.1 million, respectively to a 5-year loan with interest rate of 4% per annum

Contingencies

The Parent Company has various contingent liabilities arising in the ordinary conduct of business including a case related to property restriction violation. The estimate of the probable cost for the resolution of this claim has been developed in consultation with outside counsel handling the defense in this matter and is based upon an analysis of potential results. In the opinion of management and its legal counsel the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Parent Company's financial position and results of operations. Accordingly, no provision for any liability has been made in the parent company financial statements.

Disclosures required by PAS 37, Provisions, Contingent Liabilities and Contingent Assets, were not provided as it may prejudice the Parent Company's position in ongoing claims, and it can jeopardize the outcome of the claims and contingencies.

29 Notes to statement of cash flows

Disclosed below is the roll forward of liabilities under financing activities:

	January 1, 2023	Cash flows	Other changes	Foreign exchange movement	December 31, 2023
Short-term debt	688,000,000	6,317,000,000	-	-	7,005,000,000
Current portion of long-term debt (a)	14,570,101,002	-	3,925,699,817	-	18,495,800,819
Long-term debt, net of current portion (a)	177,311,875,979	5,403,273,437	(3,868,852,588)	(21,175,000)	178,825,121,828
Lease liabilities (a)	361,965,297	(66,039,194)	69,926,305	-	365,852,408
Dividends payable (b)	1,731,387	(5,454,086,740)	5,454,154,124	-	1,798,771
Deposits and other non-current liabilities	20,564,706,140	(7,423,599,654)	-	-	13,141,106,486
Total liabilities from financing activities	213,498,379,805	(1,223,452,151)	5,580,927,658	(21,175,000)	217,834,680,312

Other changes pertain to:
(a) Interest expense
(b) Dividends declaration

	January 1, 2022	Cash flows	Other changes	Foreign exchange movement	December 31, 2022
Short-term debt	8,471,000,000	(7,783,000,000)	-	-	688,000,000
Current portion of long-term debt (a)	23,528,471,449	(34,939,773,750)	25,981,403,303	-	14,570,101,002
Long-term debt, net of current portion (a)	158,236,289,770	45,000,000,000	(26,185,993,791)	261,580,000	177,311,875,979
Lease liabilities (a)	253,604,290	(50,618,720)	158,979,727	-	361,965,297
Dividends payable (b)	12,214,765	(4,062,008,309)	4,051,524,931	-	1,731,387
Deposits and other non-current liabilities	26,879,578,441	(6,314,673,764)	(198,537)	-	20,564,706,140
Total liabilities from financing activities	217,381,158,715	(8,150,074,543)	4,005,715,633	261,580,000	213,498,379,805

Other changes pertain to:
(a) Interest expense
(b) Dividends declaration

The non-cash activities of the Parent Company pertain to the following:

2023

- Transfer from investment properties to inventory amounted to P9,461.5 million
- Unpaid acquisition of land amounted to P6,574,67 million
- Property-for-share swap transaction amounted to P9,804.63 million

2022

- Transfer from investment properties to inventory amounted to P11,764.9 million
- Unpaid acquisition of land amounted to P9,078.78 million
- Property-for-share swap transaction amounted to P17,386.16 million

30 Events after the reporting date

On February 12, 2024, the shareholders of AREIT owning a majority of the outstanding capital stock, approved the issuance of 841,259,412 primary common shares to Ayala Land, Inc. (ALI) and its subsidiaries, and Buendia Christiana Holdings Corp., a wholly-owned subsidiary of ACEN Corporation, at an issue price of P34.00/share, in exchange for four prime commercial buildings of ALI and a 276-hectare industrial land, with an aggregate value of P28,602,820,008.

On February 20, 2024, the BOD approved the following:

a. The raising of up to Php50 billion in debt capital to partially finance general corporate requirements and refinance maturing debt through the issuance of retail bonds and/or corporate notes for listing on the Philippine Dealing and Exchange Corporation, and/or execution of bilateral term loans.

b. The declaration of a regular cash dividend of Php0.2050 per common share for the first half of 2024. The record date is March 5, 2024, and the payment date is March 21, 2024.

c. The 2024 stock option program pursuant to our Employee Stock Ownership Plan (the "Plan") which authorizes the grant to qualified executives, in accordance with the terms of the Plan, of stock options covering up to a total of 18,542,878 common shares at a subscription price of Php28.82 per share, which is the average price of our common shares at the Philippine Stock Exchange over the last 30-day trading as of February 13, 2024, less a prescribed discount.

31 Critical accounting judgments and estimates

The preparation of the financial statements in conformity with PFRSs, as modified by the application of the financial reporting relief issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes. The estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from such estimates.

31.1 Critical accounting judgments

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

Existence of a contract

The Parent Company's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other duly executed and signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Parent Company before revenue recognition is to assess the probability that the Parent Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress

The Parent Company concluded that revenue for real estate sales is to be recognized over time because: (a) the Parent Company's performance does not create an asset with an alternative use and; (b) the Parent Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Parent Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Parent Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Parent Company. The Parent Company considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

The Parent Company has determined that the output method used in measuring the progress of the performance obligation (i.e., percentage of completion) faithfully depicts the Parent Company's performance in transferring control of real estate development to the customers.

Distinction of land between real estate inventories, property and equipment and investment properties

The Parent Company determines whether a property will be classified as real estate inventories, property and equipment or investment properties. In making this judgment, the Parent Company considers whether the property will be sold in the normal operating cycle (real estate inventories) and even if the real estate inventories are leased out, the classification remains on the condition that the intent to sell remains. The Parent Company also considers whether the property is held for administrative purposes and classifies the property under property and equipment. All other properties that are not yet determined to be sold in the normal operating cycle nor held for administrative purposes are classified as investment properties.

Control of entities in which the Parent Company holds only 50% or less than majority of voting rights

The Parent Company considers that it controls the following entities even though it owns 50% or less than majority of the voting rights. 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 that return through its power over the investee.

ACC
For ACC, Parent Company holds 50% of the voting rights, and is also the single largest shareholder and the remaining 50% of the equity shares are held by several shareholders. The second largest stockholder of ACC holds 8.3% share while the other shareholders' equity interest ranges from 2.1% to 8.3%. In addition, ALI has an existing management services agreement with ACC which gives ALI the exclusive control and decision over the relevant activities of ACC.

BGWest Properties
For the BG entities, wherein Parent Company and the other shareholder each own 50% of the voting rights, Parent Company controls the investee through exercise of its exclusive project development and marketing agreement as well as the ability to decide on the financing, operating and strategic policies of the investees. This enabled ALI to conclude that it has control.

RLC, ALI-CII, AKL and LAIP
ALI has an existing management development and/or services agreement with RLC, ALI-CII, AKL and LAIP which gives ALI the exclusive control and decision over the relevant activities of RLC, ALI-CII, AKL and LAIP.

Contingencies

The Parent Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense of these matters and is based upon an analysis of potential results. The Parent Company currently does not believe that these proceedings will have a material effect on the Parent Company's financial statements (Note 28).

Sale of real estate receivables

The Parent Company has entered into arrangements with banks wherein it discounted its real estate receivables without recourse. The Parent Company believes that the sales transactions are not more than infrequent and that the receivables discounted is insignificant in value both individually and in aggregate. Accordingly, the Parent Company continues to present trade receivables at amortized cost as it remains to hold trade receivables with the objective of collecting contractual cash flows until maturity.

Definition of default and credit-impaired financial assets

The Parent Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria - for residential, commercial and office development receivables, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria:

The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financial covenant(s)
c. An active market for those financial assets has disappeared because of financial difficulties
d. Concessions or deferrals have been granted by the Parent Company, for economic or contractual reasons relating to the customer's financial difficulty (e.g., Bayanihan Acts I and II considerations)
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Parent Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Parent Company's expected loss calculation.

Incorporation of forward-looking information:

The Parent Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Parent Company considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Parent Company's evaluation and assessment and after taking into consideration external actual and forecast information, the Parent Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Parent Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Parent Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Parent Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Determination of lease term of contracts with renewal and termination options - Parent Company as a lessee

The Parent Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Parent Company has several lease contracts that include extension and termination options. The Parent Company applies judgment in evaluating whether the provisions to renew or terminate the lease is enforceable. For leases where the Parent Company has the unilateral option to renew or terminate, it then applies judgment on whether it is reasonably certain or not to exercise the option. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Parent Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Assessment on whether lease concessions granted constitute a lease modification

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Parent Company waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

The Parent Company applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, the Parent Company determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Parent Company assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

There are no rent concessions granted by the Parent Company for the year ended December 31, 2023 (2022 - P341.0 million).

Judgements made in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates applying paragraph 122 of PAS 1, Presentation of Financial Statements. Upon adoption of the Interpretation, the Parent Company has assessed whether it has any uncertain tax position. The Parent Company applies significant judgement in identifying uncertainties over its income tax treatments. The Parent Company determined, based on its assessment, in consultation with its tax counsel, that it is probable that its uncertain income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

31.2 Critical accounting estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition on real estate projects

The Parent Company's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues. The Parent Company's revenue from real estate is recognized based on the percentage of completion and this is measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists (project engineers).

Following the pattern of real estate revenue recognition, the cost to sell and cost to obtain a contract (e.g., commission), is determined using the percentage of completion. To determine the cost of sales, the POC is applied to the standard cost which is regularly reviewed and adjusted to actual cost. In view of the community quarantines and restricted mobility in 2022 and 2021, the progress of the Group's performance obligation was adversely affected which resulted in lower percentage of completion as compared to previous years. In 2023, the Parent Company's percentage of completion posted improvement due to easing of health and travel restrictions.

Evaluation of net realizable value of real estate inventories

The Parent Company adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Parent Company in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. In evaluating NRV, recent market conditions and current market prices have been considered. See Note 5 for the related balances.

Share-based payments

The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Parent Company (Note 23).

Estimating pension liabilities and other retirement benefits

The determination of the Parent Company's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Significant assumptions are disclosed in Note 21 and include among others, discount rate and salary increase rate.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on 1994 Parent Company Annuity Mortality Table and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

While the Parent Company believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions could materially affect retirement obligations (Note 21).

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded or disclosed in the statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at their fair values by using the discounted cash flow methodology (Note 24).

Provision for expected credit losses of trade receivables

The Parent Company uses a provision matrix to calculate ECLs for trade receivables other than residential, commercial and office development receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Parent Company's historical observed default rates. The Parent Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and GDP growth rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.
The Parent Company uses vintage analysis approach to calculate ECLs for residential, commercial and office development receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Parent Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Parent Company's trade receivables is disclosed in Notes 5 and 24.

Estimating the incremental borrowing rate for leases

The Parent Company uses its incremental borrowing rate (IBR) to measure lease liabilities because the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Parent Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Parent Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Parent Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

As at December 31, 2023, the Parent Company's lease liabilities amounted to P365.9 million (2022 - P362.0 million) (Note 27).

Finance lease commitments - Parent Company as lessor

The Parent Company has entered into a lease agreement on the parcel of land and building pertaining to MECC. The Parent Company has determined, based on evaluation of the terms and arrangement, particularly on the economic life, that the Parent Company has transferred substantially all the significant risks and rewards of ownership of this property to the lessee and accounts for the agreement as finance lease.

Evaluation of impairment of non-financial assets

The Parent Company assesses whether there are any indicators of impairment for all non-financial assets (i.e., investment in subsidiaries, associates and joint ventures, property and equipment, investment properties, right-of-use assets and other current assets) at each financial reporting date. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs, 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.

For investment in subsidiaries, associates and joint ventures, the Parent Company calculates the amount of impairment as the difference between the recoverable amount and the carrying value of the investee company and recognizes the difference in the parent company statement of income.

No impairment loss was recognized in 2023 and 2022.

Useful lives of property and equipment and investment properties

The useful life of each item of the Parent Company's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimate is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded operating expenses and decrease non-current assets. In 2023 and 2022, there were no changes in the estimated useful lives of property and equipment.

Determination of fair values of investment properties

The determination of fair values of the Parent Company's properties are defined in Note 24.1.4 "Fair Value Information". It defined the various approaches used by the Company to estimate the fair value based on the nature and factors affecting each type of properties.

32 Summary of material accounting policies

32.1 Basis of preparation

The financial statements of the Parent Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting relief on the accounting for significant financing component as issued and approved by the SEC in response to the COVID-19 pandemic. The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The Parent Company has availed the relief granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of PIC Q&A 2018-12-D, assessment if the transaction price includes a significant financing component, until December 31, 2023.

SEC MC No. 4-2020, deferring the adoption of IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, *Borrowing Cost* (the IFRIC Agenda Decision on Borrowing Cost), is not applicable to the Parent Company as is it is already in full compliance with the requirements of the IFRIC Agenda Decision.

The details and the impact of the adoption of the above financial reporting relief are discussed in Note 32.2 - Adoption of amended accounting standards and interpretations.

Basis of measurement

The financial statements have been prepared using the historical cost basis, except for financial assets at FVTPL, financial assets at FVOCI and plan assets that have been measured at fair value.

The preparation of financial statements in conformity with PFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Parent Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the financial statements therefore fairly present the financial position and results of the Parent Company. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 31.

Functional and presentation currency

The financial statements of the Parent Company are presented in Philippine Peso.

32.2 Adoption of amended accounting standards and interpretations

(a) Amendments to existing standards adopted by the Parent Company effective January 1, 2023

The following amendments to existing standards have been adopted by the Parent Company effective January 1, 2023:

- Amendments to PAS1, '*Presentation of Financial Statements', and PFRS Practice Statement 2*

  The amendment requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

  To support this amendment, PFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

  The adoption of these amendments resulted in changes in the accounting policies disclosed by the Parent Company.

- Amendments to PAS 8, '*Definition of Accounting Estimates'*

  The amendment to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- Amendments to PAS 12*, 'Income Taxes'*

  The amendments require entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

There are no other new standards, interpretations and amendments to existing standards effective January 1, 2023 that are considered to be relevant or have a material impact on the Parent Company's financial statements.

(b) Amendments to existing standards not yet effective and not early adopted by the Parent Company

The following amendments to existing standards are not mandatory for December 31, 2023 reporting period and have not been early adopted by the Parent Company:

- PAS 1, *Presentation of Financial Statements (Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants)*

  Amendments made to PAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

  The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

  - the carrying amount of the liability
  - information about the covenants, and
  - facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

  The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note.

  The amendments must be applied retrospectively in accordance with the normal requirements in PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

- Amendments to PFRS 16*, 'Lease Liability in a Sale and Leaseback'*

  The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right-of-use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

- Deferral of Certain Provisions of PIC Q&A 2018-12*, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)*

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. The PIC Q&A provisions covered by the SEC deferral that the Parent Company availed is '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)' with deferral period until December 31, 2023.

  After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

  The Parent Company availed the SEC relief on the accounting for significant financing component in its 2023 financial statements. Had this provision been adopted, the Parent Company would follow the allowed modified retrospective approach allowing it to adjust only the beginning balance of Retained earnings in 2023. The net income for the current period is not expected to materially change as it would only require allocation of transaction price from one revenue line item to another.

  The Parent Company assessed that the overall impact of the adoption of the requirement of PIC Q&A No. 2018-12 pertaining to significant financing component is not material to the 2023 financial statements. Upon the adoption in 2024, the adjustment on the beginning balance of retained earnings approximates an increase of P1,068.4 million.

- PFRS 17, *Insurance Contracts*

  PFRS 17 was issued in May 2017 as replacement for PFRS 4, Insurance Contracts. PFRS 17 represents a fundamental change in the accounting framework for insurance contracts requiring liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of (1) discounted probability-weighted cash flows, (2) an explicit risk adjustment, and (3) a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period. The standard allows a choice between recognizing changes in discount rates either in the statement of income or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under PFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

  The IC, in coordination with Philippine Insurers and Reinsurers Association, is currently reviewing the impact of PFRS 17 across the entire industry and has established a project team to manage the implementation approach. The IC, considering the extension of IFRS 17 and the challenges of the COVID-19 pandemic to the insurance industry, has deferred the implementation of PFRS 17 to January 1, 2025, granting an additional two-year period from the date of effectivity proposed by the IASB.

The new standard is not applicable to the Parent Company since it has no activities that are predominantly connected with insurance.

The adoption of the above amendments is not expected to have a material impact on the financial statements of the Parent Company.

32.3 Current versus non-current classification

The Parent Company presents assets and liabilities in parent company statement of financial position based on:

a. expected to be realized or intended to be sold or consumed in normal operating cycle;
b. held primarily for the purpose of trading;
c. expected to be realized within twelve (12) months after reporting date; or
d. cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as non-current.

A liability is current when:

a. it is expected to be settled in the normal operating cycle;
b. it is held primarily for the purpose of trading;
c. it is due to be settled within 12 months after reporting date; or
d. there is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Parent Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

32.4 Fair value measurement

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

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

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

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

A fair value measurement of a 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.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

a. Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
b. Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
c. Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Parent Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by corporate finance after discussion with and approval by the Parent Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The Parent Company, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Parent Company has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

32.5 Cash and cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less and are readily convertible to known amount of cash and which are subject to insignificant changes in value.

32.6 Financial assets

Date of recognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Parent Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivatives are recognised on a trade date basis. Financial liabilities are recognized when cash is received by the Parent Company.

(a) **Financial assets**

i. Initial recognition, classification and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. All financial instruments are initially recognised at fair value plus or less, except for financial instruments at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, respectively. Trade receivables, except for contracts with customers in residential, commercial and office development receivables, are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on *Revenue from contracts with customers*.

The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The classification requirements for financial assets are described below:

a. Financial assets at amortized cost (debt instruments);
b. Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);
c. Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
d. Financial assets at fair value through profit or loss

ii. Subsequent measurement

(a) Financial assets at amortized cost

This category is the most relevant to the Parent Company. The Parent Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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.

The Parent Company's financial assets at amortized cost includes cash and cash equivalents, short-term investments and accounts and notes receivables.

The Parent Company accounts for regular way amortized cost financial instruments using trade date accounting. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs. If the initial fair value is lower than the cash amount advanced, the difference is deferred and recognised over the life of the financial assets through the recognition of interest income.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Interest income and impairment losses or reversals are recognized in the statement of income. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

When financial assets at amortized cost are disposed, these are assessed whether the Parent Company is consistent with its objective of collecting contractual cash flows until maturity. In the event that disposals have been concluded as infrequent and insignificant, the financial assets continue to be accounted at amortized cost (Note 5).

(b) Financial assets at FVOCI (debt instruments)

The Parent Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

The Parent Company's debt financial assets at FVOCI includes investment in bonds classified as financial assets at FVOCI.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

(c) Financial assets designated at FVOCI (equity instruments)

The equity securities for which fair value movements are shown in other comprehensive income are investments where the Parent Company holds the financial assets other than to generate a capital return. Gains or losses on derecognition of these equity securities are not transferred to profit or loss. Otherwise, equity securities are measured at fair value through profit or loss (except for dividend income which is recognised in profit or loss).

The Parent Company's equity financial assets at FVOCI includes investments in quoted and unquoted equity instruments.

(d) Financial assets at FVTPL

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- the financial liability contains one or more non-closely related embedded derivatives.

Designated financial assets are recognised when the Parent Company enter into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Designated financial liabilities are recognised when the Parent Company enters into contracts with counterparties, which is generally on settlement date, and are normally derecognised when extinguished. Subsequent changes in fair values are recognised in profit or loss.

The Parent Company's financial assets at FVTPL includes investments in UITF.

iii. Impairment of financial assets

The Parent Company recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at FVTPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Parent Company applies a simplified approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes allowance for impairment loss based on lifetime ECL at each reporting date. The Parent Company has established a provision matrix for trade receivables and a vintage analysis for residential, commercial and office development receivables that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such as accrued receivable, receivable from related parties and advances to other companies, ECL are recognized in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, ECL is provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Parent Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Parent Company's policy to measure ECLs on such 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. The Parent Company uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Parent Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The key inputs in the model include the Parent Company's definition of default and historical data of three years for the origination, maturity date and default date. The Parent Company considers trade receivables in default when contractual payments are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company.

iv. Determining the stage for impairment

At each reporting date, the Parent Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Parent Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Parent Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12- months ECL.

v. Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Parent Company's statement of financial position) when:

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

When the Parent Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Parent Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

vi. Modification of financial assets

The Parent Company derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Parent Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

(b) **Financial liabilities**

i. Initial recognition, classification and measurement

Financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities. The category depends on the purpose for which the liabilities were incurred and whether they are quoted in an active market. Management determines the category of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

All financial liabilities are recognized initially at fair value and, in the case of those measured at amortized costs, net of directly attributable transaction costs. Directly attributable transaction costs are documentary stamp tax, underwriting and selling fees, regulatory filing fees and other fees.

The Parent Company's financial liabilities include accounts and other payables (except for taxes payable), short-term and long-term debts, deposits and other liabilities, and lease liabilities.

The Parent Company has no financial liabilities at FVTPL.

ii. Subsequent measurement

Financial liabilities at amortised cost is the category most relevant to the Parent Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of income.

This category generally applies to short-term and long-term debt.

iii. Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income.

iv. *Offsetting*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

There is no offsetting of financial instruments as at December 31, 2023 and 2022.

32.7 Inventories

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 NRV. NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and estimated costs to sell.

Cost of inventories represents accumulated costs of the unsold units of the completed projects. Cost includes those directly attributable to the construction of the projects and includes:

- Land cost;
- Land improvement cost;
- Amounts paid to contractors for construction and development; and
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Inventories that are leased out at market rates to earn revenues to partly cover for expenses on the condition that the intent to sell in the ordinary course of business has not changed are accounted and presented as inventory. The rent income from inventories that are leased out is included in other income in the statement of comprehensive income.

Inventories are derecognized when they are sold or there are no future benefits to the Parent Company. The carrying amount of those properties held for sale is recognized as an expense, reported as cost and expenses in the period in which the related revenue is recognized.

32.8 Materials, parts and supplies

Materials, parts and supplies are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

An allowance for inventory losses is provided for slow-moving, obsolete and defective materials, parts and supplies based on management's physical inspection and evaluation. When inventories are sold, the cost and related allowance is removed from the account and the difference is charged against operations.

32.9 Investments in subsidiaries, associates and joint ventures

The Parent Company's investments in its subsidiaries, associates and joint ventures are accounted for under the cost method and are carried at cost less accumulated provisions for impairment losses, if any. A subsidiary is an entity over which the Parent Company has control. The Parent Company controls an entity when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. An associate is an entity in which the Parent Company has a significant influence and which is neither a subsidiary nor a joint venture.

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate entity in which each venturer has an interest.

The Parent Company recognizes income from the investment only to the extent that the Parent Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

The Parent Company reduces the carrying value of its investment based on average acquisition cost per share (historical cost) when the Parent Company disposes the investment or the investee reacquires its own equity instruments from the Parent Company.

32.10 Investment properties

Investment properties comprise completed property and property under construction or re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the Parent Company. It also includes land intended as investment property or with unintended future use.

The Parent Company uses the cost model in measuring investment properties since this represents the historical value of the properties subsequent to initial recognition. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Assets that are under construction are carried at cost (including borrowing costs) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation or under the condition as intended by the Parent Company.

Depreciation of investment properties are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of investment properties which comprised of buildings, range from 20-40 years.

Investment properties are derecognized when either they 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 statement of income in the year of retirement or disposal.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

The Parent Company discloses the fair values of its investment properties in accordance with PAS 40. The Parent Company assess fair value as at December 31, 2023 and 2022. The Parent Company's investment properties consist of land and building pertaining to land properties, retail spaces and office properties. Land were valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property. Buildings (retail, office, hospital) were valued using income approach by reference to the value of income, cash flow or cost saving generated by the asset.

32.11 Property and equipment

Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and are computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Buildings and improvements	20-40
Furniture, fixtures and equipment	3-10
Transportation equipment	3-5

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

When property and equipment items are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

32.12 Impairment of non-financial assets

The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired (investments in subsidiaries, associates and joint ventures, investment properties, property and equipment and right-of-use assets). If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Parent Company's of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value 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 of continuing operations are recognized in the parent company statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Parent Company determines at each reporting date whether there is any objective evidence that the investment in subsidiaries, associates or joint ventures is impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the investee company and recognizes the difference in the parent company statement of income.

32.13 Pension cost

Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

The present value of the defined benefit obligation is determined by using risk-free interest rates of long-term government bonds that have terms to maturity approximating the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

32.14 Share-based payments

The Parent Company has equity-settled, share-based compensation plans with its employees.

PFRS 2 Options

For options granted after November 7, 2002 that have not vested on or before January 1, 2005, the cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using the Black-Scholes model, further details of which are given in Note 26.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instrument that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Pre-PFRS 2 Options

For options granted before November 7, 2002 that has vested before January 1, 2005, the intrinsic value of stock options determined as at grant date is recognized as expense over the vesting period.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (Note 22).

Employee Stock Ownership Plan

The Parent Company has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Parent Company's shares. The Parent Company recognizes stock compensation expense over the holding period. The Parent Company treats its ESOWN plan as option exercisable within a given period. These are accounted for similar to the PFRS 2 options. Dividends paid on the awards that have vested are deducted from equity and those paid on awards that are unvested are charged to profit or loss. For the unsubscribed shares where the employees still have the option to subscribe in the future, these are accounted for as options.

32.15 Equity

When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non- controlling interests are adjusted and the fair value of the consideration paid shall be recognized directly in equity and included under "Equity reserves" account in the equity section of the statement of financial position (Note 16).

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Parent Company and no dividends are allocated to them respectively. 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 when the shares were issued and to retained earnings for the remaining balance.

32.16 Revenue from contract with customers

The Parent Company primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services. Except for the provisioning of water, electricity, air-conditioning and common use service area in its mall retail spaces, wherein it is acting as agent, the Parent Company has generally concluded that it is the principal in its revenue arrangements.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 31.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services. Except for the provisioning of water, electricity, air-conditioning and common use service area in its mall retail spaces, wherein it is acting as agent, the Parent Company has generally concluded that it is the principal in its revenue arrangements.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 31.

Real estate sales

The Parent Company derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Parent Company's performance does not create an asset with an alternative use and the Parent Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Parent Company uses the output method. The Parent Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as trade receivables under residential, commercial and office development receivables account. Any excess of collections over the total of recognized trade receivables is included in the customers' deposit account in the liabilities section of the parent company statement of financial position. The impact of the significant financing component on the transaction price has not been considered since the Parent Company availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry. Under the SEC Memorandum Circular No. 34, the relief has been extended until December 31, 2023

Rental income (part of real estate sales in the statement of income)

Rental income under non-cancellable and cancellable leases on investment properties is recognized in the statement of income on a straight-line basis over the lease term and the terms of the lease, respectively, and/or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. No rental income is recognized when the Parent Company waives its right to collect rent and other charges. This is recognized as a rent concession and reported as a variable payment (Note 3).

The contract for the commercial spaces leased out by the Parent Company to its tenants includes the right to charge for the electricity usage, water usage, air-conditioning charges and Common use service area (CUSA) charges such as maintenance, janitorial and security services.

For the electricity and water usage, the Parent Company determined that it is acting as an agent because the promise of the Parent Company to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Parent Company, are primarily responsible for the provisioning of the utilities while the Parent Company administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air-conditioning of the Buildings, the Parent Company acts as a principal because it retains the right to direct the service provider of air-conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Parent Company has the discretion on how to price the CUSA and air-conditioning charges.

Interest income is recognized as it accrues using the effective interest method.

Investment income is recognized when the Parent Company's right to receive the payment is established.

32.17 Cost recognition

The Parent Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance which are determined based on standard cost method. The standard cost method is revisited regularly and adjusted to approximate actual cost. Contract cost also includes warranties, provisions and post construction works. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Marketing fees, management fees from administration and property management are recognized as expense when services are incurred.

Construction costs (part of cost of real estate sales in the statement of income)

Contract costs, which is determined using the standard cost method, include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, warranties, post constructions works and final contract settlements which may result in revisions to estimated costs (e.g., standard cost to actual cost) and gross margins are recognized in the year in which the changes are determined.

Customers' deposit

Customers' deposit is a contract liability which is the obligation to transfer goods or services to a customer for which the Parent Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Parent Company transfers goods or services to the customer, a customers' deposit is recognized when the payment is made or the payment is due (whichever is earlier). Customers' deposit are recognized as revenue when the control of the goods or services are transferred to the customers by the Parent Company which is essentially fulfillment of its performance obligation under the contract.

Customers' deposit also include payments received by the Parent Company from the customers for which revenue recognition has not yet commenced.

32.18 Costs to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Parent Company expects to recover them. The Parent Company has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Real estate costs and expenses" account in the statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization, de-recognition and impairment of capitalized costs to obtain a contract

Following the pattern of real estate revenue recognition, the Parent Company amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion. The amortization is included within cost of sales.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Parent Company determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Parent Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Parent Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Parent Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price is removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

32.19 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 (included in “Investment properties” and “Property and equipment” accounts in the statement of financial position). All other borrowing costs are expensed in the period in which 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 Parent Company’s weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where 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.

The Parent Company capitalizes borrowing costs relating to its investment properties and property and equipment under construction. The interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted.

32.20 Leases

The Parent Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Parent Company as lessee

Except for short-term leases and leases of low-value assets, the Parent Company applies a single recognition and measurement approach for all leases. The Parent Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Parent Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of cost to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The Parent Company’s right-of-use assets include lease of land which is depreciated based on the term of the lease ranging from 5 to 47 years.

If ownership of the leased asset transfers to the Parent Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of nonfinancial assets section.

Lease liabilities

At the commencement date of the lease, the Parent Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Parent Company and payments of penalties for terminating the lease, if the lease term reflects the Parent Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Parent Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases

The Parent Company applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Parent Company as lessor

Leases where the Parent Company does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement, and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfilment is dependent on a specified asset; or
d. There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Parent Company as a lessor

Leases in which the Parent Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

32.21 Current tax

Current tax assets and liabilities for the current and prior periods 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 are enacted or substantively enacted as at the end of the reporting period.

32.22 Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, 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, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of MCIT over the regular corporate income tax and unused NOLCO, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

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 assets 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 all or part of the deferred tax assets to be recovered.

32.23 Foreign currency transactions

Each entity in the Parent Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The exchange differences arising on the translation are taken directly to a separate component of equity under “Cumulative translation adjustments” account. Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the statement of income.

Investments in foreign associates are translated to Philippine Peso using the closing exchange rate prevailing at reporting date. The Parent Company’s share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

32.24 Earnings per share (EPS)

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 adjusted for any subsequent stock dividends declared. 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. Calculation of dilutive EPS considers the potential ordinary shares of subsidiaries, associates and joint ventures that have dilutive effect on the basic EPS of the Parent Company. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

32.25 Segment reporting

The Parent Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 25 to the financial statements.

32.26 Contingencies

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

32.27 Events after the reporting period

Post year-end events that provide additional information about the Parent Company's position at the reporting date (adjusting events) are reflected in the Parent Company's financial statements. Post year-end events that are not adjusting events are disclosed in the Parent Company's financial statements when material.

33 Supplemental information required by the Bureau of Internal Revenue (BIR)

In compliance with the requirements set forth by Revenue Regulations No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

Value Added Tax (VAT)

The Parent Company is a VAT-registered entity with output VAT declaration as follows:

	Net sales/receipts	Output VAT paid
Taxable sales:		
Sale of goods	20,888,104,216	2,506,572,506
Leasing income	4,519,358,361	542,323,003
Others	6,465,362,395	775,843,487
Zero-rated sales	1,237,875,200	-
	33,110,700,172	3,824,738,996

The sale of goods is recorded under Land and residential sales account while leasing income is recorded under Rental income. The amount of Input VAT claimed is broken down as follows:

	Amount
Balance at beginning of year (net input VAT position)	423,080,193
Current year's purchases:	
Capital goods subject to amortization	14,459,737
Goods other than capital goods	113,802,468
Services lodged under other accounts	3,235,305,111
Total available input VAT	3,786,647,509
Less: Input tax on purchase of capital goods exceeding P1 million for the succeeding period	263,204,531
Total allowable input VAT	3,523,442,978
VAT payments for the year	301,296,019
Total	3,824,738,997
Output VAT during the year	(3,824,738,997)
Balance at the end of the year	-

Documentary Stamp Tax (DST)

The DST paid or accrued on the following transactions are:

Transaction	Amount	DST
Interest expense and other financing charges		
DST on loans	113,607,151,871	42,125,025
DST on Intercompany loan	20,078,961,458	30,099,378
DST on original issue of shares of stock	14,579,090	145,792
Shares of stock not traded in stock exchange	14,579,090	109,344
Direct operating expenses		
DST on leases and other hiring agreements	1,563,829,134	3,164,999
DST on transfer of real property	-	-
DST on sale of shares	71,404,000	535,530
Others	23,725,409	46,206
General and administrative expenses		
DST on leases and other hiring agreements	50,403,791	299,027
DST on original issue of all debt instrument	2,672,363,750	20,042,728
Capitalized DST		
DST on promissory note	30,000,000,000	225,000,000
Balance at the end of the year	168,096,997,593	321,568,029

Withholding Taxes

Details of withholding taxes in 2023 are as follows:

	Amount
Final withholding taxes	1,392,000,437
Expanded withholding taxes	967,074,787
Withholding taxes on compensation and benefits	367,554,914
Withholding VAT and other percentage taxes	1,909,922
Balance at end of year	2,728,540,060

Other Taxes and Licenses

The following are the taxes, licenses and permit fees in 2023, excluding DST:

	Direct operating expenses	General and administrative expenses	Total
Local			
Real property tax	697,064,206	249,356	697,313,562
License and permit fees	351,724,134	268,091	351,992,225
Inspection fees	3,193,751	21,668	3,215,419
Motor vehicle registration fees	-	976,560	976,560
Professional tax	2,220	59,391	61,611
Community tax	2,274	31,500	33,774
Others	32,293,466	26,679	32,320,145
	1,084,280,051	1,633,245	1,085,913,296
National			
Fringe benefits tax	-	21,609,123	21,609,123
Annual registration	1,500	2,000	3,500
	1,500	21,611,123	21,612,623
	1,084,281,551	23,244,368	1,107,525,919

Tax assessments and cases

The Parent Company has no deficiency tax assessments whether protested or not. The Parent Company has not been involved in any tax cases under preliminary investigation, litigation, and/or prosecution in courts or bodies outside the BIR as at December 31, 2023.

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Ground Floor. Secretariat Building, PICC
City Of Pasay, Metro Manila

COMPANY REG. NO. CS201956086

CERTIFICATE OF FILING OF AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

CENTRAL BLOC HOTEL VENTURES, INC.

doing business under the name and style of SEDA CENTRAL BLOC CEBU
(Formerly: CENTRAL BLOCK HOTEL VENTURES, INC.)
(Amending Article I thereof)

copy annexed, adopted on November 05, 2019 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 15 of the Revised Corporation Code of the Philippines, Republic Act No. 11232, which took effect on February 23, 2019, and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing/lending company and time shares/club shares/membership certificates issuers or selling agents thereof; nor to operate a fiat money to virtual currency exchange. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Pasay City, Metro Manila, Philippines, this 27th day of December, Twenty Nineteen.

DANIEL P. GABUYO
Assistant Director
SO Order 1188 Series of 2018

QA/qba

COVER SHEET

for Applications at

COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application

Amendment of Articles of Incorporation

SEC Registration Number

C S 2 0 1 9 5 6 0 8 6

CENTRAL BLOC HOTEL VENTURES, INC. (doing business under the name and styles of SEDA CENTRAL BLOC CEBU

Principal Office (No./Street/Barangay/City/Town/Province)

3RD FLOOR ALVEO CORPORATE CENTER, 728 28TH STREET, BONIFACIO GLOBAL CITY, TAGUIG

Company's Telephone Number/s

832-3595

Contact Person

Contact Person's Telephone Number

Contact Person's Address

To be accomplished by CRMD Personnel

		Date	Signature
Assigned Processor			
Document I.D.			
Recived by Corporate Filing and Records Division (CFRD)			

Forwarded to:

- [ ] Corporate and Partnership Registration Division
- [ ] Green Lane Unit
- [ ] Financial Analysis and Audit Divison
- [ ] Licensing Unit
- [ ] Compliance Monitoring Division

ARTICLES OF INCORPORATION

OF

CENTRAL BLOC HOTEL VENTURES, INC.
(doing business under the name and style of SEDA CENTRAL BLOC CEBU)
(formerly: CENTRAL BLOCK HOTEL VENTURES, INC.)
(As amended on 5 November 2019)

KNOW ALL MEN BY THESE PRESENTS THAT:

The undersigned incorporators, all of legal age, have voluntarily agreed to form a stock corporation under the laws of the Republic of the Philippines and certify the following:

FIRST. The name of said Corporation shall be -

CENTRAL BLOC HOTEL VENTURES, INC.

(doing business under the name and style of SEDA CENTRAL BLOC CEBU)

(formerly: CENTRAL BLOCK HOTEL VENTURES, INC.)

(As amended on 5 November 2019)

SECOND. The purposes for which the Corporation is formed are:

PRIMARY PURPOSE

To own, hold in ownership, manage, deal and engage in the general business of a hotel, apartment hotel, serviced residence, inn, resort, restaurant, café, bar, entertainment and other allied businesses and to the limit and extent permitted by law, to acquire and own, either by purchase, lease or other means of acquisition, lands, buildings, and other improvements necessary or required by its business and to use such lands, building and improvements thereto for the conduct and operation of the general nature of its business and object and all other matters incidental thereto.

SECONDARY PURPOSES

1. To the limit and extent permitted by law, to acquire, buy, own, hold, dispose of, exchange, lease, let, improve, develop, manage, administer and generally deal in, either as principal or agent and singly or in conjunction with others, land and real estate and any interest or real right over the same for hotel, resort, or otherwise; to build, construct, erect, acquire, enlarge, alter, improve or repair hotels, buildings, houses, structures, and all other kinds of constructions thereon; and in general to carry on a general hotel business and to do and perform all and any of the things, works and services which are necessary, convenient, incidental to or connected with the above business and the object of the Corporation.

2. To own and operate coaches, cabs, automobiles and garages exclusively for the use of its hotel business; to act as importers and brokers of foodstuffs and food products and domestic

writing and newspaper rooms, libraries, theaters, grounds and places of amusement, recreation, sport, entertainment, and instructions of all kinds, tobacco and cigar merchants; agents for airline, railway, and shipping companies and carriers, theatrical and opera box offices proprietors; entrepreneurs and general agents, and any other businesses which can be conveniently carried on in connection therewith;

3. To own, operate, manage, lease and conduct, either by itself, or as agents, hotels, motels, inns, lodging houses, accommodations for residence of any kind whatsoever; cafes, restaurants, bars, taverns, and refreshment rooms, theaters and pavilion halls for the accommodation of assemblies and lectures, musical, literary, social and other entertainments, scientific and other exhibitions, libraries, baths, pools, and other amusement enterprises and conveniences; laundries, dressing rooms, shops and business offices;

4. To purchase, sell, lease, make repairs to, and store coaches, cabs, automobiles, and other vehicles, their parts and accessories; and to buy, sell, own, lease and operate garages, service stations, repair shops, and to carry on all business incidental thereto;

5. To establish, maintain and operate for the use of its customers a bus route and routes for the conveyance wholly within the Philippines or persons and property; and to maintain and operate any such route or routes already established for likewise;

6. To forward parcels, packages, merchandise and goods of all descriptions between cities, towns, and other places in various parts of the world;

7. To advertise, exploit, promote and otherwise engage in public relations through radio, newspapers, movies and displays, pictures of other devides, in or about its premises, or elsewhere, and to adopt, employ or promote any and all expedients conducive to increasing patronage and improving the business of the Corporation;

8. To purchase, acquire, manage, and take over all or any parts of the business and property of any person, corporation, syndicate, or partnership, to pay for the same in property, cash, checks, bonds, debentures, or other obligations of the Corporation; and to undertake, assume, and guarantee the liabilities of any such person, corporation, syndicate, or partnership whose property or business may be taken over, or shares of whose capital stocks may be acquired and owned, by the Corporation, but only to the extent permitted by law;

9. Insofar as the same may now or hereafter be permitted by law, to amalgamate or unite with, to manage, or combine into this Corporation, any other corporation or association or business, wherever formed, for objects, similar, analogous or subsidiary to any of the objects of the Corporation, carrying on any business capable of being conducted so as to directly or indirectly benefit this Corporation; and to secure, hold, and deal in shares or interest therein;

10. To sell the undertakings of the Corporation or any part hereof for such consideration as the Corporation may deem fit, and in particular, for shares, debentures, or securities of any other corporation;

11. To the extent permitted by law, to acquire all or any part of the securities, goodwill, rights, property or assets of all kinds, and to undertake or assume the whole or any part of the obligations or liabilities of any corporation, association, partnership, syndicate entity, person or governmental, municipal or public authority, domestic or foreign, located in or organized under the laws of any authority in any part of the world; and to pay for the same in cash, stocks, bonds, debentures, or other securities of this, or any other corporation, or otherwise in any manner permitted by law; and to conduct in any lawful manner the whole or any part of any business so acquired;

12. To purchase or otherwise acquire, hold, sell, pledge, transfer or otherwise dispose of, and to reissue the shares of its own capital stock or any securities or other obligations of the Corporation in the manner and to the extent now or hereafter permitted by law;

13. To apply for, obtain, register, purchase, lease, or otherwise acquire, and to hold, use, pledge, lease, sell, assign, or otherwise dispose of formulas, secret processes, distinctive marks, improvements, processes, trade names, trademarks, copyrights, patents, licenses, concessions and the like, whether used in connection with or secured under letters patent of or issued by any country or authority; and to issue, exercise, develop and grant licenses in respect thereof or otherwise turn the same to an account;

14. Without in any particular limiting or restricting any of the objects and powers of the Corporation, to borrow money for no more than nineteen (19) lenders including stockholders, to issue bonds and other obligations, and shares of its capital stock in payment for the property purchased or acquired by it, or for any other lawful object in and about its business; to mortgage or pledge any stock, bonds, or other obligations, or any property which may be acquired by it; invest its surplus funds, either with or without security; to secure any bonds, guarantees or other obligations by it issued or incurred; to guarantee any dividends, or bonds or contracts, or other obligations; and in carrying on its business, or for the purpose of attaining or furthering any of its objects or purpose, to do any and all other things and exercise any and all other powers which a co-partnership or juridical person could do and exercise, or which now or hereafter may be authorized by law; and

15. To invest and/or deal with the money and properties of the Corporation in such manner as may from time to time be considered prudent or expedient for the advancement of its interest and to sell, dispose of or transfer the business, properties and goodwill of the Corporation or any part thereof for such consideration and under such terms as it shall deem fit to accept;

16. Without in any particular limiting the powers of the Corporation, to make, perform, and carry out contracts of every sort and kind with any person, firm or corporation, private, public or municipal or body politic, and with the Government of the Philippines or any foreign government; to have one or more branch offices in and out of the Philippines, and to conduct its business, and exercise its powers in any part of the Philippines, or in any other country, state or territory; and in carrying out its business, to do any and all acts and things, and to exercise and all powers which may be necessary or convenient to the accomplishment or furtherance of its business or which a juridical person could do and exercise and which now or hereafter may be authorized by law.

The foregoing clauses shall be construed both as objects and powers; and it is hereby expressly provided that the foregoing enumeration of specific powers shall not be held to limit or restrict in any manner the general powers of the Corporation.

THIRD. The place where the principal office of the Corporation is located at the 3rd Floor, Alveo Corporate Center, 728 28th Street, Bonifacio Global City, 1634 Taguig City, Metro Manila.

FOURTH. The Corporation shall have perpetual existence.

FIFTH. The names, nationalities and residence address of the incorporators of the Corporation are as follows:

Name	TIN	Nationality	Residence
Jose Emmanuel H. Jalandoni	[redacted]	Filipino	[redacted]
Michael Alexis C. Legaspi		Filipino	
Ruth Ofelia M. Cariño		Filipino	
Eileen Anne J. Escobido		Filipino	
Elaine Marie F. Alzona		Filipino	

SIXTH. The number of directors of the Corporation shall be five (5) and the names, nationalities and residence addresses of the first directors of the Corporation are as follows:

Name	TIN	Nationality	Residence
Jose Emmanuel H. Jalandoni	[redacted]	Filipino	[redacted]
Michael Alexis C. Legaspi		Filipino	
Ruth Ofelia M. Cariño		Filipino	
Eileen Anne J. Escobido		Filipino	
Elaine Marie F. Alzona		Filipino	

SEVENTH: The authorized capital stock of the Corporation is Pesos: One Hundred Ninety Million (Php190,000,000.00) in lawful money of the Philippines, divided into Thirty Eight Million (38,000,000.00) Common Shares, with a par value of Peso: One (Php1.00) per share or a total par value of Pesos: Thirty Eight Million (Php38,000,000.00) and One Hundred Fifty Two Million (152,000,000.00) Redeemable Preferred Shares with a par value of Peso: One (Php1.00) per share or a total par value of Pesos: One Hundred Fifty Two Million (Php152,000,000.00); provided that, the Redeemable Preferred Shares shall have the following features:

(a) They shall have voting rights;

(b) Redeemable Preferred Shares shall have priority over the Common Shares in the allocation of unrestricted earnings for the declaration of dividends (whether in the form of profits or in connection with liquidation) in such form as may be decided by the Board of Directors;

(c) They shall be entitled to receive out of the assets of the Corporation available for distribution to the stockholders, before any distribution of assets is made to holders of Common Shares, distributions in the amount of the issue value per outstanding Redeemable Preferred Share, plus declared and unpaid dividends as of the date of distribution; and

(d) They shall be redeemable at the option of the Corporation, provided that in no case shall the redemption price of the actual number of the Redeemable Preferred Share be less than the cost of such share as recorded in the books of the Corporation at the time of redemption, and once redeemed, may be reissued for a reasonable price fixed by the Board of Directors.

EIGHTH. The number of shares of the authorized capital stock above-stated has been subscribed as follows:

Name	Nationality	Type of Share	No. of Shares Subscribed	Amount Subscribed (in PhP)	Amount Paid (in PhP)
Central Block Developers, Inc. TIN No. 009-088-159	Filipino	Common	9,499,995	9,499,995.00	2,374,995.00
		Redeemable Preferred	38,000,000	38,000,000.00	9,500,000.00
Jose Emmanuel H. Jalandoni	Filipino	Common	1	1.00	1.00
Michael Alexis C. Legaspi	Filipino	Common	1	1.00	1.00
Ruth Ofelia M. Cariño	Filipino	Common	1	1.00	1.00
Eileen Anne J. Escobido	Filipino	Common	1	1.00	1.00
Elaine Marie F. Alzona	Filipino	Common	1	1.00	1.00
TOTAL		Common	9,500,000	9,500,000.00	2,375,000.00
		Redeemable Preferred	38,000,000	38,000,000.00	9,500,000.00
			47,500,000	47,500,000.00	11,875,000.00

NINTH. Ms. Elaine Marie F. Alzona has been elected by the subscribers as Treasurer of the Corporation to act as such until her successor is duly elected and qualified in accordance with the By-Laws, that as Treasurer, she has been authorized to receive in the name and for the benefit of the Corporation, all subscriptions, contributions, or donations paid or given by the subscribers, who certifies the information set forth in the Seventh and Eighth clauses above, and that the paid-up portion of the subscription in cash and/or property for the benefit and credit of the Corporation has been duly received.

TENTH. The incorporators undertake to change the name of the Corporation immediately upon receipt of the notice or directive from the Securities and Exchange Commission that another corporation, partnership or person has acquired a prior right to the use of such name or that the name has been declared not distinguishable from a name already registered or reserved for the use of another corporation, or that it is contrary to law, public morals, good custom or public policy.

ELEVENTH. No issuance or interest which would reduce the stock ownership of Filipino citizens to less than the required percentage of capital stock as provided by existing laws shall be allowed or permitted to be recorded in the proper books of the Corporation, and this restriction shall be indicated in all stock certificates of stock issued by the Corporation.

IN WITNESS WHEREOF, we have hereunto signed these Articles of Incorporation, this ________________ at Makati, Metro Manila, Philippines.

JOSE EMMANUEL H. JALANDONI
[redacted]

MICHAEL ALEXIS C. LEGASPI
[redacted]

RUTH OFELIA M. CARIÑO
[redacted]

EILEEN ANNE J. ESCOBIDO
[redacted]

ELAINE MARIE F. ALZONA
[redacted]

ELAINE MARIE F. ALZONA
Treasurer
[redacted]

Signed in the Presence of:

________________________ ________________________

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) SS.

I certify that on this date before me, a notary public duly authorized in the city named above to take acknowledgments, personally appeared:

NAME	COMPETENT EVIDENCE OF IDENTITY	DATE/PLACE ISSUED
Jose Emmanuel H. Jalandoni	[redacted]	
Michael Alexis C. Legaspi		
Ruth Ofelia M. Cariño		
Eileen Anne J. Escobido		
Elaine Marie F. Alzona		

who are personally known to me to be the same persons described in the foregoing instrument, who acknowledged before me that their respective signatures on the instrument were voluntarily affixed by them for the purposes stated therein, and who declared to me that they have executed the instrument as their free and voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date at the place hereinabove written.

Doc. No. 68;
Page No. 15;
Book No. V ;
Series of 2019.

RIZZA ANNE O. SY
Notary Public – Makati City
Appt. No. M-187 until December 31, 2020
Roll of Attorneys No. 64676
Lifetime IBP No. 019509 – 01/04/18 – Bulacan
PTR No.7341734ME – 01/08/10 – Makati City
MCLE Compliance No. VI – 0009493 – 06/20/2018
27th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

CENTRAL BLOCK HOTEL VENTURES, INC.
(Reg. No. CS201956086)

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI)S.S.

DIRECTORS' CERTIFICATE
OF AMENDMENT OF THE ARTICLES OF INCORPORATION AND BY-LAWS

WE, the undersigned, being a majority of the Board of Directors and the Corporate Secretary of **CENTRAL BLOCK HOTEL VENTURES, INC.** (the "Corporation"), do hereby certify that-

1. At the organizational meeting of the Board of Directors of the Corporation on 5 November 2019 in Makati City, a majority of the Board of Directors approved the amendment of the title on the first page and the First Article of the Articles of Incorporation, and the title on the first page of the By-Laws of the Corporation to change the spelling of the word "Block" to "Bloc" and add the phrase "doing business under the name and style of SEDA CENTRAL BLOC CEBU" to the Corporation's name.

2. At the special stockholders' meeting of the Corporation on 5 November 2019 at the 3rd Floor, Alveo Corporate Center, 728 28th Street, Bonifacio Global City, 1634 Taguig City, Metro Manila, stockholders owning at least two-thirds (2/3) of the outstanding capital stock approved the amendment of the First Article of the Articles of Incorporation and the title on the first page of the By-Laws of the Corporation to change the spelling of the word "Block" to "Bloc" and add the phrase "doing business under the name and style of SEDA CENTRAL BLOC CEBU" to the Corporation's name.

3. The Corporation has complied with all the requirements of Sections 15 and 47 of the Revised Corporation Code.

4. Attached herewith is a copy of the Articles of Incorporation and By-Laws of the Corporation as amended.

IN WITNESS WHEREOF, the parties have hereunto set their hands this NOV 29 2019 at Makati City, Philippines.

(Signature page follows)

JOSE EMMANUEL H. JALANDONI
Chairman
[redacted]

MICHAEL ALEXIS C. LEGASPI
[redacted]

ELAINE MARIE F. ALZONA
[redacted]

EILEEN ANNE J. ESCOBIDO
[redacted]

RUTH OFELIA M. CARIÑO
[redacted]

ATTESTED BY:

NIMFA AMBROSIA PEREZ-PARAS
Corporate Secretary
[redacted]

SUBSCRIBED AND SWORN to before me this NOV 29 2019 at Makati City, the affiants exhibiting to me their respective competent evidence of identity as mentioned below:

Name	TIN	Competent Evidence of Identity Type/No.	Date/Place Issued
Jose Emmanuel H. Jalandoni	[redacted]		
Michael Alexis C. Legaspi			
Ruth Ofelia M. Cariño			
Eileen Anne J. Escobido			
Elaine Marie F. Alzona			

Doc. No. 125;
Page No. 26;
Book No XV;
Series of 2019.

Notarial DST pursuant to Sec. 188 of the Tax Code affixed on Notary Public's copy.

MARIA PAULA G. ROMERO-BAUTISTA
NOTARY PUBLIC
ROLL NO. 58335
MAKATI CITY PHILS.

MARIA PAULA G. ROMERO-BAUTISTA
Notary Public – Makati City
Appt. No. 153 until December 31, 2019
Roll of Attorneys No. 58335
IBP No. 059414 – 01/09/19 – Makati City
PTR No. 7341730ME – 01/08/19 – Makati City
MCLE Compliance No. VI – 0009490 – 06/20/2018
27th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) ss.

SECRETARY'S CERTIFICATE

I, **NIMFA AMBROSIA L. PEREZ-PARAS,** of legal age and the duly elected Corporate Secretary of **CENTRAL BLOCK HOTEL VENTURES, INC.** (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of Philippines with principal office address at 3rd Floor, Alveo Corporate Center, 728 28th Street, Bonifacio Global City, 1634 Taguig City, Metro Manila, do hereby certify that to the best of my knowledge and based on the records of the Corporation, no action or proceeding has been filed or is pending before any Court involving an intra-corporate dispute and/or claim by any person or group against the Board of Directors, individual directors and/or major corporate officers of the Corporation in their capacity as such directors and officers of the Corporation.

IN WITNESS WHEREOF, I have signed this Certificate this NOV 14 2019 at Makati City.

NIMFA AMBROSIA L. PEREZ-PARAS
Corporate Secretary

SUBSCRIBED AND SWORN to before me this NOV 14 2019, at Makati City, affiant exhibiting to me as competent evidence of identity her Passport No. P9583334A issued on 16 November 2018 and expiring on 15 November 2028 issued by the Department of Foreign Affairs, Manila.

Doc. No. 489;
Page No. 99;
Book No. XIV;
Series of 2019.

Notarial DST pursuant to
Sec. 188 of the Tax Code
affixed on Notary Public's copy.

MARIA PAULA G. ROMERO-BAUTISTA
NOTARY PUBLIC
ROLL NO. 58335
MAKATI CITY, PHILS.

MARIA PAULA G. ROMERO-BAUTISTA
Notary Public – Makati City
Appt. No. 153 until December 31, 2019
Roll of Attorneys No. 58335
IBP No. 059414 – 01/09/19 – Makati City
PTR No. 7341730ME – 01/08/19 – Makati City
MCLE Compliance No. VI – 0009490 –06/20/2018
27th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

SECURITIES AND EXCHANGE COMMISSION
THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph

The following document has been received:

Receiving: Anthonio Kwong
Receipt Date and Time: July 19, 2024 03:40:43 PM

Company Information

SEC Registration No.: CS201956086
Company Name: Central Bloc Hotel Ventures, Inc. doing business under the name and style of SEDA CENTRAL BLOC CEBU
Industry Classification: I55102
Company Type: Stock Corporation

Document Information

Document ID: OST10719202482823284
Document Type: GENERAL_INFORMATION_SHEET
Document Code: GIS
Period Covered: June 21, 2024
Submission Type: Annual Meeting
Remarks: None

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

GENERAL INFORMATION SHEET (GIS)

FOR THE YEAR 2024

STOCK CORPORATION

GENERAL INSTRUCTIONS:

1. FOR USER CORPORATION: THIS GIS SHOULD BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS FROM THE DATE OF THE ANNUAL STOCKHOLDERS' MEETING. **DO NOT LEAVE ANY ITEM BLANK.** WRITE "N.A." IF THE INFORMATION REQUIRED IS NOT APPLICABLE TO THE CORPORATION OR "NONE" IF THE INFORMATION IS NON-EXISTENT. IF THE ANNUAL STOCKHOLDERS' MEETING IS HELD ON A DATE OTHER THAN THAT STATED IN THE BY-LAWS, THE GIS SHALL BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS AFTER THE ELECTION OF THE DIRECTORS, TRUSTEES AND OFFICERS OF THE CORPORATION AT THE ANNUAL MEMBERS' MEETING.
2. IF NO MEETING IS HELD, THE CORPORATION SHALL SUBMIT THE GIS NOT LATER THAN JANUARY 30 OF THE FOLLOWING YEAR. HOWEVER, SHOULD AN ANNUAL STOCKHOLDERS' MEETING BE HELD THEREAFTER, A NEW GIS SHALL BE SUBMITTED/FILED.
3. THIS GIS SHALL BE ACCOMPLISHED IN ENGLISH AND CERTIFIED AND SWORN TO BY THE **CORPORATE SECRETARY** OF THE CORPORATION.
4. THE SEC SHOULD BE TIMELY APPRISED OF RELEVANT CHANGES IN THE SUBMITTED INFORMATION AS THEY ARISE. FOR CHANGES RESULTING FROM ACTIONS THAT AROSE BETWEEN THE ANNUAL MEETINGS, THE CORPORATION SHALL SUBMIT AMENDED GIS CONTAINING THE NEW INFORMATION TOGETHER WITH A COVER LETTER SIGNED BY THE CORPORATE SECRETARY OF THE CORPORATION. THE AMENDED GIS AND COVER LETTER SHALL BE SUBMITTED WITHIN SEVEN (7) DAYS AFTER SUCH CHANGE OCCURED OR BECAME EFFECTIVE.
5. SUBMIT FOUR (4) COPIES OF THE GIS TO THE RECEIVING SECTION AT THE SEC MAIN OFFICE, OR TO SEC SATELLITE OFFICES OR EXTENSION OFFICES. ALL COPIES SHALL UNIFORMLY BE ON A4 OR LETTER-SIZED PAPER. THE PAGES OF ALL COPIES SHALL USE ONLY ONE SIDE
6. **ONLY THE GIS ACCOMPLISHED IN ACCORDANCE WITH THESE INSTRUCTIONS SHALL BE CONSIDERED AS HAVING BEEN FILED.**
7. THIS GIS MAY BE USED AS EVIDENCE AGAINST THE CORPORATION AND ITS RESPONSIBLE DIRECTORS/OFFICERS FOR ANY VIOLATION OF EXISTING LAWS, RULES AND REGULATIONS

=============================== **PLEASE PRINT LEGIBLY** ====================================

CORPORATE NAME: CENTRAL BLOC HOTEL VENTURES, INC. (Formerly: Central Block Hotel Ventures, Inc.)	**DATE REGISTERED:** OCTOBER 28, 2019
BUSINESS/TRADE NAME: SEDA CENTRAL BLOC CEBU	**FISCAL YEAR END:** December 31
SEC REGISTRATION NUMBER: CS201956086	
DATE OF ANNUAL MEETING PER BY-LAWS: 23RD DAY OF JULY OF EACH YEAR	**CORPORATE TAX IDENTIFICATION NUMBER (TIN)** 759-502-326-000
ACTUAL DATE OF ANNUAL MEETING: JUNE 21, 2024	**WEBSITE/URL ADDRESS:** N.A.
COMPLETE PRINCIPAL OFFICE ADDRESS: 3F WEST TOWER, SEDA BGC, 30TH STREET CORNER 11TH AVENUE, BONIFACIO GLOBAL CITY, 1634, TAGUIG CITY, METRO MANILA	**E-MAIL ADDRESS:** N.A.
COMPLETE BUSINESS ADDRESS: V. PADRIGA ST., CEBU IT PARK, BRGY. APAS, CEBU CITY	**FAX NUMBER:** N.A.

OFFICIAL E-MAIL ADDRESS	ALTERNATE E-MAIL ADDRESS	OFFICIAL MOBILE NUMBER	ALTERNATE MOBILE NUMBER
corporateservices@aglegal.com.ph	villaruel.phearl@ayalaland.com.ph	0905-465-4259	0917-582-4029

NAME OF EXTERNAL AUDITOR & ITS SIGNING PARTNER:		SEC ACCREDITATION NUMBER (if applicable):	TELEPHONE NUMBER(S):
PWC ISLA LIPANA & CO. (ISLA LIPANA)	CATHERINE H. SANTOS	N.A.	7908-3994

PRIMARY PURPOSE/ACTIVITY/INDUSTRY PRESENTLY ENGAGED IN:	INDUSTRY CLASSIFICATION:	GEOGRAPHICAL CODE:
Please see Annex "A"	HOTEL & RESTAURANT	N.A.

============================== **INTERCOMPANY AFFILIATIONS** ======================================

PARENT COMPANY	SEC REGISTRATION NO.	ADDRESS
AYALA LAND, INC.	152747	31/F TOWER ONE AND EXCHANGE PLAZA, AYALA TRIANGLE, AYALA AVENUE, MAKATI CITY
SUBSIDIARY/AFFILIATE	**SEC REGISTRATION NO.**	**ADDRESS**
N.A.		

NOTE: USE ADDITIONAL SHEET IF NECESSARY

GENERAL INFORMATION SHEET (GIS)

STOCK CORPORATION

=============================== **PLEASE PRINT LEGIBLY** ===============================

Corporate Name: **CENTRAL BLOC HOTEL VENTURES, INC. (Formerly: Central Block Hotel Ventures, Inc.)**

A. Is the Corporation a covered person under the Anti Money Laundering Act (AMLA), as amended? (Rep. Acts. 9160/9164/10167/10365) ○ Yes ◉ No

Please check the appropriate box:

1.

- ☐ a. Banks
- ☐ b. Offshore Banking Units
- ☐ c. Quasi-Banks
- ☐ d. Trust Entities
- ☐ e. Non-Stock Savings and Loan Associations
- ☐ f. Pawnshops
- ☐ g. Foreign Exchage Dealers
- ☐ h. Money Changers
- ☐ i. Remittance Agents
- ☐ j. Electronic Money Issuers
- ☐ k. Financial Institutions which Under Special Laws are subject to Bangko Sentral ng Pilipinas' (BSP) supervision and/or regulation, including their subsidiaries and affiliates.

2.

- ☐ a. Insurance Companies
- ☐ b. Insurance Agents
- ☐ c. Insurance Brokers
- ☐ d. Professional Reinsurers
- ☐ e. Reinsurance Brokers
- ☐ f. Holding Companies
- ☐ g. Holding Company Systems
- ☐ h. Pre-need Companies
- ☐ i. Mutual Benefit Association
- ☐ j. All Other Persons and entities supervised and/or regulated by the Insurance Commission (IC)

3.

- ☐ a. Securities Dealers
- ☐ b. Securities Brokers
- ☐ c. Securities Salesman
- ☐ d. Investment Houses
- ☐ e. Investment Agents and Consultants
- ☐ f. Trading Advisors
- ☐ g. Other entities managing Securities or rendering similar services
- ☐ h. Mutual Funds or Open-end Investment Companies
- ☐ i. Close-end Investment Companies
- ☐ j. Common Trust Funds or Issuers and other similar entities
- ☐ k. Transfer Companies and other similar entities
- ☐ l. Other entities administering or otherwise dealing in currency, commodities or financial derivatives based there on
- ☐ m. Entities administering of otherwise dealing in valuable objects
- ☐ n. Entities administering or otherwise dealing in cash Substitutes and other similar monetary instruments or property supervised and/or regulated by the Securities and Exchange Commission (SEC)

4. ☐ Jewelry dealers in precious metals, who, as a business, trade in precious metals

5 ☐ Jewelry dealers in precious stones, who, as a business, trade in precious stone

6. Company service providers which, as a business, provide any of the following services to third parties:

- ☐ a. acting as a formation agent of juridical persons
- ☐ b. acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons
- ☐ c. providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement
- ☐ d. acting as (or arranging for another person to act as) a nominee shareholder for another person

7. Persons who provide any of the following services:

- ☐ a. managing of client money, securities or other assets
- ☐ b. management of bank, savings or securities accounts
- ☐ c. organization of contributions for the creation, operation or management of companies
- ☐ d. creation, operation or management of juridical persons or arrangements, and buying and selling business entities

8. ☑ None of the above

Describe nature of business: HOTEL & RESTAURANT

B. Has the Corporation complied with the requirements on Customer Due Diligence (CDD) or Know Your Customer (KYC), record-keeping, and submission of reports under the AMLA, as amended, since the last filing of its GIS? ○ Yes ◉ No

GENERAL INFORMATION SHEET (GIS)

STOCK CORPORATION

================================ PLEASE PRINT LEGIBLY ================================

CORPORATE NAME: CENTRAL BLOC HOTEL VENTURES, INC. (Formerly: Central Block Hotel Ventures, Inc.)

CAPITAL STRUCTURE

AUTHORIZED CAPITAL STOCK

	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP) (No. of shares X Par/Stated Value)
	COMMON	38,000,000	1.00	38,000,000.00
	REDEEMABLE PREFERRED SHARES***	152,000,000	1.00	152,000,000.00
	TOTAL	**190,000,000**	**TOTAL P**	**190,000,000.00**

SUBSCRIBED CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	6	COMMON	9,500,000	N.A.	1.00	9,500,000.00	20%
	1	REDEEMABLE PREFERRED SHARES	38,000,000	N.A.	1.00	38,000,000.00	80%
		TOTAL	**47,500,000**	**TOTAL**	**TOTAL P**	**47,500,000.00**	**100%**

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
N.A.							
Percentage of Foreign Equity :	0%	**TOTAL**	**0**	**TOTAL**	**TOTAL P**	**0.00**	**0%**
					TOTAL SUBSCRIBED P	**47,500,000.00**	**100%**

PAID-UP CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	6	COMMON	9,500,000	1.00	9,500,000.00	20%
	1	REDEEMABLE PREFERRED SHARES	38,000,000	1.00	38,000,000.00	80%
		TOTAL	**47,500,000**	**TOTAL P**	**47,500,000.00**	**100%**

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
N.A.						
		TOTAL	**0**	**TOTAL P**	**0.00**	**0%**
				TOTAL PAID-UP P	**47,500,000.00**	**100%**
				ADDITIONAL PAID UP CAPITAL P	-	
				TOTAL CAPITALIZATION P	**47,500,000.00**	

NOTE: USE ADDITIONAL SHEET IF NECESSARY

* Common, Preferred or other classification

** Other than Directors, Officers, Shareholders owning 10% of outstanding shares.

*** With voting rights.

GENERAL INFORMATION SHEET (GIS)

STOCK CORPORATION

=================================== **PLEASE PRINT LEGIBLY** ===================================

CORPORATE NAME: **CENTRAL BLOC HOTEL VENTURES, INC. (Formerly: Central Block Hotel Ventures, Inc.)**

D I R E C T O R S / O F F I C E R S

NAME/CURRENT RESIDENTIAL ADDRESS	NATIONALITY	INC'R	BOARD	GENDER	STOCK HOLDER	OFFICER	EXEC. COMM.	TAX IDENTIFICATION NUMBER
1. MA. LUISA D. CHIONG [redacted]	FILIPINO	N	C	F	Y	CHAIRMAN	N.A.	[redacted]
2. GEORGE ISRAEL C. AQUINO [redacted]	FILIPINO	N	M	M	Y	PRESIDENT & CHIEF EXECUTIVE OFFICER	N.A.	
3. ISABEL D. SAGUN [redacted]	FILIPINO	N	M	F	Y	N.A.	N.A.	
4. ELAINE MARIE F. ALZONA [redacted]	FILIPINO	N	M	F	Y	TREASURER, CHIEF FINANCE OFFICER & COMPLIANCE OFFICER	N.A.	
5. REMEDIOS R. AGANON [redacted]	FILIPINO	N	M	F	Y	N.A.	N.A.	
6. MARIA PAULA G. ROMERO-BAUTISTA [redacted]	FILIPINO	N	-	F	N	CORPORATE SECRETARY	N.A.	
7. JUDY ALICE U. REPOL-GUILLEMOT [redacted]	FILIPINO	N	-	F	N	ASSISTANT CORPORATE SECRETARY	N.A.	
8. ROSCOE M. PINEDA [redacted]	FILIPINO	N	-	M	N	DATA PROTECTION OFFICER	N.A.	
9. - NOTHING FOLLOWS-								
10.								
11.								
12.								
13.								

INSTRUCTION:

FOR SEX COLUMN, PUT "F" FOR FEMALE, "M" FOR MALE.
FOR BOARD COLUMN, PUT "C" FOR CHAIRMAN, "M" FOR MEMBER, "I" FOR INDEPENDENT DIRECTOR.
FOR INC'R COLUMN, PUT "Y" IF AN INCORPORATOR, "N" IF NOT.
FOR STOCKHOLDER COLUMN, PUT "Y" IF A STOCKHOLDER, "N" IF NOT.
FOR OFFICER COLUMN, INDICATE PARTICULAR POSITION IF AN OFFICER, FROM VP UP INCLUDING THE POSITION OF THE TREASURER, SECRETARY, COMPLIANCE OFFICER AND/OR ASSOCIATED PERSON.
FOR EXECUTIVE COMMITTEE, INDICATE "C" IF MEMBER OF THE COMPENSATION COMMITTEE; "A" FOR AUDIT COMMITTEE; "N" FOR NOMINATION AND ELECTION COMMITTEE. ADDITIONALLY WRITE "C" AFTER SLASH IF CHAIRMAN AND "M" IF MEMBER.

GENERAL INFORMATION SHEET (GIS)

STOCK CORPORATION

== **PLEASE PRINT LEGIBLY** ==

CORPORATE NAME:	**CENTRAL BLOC HOTEL VENTURES, INC. (Formerly: Central Block Hotel Ventures, Inc.)**
TOTAL NUMBER OF STOCKHOLDERS: 6	**NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:** 1
TOTAL ASSETS BASED ON LATEST AUDITED FINANCIAL STATEMENTS:	PhP 498,882,493.00

STOCKHOLDER'S INFORMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	**SHARES SUBSCRIBED**				**AMOUNT PAID (PhP)**	**TAX IDENTIFICATION NUMBER**
	TYPE	**NUMBER**	**AMOUNT (PhP)**	**% OF OWNERSHIP**		
1 AYALA LAND, INC.	COMMON	9,499,995	9,499,995.00	100.00%	47,499,995.00	000-153-790-000
FILIPINO	REDEEMABLE PREFERRED	38,000,000	38,000,000.00			
31F, TOWER ONE AND EXCHANGE PLAZA, AYALA AVENUE, MAKATI CITY						
	TOTAL	**47,499,995**	**47,499,995.00**			
2. MA. LUISA D. CHIONG	COMMON	1	1.00	0.00%	1.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
3. GEORGE ISRAEL C. AQUINO	COMMON	1	1.00	0.00%	1.00	
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
4. ISABEL D. SAGUN	COMMON	1	1.00	0.00%	1.00	
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
5. ELAINE MARIE F. ALZONA	COMMON	1	1.00	0.00%	1.00	
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
6. REMEDIOS R. AGANON	COMMON	1	1.00	0.00%	1.00	
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
7. - NOTHING FOLLOWS-				0.00%		
TOTAL AMOUNT OF SUBSCRIBED CAPITAL			47,500,000.00	**100.00%**	**47,500,000.00**	
			TOTAL AMOUNT OF PAID-UP CAPITAL			
			ADDITIONAL PAID-IN CAPITAL		**-**	
			TOTAL CAPITALIZATION		**47,500,000.00**	

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.

GENERAL INFORMATION SHEET (GIS)

STOCK CORPORATION

=================================== **PLEASE PRINT LEGIBLY** ==================================

CORPORATE NAME:	**CENTRAL BLOC HOTEL VENTURES, INC. (Formerly: Central Block Hotel Ventures, Inc.)**		
TOTAL NUMBER OF STOCKHOLDERS:	6	**NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:**	**1**
TOTAL ASSETS BASED ON LATEST AUDITED FS:	PhP 498,882,493.00		

STOCKHOLDER'S INFORMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	**SHARES SUBSCRIBED**				**AMOUNT PAID (PhP)**	**TAX IDENTIFCATION NUMBER**
	TYPE	**NUMBER**	**AMOUNT (PhP)**	**% OF OWNER-SHIP**		
8. N.A.				0.00%		
9.				0.00%		
10.				0.00%		
11.				0.00%		
12.				0.00%		
13.				0.00%		
14.				0.00%		
TOTAL AMOUNT OF SUBSCRIBED CAPITAL			47,500,000.00	**100.00%**		
				TOTAL AMOUNT OF PAID-UP CAPITAL	**47,500,000.00**	
				ADDITIONAL PAID-IN CAPITAL	**-**	
				TOTAL CAPITALIZATION	**47,500,000.00**	

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: ***For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.***

GENERAL INFORMATION SHEET (GIS)

STOCK CORPORATION

=================================== **PLEASE PRINT LEGIBLY** =================================

CORPORATE NAME:	**CENTRAL BLOC HOTEL VENTURES, INC. (Formerly: Central Block Hotel Ventures, Inc.)**		
TOTAL NUMBER OF STOCKHOLDERS:	6	**NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:**	1
TOTAL ASSETS BASED ON LATEST AUDITED FS:	PhP 498,882,493.00		

STOCKHOLDER'S INFORMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	**SHARES SUBSCRIBED**				**AMOUNT PAID (PhP)**	**TAX IDENTIFCATION NUMBER**
	TYPE	**NUMBER**	**AMOUNT (PhP)**	**% OF OWNER-SHIP**		
15. N.A.				0.00%		
16.				0.00%		
17.				0.00%		
18.				0.00%		
19.				0.00%		
20.				0.00%		
21.				0.00%		
TOTAL AMOUNT OF SUBSCRIBED CAPITAL			47,500,000.00	**100%**		
TOTAL AMOUNT OF PAID-UP CAPITAL					**47,500,000.00**	
ADDITIONAL PAID-IN CAPITAL					**-**	
TOTAL CAPITALIZATION					**47,500,000.00**	

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: ***For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.***

GENERAL INFORMATION SHEET (GIS)

STOCK CORPORATION

=================================== **PLEASE PRINT LEGIBLY** ===================================

CORPORATE NAME: **CENTRAL BLOC HOTEL VENTURES, INC. (Formerly: Central Block Hotel Ventures, Inc.)**

1. INVESTMENT OF CORPORATE FUNDS IN ANOTHER CORPORATION	AMOUNT (PhP)	DATE OF BOARD RESOLUTION
1.1 STOCKS	N.A.	N.A.
1.2 BONDS/COMMERCIAL PAPER (Issued by Private Corporations)	N.A.	N.A.
1.3 LOANS/ CREDITS/ ADVANCES	N.A.	N.A.
1.4 GOVERNMENT TREASURY BILLS	N.A.	N.A.
1.5 OTHERS	N.A.	N.A.

2. INVESTMENT OF CORPORATE FUNDS IN ACTIVITIES UNDER ITS SECONDARY PURPOSES (PLEASE SPECIFY:)	DATE OF BOARD RESOLUTION	DATE OF STOCKHOLDERS RATIFICATION
N.A.		

3. TREASURY SHARES	NO. OF SHARES	% AS TO THE TOTAL NO. OF SHARES ISSUED
	N.A.	N.A.

4. **UNRESTRICTED/UNAPPROPRIATED RETAINED EARNINGS AS OF END OF LAST FISCAL YEAR:** **PhP 37,515,330.00**

5. **DIVIDENDS DECLARED DURING THE IMMEDIATELY PRECEDING YEAR:** **N.A.**

TYPE OF DIVIDEND	AMOUNT (PhP)	DATE DECLARED
5.1 CASH		
5.2 STOCK		
5.3 PROPERTY		
TOTAL		

6. **ADDITIONAL SHARES ISSUED DURING THE PERIOD:** **N.A.**

DATE	NO. OF SHARES	AMOUNT

SECONDARY LICENSE/REGISTRATION WITH SEC AND OTHER GOV'T AGENCY:

NAME OF AGENCY:	SEC	B S P	IC
TYPE OF LICENSE/REGN.	N.A.	N.A.	N.A.
DATE ISSUED:			
DATE STARTED OPERATIONS:			

TOTAL ANNUAL COMPENSATION OF DIRECTORS DURING THE PRECEDING FISCAL YEAR (in PhP)	TOTAL NO. OF OFFICERS	TOTAL NO. OF RANK & FILE EMPLOYEES	TOTAL MANPOWER COMPLEMENT*
N.A.	18	36	118

NOTE: USE ADDITIONAL SHEET IF NECESSARY

**Manpower complement is composed of service providers engaged by the Company.*

I, MARIA PAULA G. ROMERO-BAUTISTA, Corporate Secretary of CENTRAL BLOC HOTEL VENTURES, INC. declare under penalty of perjury that all matters set forth have been made in good faith, duly verified by me and to the best of my knowledge and belief are true and correct.

I hereby attest that all the information in this GIS are being submitted in compliance with the rules and regulations of the Securities and Exchange Commission (SEC) the collection, processing, storage and sharing of said information being necessary to carry out the functions of public authority for the performance of the constitutionally and statutorily mandated functions of the SEC as a regulatory agency.

I further attest that I have been authorized by the Board of Directors/Trustees to file this GIS with the SEC.

I understand that the Commission may place the corporation under delinquent status for failure to submit the reportorial requirements three (3) times, consecutively or intermittently, within a period of five (5) years (*Section 177, RA No. 11232*).

Done this JUL 18 2024 in Makati City.

MARIA PAULA G. ROMERO-BAUTISTA
Corporate Secretary

SUBSCRIBED AND SWORN TO before me in Makati City on JUL 18 2024 by affiant who personally appeared before me and exhibited to me her competent evidence of identity consisting of Passport ID No. P7427296A issued on June 4, 2018 at Department of Foreign Affairs, Manila.

DOC NO.: 36 ;
PAGE NO.: 9 ;
BOOK NO.: 11 ;
SERIES OF 2024.
Notarial DST pursuant to Sec. 61 of the TRAIN Act (amending Sec. 188 of the NIRC affixed on Notary Public's copy.

TRIXIE CARMELA J. GONZALES NOTARY PUBLIC ROLL NO. 74043 MAKATI CITY, PHILIPPINES

TRIXIE CARMELA J. GONZALES
Notary Public - Makati City
Appt. No. M-025 until December 31, 2025
Roll of Attorneys No. 74043
IBP No. 385175 - 01/02/2024 - Manila IV
PTR No. MKT10074003MN - 01/02/2024 - Makati City
MCLE Compliance No. VII-0005431 - 12/10/2021
27th Floor, Tower One and Exchange Plaza,
Ayala Triangle, Ayala Avenue,
Makati City, Philippines

ANNEX "A"

CENTRAL BLOC HOTEL VENTURES, INC. (Formerly: Central Block Hotel Ventures, Inc.)
Primary Purpose

TO OWN, HOLD IN OWNERSHIP, MANAGE, DEAL AND ENGAGE IN THE GENERAL BUSINESS OF A HOTEL, APARTMENT HOTEL, INN, RESORT, RESTAURANT, CAFE, BAR, ENTERTAINMENT AND OTHER ALLIED BUSINESSES AND, TO THE LIMIT AND EXTENT PERMITTED BY LAW, TO ACQUIRE AND OWN, EITHER BY PURCHASE, LEASE OR OTHER MEANS OF ACQUISITION, LANDS, BUILDINGS, AND OTHER IMPROVEMENTS NECESSARY OR REQUIRED ITS BUSINESS AND TO USE SUCH LANDS, BUILDING AND IMPROVEMENTS THERETO FOR THE CONDUCT AND OPERATON OF THE GENERAL NATURE OF ITS BUSINESS AND OBJECT AND ALL OTHER MATTERES INCIDENTAL THERETO. *****00000*****

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 9 5 6 0 8 6

COMPANY NAME

CENTRAL BLOC HOTEL VENTURES, INC. DOING BUSINESS UNDER THE NAME AND STYLE OF SEDA CENTRAL BLOC CEBU

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

3rd Floor, Alveo Corporate Center, 728 28th Street, Bonifacio Global City, 1634 Taguig City, Metro Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
alzona.elaine@ayalaland.com.ph	(02) 85885770	09175696398

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6	23rd day of July	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Elaine F. Alzona	alzona.elaine@ayalaland.com.ph	(02) 85885770	09175696398

CONTACT PERSON's ADDRESS

3rd Floor, Alveo Corporate Center, 728 28th Street, Bonifacio Global City, 1634 Taguig City, Metro Manila

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

2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or*

CB HVI CENTRAL BLOC HOTEL VENTURES, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **CENTRAL BLOC HOTEL VENTURES, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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

Jose Emmanuel H. Jalandoni
Chairman of the Board

Javier D. Hernandez
Chief Executive Officer/President

Pearl Zennylane V. Raz
Chief Financial Officer/Treasurer

Signed this **29th** day of **April 2022**

SGV
Building a better
working world

SyCip Gorres Velayo & Co.
8th Floor JEG Tower @ One Acacia
Acacia Street corner Archbishop Reyes Avenue
Brgy. Kamputhaw, Cebu City 6000
Philippines

Tel: (032) 266 2947
Fax: (032) 266 2313
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Central Bloc Hotel Ventures, Inc.
doing business under the name and style of Seda Central Bloc Cebu
3rd Floor, Alveo Corporate Center
728 28th Street, Bonifacio Global City
1634 Taguig City, Metro Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Central Bloc Hotel Ventures, Inc. doing business under the name and style of Seda Central Bloc Cebu (the Company), a wholly owned subsidiary of Ayala Land, Inc., which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 20 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Central Bloc Hotel Ventures, Inc. doing business under the name and style of Seda Central Bloc Cebu. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Margem A. Tagalog
Margem A. Tagalog
Partner
CPA Certificate No. 0098098
Tax Identification No. 206-544-506
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 98098-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-138-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8854370, January 3, 2022, Makati City

April 29, 2022

CENTRAL BLOC HOTEL VENTURES, INC.
DOING BUSINESS UNDER THE NAME AND STYLE OF SEDA CENTRAL BLOC CEBU
(A Wholly Owned Subsidiary of Ayala Land, Inc.)
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash (Note 5)	**₱39,604,166**	₱40,973,107
Receivables (Note 6)	**21,153,518**	5,989,481
Due from related parties (Note 11)	**17,736,863**	16,227,660
Inventories (Note 7)	**2,374,236**	444,996
Total Current Assets	**80,868,783**	63,635,244
Noncurrent Assets		
Hotel property and equipment (Note 8)	**3,491,247**	3,602,242
Deferred income tax assets - net (Note 15)	**180,037**	125,694
Other noncurrent assets (Note 9)	**18,639,184**	17,768,702
Total Noncurrent Assets	**22,310,468**	21,496,638
	₱103,179,251	₱85,131,882
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 10)	**₱40,917,390**	₱33,579,854
Due to related parties (Note 11)	**3,185,191**	645,223
Income tax payable	**1,534,241**	357,001
Total Current Liabilities	**45,636,822**	34,582,078
Noncurrent Liability		
Pension liability (Note 16)	**720,158**	418,981
Total Liabilities	**46,356,980**	35,001,059
Equity (Note 12)		
Capital stock	**47,500,000**	47,500,000
Retained earnings	**9,210,877**	2,630,823
Remeasurement gain on pension liability (Note 16)	**111,394**	–
Total Equity	**56,822,271**	50,130,823
	₱103,179,251	₱85,131,882

See accompanying Notes to Financial Statements.

CENTRAL BLOC HOTEL VENTURES, INC.
DOING BUSINESS UNDER THE NAME AND STYLE OF SEDA CENTRAL BLOC CEBU
(A Wholly Owned Subsidiary of Ayala Land, Inc.)
STATEMENTS OF INCOME

	Years Ended December 31	
	2021	2020
REVENUE		
Rooms	**₱70,752,499**	₱65,800,111
Food and beverage	**31,239,145**	7,532,803
Other operating departments	**160,643**	195,156
	102,152,287	73,528,070
COST OF SALES AND SERVICES		
Food and beverage	**21,478,114**	5,246,176
Rooms	**9,191,562**	6,618,511
Management fee (Notes 11 and 17)	**8,047,528**	6,557,054
Depreciation and amortization (Notes 8 and 9)	**4,218,651**	1,897,072
Property operations and maintenance	**4,091,587**	3,365,125
Security service	**2,694,794**	2,127,945
	49,722,236	25,811,883
GROSS OPERATING INCOME	**52,430,051**	47,716,187
OPERATING EXPENSES		
Energy cost	**20,200,376**	15,789,794
General and administrative (Note 13)	**8,365,667**	7,984,374
Information and telecommunication systems	**7,408,362**	6,415,578
Taxes and licenses	**5,214,956**	11,074,839
Sales and marketing (Note 14)	**1,465,954**	1,886,872
Insurance expense	**600,000**	550,000
Pension expense (Note 16)	**449,703**	418,981
	43,705,018	44,120,438
OTHER INCOME		
Interest income (Notes 5 and 11)	**45,556**	135,810
Other income	**26,610**	7,357
	72,166	143,167
INCOME BEFORE INCOME TAX	**8,797,199**	3,738,916
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 15)		
Current	**2,308,620**	1,233,787
Deferred	**(91,475)**	(125,694)
	2,217,145	1,108,093
NET INCOME	**₱6,580,054**	₱2,630,823

BUREAU OF INTERNAL REVENUE
RECEIVED
21 MAY 2022

See accompanying Notes to Financial Statements.

CENTRAL BLOC HOTEL VENTURES, INC.
DOING BUSINESS UNDER THE NAME AND STYLE OF SEDA CENTRAL BLOC CEBU
(A Wholly Owned Subsidiary of Ayala Land, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
NET INCOME	**₱6,580,054**	₱2,630,823
OTHER COMPREHENSIVE INCOME		
Remeasurement gain on pension liability (Note 16)	**148,526**	–
Income tax effect	**(37,132)**	–
	111,394	–
TOTAL COMPREHENSIVE INCOME	**₱6,691,448**	₱2,630,823

See accompanying Notes to Financial Statements.

CENTRAL BLOC HOTEL VENTURES, INC.
DOING BUSINESS UNDER THE NAME AND STYLE OF SEDA CENTRAL BLOC CEBU
(A Wholly Owned Subsidiary of Ayala Land, Inc.)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Capital Stock (Note 12)	Retained Earnings	Remeasurement Gain on Pension Liability (Note 16)	Total
Balances as of January 1, 2021	**₱47,500,000**	**₱2,630,823**	**₱–**	**₱50,130,823**
Net income for the year	**–**	**6,580,054**	**–**	**6,580,054**
Other comprehensive income	**–**	**–**	**111,394**	**111,394**
Balances as of December 31, 2021	**₱47,500,000**	**₱9,210,877**	**₱111,394**	**₱56,822,271**
Balances as of January 1, 2020	₱47,500,000	₱–	₱–	₱47,500,000
Net income for the year	–	2,630,823	–	2,630,823
Balances as of December 31, 2020	₱47,500,000	₱2,630,823	₱–	₱50,130,823

See accompanying Notes to Financial Statements.

CENTRAL BLOC HOTEL VENTURES, INC.
DOING BUSINESS UNDER THE NAME AND STYLE OF SEDA CENTRAL BLOC CEBU
(A Subsidiary of Ayala Land, Inc.)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱8,797,199**	₱3,738,916
Adjustments for:		
Depreciation and amortization (Notes 8 and 9)	**4,218,651**	1,897,072
Pension expense (Note 16)	**449,703**	418,981
Interest income (Notes 5 and 11)	**(45,556)**	(135,810)
Operating income before changes in working capital	**13,419,997**	5,919,159
Increase in:		
Receivables	**(15,164,037)**	(6,416,141)
Inventories	**(1,929,240)**	(444,996)
Due from related parties	**(1,509,201)**	(15,801,000)
Accounts and other payables	**6,569,597**	32,024,049
Due to related parties	**2,540,053**	–
Net cash generated from operations	**3,927,169**	15,281,071
Interest received	**45,556**	135,810
Income taxes paid	**(363,528)**	(876,787)
Net cash flows from operating activities	**3,609,197**	14,540,094
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Operating equipment (Note 9)	**(5,334,058)**	(16,813,778)
Hotel property and equipment (Note 8)	–	(3,373,295)
Decrease (increase) in other noncurrent assets	**355,920**	(1,525,137)
Net cash flows used in investing activities	**(4,978,138)**	(21,712,210)
CASH FLOWS FROM A FINANCING ACTIVITY		
Increase in due to related parties (Note 11)	–	645,223
NET DECREASE IN CASH	**(1,368,941)**	(6,526,893)
CASH AT BEGINNING OF YEAR	**40,973,107**	47,500,000
CASH AT END OF YEAR (Note 5)	**₱39,604,166**	₱40,973,107

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Central Bloc Hotel Ventures, Inc. (the Company) is a domestic corporation registered with the Securities and Exchange Commission (SEC) on October 28, 2019, with the primary purpose to own, hold in ownership, manage, deal and engage in the general business of a hotel, apartment hotel, serviced residence, inn, resort, restaurant, café, bar, entertainment and other allied businesses and to the limit and extent permitted by law, to acquire and own, either and own, either by purchase, lease or other means of acquisition, lands, buildings, and other improvements necessary or required by its business and to use such lands, building, and other improvements thereto for the conduct and operation of the general nature of its business and object and all other matters incidental thereto.

On December 16, 2021, the SEC approved the merger of the Company's immediate parent company, Cebu Holdings, Inc. (CHI) with and into its ultimate parent company, Ayala Land, Inc. (ALI), with ALI as the surviving entity. ALI shall be the surviving entity in the merger and shall possess all the rights, privileges and immunities of CHI, and all properties and liabilities, and all and every other interest of or belonging to CHI shall be taken and deemed transferred to ALI without further act or deed. As a result of the merger, ALI became the immediate parent company of the Company with direct ownership of 100% as of December 31, 2021. ALI is a publicly listed company and is a subsidiary of Ayala Corporation (AC), also a publicly listed company, which is 47.33%-owned by Mermac, Inc., and the rest by the public.

The Company owns Seda Central Bloc Cebu (the Hotel), a hotel of 214 guestrooms and suites. The Hotel, located at V. Padriga St., Cebu IT Park, Brgy. Apas, Cebu City, was opened to the public in February 12, 2020.

The Company's registered office address and principal place of business is at 3rd Floor, Alveo Headquarters, 728 28th Street, Bonifacio Global City, Taguig City, Metro Manila.

The financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 29, 2022.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared on historical cost basis and are presented in Philippine Peso (₱), the Company's functional currency. All amounts are rounded off to the nearest peso unless otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

The Company meets the criteria of a small entity based on the criteria set by the SEC for mandatory adoption of PFRS for Small Entities (PFRS for SEs). However, as provided under SEC Memorandum Circular No.5 (2018), the Company availed of the exemption from the mandatory adoption of the PFRS for SEs on the basis that the Company is a wholly owned subsidiary of a parent company reporting under full PFRSs. Hence, the Company accordingly prepared its financial statements using full PFRSs.

Changes in Accounting Policies
The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year except for the new PFRSs, amended PFRSs and improvements to PFRSs which were adopted beginning January 1, 2021. Adoption of these pronouncements did not have any significant impact on the Company's statement of financial position and statement of comprehensive income.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*
- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, Interest Rate Benchmark Reform – Phase 2

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
- Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter
- Amendments to PFRS 9, Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities
- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023
- Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to PAS 8, Definition of Accounting Estimates
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

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*

Significant Accounting Policies

Current versus Noncurrent Classification
The Company presents assets and liabilities in its statement of financial position based on a current and noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

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

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

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

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

A fair value measurement of a 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.

Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement
Financial assets are classified at initial recognition, as subsequently measured at amortized cost, as fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets comprise of financial assets at amortized cost.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost (debt instruments)
The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold the 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.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial asset at amortized cost pertains to cash, receivables and due from related parties.

Impairment of financial assets
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash in banks, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such 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 lifetime ECL. The Company uses the ratings from reputable rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company applies simplified approach in calculating ECLs on receivables and due from related parties. Therefore, does not track changes in credit risk, but instead recognizes a loss allowance based on the lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are ninety (90) days past their due dates. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financials liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities consist of financial liabilities at amortized cost (loans and borrowings).

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings
After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on the issue and fee that are an integral part of the EIR. This accounting policy applies primarily to the Company's accounts and other payables (except statutory payables) and due to related parties.

<u>Derecognition of Financial Instruments</u>
Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

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

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

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where 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 profit or loss.

<u>Offsetting Financial Instruments</u>
Financial instruments are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

<u>Inventories</u>
Inventories are valued at the lower of cost and net realizable value (NRV). Cost includes the purchase price, import duties, freight and handling costs. NRV is the selling price in the normal course of business less marketing and distribution costs.

Value-Added Tax (VAT)
Input tax represents the VAT due or paid on purchases of goods and services subjected to VAT that the Company can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT on sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit under certain circumstances against future income tax liability of the Company upon approval of the BIR and/or Bureau of Customs. Input tax is stated at its estimated net realizable values. A valuation allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Hotel Property and Equipment
Hotel property and equipment are carried at cost less accumulated depreciation and any impairment in value. The initial cost of hotel property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the hotel property and equipment to its working condition and location for its intended use.

Expenditures incurred after the hotel property and equipment have been put into operation (such as repairs and maintenance) are normally charged to operations in the year when 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 hotel property and equipment beyond its originally assessed standard of performance, and the costs of these items can be measured reliably, the expenditures are capitalized as an additional cost of the hotel property and equipment. All other repairs and maintenance expenses are charged to current operations as incurred.

Depreciation commences once the hotel property and equipment are available for use and is computed on a straight-line basis over the estimated useful lives of the hotel property and equipment as follows:

	Years
Building	40
Furniture, fixtures and equipment	10

The estimated useful life and depreciation method are reviewed at least annually to ensure that the period and method of depreciation is consistent with the expected pattern of economic benefits from items of hotel property and equipment.

When hotel property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Operating Equipment
Operating equipment is carried at cost less accumulated amortization and any impairment in value. The initial cost of operating equipment comprises its purchase price and any directly attributable cost of bringing the assets to its working condition and location for its intended use.

Operating equipment is amortized to the appropriate department expense account over the period of five (5) years.

Impairment of Nonfinancial Asset
The Company assesses at each reporting date whether there is an indication that its nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value 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 are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal, the depreciation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock
Capital stock is measured at par value for all shares issued. When the Company issues more than one capital stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and redeemable preferred stock.

Retained earnings
Retained earnings represents accumulated earnings of the Company less dividend declaration.

Revenue Recognition
The Company is in the business of providing room accommodation services, sale of food and beverage and other operating departments' services. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

Rooms
Revenue from room accommodation services are recognized over time since the guest simultaneously receives and consumes the services provided by the Company. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

Food and beverage
The Company sells food and beverage that are either sold separately or bundled together with the room accommodation services to a guest. The sale of food and beverage can be obtained from other providers and do not significantly customize or modify the room accommodation services. Contracts for bundled sale of food and beverage and room accommodation services are comprised of two performance obligations because the promises to sell food and beverage and provide room accommodation services are capable of being distinct and separately identifiable. Accordingly, the Company allocates the transaction price based on the relative stand-alone selling prices of the sale of food and beverage and room accommodation services.

Revenue from the sale of food and beverage are recognized at a point in time when food and beverage are served.

Other operating department services
Revenue from other operating department include laundry and transportation services and are recognized over time as the guests avail the benefit provided by the Hotel.

Other Income Recognition
Interest income
Interest income is recognized as it accrues using the effective interest rate method.

Other income
Other income is recognized when earned.

Contract Balances
Receivables
A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services 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 Company performs under the contract.

Cost of Sales and Services
Cost of sales and services pertain to expenses incurred in relation to sale of goods and rendering of services. These are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen than can be measured reliably. These are recognized when incurred and measured at the amount paid or payable.

Operating Expenses
Expenses constitute manpower, information system, marketing costs, taxes and licenses, professional fees, and other costs of administering the business. These usually take the form of an outflow or depletion of assets such as cash. Expenses are recognized as incurred.

Pension Liability
The net pension liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any).

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning projected salaries.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in the statement of financial position with a corresponding debit or credit through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Income Taxes

Current tax
Current tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is provided, using the liability method, on all temporary differences with certain exceptions, at the balance sheet date between the tax bases of assets and liabilities and its 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 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 carryforward of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

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 assets 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 asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period 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.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) 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. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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 interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The expense relating to any provision is presented in profit or loss, net of any reimbursement. Provisions are reviewed at each financial reporting date and adjusted to reflect the current best estimate.

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

Events after the Reporting Date
Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. Management Use of Judgments, Estimates and Assumptions

The preparation of the financial statements in compliance with PFRSs requires the management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Allocation of transaction price on room services and sale of food and beverage

The Hotel provides room accommodation services that are bundled together with the sale of food and beverage to the guest, which is the breakfast buffet. The sale of food and beverage is a promise to provide in the future and is part of the negotiated exchange between the Hotel and the guest. The Hotel determined that both the room accommodation and breakfast buffet are capable of being distinct. In allocating the hotel room charges, the Hotel considers the cost plus a predetermined margin for the breakfast and assigns the remaining transaction price to revenue from room services (see Note 4).

Impairment of hotel property and equipment and operating equipment

The Company assesses impairment on its hotel property and equipment, and operating equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include significant underperformance relative to expected historical or projected future operating results and significant changes in the manner of use of the acquired assets. Management has determined that there are no events or changes in circumstances during the year that may indicate that the carrying value of hotel property and equipment and operating equipment may not be recoverable.

In 2021 and 2020, the Company did not recognize impairment loss on its hotel property and equipment and operating equipment since there are no indicators of impairment. As of December 31, 2021 and 2020, the carrying values of the Company's hotel property and equipment, and operating equipment amounted ₱20.0 million and ₱19.8 million, respectively (see Notes 8 and 9).

Estimates and Assumptions

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

Expected credit losses

The Company uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates.

The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation, gross domestic product and discount rate) are expected to deteriorate over the next year which can lead to an increase in prices of basic goods and services, the historical default rates are adjusted.

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

No allowance for ECL is recognized on the Company's accounts receivable in 2021 and 2020. As of December 31, 2021 and 2020, receivables amounted to ₱21.2 million and ₱6.0 million, respectively (see Note 6).

The Company has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

Recognition of deferred income tax assets
The Company reviews the carrying amounts of deferred income taxes at the reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of deferred income tax assets to be utilized. The Company's assessment is based on budgeted and forecasted taxable income in the immediately succeeding year. In such assessment, external factors which may limit the utilization of deferred income tax assets are taken into consideration.

The Company recognized deferred income tax assets amounting to ₱0.18 million and ₱0.13 million as of December 31, 2021 and 2020, respectively (see Note 15).

4. Revenue from Contracts with Customers

Disaggregated Revenue Information
The Company has three (3) revenue streams arising from contracts with customers, which are rooms, food and beverage and other operating departments. Revenue from rooms and other operating departments are recognized over time, while revenue from food and beverage is recognized at point in time.

Contract Balances
Trade receivables pertain to amounts collectible from customers arising from sales and services of the Hotel operations. These are noninterest-bearing and are normally collectible within 30- to 60- day term.

Contract liabilities pertain to amounts paid by guests in advance to guarantee reservation. These are recorded as "Guest deposits" under "Accounts and other payables" in the statements of financial position. These are recognized as revenue once the performance obligation has been satisfied. Guest deposits amounted to ₱0.3 million and ₱0.1 million as of December 31, 2021 and 2020, respectively (see Note 10).

Performance Obligations
Information about the Company's performance obligations are summarized below:

Rooms
The performance obligation is satisfied over time and payment is generally due upon check-out for individual guests or within 30 to 60 days from the date of billing for corporate or travel agencies.

Food and Beverage
The performance obligation is satisfied when food and beverage are served. Payment is generally due upon bill-out, for individual guests upon check-out and within 30 to 60 days from the date of billing for corporate or travel agencies.

Other Operating Departments
The performance obligation is satisfied over time and payment is generally due upon check-out for individual guests or within 30 to 60 days from the date of billing for corporate or government delegates.

5. Cash

This account consists of:

	2021	2020
Cash on hand	**₱221,649**	₱209,992
Cash in banks	**39,382,517**	40,763,115
	₱39,604,166	₱40,973,107

Cash on hand includes the petty cash fund of the Hotel for its immediate cash expenditures.

Cash in banks earn annual interest at the prevailing deposit rates of 0.15% to 0.35% in 2021 and 2020.

Interest income earned on cash in banks amounted to ₱22,424 and ₱0.1 million in 2021 and 2020, respectively.

6. Receivables

This account consists of:

	2021	2020
Trade receivables:		
Corporate	**₱20,440,892**	₱5,606,138
Credit cards	**330,953**	269,943
Others	**381,673**	113,400
	₱21,153,518	₱5,989,481

Trade receivables pertain to amounts collectible from customers arising from sales and services of the Hotel operations. These are noninterest-bearing and are normally collectible within 30- to 60- day term.

The classes of trade receivables of the Company are as follows:

- Corporate - pertains to receivables from companies or establishments that have existing credit lines with the Hotel; and
- Credit cards - arises from credit card transactions of hotel guests arising from room use, banquets and restaurants.

Others pertain to cash advances made by the Company to employees which are recoverable through salary deduction and are collectible within one year.

7. Inventories

This account consists of:

	2021	2020
Guest supplies	**₱1,913,185**	₱32,385
Food and beverage	**461,051**	412,611
	₱2,374,236	₱444,996

Inventories recognized as part of food and beverage under cost of sales and services in the statements of comprehensive income amounted to ₱21.5 million and ₱5.2 million in 2021 and 2020, respectively.

8. Hotel Property and Equipment

The rollforward analysis of this account follows:

	2021		
	Hotel Building and Improvements	**Furniture, Fixtures and Equipment**	**Total**
Cost			
At January 1 and December 31	**₱3,403,164**	**₱259,160**	**₱3,662,324**
Accumulated Depreciation			
At January 1	**47,187**	**12,895**	**60,082**
Depreciation	**85,079**	**25,916**	**110,995**
At December 31	**132,266**	**38,811**	**171,077**
Net Book Value	**₱3,270,898**	**₱220,349**	**₱3,491,247**

	2020		
	Hotel Building and Improvements	Furniture, Fixtures and Equipment	Total
Cost			
At January 1	₱–	₱–	₱–
Additions	3,403,164	259,160	3,662,324
At December 31	3,403,164	259,160	3,662,324
Accumulated Depreciation			
At January 1	–	–	–
Depreciation	47,187	12,895	60,082
At December 31	47,187	12,895	60,082
Net Book Value	₱3,355,977	₱246,265	₱3,602,242

As of December 31, 2021 and 2020, unpaid additions to hotel property and equipment amounted to nil and ₱0.2 million, respectively.

The Company has no restrictions on its property and equipment and none of these have been pledged as security for its obligations.

9. Other Noncurrent Assets

This account consists of:

	2021	2020
Operating equipment	**₱16,453,620**	₱16,243,565
Deferred input VAT	**2,185,564**	1,525,137
	₱18,639,184	₱17,768,702

Rollforward analysis of the operating equipment follows:

	2021	2020
Balance at January 1	**₱16,243,565**	₱–
Additions	**4,317,711**	18,080,555
Amortization	**(4,107,656)**	(1,836,990)
Balance at December 31	**₱16,453,620**	₱16,243,565

Operating equipment includes china glassware, silverware, linen, and uniforms to be used in the Hotel operations. Operating equipment is expensed ratably to the appropriate department expense account over its period of consumption.

As of December 31, 2021 and 2020, unpaid operating equipment amounted to ₱0.2 million and ₱1.3 million, respectively (see Note 10).

Deferred input VAT pertains to input VAT from purchases of capital goods and is recoverable in future periods and input tax on unpaid purchases of services which are incurred and billings had been received as of date.

10. Accounts and Other Payables

This account consists of:

	2021	2020
Accrued expenses	**₱23,918,391**	₱21,799,711
Trade payables	**10,847,452**	8,453,961
Salaries, wages and benefits	**3,023,960**	1,206,574
Taxes payable	**2,826,739**	2,000,603
Guest deposits (see Note 4)	**300,848**	119,005
	₱40,917,390	₱33,579,854

Accrued expenses pertain to unpaid salaries, utilities, maintenance, insurance, professional fees, and other general and administrative expenses of the Company. These are normally settled within 30- to 60- day term.

Trade payables pertain to amounts due to suppliers for purchases of goods and services and are normally settled on a 15- to 90- day term.

Salaries, wages and benefits consist of payables to the government such as Social Security System and Pag-IBIG premiums. These are remitted monthly.

Taxes payable pertains to expanded withholding taxes payable on purchases of goods and services, withholding taxes on compensation, output vat payable and taxes due to local government unit. For withholding taxes, these are normally remitted the following month. However, for taxes due to local government, this is remitted on quarterly basis.

Guest deposits pertain to amounts paid by guests in advance to guarantee reservation. These are recognized as revenue once the performance obligation has been satisfied.

11. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions; and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities (referred herein as entities under common control). Entities under common control are related entities of the Company by virtue of common ownership by AC.

Terms and Conditions of Transactions with Related Parties

There have been no guarantees provided or received for any related party receivables or payables. These accounts are noninterest-bearing and are unsecured. Impairment assessment is undertaken during the financial year through a review of the financial position of the related party and the market in which the related party operates. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash.

Transactions with related parties for 2021 and 2020 follows:

	2021				
	Elements of Transactions				
Related Party Transactions	Volume/ Amount	Receivable	Payable	Terms	Conditions
Immediate Parent					
Advances for operating expenses (a)*	₱9,009,203	₱9,009,203	₱–	Noninterest-bearing	Unsecured; No impairment
Affiliates					
Advances for operating expenses (e)	9,582,537	8,301,000	–	Noninterest-bearing	Unsecured; No impairment
Management fees (b)	8,047,528	–	(2,384,228)	Noninterest-bearing	Unsecured; Due and demandable
Loyalty program expense (c)	147,085	–	–	Noninterest-bearing	Unsecured; Due and demandable
Advances for operating expenses (d)	775,696	–	(800,963)	Noninterest-bearing	Unsecured; Due and demandable
Entities Under Common Control					
Hotel billings	–	426,660	–	Noninterest-bearing	Unsecured; No impairment
		₱17,736,863	(₱3,185,191)		

** Cebu Holdings, Inc. (CHI) was the Company's immediate parent company prior to the approval by the SEC of the Plan of Merger on December 16, 2021 whereby CHI was merged with Ayala Land, Inc. (ALI), with the latter as the surviving entity. Upon the effectivity of the merger, ALI became the Company's immediate parent company (see Note 1).*

	2020				
	Elements of Transactions				
Related Party Transactions	Volume/ Amount	Receivable	Payable	Terms	Conditions
Affiliates					
Management fees (b)	₱6,557,054	₱–	(₱615,157)	Noninterest-bearing	Unsecured; Due and demandable
Loyalty program expense (c)	102,442	–	(4,799)	Noninterest-bearing	Unsecured; Due and demandable
Advances for operating expenses (d)	25,267	–	(25,267)	Noninterest-bearing	Unsecured; Due and demandable
Advances for operating expenses (e)	16,227,660	16,227,660	–	Noninterest-bearing	Unsecured; No impairment
		₱16,227,660	(₱645,223)		

a) Receivable from related party pertains to short-term advances made by the Company to its Parent Company, Ayala Land, Inc. to fund its related operating expenses.

b) Management fee pertains to professional fees charged by AHRC, an affiliate, for the services of its employees who handle project monitoring, maintain the books of accounts, review budget and monitor capital (see Note 17).

c) Loyalty program expense pertains to Seda Loyalty Program billings based on a redemption ratio. Seda Loyalty Program is a guest loyalty program for Seda hotels which is operated by AHRC and was launched in 2016 (see Note 17).

d) This pertains to the Company's payable for the advances made from AHRC, Cebu Insular Hotel Company, Inc. and ALI to fund related operating and administrative expenses of the hotel.

e) Receivable from related party pertains to short-term advances made by the Company to its affiliates, AHRC, Bay Area Hotel Ventures, Inc., Econorth Resort Ventures, Inc., entities under common control, to fund related operating expenses. Total interest income earned from intercompany loans amounted to ₱23,132 and nil in 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the Company has entered into transactions with BPI, an affiliate, consisting of cash with carrying amounts as follow:

	2021	2020
Cash (see Note 5)	**₱12,685,238**	₱10,072,490

Key Management Compensation

The key management personnel of the Company are employees of AHRC, an affiliate. The compensation of the said employees is paid by AHRC and as such, the necessary disclosures required by PAS 24, *Related Party Disclosures* are included in the financial statements of AHRC.

12. Equity

Details of the Company's capital stock as of December 31, 2021 and 2020 are as follows:

	Number of Shares	Amount
Authorized at ₱1 par value:		
Redeemable preferred shares	152,000,000	₱152,000,000
Common shares	38,000,000	38,000,000
	190,000,000	₱190,000,000
Issued at ₱1 par value:		
Redeemable preferred shares	38,000,000	₱38,000,000
Common shares	9,500,000	9,500,000
	47,500,000	₱47,500,000

Preferred shares are voting, redeemable at the option of the Company, participating in any regular dividend declaration for the common shares to be paid out of unrestricted retained earnings at the same rate and upon the same terms as declared and paid to the holders of the common shares. Common shares represent residual ownership equity.

Capital Management
The primary objective of the Company's capital management policies is to have financial flexibility to support its business initiatives and maximize stakeholder value. The Company manages its capital structure and make adjustments to it in light of changes in economic decisions.

The Company considers its total equity as capital amounting to ₱59.1 million and ₱50.1 million as of December 31, 2021 and 2020, respectively.

No changes were made in the Company's capital management objectives, policies or processes for managing capital in 2021 and 2020.

The Company is not subject to any externally imposed capital requirements as of December 31, 2021 and 2020.

13. General and Administrative Expenses

General and administrative expenses consist of:

	2021	2020
Manpower cost	**₱6,456,828**	₱5,716,974
Credit card discounting fee	**914,007**	1,255,769
Training and development	**249,931**	108,638
Uniforms and supplies	**144,188**	186,070
Professional fee	**144,000**	160,000
Travel and communication	**114,659**	70,462
Miscellaneous	**342,054**	486,461
	₱8,365,667	₱7,984,374

14. Sales and Marketing Expenses

Sales and marketing expenses consist of:

	2021	2020
Manpower cost	**₱1,130,855**	₱970,136
Loyalty program (see Note 11)	**147,085**	102,442
Promotional expense	**89,090**	313,791
Travel and communication	**–**	122,500
Professional fees	**–**	57,500
Miscellaneous	**98,924**	320,503
	₱1,465,954	₱1,886,872

15. Income Taxes

In 2021 and 2020, the provision for (benefit from) current income tax represents RCIT and final withholding tax on gross interest income as follows:

	2021	2020
Current	**₱2,305,943**	₱1,206,626
Final	**2,677**	27,161
Deferred	**(91,475)**	(125,694)
	₱2,217,145	₱1,108,093

The reconciliation between the statutory and effective income tax follows:

	2021	2020
Provision for income tax computed at RCIT	**₱2,199,280**	₱1,121,675
Tax effects of:		
Nondeductible expenses	**112,426**	–
Impact of CREATE	**(88,955)**	–
Interest income already subjected to final tax	**(5,606)**	(13,582)
	₱2,217,145	₱1,108,093

The components of the Company's net deferred income tax assets - net as of December 31 follow:

	2021	2020
Deferred income tax asset on:		
Pension liability	**₱217,169**	₱125,694
Deferred income tax liability recognized in other comprehensive income:		
Remeasurement gain on pension liability	**(37,132)**	–
	₱180,037	₱125,694

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100.00 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

Applying the provisions of the CREATE Act, the Company had been subjected to lower RCIT tax rate of 25% for nonregistered activities effective July 1, 2020. As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event in the financial statements of the Company as of and for the year ended December 31, 2020. Accordingly, current and deferred income taxes continued to be computed and measured using the applicable income tax rates as of December 31, 2020 for financial reporting purposes.

The Company reflected the changes in the current and deferred income taxes its financial statements as of and for the year ended December 31, 2021, including the retroactive effect of the change in tax rates arising from the CREATE Act, reducing provisions for current and benefit from deferred income tax in the statement of comprehensive income by ₱0.1 million and ₱20,949, respectively.

16. Pension Liability

The Company has unfunded, noncontributory, defined benefit pension plan covering substantially all of its regular employees. The benefits are based on current salaries and years of service and compensation on the last year of employment as defined under Philippine Republic Act 7641. The retirement is the only long-term employee benefit. The Company's pension plan meets the minimum retirement benefit specified by law.

The principal actuarial assumptions used to determine the pension benefits with respect to the discount rate and salary rate increases were based on historical and projected normal rates.

The Company's pension plan meets the minimum retirement benefit specified by law.

The pension costs recognized in the statements of income is included in "Pension expense" under "Operating expenses".

	2021	2020
Current service cost	**₱433,656**	₱418,981
Interest cost	**16,047**	–
	₱449,703	₱418,981

The only component of remeasurement effect of employee benefits recognized in the 2021 statement of comprehensive income (included in "Other comprehensive income") amounted to ₱0.1 million.

The changes in the pension liability recognized in the statements of financial position follow:

	2021	2020
At January 1	**₱418,981**	₱–
Current service cost	**433,656**	418,981
Interest cost	**16,047**	–
Remeasurement gain due to:		
Experience adjustments	**(125,956)**	–
Changes in financial assumptions	**(22,570)**	–
At December 31	**₱720,158**	₱418,981

The principal assumptions used in determining pension liability for the Company's pension plan as of December 31 are shown below:

	2021	2020
Discount rate	**4.98%**	3.83%
Salary increase rate	**5.00%**	4.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation (DBO) as of December 31, assuming all other assumptions were held constant:

		Increase (Decrease) in Defined Benefit Obligation	
	Increase (Decrease)	2021	2020
Discount rate	+100 basis points	**(₱113,435)**	(₱74,292)
	−100 basis points	**141,054**	94,705
Future salary increase rate	+100 basis points	**135,931**	91,229
	−100 basis points	**(111,853)**	(73,285)

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31:

	2021	2020
More than 5 years to 10 years	**₱1,007,668**	₱1,071,997
More than 10 years to 15 years	**4,945,892**	3,513,799
More than 15 years to 20 years	**1,806,531**	3,125,508
More than 20 years	**35,451,490**	30,615,119

The average duration of the defined benefit obligation as of the end of the reporting period is 21 years and 22 years as of December 31, 2021 and 2020, respectively.

17. **Commitments**

Management Service Agreement with AHRC
A management service agreement was entered between the Company and AHRC wherein the latter undertakes to render services and assistance related in the management and operation of the business of the Company in exchange for management fee. The Company will pay a base management fee equivalent to two and a half percent (2.50%) of the Hotel's gross revenue. The Company recognized management fee amounting to ₱8.0 million and ₱6.6 million in 2021 and 2020, respectively (see Note 11).

Seda Loyalty Program with AHRC
Seda loyalty program is a guest loyalty program for Seda Hotels which is operated by AHRC wherein the latter is entitled to service fees when a Seda Hotel Property is in the operating phase. AHRC will initially bill the Company a one-time participation fee based on the number of hotel rooms multiplied by ₱1,500. In addition, the Company will receive billings equivalent to two and a half percent (2.50%) of the related Hotel's room revenues from the program. The Company recognized loyalty program expense amounting to ₱0.1 million in 2021 and 2020 (see Notes 11 and 14).

18. **Fair Value Information and Financial Instruments**

Fair Value Measurement
The methods and assumptions used by the Company in estimating the fair value of the financial assets and financial liabilities follow:

Financial assets at amortized cost and loans and borrowings
Due to the short-term nature of the financial assets and other financial liabilities, the carrying value of cash, receivables, due from related parties, accounts and other payables excluding taxes payable and due to related parties approximate their fair values.

Fair value hierarchy
There were no transfers between level categories as of December 31, 2021 and 2020.

Financial Risk Management Objectives and Policies
The Company's financial instruments include cash (excluding cash on hand), receivables (excluding advances to and contractors), due from related parties, accounts and other payables (excluding taxes payable and unearned income) and due to related parties, which arise directly from operations.

Exposure to credit, liquidity, market, interest rate and foreign currency exchange risks arise in the normal course of the Company's business. The main objectives of the Company's financial risk management are consistent with that of ALI, which are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Company's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Company maintains a level of cash that is sufficient to finance operations and to mitigate the effects of fluctuation in cash flows. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions or from its parent company.

Overall, the Company's funding arrangements are designed to keep an appropriate balance between equity and debt, to give financing flexibility while continuously enhancing the Company's business.

The tables below summarize the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted payments as well as the financial assets used to manage the Company's liquidity risks. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

	2021			
	≤ 1 year	> 1 year	2 to 5 years	Total
Financial Assets at Amortized Cost				
Cash	₱39,604,166	₱–	₱–	₱39,604,166
Receivables	21,153,518	–	–	21,153,518
Due from related parties	17,736,863	–	–	17,736,863
Total financial assets	78,494,547	–	–	78,494,547
Financial Liabilities at Amortized Cost				
Accounts and other payables:				
Accrued expenses	23,918,391	–	–	23,918,391
Trade payables	10,847,453	–	–	10,847,453
Due to related parties	3,185,191	–	–	3,185,191
Total financial liabilities	37,951,035	–	–	37,951,035
Net financial assets	₱40,543,512	₱–	₱–	₱40,543,512

	2020			
	≤ 1 year	> 1 year	2 to 5 years	Total
Financial Assets at Amortized Cost				
Cash	₱40,973,107	₱–	₱–	₱40,973,107
Receivables	5,989,481	–	–	5,989,481
Due from related parties	16,227,660	–	–	16,227,660
Total financial assets	63,190,248	–	–	63,190,248
Financial Liabilities at Amortized Cost				
Accounts and other payables:				
Accrued expenses	21,799,711	–	–	21,799,711
Trade payables	8,453,961	–	–	8,453,961
Due to related parties	645,223	–	–	645,223
Total financial liabilities	30,898,895	–	–	30,898,895
Net financial asset	₱32,291,353	₱–	₱–	₱32,291,353

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. The Company's credit risk is primarily attributable to financial assets such as cash and receivables. To manage credit risk, the Company monitors its exposure to credit risk on a continuous basis.

The Company's maximum exposure to credit risk as of December 31, 2021 and 2020 is equal to the carrying values of its financial assets amounting to ₱76.3 million and ₱63.0 million, respectively.

The Company made an assessment of credit quality and related expected credit loss (ECL) as at December 31, 2021 and 2020.

General approach

- *Cash in bank* - The ECL relating to the cash in banks of the Company is minimal as these are deposited in reputable banks which have good bank standing and are considered to have low credit risk.

- *Receivables from related parties* - The Company did not recognize any allowance relating the receivable from related parties and other receivables in prior years. No ECL is recognized since there were no history of default payments. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

Simplified approach

- *Trade receivables* - The Company applied the simplified approach under PFRS 9, using a 'provision matrix'. As of December 31, 2021 and 2020, there were no expected credit losses on the Company's trade receivables. No impairment losses resulted from performing the impairment test due to the expected recoveries from the advance payments which help reduce the Company's credit risk exposure in case of default from the customer.

The Company writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Company writes off an account when all of the following conditions are met:

- the asset is in past due for over 90 days, or is already an item-for-forfeit; and
- contract restructuring is no longer possible.

The Company may also write-off financial assets that are still subject to enforcement activity. The Company does not have receivables that are subject to enforcement activity as of December 31, 2021 and 2020.

Applying the expected credit risk model did not result in the recognition of an impairment loss for all financial assets at amortized cost in 2021 and 2020, hence no ECL was recognized.

Set out below is the information about the credit risk exposure on the Company's financial assets as of December 31, 2021 and 2020 using a provision matrix:

	2021				
	Current	Days past due		Expected	
	(High grade)	1 - 30 Days	> 30 Days	credit loss	Total
Cash in banks	₱39,382,517	₱–	₱–	₱–	₱39,382,517
Receivables	–	8,188,812	12,964,706	–	21,153,518
Due from related parties	15,801,000	–	–	–	15,801,000
	₱55,183,517	₱8,188,812	₱12,964,706	₱–	₱76,337,035

	2020				
	Current	Days past due		Expected	
	(High grade)	1 - 30 Days	> 30 Days	credit loss	Total
Cash in banks	₱40,763,115	₱–	₱–	₱–	₱40,763,115
Receivables	–	2,349,997	3,639,484	–	5,989,481
Due from related parties	16,227,660	–	–	–	16,227,660
	₱56,990,775	₱2,349,997	₱3,639,484	₱–	₱62,980,256

19. Notes to the Statements of Cash Flows

The changes in liabilities arising from financing activities for the year ended December 31, 2021 and 2020 follow:

	January 1, 2021	**Cash Flows**	**December 31, 2021**
Due to related parties (see Note 11)	**₱645,223**	**₱–**	**₱645,223**

	January 1, 2020	Cash Flows	December 31, 2020
Due to related parties (see Note 11)	₱–	₱645,223	₱645,223

The noncash investing activities of the Company pertain to:

2021

- Unpaid acquisition of operating equipment amounting to ₱0.2 million

2020

- Unpaid acquisition of hotel property and equipment amounting to ₱0.3 million
- Unpaid acquisition of operating equipment amounting to ₱1.3 million

20. Supplementary Information Required under Revenue Regulations 15-2010

In compliance with the requirements set forth by Revenue Regulations 15-2010, hereunder are the information on taxes and license fees paid and accrued during the taxable year.

Output VAT

Net sales/receipts and output VAT declared in the Company's VAT returns filed for the year ended December 31, 2021:

	Net sales/ Receipts	Output VAT
Sales of services	₱101,719,097	₱12,206,292
VAT exempt sales	390,584	–
	₱102,109,681	₱12,206,292

The Company's sale of services is based on actual collections received; hence, may not be the same with the amounts accrued in the statement of income.

Input VAT
Input VAT declared in the Company's VAT returns filed for the year ended December 31, 2021 follows:

Balance at January 1, 2021	₱–
Input tax on capital goods exceeding ₱1 million from previous quarter	855,495
Current year's domestic purchases/payments for:	
Services	3,742,296
Goods other than capital goods	2,015,642
	6,613,433
Allocable to exempt sales	41,940
Applied against output VAT	6,571,493
At December 31	
Input tax to be carried over for the succeeding quarter	–
Input tax deferred on capital goods exceeding ₱1 million deferred for the succeeding period	677,930
Balance at December 31	₱677,930

Taxes and Licenses
Details of the Company's taxes and licenses follow:

Real property taxes	₱3,357,318
Business and municipal licenses	1,856,638
BIR annual registration	1,000
	₱5,214,956

Withholding Taxes
Details of withholding taxes in 2021 follow:

Expanded withholding taxes	₱1,594,409
Withholding taxes on compensation and benefits	1,170,472
	₱2,764,881

Tax Assessments and Cases
As of December 31, 2021, the Company has no outstanding final assessment notice from the BIR nor does it have any pending tax cases outside the administration of the BIR.

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Fax: (032) 266 2313
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Central Bloc Hotel Ventures, Inc.
doing business under the name and style of Seda Central Bloc Cebu
3rd Floor, Alveo Corporate Center
728 28th Street, Bonifacio Global City
1634 Taguig City, Metro Manila

We have audited the accompanying financial statements of Central Bloc Hotel Ventures, Inc. doing business under the name and style of Seda Central Bloc Cebu as at and for the year ended December 31, 2021, on which we have rendered the attached report dated April 29, 2022.

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

SYCIP GORRES VELAYO & CO.

Margem A. Tagalog

Margem A. Tagalog
Partner
CPA Certificate No. 0098098
Tax Identification No. 206-544-506
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 98098-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-138-2021, November 10, 2021, valid until November 9, 2024
PTR No. 8854370, January 3, 2022, Makati City

April 29, 2022

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	9	5	6	0	8	6

COMPANY NAME

CENTRAL BLOC HOTEL VENTURES, INC. DOING BUSINESS UNDER THE NAME AND STYLE OF SEDA CENTRAL BLOC CEBU

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

3F WEST TOWER SEDA BGC, 30TH STREET CORNER 11TH AVENUE, BONIFACIO GLOBAL CITY, 1634 TAGUIG CITY, METRO MANILA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
corporateservices@aglegal.com.ph	(02) 85885770	09054654259

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6	23rd day of July	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Phearl Zennylane V. Raz	villaruel.pearl@ayalaland.com.ph	(02) 85885770	09175696398

CONTACT PERSON's ADDRESS

3F West Tower Seda BGC, 30th Street Corner 11th Avenue, Bonifacio Global City, 1634 Taguig City, Metro Manila

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

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or*

CB HVI CENTRAL BLOC
HOTEL VENTURES, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **CENTRAL BLOC HOTEL VENTURES, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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

Jose Jalandoni (Apr 28, 2023 11:12 GMT+8)
Jose Emmanuel H. Jalandoni
Chairman of the Board

Javier D Hernandez (Apr 28, 2023 11:00 GMT+8)
Javier D. Hernandez
President

PVRAZ (Apr 28, 2023 09:28 GMT+8)
Phearl Zennylane V. Raz
Treasurer

Signed this 28th day of April 2023

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8B - SOUTH NCR
REVENUE DISTRICT OFFICE NO. 044
TAGUIG/PATEROS
RECEIVED
MAY 02 2023
INITIAL: RCO'S NAME: JOYCE REYES LONTOC RCO CODE: 006535

3F WEST TOWER SEDA BGC, 30TH STREET CORNER 11TH AVENUE, BONIFACIO GLOBAL CITY
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Central Bloc Hotel Ventures, Inc.
doing business under the name and style of Seda Central Bloc Cebu
3rd Floor, Alveo Corporate Center
728 28th Street, Bonifacio Global City
1634 Taguig City, Metro Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Central Bloc Hotel Ventures, Inc. doing business under the name and style of Seda Central Bloc Cebu (the Company), a wholly owned subsidiary of Ayala Land, Inc., which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Central Bloc Hotel Ventures, Inc. doing business under the name and style of Seda Central Bloc Cebu. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Margem A. Tagalog

Margem A. Tagalog
Partner
CPA Certificate No. 0098098
Tax Identification No. 206-544-506
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BIR Accreditation No. 08-001998-138-2021, November 10, 2021, valid until November 9, 2024
PTR No. 9566001, January 3, 2023, Makati City

April 28, 2023

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Central Bloc Hotel Ventures, Inc.
doing business under the name and style of Seda Central Bloc Cebu
3rd Floor, Alveo Corporate Center
728 28th Street, Bonifacio Global City
1634 Taguig City, Metro Manila

We have audited the accompanying financial statements of Central Bloc Hotel Ventures, Inc. doing business under the name and style of Seda Central Bloc Cebu as at and for the year ended December 31, 2022, on which we have rendered the attached report dated April 28, 2023.

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

SYCIP GORRES VELAYO & CO.

Margem A. Tagalog

Margem A. Tagalog
Partner
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BIR Accreditation No. 08-001998-138-2021, November 10, 2021, valid until November 9, 2024
PTR No. 9566001, January 3, 2023, Makati City

April 28, 2023

CENTRAL BLOC HOTEL VENTURES, INC.
DOING BUSINESS UNDER THE NAME AND STYLE OF SEDA CENTRAL BLOC CEBU
(A Wholly Owned Subsidiary of Ayala Land, Inc.)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash (Note 5)	**₱49,197,407**	₱39,604,166
Receivables (Note 6)	**34,687,488**	21,153,518
Due from related parties (Note 11)	**106,236,863**	17,736,863
Inventories (Note 7)	**4,502,556**	2,374,236
Other current assets	**3,381,670**	–
Total Current Assets	**198,005,984**	80,868,783
Noncurrent Assets		
Right-of-use asset (Note 17)	**229,435,674**	–
Deferred income tax assets - net (Note 15)	**17,369,085**	180,037
Hotel property and equipment (Note 8)	**3,380,252**	3,491,247
Other noncurrent assets (Note 9)	**22,481,679**	18,639,184
Total Noncurrent Assets	**272,666,690**	22,310,468
TOTAL ASSETS	**₱470,672,674**	₱103,179,251
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 10)	**₱37,802,939**	₱40,917,390
Due to related parties (Note 11)	**58,342,646**	3,185,191
Income tax payable	**15,857,829**	1,534,241
Lease liability (Note 17)	**118,860,319**	–
Total Current Liabilities	**230,863,733**	45,636,822
Noncurrent Liability		
Lease liability - net of current portion (Note 17)	**179,296,827**	–
Pension liability (Note 16)	**754,988**	720,158
Total Noncurrent Liabilities	**180,051,815**	720,158
Total Liabilities	**410,915,436**	46,356,980
Equity (Note 12)		
Capital stock	**47,500,000**	47,500,000
Retained earnings	**11,836,033**	9,210,877
Remeasurement gain on pension liability (Note 16)	**421,095**	111,394
Total Equity	**59,757,128**	56,822,271
TOTAL LIABILITIES AND EQUITY	**₱470,672,674**	₱103,179,251

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8B - SOUTH NCR
REVENUE DISTRICT OFFICE NO. 044
TAGUIG - PATEROS
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MAY 02 2023
INITIAL:
RCO'S NAME: JOYCE

CENTRAL BLOC HOTEL VENTURES, INC.
DOING BUSINESS UNDER THE NAME AND STYLE OF SEDA CENTRAL BLOC CEBU
(A Wholly Owned Subsidiary of Ayala Land, Inc.)

STATEMENTS OF INCOME

	Years Ended December 31	
	2022	2021
REVENUE		
Rooms	**₱175,884,932**	₱70,752,499
Food and beverage	**78,608,522**	31,239,145
Other operating departments	**866,167**	160,643
	255,359,621	102,152,287
COST OF SALES AND SERVICES		
Depreciation and amortization (Notes 8, 9 and 17)	**61,901,009**	4,218,651
Food and beverage	**49,351,181**	21,478,114
Rooms	**24,112,457**	9,191,562
Management fee (Notes 11 and 18)	**23,001,111**	8,047,528
Property operations and maintenance	**14,364,611**	4,091,587
Security service	**4,848,099**	2,694,794
	177,578,468	49,722,236
GROSS INCOME	**77,781,153**	52,430,051
OPERATING EXPENSES		
Energy cost	**34,182,658**	20,200,376
General and administrative (Note 13)	**14,347,661**	8,365,667
Information and telecommunication systems	**7,470,848**	7,408,362
Sales and marketing (Note 14)	**5,708,152**	1,465,954
Insurance expense	**600,000**	600,000
Taxes and licenses	**694,989**	5,214,956
Pension expense (Note 16)	**447,765**	449,703
	63,452,073	43,705,018
OTHER INCOME (EXPENSE)		
Interest expense (Note 17)	**(11,362,553)**	–
Interest income (Notes 5 and 11)	**445,499**	45,556
Other income	**84,591**	26,610
	(10,832,463)	72,166
INCOME BEFORE INCOME TAX	**3,496,617**	8,797,199
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 15)		
Current	**18,163,743**	2,308,620
Deferred	**(17,292,282)**	(91,475)
	871,461	2,217,145
NET INCOME	**₱2,625,156**	₱6,580,054

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8B - SOUTH NCR
REVENUE DISTRICT OFFICE NO. 044
TAGUIG/PATEROS
RECEIVED
MAY 02 2023

See accompanying Notes to Financial Statements.

CENTRAL BLOC HOTEL VENTURES, INC.
DOING BUSINESS UNDER THE NAME AND STYLE OF SEDA CENTRAL BLOC CEBU
(A Wholly Owned Subsidiary of Ayala Land, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
NET INCOME	**₱2,625,156**	₱6,580,054
OTHER COMPREHENSIVE INCOME		
Remeasurement gain on pension liability (Note 16)	**412,935**	148,526
Income tax effect	**(103,234)**	(37,132)
	309,701	111,394
TOTAL COMPREHENSIVE INCOME	**₱2,934,857**	₱6,691,448

See accompanying Notes to Financial Statements.

CENTRAL BLOC HOTEL VENTURES, INC.
DOING BUSINESS UNDER THE NAME AND STYLE OF SEDA CENTRAL BLOC CEBU
(A Wholly Owned Subsidiary of Ayala Land, Inc.)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Capital Stock (Note 12)	**Retained Earnings**	**Remeasurement Gain on Pension Liability** (Note 16)	**Total**
Balances as of January 1, 2022	**₱47,500,000**	**₱9,210,877**	**₱111,394**	**₱56,822,271**
Net income for the year	–	**2,625,156**	–	**2,625,156**
Other comprehensive income	–	–	**309,701**	**309,701**
Balances as of December 31, 2022	**₱47,500,000**	**₱11,836,033**	**₱421,095**	**₱59,757,128**
Balances as of January 1, 2021	₱47,500,000	₱2,630,823	₱–	₱50,130,823
Net income for the year	–	6,580,054	–	6,580,054
Other comprehensive income	–	–	111,394	111,394
Balances as of December 31, 2021	₱47,500,000	₱9,210,877	₱111,394	₱56,822,271

See accompanying Notes to Financial Statements.

CENTRAL BLOC HOTEL VENTURES, INC.
DOING BUSINESS UNDER THE NAME AND STYLE OF SEDA CENTRAL BLOC CEBU
(A Wholly Owned Subsidiary of Ayala Land, Inc.)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱3,496,617**	₱8,797,199
Adjustments for:		
Depreciation and amortization (Notes 8, 9 and 17)	**61,901,009**	4,218,651
Interest expense (Note 17)	**11,362,553**	–
Pension expense (Note 16)	**447,765**	449,703
Interest income (Notes 5 and 11)	**(445,499)**	(45,556)
Operating income before changes in working capital	**76,762,445**	13,419,997
Increase in:		
Receivables	**(13,533,970)**	(15,163,950)
Inventories	**(2,128,320)**	(1,929,240)
Other current assets	**(3,381,670)**	–
Increase (decrease) in accounts and other payables	**(2,864,023)**	6,569,597
Net cash generated from operations	**54,854,462**	2,896,404
Interest received	**445,499**	45,556
Income taxes paid	**(3,840,155)**	(363,528)
Net cash flows from operating activities	**51,459,806**	2,578,432
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Due from related parties	**(88,500,000)**	(1,509,203)
Operating equipment (Note 9)	**(5,727,280)**	(5,334,058)
Decrease (increase) in other noncurrent assets	**(2,796,740)**	355,920
Net cash flows used in investing activities	**(97,024,020)**	(6,487,341)
CASH FLOWS FROM A FINANCING ACTIVITY		
Increase in due to related parties (Note 20)	**55,157,455**	2,539,968
NET INCREASE (DECREASE) IN CASH	**9,593,241**	(1,368,941)
CASH AT BEGINNING OF YEAR	**39,604,166**	40,973,107
CASH AT END OF YEAR (Note 5)	**₱49,197,407**	₱39,604,166

See accompanying Notes to Financial Statements.

CENTRAL BLOC HOTEL VENTURES, INC.
DOING BUSINESS UNDER THE NAME AND STYLE OF SEDA CENTRAL BLOC CEBU
(A Wholly Owned Subsidiary of Ayala Land, Inc.)
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Central Bloc Hotel Ventures, Inc. (the Company) is a domestic corporation registered with the Securities and Exchange Commission (SEC) on October 28, 2019, with the primary purpose to own, hold in ownership, manage, deal and engage in the general business of a hotel, apartment hotel, serviced residence, inn, resort, restaurant, café, bar, entertainment and other allied businesses and to the limit and extent permitted by law, to acquire and own, either and own, either by purchase, lease or other means of acquisition, lands, buildings, and other improvements necessary or required by its business and to use such lands, building, and other improvements thereto for the conduct and operation of the general nature of its business and object and all other matters incidental thereto.

On December 16, 2021, the SEC approved the merger of the Company's immediate parent company, Cebu Holdings, Inc. (CHI) with and into its ultimate parent company, Ayala Land, Inc. (ALI), with ALI as the surviving entity. ALI shall be the surviving entity in the merger and shall possess all the rights, privileges and immunities of CHI, and all properties and liabilities, and all and every other interest of or belonging to CHI shall be taken and deemed transferred to ALI without further act or deed. As a result of the merger, ALI became the immediate parent company of the Company with direct ownership of 100% as of December 31, 2022 and 2021. ALI is a publicly listed company and is a subsidiary of Ayala Corporation (AC), also a publicly listed company, which is 47.33%-owned by Mermac, Inc., and the rest by the public.

The Company owns Seda Central Bloc Cebu (the Hotel), a hotel of 214 guestrooms and suites. The Hotel, located at V. Padriga St., Cebu IT Park, Brgy. Apas, Cebu City, was opened to the public in February 12, 2020.

The Company's registered office address and principal place of business is at 3F West Tower Seda BGC, 30th Street corner 11th Avenue, Bonifacio Global City, 1634 Taguig City, Metro Manila.

The financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 28, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared on historical cost basis and are presented in Philippine Peso (₱), the Company's functional currency. All amounts are rounded off to the nearest peso unless otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

The Company meets the criteria of a small entity based on the criteria set by the SEC for mandatory adoption of PFRS for Small and Medium-sized Entities (PFRS for SMEs). However, as provided under SEC Memorandum Circular No.5 (2018), the Company availed of the exemption from the mandatory adoption of the PFRS for SMEs on the basis that the Company is a wholly owned subsidiary of a parent company reporting under full PFRSs. Hence, the Company accordingly prepared its financial statements using full PFRSs.

Changes in Accounting Policies
The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year except for the new PFRSs, amended PFRSs and improvements to PFRSs which were adopted beginning January 1, 2022. Adoption of these pronouncements did not have any significant impact on the Company's financial statements.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
- Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter
- Amendments to PFRS 9, Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities
- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2023
- Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to PAS 8, Definition of Accounting Estimates
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

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*

Significant Accounting Policies

Current versus Noncurrent Classification
The Company presents assets and liabilities in its statement of financial position based on a current and noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or,

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement

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

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

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

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

A fair value measurement of a 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.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition, as subsequently measured at amortized cost, as fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets comprise of financial assets at amortized cost.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold the 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.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial asset at amortized cost pertains to cash, receivables and due from related parties.

Impairment of financial assets
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash in banks, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such 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 lifetime ECL. The Company uses the ratings from reputable rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company applies simplified approach in calculating ECLs on receivables and due from related parties. Therefore, does not track changes in credit risk, but instead recognizes a loss allowance based on the lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are ninety (90) days past their due dates. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financials liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities consist of financial liabilities at amortized cost (loans and borrowings).

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings
After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on the issue and fee that are an integral part of the EIR. This accounting policy applies primarily to the Company's accounts and other payables (except statutory payables) and due to related parties.

Derecognition of Financial Instruments
Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

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

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

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where 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 profit or loss.

Offsetting Financial Instruments
Financial instruments are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Cost includes the purchase price, import duties, freight and handling costs. NRV is the selling price in the normal course of business less marketing and distribution costs.

Value-Added Tax (VAT)
Input tax represents the VAT due or paid on purchases of goods and services subjected to VAT that the Company can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT on sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit under certain circumstances against future income tax liability of the Company upon approval of the BIR and/or Bureau of Customs. Input tax is stated at its estimated net realizable values. A

valuation allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Hotel Property and Equipment
Hotel property and equipment are carried at cost less accumulated depreciation and any impairment in value. The initial cost of hotel property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the hotel property and equipment to its working condition and location for its intended use.

Expenditures incurred after the hotel property and equipment have been put into operation (such as repairs and maintenance) are normally charged to operations in the year when 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 hotel property and equipment beyond its originally assessed standard of performance, and the costs of these items can be measured reliably, the expenditures are capitalized as an additional cost of the hotel property and equipment. All other repairs and maintenance expenses are charged to current operations as incurred.

Depreciation commences once the hotel property and equipment are available for use and is computed on a straight-line basis over the estimated useful lives of the hotel property and equipment as follows:

	Years
Building	40
Furniture, fixtures and equipment	10

The estimated useful life and depreciation method are reviewed at least annually to ensure that the period and method of depreciation is consistent with the expected pattern of economic benefits from items of hotel property and equipment.

When hotel property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Operating Equipment
Operating equipment is carried at cost less accumulated amortization and any impairment in value. The initial cost of operating equipment comprises its purchase price and any directly attributable cost of bringing the assets to its working condition and location for its intended use.

Operating equipment is amortized to the appropriate department expense account over the period of five (5) years.

Impairment of Nonfinancial Asset
The Company assesses at each reporting date whether there is an indication that its nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less

costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value 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 are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal, the depreciation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock
Capital stock is measured at par value for all shares issued. When the Company issues more than one capital stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and redeemable preferred stock.

Retained earnings
Retained earnings represents accumulated earnings of the Company less dividend declaration.

Revenue Recognition
The Company is in the business of providing room accommodation services, sale of food and beverage and other operating departments' services. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

Rooms
Revenue from room accommodation services are recognized over time since the guest simultaneously receives and consumes the services provided by the Company. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

Food and beverage
The Company sells food and beverage that are either sold separately or bundled together with the room accommodation services to a guest. The sale of food and beverage can be obtained from other providers and do not significantly customize or modify the room accommodation services. Contracts for bundled sale of food and beverage and room accommodation services are comprised of two performance obligations because the promises to sell food and beverage and provide room

accommodation services are capable of being distinct and separately identifiable. Accordingly, the Company allocates the transaction price based on the relative stand-alone selling prices of the sale of food and beverage and room accommodation services.

Revenue from the sale of food and beverage are recognized at a point in time when food and beverage are served.

Other operating department services
Revenue from other operating department include laundry and transportation services and are recognized over time as the guests avail the benefit provided by the Hotel.

Other Income Recognition
Interest income
Interest income is recognized as it accrues using the effective interest rate method.

Other income
Other income is recognized when earned.

Contract Balances
Receivables
A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services 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 Company performs under the contract.

Cost of Sales and Services
Cost of sales and services pertain to expenses incurred in relation to sale of goods and rendering of services. These are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen than can be measured reliably. These are recognized when incurred and measured at the amount paid or payable.

Operating Expenses
Expenses constitute manpower, information system, marketing costs, taxes and licenses, professional fees, and other costs of administering the business. These usually take the form of an outflow or depletion of assets such as cash. Expenses are recognized as incurred.

Pension Liability
The net pension liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any).

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning projected salaries.

Defined benefit costs comprise the following:
- Service cost

- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.
Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in the statement of financial position with a corresponding debit or credit through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Leases
The Company assesses at contract inception whether a contract is, or contains, a lease (i.e., if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration).

Company as a Lessee. The Company applies a single recognition and measurement approach for all leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use Asset. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease terms as follows:

	Number of years
Land and building	5

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, amortization is calculated using the estimated useful life of the asset. The right-of-use assets are subject to impairment.

Lease Liability. At the commencement date of the lease, the Company recognizes lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Income Taxes

Current tax
Current tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is provided, using the liability method, on all temporary differences with certain exceptions, at the balance sheet date between the tax bases of assets and liabilities and its 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 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 carryforward of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.
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 assets 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 asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period 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.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) 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. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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 interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The expense relating to any provision is presented in profit or loss, net of any reimbursement. Provisions are reviewed at each financial reporting date and adjusted to reflect the current best estimate.

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

Events after the Reporting Date
Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. Management Use of Judgments, Estimates and Assumptions

The preparation of the financial statements in compliance with PFRSs requires the management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Allocation of transaction price on room services and sale of food and beverage. The Hotel provides room accommodation services that are bundled together with the sale of food and beverage to the guest, which is the breakfast buffet. The sale of food and beverage is a promise to provide in the future and is part of the negotiated exchange between the Hotel and the guest. The Hotel determined that both the room accommodation and breakfast buffet are capable of being distinct. In allocating the hotel room charges, the Hotel considers the cost plus a predetermined margin for the breakfast and assigns the remaining transaction price to revenue from room services (see Note 4).

Impairment of Hotel Property and Equipment, Operating Equipment and Right-of-Use Assets. The Company assesses impairment on its hotel property and equipment, operating equipment, and right-of-use assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include significant underperformance relative to expected historical or projected future operating results and significant changes in the manner of use of the acquired assets. Management has determined that there are no events or changes in circumstances during the year that may indicate that the carrying value of hotel property and equipment, operating equipment and right-of-use assets may not be recoverable.

In 2022 and 2021, the Company did not recognize impairment loss on its hotel property and equipment, operating equipment and right-of-use assets since there are no indicators of impairment. As of December 31, 2022 and 2021, the carrying values of the Company's hotel property and equipment, operating equipment, and right-of-use assets amounted ₱250.3 million and ₱22.1 million, respectively (see Notes 8, 9 and 17).

Determining Lease Term of Contracts with Renewal and Termination Options – Company as a Lessee. The Company has lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease (i.e., it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination). After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The renewal period for lease of land with a long remaining lease term is not included as part of the lease term as this is not reasonably certain to be exercised. Furthermore, the period covered by termination option is included as part of the lease term only when it is reasonably certain not to be exercised.

Estimates and Assumptions

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

Expected credit losses

The Company uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates.

The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation, gross domestic product and discount rate) are expected to deteriorate over the next year which can lead to an increase in prices of basic goods and services, the historical default rates are adjusted.

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

No allowance for ECL is recognized on the Company's accounts receivable in 2022 and 2021. As of December 31, 2022 and 2021, receivables amounted to ₱34.7 million and ₱21.2 million, respectively (see Note 6).

Recognition of deferred income tax assets
The Company reviews the carrying amounts of deferred income taxes at the reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of deferred income tax assets to be utilized. The Company's assessment is based on budgeted and forecasted taxable income in the immediately succeeding year. In such assessment, external factors which may limit the utilization of deferred income tax assets are taken into consideration.

The Company recognized deferred income tax assets amounting to ₱17.5 million and ₱0.2 million as of December 31, 2022 and 2021, respectively (see Note 15).

Estimating Useful Lives of Hotel Property and Equipment, Operating Equipment and Right-of-Use Assets. The Company estimated the useful lives of its hotel property and equipment, operating equipment and right-of-use assets based on the period over which the assets are expected to be available for use. The Company reviews annually the estimated useful lives of the property and equipment and right-of-use assets based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The Company considers it impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the estimates and assumptions on asset utilization, internal technical evaluation, and anticipated use of assets tempered by related industry benchmark information during the reporting periods. However, it is reasonably possible, on the basis of existing knowledge, that a change in the estimated useful life of any item of hotel property and equipment and operating equipment brought about by changes in the factors mentioned above would impact the recorded depreciation, amortization expense, right-of-use assets and property and equipment.

There are no changes in the useful lives of hotel property and equipment, operating equipment and right-of-use assets as at and for the periods ended December 31, 2022 and December 31, 2021. Net book values of hotel property and equipment amounted to ₱3.4 million and ₱3.5 million as at December 31, 2022 and 2021, respectively (see Note 8). In 2022 and 2021, the net book values of operating equipment amounted to ₱17.5 million and ₱16.5 million, respectively (see Note 9).

Principal Assumptions and Estimation of Retirement Benefit Obligation. The present value of the retirement benefit obligation depends on various factors that are determined on an actuarial basis using a number of assumptions. The assumptions used, as described in Note 16, include the discount rate and rate of salary increases. In determining the appropriate discount rate, the Company considers the market yield of government bonds with terms to maturity approximating the terms of the retirement liability. Other key assumptions for retirement liability are based in part on current market conditions. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

While the Company believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect pension and other retirement obligations and employee benefits.

The sensitivity analyses for the significant actuarial assumptions are disclosed in Note 16.

Pension expense amounted to ₱0.4 million for the years ended December 31, 2022 and 2021. As at December 31, 2022 and 2021, the retirement benefit obligation amounted to ₱0.8 million and ₱0.7 million, respectively (see Note 16).

Estimating the Incremental Borrowing Rate (IBR) for Lease Liability. The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing IBR to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as credit rating).

The Company's IBR is referenced to the Philippine Bloomberg Valuation Service with a corresponding adjustment for credit spread rate computed by benchmarking from comparable entities.

The carrying amount of the lease liabilities amounted to ₱298.2 million as at December 31, 2022 (see Note 17).

4. Revenue from Contracts with Customers

Disaggregated Revenue Information

The Company has three (3) revenue streams arising from contracts with customers, which are rooms, food and beverage and other operating departments. Revenue from rooms and other operating departments are recognized over time, while revenue from food and beverage is recognized at point in time.

Contract Balances

Trade receivables pertain to amounts collectible from customers arising from sales and services of the Hotel operations. These are noninterest-bearing and are normally collectible within 30- to 60- day term.

Contract liabilities pertain to amounts paid by guests in advance to guarantee reservation. These are recorded as "Guest deposits" under "Accounts and other payables" in the statements of financial position. These are recognized as revenue once the performance obligation has been satisfied. Guest deposits amounted to ₱3.5 million and ₱0.3 million as of December 31, 2022 and 2021, respectively (see Note 10).

Performance Obligations

Information about the Company's performance obligations are summarized below:

Rooms

The performance obligation is satisfied over time and payment is generally due upon check-out for individual guests or within 30 to 60 days from the date of billing for corporate or travel agencies.

Food and Beverage
The performance obligation is satisfied when food and beverage are served. Payment is generally due upon bill-out, for individual guests upon check-out and within 30 to 60 days from the date of billing for corporate or travel agencies.

Other Operating Departments
The performance obligation is satisfied over time and payment is generally due upon check-out for individual guests or within 30 to 60 days from the date of billing for corporate or government delegates.

5. Cash

This account consists of:

	2022	2021
Cash on hand	**₱242,161**	₱221,649
Cash in banks	**48,955,246**	39,382,517
	₱49,197,407	₱39,604,166

Cash on hand includes the petty cash fund of the Hotel for its immediate cash expenditures.

Cash in banks earn annual interest at the prevailing deposit rates of 0.15% to 0.35% in 2022 and 2021.

Interest income earned on cash in banks amounted to ₱10,880 and ₱22,424 in 2022 and 2021, respectively.

6. Receivables

This account consists of:

	2022	2021
Trade receivables:	**₱33,983,938**	₱20,771,845
Others	**703,550**	381,673
	₱34,687,488	₱21,153,518

Trade receivables pertain to amounts collectible from customers arising from sales and services of the Hotel operations. These are noninterest-bearing and are normally collectible within 30- to 60- day term.

The classes of trade receivables of the Company are as follows:

- Corporate - pertains to receivables from companies or establishments that have existing credit lines with the Hotel; and
- Credit cards - arises from credit card transactions of hotel guests arising from room use, banquets and restaurants.

Others pertain to cash advances made by the Company to employees which are recoverable through salary deduction and are collectible within one year.

7. Inventories

This account consists of:

	2022	2021
Food and beverage	**₱3,075,739**	461,051
Guest supplies	**1,426,817**	₱1,913,185
	₱4,502,556	₱2,374,236

Inventories recognized as part of food and beverage under cost of sales and services in the statements of comprehensive income amounted to ₱49.3 million and ₱21.5 million in 2022 and 2021, respectively.

8. Hotel Property and Equipment

The rollforward analysis of this account follows:

		2022	
	Hotel Building and Improvements	**Furniture, Fixtures and Equipment**	**Total**
Cost			
At January 1 and December 31	**₱3,403,164**	**₱259,160**	**₱3,662,324**
Accumulated Depreciation			
At January 1	**132,266**	**38,811**	**171,077**
Depreciation	**85,079**	**25,916**	**110,995**
At December 31	**217,345**	**64,727**	**282,072**
Net Book Value	**₱3,185,819**	**₱194,433**	**₱3,380,252**

		2021	
	Hotel Building and Improvements	Furniture, Fixtures and Equipment	Total
Cost			
At January 1 and December 31	₱3,403,164	₱259,160	₱3,662,324
Accumulated Depreciation			
At January 1	47,187	12,895	60,082
Depreciation	85,079	25,916	110,995
At December 31	132,266	38,811	171,077
Net Book Value	₱3,270,898	₱220,349	₱3,491,247

No unpaid additions to hotel property and equipment as of December 31, 2022 and 2021.

The Company has no restrictions on its property and equipment and none of these have been pledged as security for its obligations.

9. Other Noncurrent Assets

This account consists of:

	2022	2021
Operating equipment	**₱17,499,375**	₱16,453,620
Deferred input VAT	**4,982,304**	2,185,564
	₱22,481,679	₱18,639,184

Rollforward analysis of the operating equipment follows:

	2022	2021
Balance at January 1	**₱16,453,620**	₱16,243,565
Additions	**5,476,850**	4,317,711
Amortization	**(4,431,095)**	(4,107,656)
Balance at December 31	**₱17,499,375**	₱16,453,620

Operating equipment includes china glassware, silverware, linen, and uniforms to be used in the Hotel operations. Operating equipment is expensed ratably to the appropriate department expense account over its period of consumption.

As of December 31, 2022 and 2021, unpaid operating equipment amounted to nil and ₱0.3 million, respectively (see Note 10).

Deferred input VAT pertains to input VAT from purchases of capital goods and is recoverable in future periods and input tax on unpaid purchases of services which are incurred and billings had been received as of date.

10. Accounts and Other Payables

This account consists of:

	2022	2021
Taxes payable	**₱10,188,281**	₱2,826,739
Trade payables	**11,273,945**	10,847,452
Accrued expenses	**8,819,510**	23,918,391
Salaries, wages and benefits	**3,984,479**	3,023,960
Guest deposits (see Note 4)	**3,536,724**	300,848
	₱37,802,939	₱40,917,390

Taxes payable pertains to expanded withholding taxes payable on purchases of goods and services, withholding taxes on compensation, output vat payable and taxes due to local government unit. For withholding taxes, these are normally remitted the following month. However, for taxes due to local government, this is remitted on quarterly basis.

Trade payables pertain to amounts due to suppliers for purchases of goods and services and are normally settled on a 15- to 90- day term.

Accrued expenses pertain to unpaid salaries, utilities, maintenance, insurance, professional fees, and other general and administrative expenses of the Company. These are normally settled within 30- to 60- day term.

Salaries, wages and benefits consist of payables to the government such as Social Security System and Pag-IBIG premiums. These are remitted monthly.

Guest deposits pertain to amounts paid by guests in advance to guarantee reservation. These are recognized as revenue once the performance obligation has been satisfied.

11. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions; and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities (referred herein as entities under common control). Entities under common control are related entities of the Company by virtue of common ownership by AC.

Terms and Conditions of Transactions with Related Parties
There have been no guarantees provided or received for any related party receivables or payables. These accounts are noninterest-bearing and are unsecured. Impairment assessment is undertaken during the financial year through a review of the financial position of the related party and the market in which the related party operates. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash.

Transactions with related parties for 2022 and 2021 follow:

	2022				
	Elements of Transactions				
Related Party Transactions	Volume/ Amount	Receivable	Payable	Terms	Conditions
Immediate Parent					
Advances for operating expenses (a)	**₱7,509,202**	**₱7,509,202**	**₱–**	**Noninterest-bearing**	**Unsecured; No impairment**
Affiliates					
Advances for operating expenses (e)	**33,301,000**	**33,301,000**	**–**	**Noninterest-bearing**	**Unsecured; No impairment**
Management fees (b)	**23,001,110**	**–**	**44,010**	**Noninterest-bearing**	**Unsecured; Due and demandable**
Loyalty program expense (c)	**550,155**	**–**	**–**	**Noninterest-bearing**	**Unsecured; Due and demandable**
Advances for operating expenses (d)	**37,515,350**	**–**	**37,515,350**	**Noninterest-bearing**	**Unsecured; Due and demandable**
Entities Under Common Control					
Intercompany loans (e)	**–**	**65,426,661**	**20,783,286**	**Noninterest-bearing**	**Unsecured; No impairment**
		₱106,236,863	**₱58,342,646**		

2021					
	Elements of Transactions				
Related Party Transactions	Volume/ Amount	Receivable	Payable	Terms	Conditions
Immediate Parent					
Advances for operating expenses (a)*	₱9,009,203	₱9,009,203	₱–	Noninterest-bearing	Unsecured; No impairment
Affiliates					
Advances for operating expenses (e)	9,582,537	8,301,000	–	Noninterest-bearing	Unsecured; No impairment
Management fees (b)	8,047,528	–	2,384,228	Noninterest-bearing	Unsecured; Due and demandable
Loyalty program expense (c)	147,085	–	–	Noninterest-bearing	Unsecured; Due and demandable
Advances for operating expenses (d)	775,696	–	800,963	Noninterest-bearing	Unsecured; Due and demandable
Entities Under Common Control					
Hotel billings	–	426,660	–	Noninterest-bearing	Unsecured; No impairment
		₱17,736,863	₱3,185,191		

** Cebu Holdings, Inc. (CHI) was the Company's immediate parent company prior to the approval by the SEC of the Plan of Merger on December 16, 2021 whereby CHI was merged with Ayala Land, Inc. (ALI), with the latter as the surviving entity. Upon the effectivity of the merger, ALI became the Company's immediate parent company (see Note 1).*

a) Receivable from related party pertains to short-term advances made by the Company to its Parent Company, Ayala Land, Inc. to fund its related operating expenses. In 2022 and 2021, the Company has receivables amounting to ₱7.5 million and ₱9.0 million, respectively.

b) Management fee pertains to professional fees charged by AHRC, an affiliate, for the services of its employees who handle project monitoring, maintain the books of accounts, review budget and monitor capital (see Note 18). The Company had recognized management fees amounting to ₱23.0 million and ₱8.0 million for the years ended December 31, 2022 and 2021, respectively.

c) Loyalty program expense pertains to Seda Loyalty Program billings based on a redemption ratio. Seda Loyalty Program is a guest loyalty program for Seda hotels which is operated by AHRC and was launched in 2016 (see Note 18).

d) This pertains to the Company's payable for the advances made Ayala Land, Inc. to fund related operating and administrative expenses of the hotel.

e) Receivable from or payable to related party pertains to short-term advances made by the Company to its affiliates, AHRC, Bay Area Hotel Ventures, Inc., Circuit Makati Hotel Ventures, Inc., Econorth Resort Ventures, Inc., entities under common control, to fund related operating expenses. Total interest income earned from intercompany loans amounted to ₱0.4 million and ₱23,132 in 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the Company has entered into transactions with BPI, an affiliate, consisting of cash with carrying amounts as follow:

	2022	2021
Cash (see Note 5)	**₱8,631,268**	₱12,685,238

Key Management Compensation

The key management personnel of the Company are employees of AHRC, an affiliate. The compensation of the said employees is paid by AHRC and as such, the necessary disclosures required by PAS 24, *Related Party Disclosures* are included in the financial statements of AHRC.

12. Equity

Details of the Company's capital stock as of December 31, 2022 and 2021 are as follows:

	Number of Shares	Amount
Authorized at ₱1 par value:		
Redeemable preferred shares	152,000,000	₱152,000,000
Common shares	38,000,000	38,000,000
	190,000,000	₱190,000,000
Issued at ₱1 par value:		
Redeemable preferred shares	38,000,000	₱38,000,000
Common shares	9,500,000	9,500,000
	47,500,000	₱47,500,000

Preferred shares are voting, redeemable at the option of the Company, participating in any regular dividend declaration for the common shares to be paid out of unrestricted retained earnings at the same rate and upon the same terms as declared and paid to the holders of the common shares. Common shares represent residual ownership equity.

Capital Management

The primary objective of the Company's capital management policies is to have financial flexibility to support its business initiatives and maximize stakeholder value. The Company manages its capital structure and make adjustments to it in light of changes in economic decisions.

The Company considers its total equity as capital amounting to ₱59.8 million and ₱56.8 million as of December 31, 2022 and 2021, respectively.

No changes were made in the Company's capital management objectives, policies or processes for managing capital in 2022 and 2021.

The Company is not subject to any externally imposed capital requirements as of December 31, 2022 and 2021.

13. General and Administrative Expenses

General and administrative expenses consist of:

	2022	2021
Manpower cost	**₱8,054,920**	₱6,456,828
Credit card discounting fee	**4,190,756**	914,007
Training and development	**948,005**	249,931
Travel and communication	**291,013**	114,659
Professional fee	**144,000**	144,000
Uniforms and supplies	**10,000**	144,188
Miscellaneous	**708,967**	342,054
	₱14,347,661	₱8,365,667

14. Sales and Marketing Expenses

Sales and marketing expenses consist of:

	2022	2021
Promotional expense	**₱2,849,714**	₱89,090
Manpower cost	**1,844,187**	1,130,855
Loyalty program (see Note 11)	**550,155**	147,085
Professional fees	**226,353**	–
Supplies	**153,749**	–
Travel and communication	**83,994**	–
Miscellaneous	**–**	98,924
	₱5,708,152	₱1,465,954

15. Income Taxes

In 2022 and 2021, the provision for current income tax represents RCIT and final withholding tax on gross interest income as follows:

	2022	2021
Current	**₱18,161,567**	₱2,305,943
Final	**2,176**	2,677
Deferred	**(17,292,282)**	(91,475)
	₱871,461	₱2,217,145

The reconciliation between the statutory and effective income tax follows:

	2022	2021
Provision for income tax computed at RCIT	**₱874,182**	₱2,199,280
Tax effects of:		
Interest income already subjected to final tax	**(2,721)**	(5,606)
Nondeductible expenses	**–**	112,426
Impact of CREATE	**–**	(88,955)
	₱871,461	₱2,217,145

The components of the Company's deferred income tax assets - net as of December 31 follow:

	2022	2021
Deferred income tax assets on:		
Pension liability	**₱329,083**	₱217,169
Lease liability - net of right-of-use asset	**17,180,368**	–
Deferred income tax liability recognized in other comprehensive income:		
Remeasurement gain on pension liability	**(140,366)**	(37,132)
	₱17,369,085	₱180,037

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100.00 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

Applying the provisions of the CREATE Act, the Company had been subjected to lower RCIT tax rate of 25% for nonregistered activities effective July 1, 2020. As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event in the financial statements of the Company as of and for the year ended December 31, 2020. Accordingly, current and deferred income taxes continued to be computed and measured using the applicable income tax rates as of December 31, 2020 for financial reporting purposes.

The Company reflected the changes in the current and deferred income taxes its financial statements as of and for the year ended December 31, 2021, including the retroactive effect of the change in tax rates arising from the CREATE Act, reducing provisions for current and benefit from deferred income tax in the statement of comprehensive income by ₱0.1 million and ₱20,949, respectively.

16. **Pension Liability**

The Company has unfunded, noncontributory, defined benefit pension plan covering substantially all of its regular employees. The benefits are based on current salaries and years of service and compensation on the last year of employment as defined under Philippine Republic Act 7641. The retirement is the only long-term employee benefit. The Company's pension plan meets the minimum retirement benefit specified by law.

The principal actuarial assumptions used to determine the pension benefits with respect to the discount rate and salary rate increases were based on historical and projected normal rates.

The Company's pension plan meets the minimum retirement benefit specified by law.

The pension costs recognized in the statements of income is included in "Pension expense" under "Operating expenses".

	2022	2021
Current service cost	**₱411,901**	₱433,656
Interest cost	**35,864**	16,047
	₱447,765	₱449,703

The only component of remeasurement effect of employee benefits recognized in the 2022 and 2021 statement of comprehensive income (included in "Other comprehensive income") amounted to ₱0.3 million and ₱0.1 million, respectively.

The changes in the pension liability recognized in the statements of financial position follow:

	2022	2021
At January 1	**₱720,158**	₱418,981
Current service cost	**411,901**	433,656
Interest cost	**35,864**	16,047
Remeasurement loss (gain) due to:		
Experience adjustments	**76,921**	(125,956)
Changes in financial assumptions	**(489,856)**	(22,570)
At December 31	**₱754,988**	₱720,158

The principal assumptions used in determining pension liability for the Company's pension plan as of December 31 are shown below:

	2022	2021
Discount rate	**7.11%**	4.98%
Salary increase rate	**4.00%**	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation (DBO) as of December 31, assuming all other assumptions were held constant:

		Increase (Decrease) in Defined Benefit Obligation	
	Increase (Decrease)	**2022**	2021
Discount rate	+100 basis points	**(103,159)**	(₱113,435)
	−100 basis points	**125,257**	141,054
Future salary increase rate	+100 basis points	**124,433**	135,931
	−100 basis points	**(104,223)**	(111,853)

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31:

	2022	2021
More than 5 years to 10 years	**₱941,410**	₱1,007,668
More than 10 years to 15 years	**4,649,313**	4,945,892
More than 15 years to 20 years	**5,636,393**	1,806,531
More than 20 years	**35,393,509**	35,451,490

The weighted average duration of the defined benefit obligation as of the end of the reporting period is 21 years as of December 31, 2022 and 2021.

17. Leases

The Company leases certain parcel of land, on which its buildings are located, from ALI with a total land area of 21,658 square meters. This operating lease agreement, which is non-cancellable in nature, is for a period of 5 years commencing on January 1, 2022, renewable for another 40 years subject to certain terms and conditions and is subject to annual escalation of rental rates.

The rollforward analysis of the right-of-use asset in 2022 follows:

Cost	
At January 1 and December 31, 2022	₱286,794,593
Accumulated Amortization	
Amortization during the year	57,358,919
Net Book Value	₱229,435,674

The following are the amounts recognized in the 2022 statement of comprehensive income:

Interest accretion	₱11,362,553
Amortization of right-of-use assets	57,358,919
	₱68,721,472

Set out below are the carrying amounts of the Company's lease liabilities and the movements in 2022:

At January 1	₱–
Additions	286,794,593
Interest accretion	11,362,553
Payments	–
At December 31	298,157,146
Lease liabilities - current portion	(118,860,319)
Lease liabilities - net of current portion	₱179,296,827

Shown below is the maturity analysis of the undiscounted lease payments in 2022:

Within one year	₱63,974,978
After one year but not more than five years	191,924,935
	₱255,899,913

18. Commitments

Management Service Agreement with AHRC
A management service agreement was entered between the Company and AHRC wherein the latter undertakes to render services and assistance related in the management and operation of the business of the Company in exchange for management fee. The Company will pay a base management fee equivalent to two and a half percent (2.50%) of the Hotel's gross revenue. The Company recognized management fee amounting to ₱23.0 million and ₱8.0 million in 2022 and 2021, respectively (see Note 11).

Seda Loyalty Program with AHRC
Seda loyalty program is a guest loyalty program for Seda Hotels which is operated by AHRC wherein the latter is entitled to service fees when a Seda Hotel Property is in the operating phase. AHRC will initially bill the Company a one-time participation fee based on the number of hotel rooms multiplied by ₱1,500. In addition, the Company will receive billings equivalent to two and a half percent (2.50%) of the related Hotel's room revenues from the program. The Company recognized loyalty program expense amounting to ₱0.6 million and ₱0.1 million in 2022 and 2021, respectively (see Notes 11 and 14).

19. Fair Value Information and Financial Instruments

Fair Value Measurement
The methods and assumptions used by the Company in estimating the fair value of the financial assets and financial liabilities follow:

Financial assets at amortized cost and loans and borrowings
Due to the short-term nature of the financial assets and other financial liabilities, the carrying value of cash, receivables, due from related parties, accounts and other payables excluding taxes payable and due to related parties approximate their fair values.

Fair value hierarchy
There were no transfers between level categories as of December 31, 2022 and 2021.

Financial Risk Management Objectives and Policies
The Company's financial instruments include cash (excluding cash on hand), receivables (excluding advances to and contractors), due from related parties, accounts and other payables (excluding taxes payable and unearned income) and due to related parties, which arise directly from operations.

Exposure to credit, liquidity, market, interest rate and foreign currency exchange risks arise in the normal course of the Company's business. The main objectives of the Company's financial risk management are consistent with that of ALI, which are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Company's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company.

Liquidity risk
Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Company maintains a level of cash that is sufficient to finance operations and to mitigate the effects of fluctuation in cash flows. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions or from its parent company.

Overall, the Company's funding arrangements are designed to keep an appropriate balance between equity and debt, to give financing flexibility while continuously enhancing the Company's business.

The tables below summarize the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted payments as well as the financial assets used to manage the Company's liquidity risks. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

	2022			
	≤ 1 year	> 1 year	2 to 5 years	Total
Financial Assets at Amortized Cost				
Cash	₱49,197,407	–	–	₱49,197,407
Receivables	34,687,488	–	–	34,687,488
Due from related parties	106,236,863	–	–	106,236,863
Total financial assets	190,121,758	–	–	190,121,758
Financial Liabilities at Amortized Cost				
Accounts and other payables:				
Accrued expenses	8,819,398	–	–	8,819,398
Trade payables	11,273,945	–	–	11,273,945
Due to related parties	58,342,646	–	–	58,342,646
Total financial liabilities	78,435,989	–	–	78,435,989
Net financial assets	₱111,685,769	–	–	₱111,685,769

	2021			
	≤ 1 year	> 1 year	2 to 5 years	Total
Financial Assets at Amortized Cost				
Cash	₱39,604,166	₱–	₱–	₱39,604,166
Receivables	21,153,518	–	–	21,153,518
Due from related parties	17,736,863	–	–	17,736,863
Total financial assets	78,494,547	–	–	78,494,547
Financial Liabilities at Amortized Cost				
Accounts and other payables:				
Accrued expenses	23,918,391	–	–	23,918,391
Trade payables	10,847,452	–	–	10,847,452
Due to related parties	3,185,191	–	–	3,185,191
Total financial liabilities	37,951,034	–	–	37,951,034
Net financial asset	₱40,543,513	₱–	₱–	₱40,543,513

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. The Company's credit risk is primarily attributable to financial assets such as cash and receivables. To manage credit risk, the Company monitors its exposure to credit risk on a continuous basis.

The Company's maximum exposure to credit risk as of December 31, 2022 and 2021 is equal to the carrying values of its financial assets amounting to ₱190.1 million and ₱78.5 million, respectively.

The Company made an assessment of credit quality and related expected credit loss (ECL) as at December 31, 2022 and 2021.

General approach

- *Cash in bank* - The ECL relating to the cash in banks of the Company is minimal as these are deposited in reputable banks which have good bank standing and are considered to have low credit risk.

- *Receivables from related parties* - The Company did not recognize any allowance relating the receivable from related parties and other receivables in prior years. No ECL is recognized since there were no history of default payments. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

Simplified approach

- *Trade receivables* - The Company applied the simplified approach under PFRS 9, using a 'provision matrix'. As of December 31, 2022 and 2021, there were no expected credit losses on the Company's trade receivables. No impairment losses resulted from performing the impairment test due to the expected recoveries from the advance payments which help reduce the Company's credit risk exposure in case of default from the customer.

The Company writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Company writes off an account when all of the following conditions are met:

- the asset is in past due for over 90 days, or is already an item-for-forfeit; and
- contract restructuring is no longer possible.

The Company may also write-off financial assets that are still subject to enforcement activity. The Company does not have receivables that are subject to enforcement activity as of December 31, 2022 and 2021.

Applying the expected credit risk model did not result in the recognition of an impairment loss for all financial assets at amortized cost in 2022 and 2021, hence no ECL was recognized.

Set out below is the information about the credit risk exposure on the Company's financial assets as of December 31, 2022 and 2021 using a provision matrix:

	2022				
	Current	**Days past due**		**Expected**	
	(High grade)	**1 - 30 Days**	**> 30 Days**	**credit loss**	**Total**
Cash in banks	**₱49,197,407**	**₱–**	**₱–**	**₱–**	**₱49,197,407**
Receivables	–	**17,062,825**	**17,624,663**	–	**34,687,488**
Due from related parties	**106,236,863**	–	–	–	**106,236,863**
	₱155,434,270	**₱17,062,825**	**₱17,624,663**	**₱–**	**₱190,121,758**

	2021				
	Current	Days past due		Expected	
	(High grade)	1 - 30 Days	> 30 Days	credit loss	Total
Cash in banks	₱39,604,166	₱–	₱–	₱–	₱39,604,166
Receivables	–	8,188,812	12,964,706	–	21,153,518
Due from related parties	17,736,863	–	–	–	17,736,863
	₱57,341,029	₱8,188,812	₱12,964,706	₱–	₱78,494,547

20. Notes to the Statements of Cash Flows

The changes in liabilities arising from financing activities for the year ended December 31, 2022 and 2021 follow:

	January 1, 2022	**Cash Flows**	**December 31, 2022**
Due to related parties (see Note 11)	**₱3,185,191**	**₱55,157,455**	**₱58,342,646**

	January 1, 2021	Cash Flows	December 31, 2021
Due to related parties (see Note 11)	₱645,223	₱2,539,968	₱3,185,191

The noncash investing activities of the Company pertain to:

<u>2021</u>

- Unpaid acquisition of operating equipment amounting to ₱0.3 million

21. Supplementary Information Required under Revenue Regulations 15-2010

In compliance with the requirements set forth by Revenue Regulations 15-2010, hereunder are the information on taxes and license fees paid and accrued during the taxable year.

Output VAT
Net sales/receipts and output VAT declared in the Company's VAT returns filed for the year ended December 31, 2022:

	Net sales/ Receipts	Output VAT
Sales of services	₱252,237,565	₱30,268,508
VAT exempt sales	534,895	–
	₱252,772,460	₱30,268,508

The Company's sale of services is based on actual collections received; hence, may not be the same with the amounts accrued in the statement of income.

Input VAT
Input VAT declared in the Company's VAT returns filed for the year ended December 31, 2022 follows:

Balance at January 1, 2022	₱677,930
Input tax on capital goods exceeding ₱1 million from previous quarter	
Current year's domestic purchases/payments for:	
Services	4,097,727
Goods other than capital goods	8,082,984
	12,858,641
Allocable to exempt sales	(26,011)
Applied against output VAT	(12,332,264)
At December 31	–
Input tax to be carried over for the succeeding quarter	–
Input tax deferred on capital goods exceeding ₱1 million deferred for the succeeding period	500,365
Balance at December 31	₱500,365

Taxes and Licenses
Details of the Company's taxes and licenses follow:

Business and municipal licenses	₱244,989
Real property taxes	450,000
	₱694,989

Withholding Taxes
Details of withholding taxes in 2022 follow:

Expanded withholding taxes	₱2,848,902
Withholding taxes on compensation and benefits	3,075,013
	₱5,923,915

Tax Assessments and Cases
As of December 31, 2022, the Company has no outstanding final assessment notice from the BIR nor does it have any pending tax cases outside the administration of the BIR.

Central Bloc Hotel Ventures, Inc.

(Doing business under the name and style of Seda Central Bloc Cebu)
(A wholly-owned subsidiary of Ayala Land, Inc.)

Financial Statements
As at and for the year ended December 31, 2023
(With comparative figures as at and for the year ended December 31, 2022)

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Independent Auditor's Report

To the Board of Directors and Shareholders of
Central Bloc Hotel Ventures, Inc.
(Doing business under the name and style of Seda Central Bloc Cebu)
(A wholly-owned subsidiary of Ayala Land, Inc.)
3F West Tower, SEDA BGC, 30th Street Corner 11th Avenue
Bonifacio Global City, 1634, Taguig City, Metro Manila

Report on the Audit of the Financial Statements

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Central Bloc Hotel Ventures, Inc. (the "Company"), as at December 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The financial statements of the Company comprise:

- the statement of financial position as at December 31, 2023;
- the statement of total comprehensive income for the year ended December 31, 2023;
- the statement of changes in equity for the year ended December 31, 2023;
- the statement of cash flows for the year ended December 31, 2023; and
- the notes to the financial statements, including material accounting policy information.

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Other matter

The financial statements of the Company as at and for the year ended December 31, 2022 were audited by another firm of auditors whose report thereon dated April 28, 2023 expressed an unmodified opinion on those financial statements.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on the Bureau of Internal Revenue (BIR) Requirement

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 21 to the financial statements is presented for purposes of filing with the BIR and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Catherine H. Santos
Partner
CPA Cert. No. 0110097
P.T.R. No. 0011422; issued on January 12, 2024 at Makati City
T.I.N. 211-726-564
BIR A.N. 08-000-745-132-2023; issued on May 9, 2023; effective until May 8, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Cebu City
April 29, 2024

Central Bloc Hotel Ventures, Inc.
(Doing business under the name and style of Seda Central Bloc Cebu)
(A wholly-owned subsidiary of Ayala Land, Inc.)

Statement of Financial Position
As at December 31, 2023
(With comparative figures as at December 31, 2022)
(All amounts in Philippine Peso)

	Notes	2023	2022
Assets			
Current assets			
Cash	2	70,215,421	49,197,407
Receivables	3	31,358,103	34,687,488
Due from related parties	9	153,746,506	106,236,863
Inventories	4	12,816,964	4,502,556
Prepayments and other current assets	5	9,148,197	3,381,670
Total current assets		277,285,191	198,005,984
Non-current assets			
Right-of-use assets, net	15	172,076,755	229,435,674
Deferred income tax assets, net	13	17,369,085	17,369,085
Hotel property and equipment, net	6	3,394,860	3,380,252
Other non-current assets	7	28,756,602	22,481,679
Total non-current assets		221,597,302	272,666,690
Total assets		498,882,493	470,672,674
Liabilities and Equity			
Current liabilities			
Accounts and other payables	8	48,733,373	37,802,937
Due to related parties	9	56,350,961	58,342,646
Income tax payable		-	15,857,829
Lease liability	15	185,206,405	118,860,319
Total current liabilities		290,290,739	230,863,731
Non-current liabilities			
Lease liability, net of current portion	15	122,040,379	179,296,827
Retirement benefit obligation	14	2,216,120	754,988
Total non-current liabilities		124,256,499	180,051,815
Total liabilities		414,547,238	410,915,546
Equity			
Share capital	10	47,500,000	47,500,000
Retained earnings		37,515,330	11,836,033
Remeasurement (loss) gain on retirement benefit obligation	14	(680,075)	421,095
Total equity		84,335,255	59,757,128
Total liabilities and equity		498,882,493	470,672,674

The notes on pages 1 to 25 are an integral part of these financial statements.

Central Bloc Hotel Ventures, Inc
(Doing business under the name and style of Seda Central Bloc Cebu)
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Statement of Total Comprehensive of Income
For the year ended December 31, 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

	Notes	2023	2022
Revenue			
Rooms		239,028,955	175,884,932
Food and beverage		106,456,960	78,608,522
Other operating departments		1,548,390	866,167
		347,034,305	255,359,621
Costs of sales and services			
Food and beverage	4	(66,306,405)	(49,351,181)
Depreciation and amortization	6,7,15	(63,152,195)	(61,901,009)
Rooms		(39,947,594)	(24,112,457)
Management fee	9,16	(31,951,349)	(23,001,111)
Property operations and maintenance		(16,745,599)	(14,364,611)
		(218,103,142)	(172,730,369)
Gross income		128,931,163	82,629,252
Operating expenses			
Energy cost		(34,889,200)	(34,182,658)
General and administrative	11, 19	(30,101,080)	(19,195,760)
Rent expense	15	(9,230,925)	-
Sales and marketing	12	(9,108,754)	(5,708,152)
Information and telecommunication systems		(7,326,392)	(7,470,848)
Taxes and licenses		(2,975,253)	(694,989)
Retirement expense	14	(359,962)	(447,765)
Insurance expense		(300,000)	(600,000)
		(94,291,566)	(68,300,172)
Other income (expense)			
Interest expense	15	(9,089,638)	(11,362,553)
Interest income	2,9	132,163	443,323
Other income		244,073	84,591
		(8,713,402)	(10,834,639)
Income before income tax		25,926,195	3,494,441
Income tax expense	13	(246,898)	(869,285)
Net profit for the year		25,679,297	2,625,156
Other comprehensive (loss) income			
Item that will not be subsequently reclassified to profit or loss			
Remeasurement (loss) gain on retirement benefit obligation		(1,101,170)	309,701
Total comprehensive income for the year		24,578,127	2,934,857

The notes on pages 1 to 25 are an integral part of these financial statements.

Central Bloc Hotel Ventures, Inc
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Statement of Changes in Equity
For the year ended December 31, 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

	Share Capital (Note 10)	Retained earnings	Remeasurement gain (loss) on retirement obligation	Total equity
Balances at January 1, 2022	47,500,000	9,210,877	111,394	56,822,271
Comprehensive income				
Net income for the year	-	2,625,156	-	2,625,156
Other comprehensive income	-	-	309,701	309,701
Total comprehensive income for the year	-	2,625,156	309,701	2,934,857
Balances at December 31, 2022	47,500,000	11,836,033	421,095	59,757,128
Comprehensive income				
Net income for the year	-	25,679,297	-	25,679,297
Other comprehensive loss	-	-	(1,101,170)	(1,101,170)
Total comprehensive income for the year	-	25,679,297	(1,101,170)	24,578,127
Balances at December 31, 2023	47,500,000	37,515,330	(680,075)	84,335,255

The notes on pages 1 to 25 are an integral part of these financial statements.

Central Bloc Hotel Ventures, Inc
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Statement of Cash Flows
For the year ended December 31, 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

	Notes	2023	2022
Cash flows from operating activities			
Income before income tax		25,926,195	3,494,411
Adjustments for:			
Depreciation and amortization	6,7,15	63,152,195	61,901,009
Interest expense	15	9,089,638	11,362,553
Retirement expense	14	359,962	447,765
Interest income	2,9	(132,163)	(443,323)
Operating income before changes in working capital		98,395,827	76,762,415
Changes in working capital:			
Receivables		3,329,385	(13,531,764)
Due from related parties		40,243,565	(23,073,339)
Inventories		(8,314,407)	(2,128,320)
Prepayments and other current assets		(2,862,548)	(3,381,670)
Other non-current assets		(4,353,170)	(3,047,170)
Accounts and other payables		(4,927,394)	(2,864,023)
Due to related parties		(4,545,109)	34,374,169
Net cash generated from operations		116,966,149	63,110,298
Interest received	2,9	132,163	443,323
Income tax paid		(3,150,878)	(3,840,155)
Net cash flows from operating activities		113,947,434	59,713,466
Cash flows from investing activities			
Additions to:			
Operating equipment	7	(7,498,637)	(5,476,850)
Hotel property and equipment	6	(231,000)	-
Net cash flow used investing activities		(7,729,637)	(5,476,850)
Cash flows from financing activities			
Loans from related parties		(87,753,207)	(65,426,661)
Loans to related parties		2,553,424	20,783,286
Net cash used in financing activities		(85,199,783)	(44,643,375)
Net increase in cash		21,018,014	9,593,241
Cash at the beginning of the year		49,197,407	39,604,166
Cash at the end of the year		70,215,421	49,197,407

The notes on pages 1 to 25 are an integral part of these financial statements.

Central Bloc Hotel Ventures, Inc.
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Notes to the Financial Statements
As at and for the year ended December 31, 2023
(With comparative figures as at and for the year ended December 31, 2022)
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

1 General information

1.1 Corporate information

Central Bloc Hotel Ventures, Inc. (the "Company") is a domestic corporation registered with the Securities and Exchange Commission (SEC) on October 28, 2019, with the primary purpose to own, hold in ownership, manage, deal and engage in the general business of a hotel, apartment hotel, serviced residence, inn, resort, restaurant, café , bar, entertainment and other allied businesses and to the limit and extent permitted by law, to acquire and own, either and own, either by purchase, lease or other means of acquisition, lands, buildings, and other improvements necessary or required by its business and to use such lands, building, and other improvements thereto for the conduct and operation of the general nature of its business and object and all other matters incidental thereto.

The Company is a wholly-owned subsidiary of Ayala Land, Inc. (ALI), the immediate parent company. ALI is a subsidiary of Ayala Corporation (AC) which is 47.86%-owned by Mermac, Inc., the ultimate parent company, and the rest by the public as at December 31, 2023. Both ALI and AC are publicly listed companies and are incorporated and registered in the Philippines.

The Company operates a hotel of 214 guestrooms and suites located at V. Padriga St., Cebu IT Park, Barangay Apas, Cebu City. The hotel was opened to the public on February 12, 2020.

In 2023, the Company obtained its certificate of income tax holiday entitlement with its registered activity as a new operator of a tourist accommodation facility. The Company is registered with the Board of Investments pursuant to Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, as amended by Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises Act. The income tax holiday will expire on June 15, 2024.

In 2022, the Company was subjected to the regular corporate income tax rate as the entitlement for said year was not applied.

The Company's registered principal office address is at 3F West Tower Seda BGC, 30th Street corner 11th Avenue, Bonifacio Global City, 1634 Taguig City, Metro Manila while its business address is at V. Padriga St. Cebu IT Park, Barangay Apas, Cebu City.

1.2 Approval of the Company's financial statements

The financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 29, 2024.

2 Cash

This account as at December 31 consists of:

	2023	2022
Cash on hand	245,000	242,161
Cash in banks	69,970,421	48,955,246
	70,215,421	49,197,407

Cash in banks earn interest at the annual prevailing bank deposit rates. Interest income earned from cash in banks amounted to P18,886 for the year ended December 31, 2023 (2022 - P8,704).

3 Receivables

This account as at December 31 consists of:

	2023	2022
Trade receivables		
Corporate	13,875,259	14,297,994
Travel agencies	12,178,877	13,970,739
Credit cards	1,321,239	4,063,673
Government	957,300	-
Others	3,025,428	2,355,082
	31,358,103	34,687,488

Trade receivables pertain to amounts collectible from customers arising from hotel operations. These are non-interest-bearing and are normally collectible within 30- to 60- day term.

The classes of trade receivables of the Company are as follows:

- Corporate - pertains to receivables from companies or establishments that have existing credit lines with the Hotel;
- Travel agencies - pertains to receivables of the Hotel from travel agents. Travel agent pertains to receivables from authorized travel agents of the Company;
- Credit cards - arises from credit card transactions of hotel guests arising from room use, banquets and restaurants; and
- Government - pertains to receivables from government agencies, embassies, and government-owned and controlled corporations;

Others pertain to cash advances made by the Company to employees which are recoverable through salary deduction and are collectible within one year.

Management did not note any impairment indicators on its receivables as at December 31, 2023 and 2022.

4 Inventories

This account as at December 31 consists of:

	2023	2022
At cost:		
Food and beverage	12,679,014	3,075,739
Guest supplies	137,950	1,426,817
	12,816,964	4,502,556

Inventories recognized as part of food and beverage under cost of sales and services in the statement of total comprehensive income amounted to P43,556,202 in 2023 (2022 - P33,458,055). Food and beverages reported under cost of sales and services in the statement of total comprehensive income include payroll and related expenses, uniforms, supplies, and other costs and expenses.

Management did not note any impairment indicators on its inventories as at December 31, 2023 and 2022.

5 Prepayments and other current assets

This account as at December 31 consists of:

	2023	2022
Prepaid tax	5,001,652	-
Prepayments	4,146,545	2,881,305
Input value-added tax (VAT)	-	500,365
	9,148,197	3,381,670

Prepayments include operating supplies, mechanical supplies and employee uniforms.

Prepaid tax pertains to taxes withheld on income payments and may be applied against income tax due. The balances of taxes withheld is recovered in future periods.

6 Hotel property and equipment, net

Details and movements of the account as at and for the years ended December 31 are as follows:

	Hotel building and improvements	Furniture, fixtures, and equipment	Total
Cost			
At January 1, 2023	3,403,164	259,160	3,662,324
Additions	-	231,000	231,000
At December 31, 2023	3,403,164	490,160	3,893,324
Accumulated depreciation			
At January 1, 2023	217,345	64,727	282,072
Depreciation	85,079	131,313	216,392
At December 31, 2023	302,424	196,040	498,464
Net book value	3,100,740	294,120	3,394,860
Cost			
At January 1 and December 31, 2022	3,403,164	259,160	3,662,324
Accumulated depreciation			
As at January 1, 2022	132,266	38,811	171,077
Depreciation	85,079	25,916	110,995
At December 31, 2022	217,345	64,727	282,072
Net book value	3,185,819	194,433	3,380,252

The Company has no restrictions on its hotel property and equipment and none of these have been pledged as security for its obligations.

Management did not note any impairment indicators on hotel property and equipment as at December 31, 2023 and 2022.

7 Other non-current assets

This account as at December 31 consists of:

	2023	2022
Operating equipment	19,421,128	17,499,375
Deferred input VAT	9,335,474	4,982,304
	28,756,602	22,481,679

Details and movements of operating equipment as at and for the years ended December 31 are as follows:

	2023	2022
At January 1	17,499,375	16,453,620
Additions	7,498,637	5,476,850
Amortization	(5,576,884)	(4,431,095)
At December 31	19,421,128	17,499,375

Operating equipment includes China glassware, silverware, linen, and uniforms to be used in the Hotel operations. Operating equipment is expensed ratably to the appropriate department expense account over its period of consumption.

Deferred input VAT on capital goods pertains to input VAT on purchases of capital goods with aggregate acquisition cost, excluding VAT, of more than P1 million in a calendar month in which the attributable input VAT can be spread over 60 months or estimated useful life, whichever is shorter.

8 Accounts and other payables

This account as at December 31 consists of:

	2023	2022
Trade payables	24,608,843	11,273,945
Taxes payable	10,972,978	10,188,281
Guest deposits	7,193,304	3,536,724
Salaries, wages and benefits	5,030,891	3,984,479
Accrued expenses	927,357	8,819,508
	48,733,373	37,802,937

Trade payables pertain to amounts due to suppliers for purchases of goods and services and are normally settled on a 15- to 90-day term.

Taxes payable pertains to expanded withholding taxes payable on purchases of goods and services, withholding taxes on compensation, output vat payable and taxes due to the local government unit. These are remitted either in the subsequent month or quarter, where applicable.

Guest deposits pertain to amounts paid by guests in advance to guarantee reservation. These are recognized as revenue once the performance obligation has been satisfied.

Salaries, wages and benefits consist of payables to the government such as Social Security System and Pag-IBIG premiums. These amounts are remitted monthly.

Accrued expenses pertain to unpaid salaries, utilities, maintenance, insurance, professional fees, and other general and administrative expenses of the Company. These are normally settled within 30- to 60- day term.

9 Related party transactions and balances

Transactions and outstanding balances with related parties as at and for the years ended December 31, 2023 and 2022 follow:

	Transactions		Receivables		Payables		Terms and Conditions
	2023	2022	2023	2022	2023	2022	
Immediate parent							Unsecured, non-interest bearing, collectible (payable) on demand to be received (settled) in cash.
Advances for operating expenses (a)	-	7,509,202	-	7,509,202	-	-	
Entities under common control							
Advance for operating expenses (d)	1,186,224	37,515,350	-	-	(1,186,224)	(37,515,350)	
Advances for operating expenses (e)	566,638	33,301,000	566,637	33,301,000	-	-	
Management fees (b)	31,951,349	23,001,111	-	-	(30,291,904)	(44,010)	
Loyalty program expense (c)	1,536,123	550,155	-	-	(1,536,123)	-	
Intercompany loans (f)	85,199,784	-	153,179,869	65,426,661	(23,336,710)	(20,783,286)	Unsecured, interest bearing, collectible (payable) on demand to be received (settled) in cash.
			153,746,506	106,236,863	(56,350,961)	(58,342,646)	
Entity under common control							
Cash in bank (g)	20,731,738	8,631,266	-	-	-	-	Unsecured, unrestricted, interest-bearing ranging from 1.00% to 1.25%, collectible in cash
Interest Income (g)	11,584	10,880	-	-	-	-	

a) Receivable from a related party pertains to short-term advances made by the Company to its Parent Company, ALI, to fund its operating expenses in 2022.

b) Management fee pertains to professional fees charged by AyalaLand Hotels and Resorts Corp. (AHRC), an affiliate, for the services of its employees who handle project monitoring, maintain the books of accounts, review budget and monitor capital (Note 16).

c) Loyalty program expense pertains to Seda Loyalty Program billings based on a redemption ratio. The Seda Loyalty Program is a guest loyalty program for Seda hotels which is operated by AHRC (Note 16).

d) This pertains to the Company's payable for the advances made to AHRC, Sentera Hotel Ventures, Inc., Capitol Central Hotel Ventures, Inc. (CCHVI), Econorth Resort Ventures, Inc. (ERVI), Cebu Insular Hotel Co., Inc. (CIHCI) and Bonifacio Hotel Ventures, Inc. (BHVI).

e) Receivable from related party pertains to short-term advances made by the Company to entities under common control, AHRC, ERVI, Northgate Hotel Ventures, Inc., CIHCI, and BHVI.

f) This pertains to interest-bearing short-term loans made to entities under common control to fund related operating expenses of its related parties. Receivable from and payable to AHRC, EHVI and Makati North Hotel Ventures, Inc. Total interest income earned from intercompany loans amounted to P113,277 and P434,619 in 2023 and 2022, respectively.

g) The Company maintains a savings account with Bank of the Philippine Islands, an entity under common control.

The Company did not record any impairment on its intercompany receivables as at December 31, 2023 and 2022 as the Company has assessed that the amounts are fully collectible as at the reporting dates. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Key management compensation

The key management personnel of the Company are employees of AHRC, an entity under common control. The compensation of the said employees is paid by AHRC and as such, the necessary disclosures required by PAS 24, Related Party Disclosures are included in the financial statements of AHRC.

10 Equity

Details of the Company's share capital as at December 31, 2023 and 2022 are as follows:

	Number of shares	Amount
Common shares - at P1 par value per share		
Authorized	*38,000,000*	*38,000,000*
Issued and outstanding	38,000,000	38,000,000
Redeemable preferred shares - at P1 par value per share		
Authorized	*152,000,000*	*152,000,000*
Issued and outstanding	9,500,000	9,500,000
Total issued and outstanding	47,500,000	47,500,000

Preferred shares are voting, redeemable at the option of the Company, participating in any regular dividend declaration for the common shares to be paid out of unrestricted retained earnings at the same rate and upon the same terms as declared and paid to the holders of the common shares. Common shares represent residual ownership equity.

The redeemable preferred A shares shall have the following features, rights and privileges:

a) Each redeemable preferred share shall have voting rights;
b) The redeemable preferred share shall be entitled to participate in dividends declaration for common shares, as may be determined and approved by the BOD;
c) The redeemable preferred share shall be entitled to receive distributions (1) in the amount of the issue value per outstanding redeemable preferred shares, (2) declared and (3) unpaid dividends as of the date of distributions, before any distribution of assets is made to the holders of common shares; and
d) They shall be redeemable at the option of the Company, provided that in no case shall the redemption price of the actual number of redeemable preferred share be less than the cost of such shares as recorded in the books of the Company at the time of redemption.

11 General and administrative expenses

This account for the years ended December 31 consist of:

	Note	2023	2022
Manpower cost		11,561,112	8,054,920
Security service	19	8,267,970	4,848,099
Credit card discounting fee		5,449,394	4,190,756
Travel and communication		1,422,203	291,013
Entertainment		347,844	-
Uniforms and supplies		341,305	10,000
Professional fee		246,886	144,000
Training and development		190,940	948,005
Miscellaneous		2,273,426	708,967
		30,101,080	19,195,760

12 Sales and marketing expenses

Sales and marketing expenses for the years ended December 31 consist of:

	Note	2023	2022
Manpower cost		2,949,365	1,844,187
Promotional expense		2,043,732	2,849,714
Loyalty program	9	1,536,123	550,155
Entertainment		754,008	-
Gifts and giveaways		257,099	-
Travel and communication		209,565	83,994
Professional fees		175,447	226,353
Supplies		175,340	153,749
Photography		145,070	-
Dues and subscription		10,000	-
Miscellaneous		853,005	-
		9,108,754	5,708,152

13 Income taxes

Income tax expense for the years ended December 31 are as follows:

	2023	2022
Current	246,898	18,161,567
Deferred	-	(17,292,282)
	246,898	869,285

The reconciliation between the statutory and effective income tax for the years ended December 31 are as follows:

	2023	2022
Income tax expense computed at the statutory tax rate of 25%	241,079	874,182
Tax effects of:		
Interest income already subjected to final tax	(4,721)	(4,897)
Non-deductible expenses	10,540	-
	246,898	869,285

The components of the Company's deferred income tax (DIT) assets, net, as at December 31, 2023 and 2022 follow:

	Amount
DIT assets on:	
Leases	17,180,368
Retirement benefit obligation	329,083
DIT liability recognized in OCI:	
Remeasurement on retirement benefit obligation	(140,366)
	17,369,085

As discussed in Note 1, the Company is entitled to ITH starting in 2023, hence, DIT movements during the year were not recognized.

Realization of future tax benefit related to DIT assets is dependent on the Company's ability to generate future taxable income during the periods in which these are expected to be recovered. The Company has assessed these factors in reaching a conclusion as to the amount of DIT assets recognized as at December 31, 2023 and 2022 and regularly reviews the recoverability of the DIT assets recognized.

14 Retirement benefit obligation

The Company has an unfunded, non-contributory, defined benefit obligation plan covering substantially all of its regular employees. The benefits are based on current salaries and years of service and compensation on the last year of employment as defined under Philippine Republic Act 7641. The retirement is the only long-term employee benefit. The Company's defined benefit obligation plan meets the minimum retirement benefit specified by law.

The retirement benefit obligation is determined using the "Projected Unit Credit Cost" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement is determined as the amount necessary to provide for the portion of the retirement benefit accruing during the year. The actuarial valuation of the Company's retirement plan was performed by an independent actuary. The latest actuarial valuation report prepared was for the year ended December 31, 2023.

The components of retirement expense recognized in the statement of total comprehensive income for the years ended December 31 are as follow:

	2023	2022
Current service cost	306,282	411,901
Interest cost	53,680	35,864
	359,962	447,765

The movements in and balances of retirement benefit obligation for the years ended December 31 are as follows:

	2023	2022
At January 1	754,988	720,158
Current service cost	306,282	411,901
Interest cost	53,680	35,864
Remeasurement loss (gain) due to:		
Experience adjustments	1,012,209	76,921
Changes in financial assumptions	88,961	(489,856)
At December 31	2,216,120	754,988

Changes in the remeasurement (loss) gain on defined benefit obligation, net of tax, for the years ended December 31 are as follows:

	2023	2022
At January 1	421,095	111,394
Actuarial (loss) gain due to		
Experience adjustments	(1,012,209)	(76,921)
Changes in financial assumptions	(88,961)	489,856
At December 31	(1,101,170)	412,935
Tax effect	-	(103,234)
Net remeasurement (loss) gain on defined benefit obligation	(1,101,170)	309,701
At December 31	(680,075)	421,095

The principal assumptions used in determining the retirement benefit obligation for the Company's retirement plan as at December 31 are as shown below:

	2023	2022
Discount rate	6.06%	7.11%
Salary increase rate	7.00%	4.00%

Discount rate

The discount rate is determined based on the PHP-BVAL reference rates for government securities, adjusted to zero-coupon rates using the reinvestment method, with term consistent with the obligations of the plan.

Future salary rate increases

Assumption regarding future salary increase rate takes into account the inflation, seniority, promotion, merit, productivity, and other market factors. The salary increase rate affects all future years and not just the succeeding year. As such, the rate should be sustainable over the long-term.

Demographic assumptions

Assumptions regarding future mortality experience are set based on advice from published statistics and experience in the Philippines.

Other key assumptions for retirement benefit obligation are based in part on current market conditions.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, assuming all other assumptions were held constant:

	Increase (Decrease)	Increase (decrease) in defined benefit obligation	
		2023	2022
Discount rate	+100 basis points	(329,873)	(103,159)
	- 100 basis points	407,406	125,257
Future salary increase rate	+100 basis points	388,976	124,433
	-100 basis points	(322,562)	(104,223)

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the retirement liability to significant actuarial assumptions, the same method (present value of the retirement liability calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized in the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to the previous period.

The weighted average duration of the retirement benefit obligation for the years ended December 31, 2023 and 2022 is 21 years.

The expected maturity analysis of undiscounted retirement benefit obligation as at December 31 are as follows:

	2023	2022
More than 5 years to 10 years	524,118	941,410
More than 10 years to 15 years	7,921,264	4,649,313
More than 15 years to 20 years	10,971,544	5,636,393
More than 20 years	73,934,075	35,393,509

15 Leases

The Company as a lessee

Hotel building is subject to lease to Ayala Land Inc. composed of 17 floors with 214 hotel room stacked on top of the retail development of Central Bloc with a total gross area of 14,922.85 square meters.

Terms of lease are as follows:

- The lease shall commence on January 1, 2022 and end on January 1, 2027;
- Renewable for another 40 years subject to certain terms and conditions and is subject to annual escalation of rental rates.

Amounts recognized in the statements of financial position

Right-of-use assets and lease liabilities presented in the statement of financial position as at December 31 are as follows:

	2023	2022
Right-of-use assets, net		
Cost	286,794,593	286,794,593
Accumulated depreciation	114,717,838	57,358,919
Net book value	172,076,755	229,435,674
Lease liability		
Current	185,206,405	118,860,319
Non-current	122,040,379	179,296,827
	307,246,784	298,157,146

Movements in right-of-use assets for the years ended December 31 follow:

	2023	2022
Cost		
At January 1	286,794,593	-
Additions	-	286,794,593
As at December 31	286,794,593	286,794,593
Accumulated depreciation		
At January 1	57,358,919	-
Amortization	57,358,919	57,358,919
As at December 31	114,717,838	57,358,919
Net book value	172,076,755	229,435,674

The movements in lease liability for the years ended December 31 are as follows:

	2023	2022
At January 1	298,157,146	-
Additions	-	286,794,593
Interest accretion	9,089,638	11,362,553
At December 31	307,246,784	298,157,146

Amounts recognized in the statements of total comprehensive income

The statements of total comprehensive income show the following amounts relating to leases for the years ended December 31:

	2023	2022
Interest expense	9,089,638	11,362,553
Amortization expense	57,358,919	57,358,919
Rent expense (relating to variable lease payments)	9,230,925	-
	75,679,482	68,721,472

The lease agreement also provides that rent equivalent to 3% of the total revenues generated from the leased premises on land (i.e., variable lease payments) shall be paid by the Company which commenced in 2023.

Leases where the consideration involves purely variable lease payments that does not depend on an index or rate do not constitute the recognition of right-of-use assets and lease liability. Variable lease payments are recognized under "Rent expense" account under operating expenses in the statement of total comprehensive income. Lease payments for noncancellable leases are recognized as an expense in profit or loss based on the terms of the lease contract.

16 Commitments

Management service agreement with AHRC

A management service agreement was entered between the Company and AHRC wherein the latter undertakes to render services and assistance related in the management and operation of the business of the Company in exchange for management fee. The Company will pay (1) a base management fee equivalent to five percent (5%) of the Hotel’s gross revenue and (2) management incentive fee equivalent to 10% of the total gross operations. The Company recognized management fees amounting to P31,951,349 and P23,001,111 in 2023 and 2022, respectively (Note 9).

Seda loyalty program with AHRC

Seda loyalty program is a guest loyalty program for Seda Hotels which is operated by AHRC wherein the latter is entitled to service fees when a Seda Hotel Property is in the operating phase. AHRC will initially bill the Company a one-time participation fee based on the number of hotel rooms multiplied by P1,500. In addition, the Company will receive billings equivalent to five percent (5%) of the related Hotel’s room revenues from the program. The Company recognized loyalty program expense amounting to P1,536,123 and P550,155 in 2023 and 2022, respectively (Note 9).

17 Financial risk management

17.1 Fair value measurement

Due to the short-term nature of the financial assets and other financial liabilities, the carrying value of cash (Note 2), receivables (Note 3), due from related parties (Note 9), accounts and other payables (excluding payable to government agencies and guest deposits) (Note 8), due to related parties (Note 9) and lease liability (Note 15) approximate their fair values.

There were no transfers between level categories as at December 31, 2023 and 2022.

17.2 Financial risk management objectives and policies

Exposure to credit, liquidity, market, interest rate and foreign currency exchange risks arise in the normal course of the Company's business. The main objectives of the Company's financial risk management are consistent with that of ALI, which are as follows:

a. to identify and monitor such risks on an ongoing basis;
b. to minimize and mitigate such risks;
c. and to provide a degree of certainty about costs

The Company's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risks are primarily attributable to financial assets.

Customer credit risk is managed by the Company subject to its established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Trade receivables are regularly monitored.

Set out below is the information about the credit risk exposure on the Company's financial assets as at December 31 using a provisioning matrix:

	Current (High grade)	Days past due 1-30 days	Days past due >30 days	Expected credit loss	Total
December 31, 2023					
Financial assets at amortized cost					
Cash in banks	69,970,421	-	-	-	69,970,421
Receivables	-	21,228,063	7,104,612	-	28,332,675
Due from related parties	153,746,506	-	-	-	153,746,506
	223,716,927	21,228,063	7,104,612	-	252,049,602
December 31, 2022					
Financial assets at amortized cost					
Cash in banks	48,955,246	-	-	-	48,955,246
Receivables	-	17,062,825	15,269,581	-	32,332,406
Due from related parties	106,236,863	-	-	-	106,236,863
	155,192,109	17,062,825	15,269,581	-	187,524,515

There being no collaterals or credit enhancements attached to the Company's financial assets, the Company's maximum exposure to credit risk approximates the carrying values of its financial assets as at December 31, 2023 and 2022.

Applying the expected credit risk model did not result in the recognition of an impairment loss for all financial assets at amortized cost in 2023 and 2022, hence no ECL recognized.

(a) Cash

The credit risk on deposits with banks is limited because the transactions are with reputable local banks. The Company does not require any collateral and other credit enhancements. While cash are also subject to the impairment requirements of PFRS 9, the expected credit loss has been assessed to be immaterial. The maximum exposure to credit risk at the reporting date is the fair value of cash in banks as presented above. The remaining cash in the statement of financial position pertains to cash on hand which is not exposed to credit risk.

(b) Receivables

High performing receivables relates to those which are consistently collected before the maturity date, normally 30 to 60 days from billing date. Underperforming receivables include accounts from customers that are collectible beyond 30 days from billing date even without an effort from the Company to follow them up. Past due accounts classified as not impaired are those which are assessed as highly probable to be collected due to good credit standing of customers whereas those classified as impaired are assessed to be uncollectible due to the economic status of the customers.

The Company applies, if necessary, the PFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Management has determined based on its historical loss experience that the expected credit loss on corporate trade receivables for financial reporting purposes amounted to nil as at December 31, 2022 and 2023.There has been no history of default and collections are expected to be made within 30 to 60 days.

The maximum exposure to credit risk at the reporting date is the fair value of receivables as presented above.

(c) Due from related parties

Credit exposure of the Company on due from related parties is considered to be low as there is no history of default and have strong credit standing of concerned related parties. Credit risk is negligible since the related parties are faithfully paying on normal credit terms based on contracts. There was no provision for doubtful accounts relating to amounts owed by related parties because of strong financial condition of the concerned entities. Terms are normally due on demand.

None of the financial assets that are fully performing have been renegotiated in the last year.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Company maintains a level of cash that is sufficient to finance operations and to mitigate the effects of fluctuation in cash flows. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions or from its parent company.

Overall, the Company's funding arrangements are designed to keep an appropriate balance between equity and debt, to give financing flexibility while continuously enhancing the Company's business.

The tables below summarize the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted payments as well as the financial assets used to manage the Company's liquidity risks. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

	Less than or equal to one (1) year	Beyond one (1) year	Total
December 31, 2023			
Financial assets at amortized cost:			
Cash	70,215,421	-	70,215,421
Receivables	28,332,675	-	28,332,675
Due from related parties	153,746,506	-	153,746,506
	252,294,602	-	252,294,602
Financial liabilities at amortized cost:			
Accounts and other payables:			
Trade payables	(24,608,843)	-	(24,608,843)
Accrued expenses	(927,357)	-	(927,357)
Due to related parties	(56,350,961)	-	(56,350,961)
Lease liability	(63,974,978)	(191,924,936)	(255,899,914)
Total financial liabilities	(145,862,139)	(191,924,936)	(337,787,075)
Net financial assets (liabilities)	106,432,463	(191,924,936)	(85,492,473)

	Less than or equal to one (1) year	Beyond 1 year	Total
December 31, 2022			
Financial assets at amortized cost:			
Cash	49,197,407	-	49,197,407
Receivables	32,332,406	-	32,332,406
Due from related parties	106,236,863	-	106,236,863
	187,766,676	-	187,766,676
Financial liabilities at amortized cost:			
Accounts and other payables:			
Trade payables	(11,273,945)	-	(11,273,945)
Accrued expenses	(8,819,508)	-	(8,819,508)
Due to related parties	(58,342,646)	-	(58,342,646)
Lease liability	(63,974,978)	(255,899,914)	(319,874,892)
Total financial liabilities	(142,411,077)	(255,899,914)	(398,310,991)
Net financial assets (liabilities)	45,355,599	(255,899,914)	(210,544,315)

17.3 Capital risk management

The primary objective of the Company's capital management policies is to have financial flexibility to support its business initiatives and maximize stakeholder value. The Company manages its capital structure and make adjustments to it in light of changes in economic decisions.

The Company considers its total equity as capital. No changes were made in the Company's capital management objectives, policies or processes for managing capital in 2023 and 2022.

The Company is not subject to any externally imposed capital requirements as at December 31, 2023 and 2022.

18 Critical accounting estimates, assumptions, and judgments

Estimates, assumptions, and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the succeeding sections.

18.1 Critical judgments in applying the Company's accounting policies

(a) Allocation of transaction price on room services and sale of food and beverage

The Company provides room accommodation services that are bundled together with the sale of food and beverage to the guest, which is the breakfast buffet. The sale of food and beverage is a promise to provide in the future and is part of the negotiated exchange between the Hotel and the guest. The Company determined that both the room accommodation and breakfast buffet are capable of being distinct. In allocating the hotel room charges, the Company considers the cost plus a predetermined margin for the breakfast and assigns the remaining transaction price to revenue from room services.

(b) Impairment of hotel property and equipment; operating equipment

The Company determines whether its hotel property and equipment is impaired when impairment indicators exist. The factors that the Company considers important, which could trigger an impairment review include, among others, significant underperformance relative to the future sales performance and projected operating results and significant negative industry or economic trends. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance.

As at December 31, 2023 and 2022, management believes that there were no impairment indicators on the Company's non-financial assets.

(c) Recognition of DIT assets

The Company reviews the carrying amounts of DIT at the reporting date and reduces DIT assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the DIT assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of DIT assets to be utilized. The Company's assessment is based on budgeted and forecasted taxable income in the immediately succeeding year. In such assessment, external factors which may limit the utilization of DIT assets are taken into consideration.

Recognized DIT assets as at December 31, 2023 and 2022 are disclosed in Note 13.

18.2 Critical accounting estimates and assumptions

(a) Provision for impairment of receivables

The provision for impairment of receivables and due from related parties is based on assumptions about risk of default and expected loss rates. The Company uses estimates in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analyzed.

In 2023 and 2022, the Company did not recognize a provision for impairment of receivables. Details of the Company's receivables are disclosed in Note 3.

(b) Allowance for inventory obsolescence

Allowance for inventory obsolescence is maintained at a level considered adequate to provide for potentially obsolete inventories. The level of allowance is computed based on specific identification of inventory items and the number of years that the inventories have been non-moving. This is evaluated regularly by management on the basis of factors that affect the realizability of the inventories.

In 2023 and 2022, the Company did not recognize a provision for inventory obsolescence. Details of the Company's receivables are disclosed in Note 3.

(c) Estimation of useful lives of hotel property and equipment; operating equipment

Useful lives of hotel property and equipment and operating equipment are estimated based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment and operating equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

If the actual useful lives of the property and equipment differ by 10% from management's estimates, the carrying amount of property and equipment would have been P21,639 higher or lower (2022 - P11,100 higher or lower).

(d) Estimation of retirement liabilities and other retirement benefits

The cost of defined benefit obligation plans and other post-employment benefits as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and defined benefit obligation increases are based on expected future inflation rates for the specific country. Further details about the assumptions used are disclosed in Note 14.

(e) Incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for entities that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the entity's functional currency).

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating). The IBR rate used by the Company was 4.252%.

19 Reclassification

Security service expense in the 2022 financial statements which amounted to P4,848,099 was reclassified from cost of sales and services to operating expenses to conform to the current year presentation. This did not have any impact on previously reported results of operations, changes in equity and cash flows.

20 Summary of material accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

20.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 18.

Changes in accounting policies and disclosures

(a) New standards, amendments to existing standards and interpretations adopted

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2023:

- Disclosure of Accounting Policies - Amendments to PAS 1 and PFRS Practice Statement 2

  The IASB amended IAS 1 Presentation of Financial Statements to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments were adopted by the Financial Reporting Standards Council on April 14, 2021 and are effective for annual periods beginning on or after January 1, 2023. The Company assessed, considering both the quantitative and qualitative characteristics, whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole. The Company already disclosed its material accounting policies in its 2023 financial statements.

- Definition of Accounting Estimates - Amendments to PAS 8

  The amendment to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to PAS 12

  The amendments require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate.

The above amendments did not have any impact on the amounts recognized in current and prior periods and are not expected to significantly affect future periods.

(b) New standards, amendments and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

20.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

20.2.1 Financial assets

(a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through other comprehensive income (OCI) or through profit or loss, and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Measurement

At initial recognition, the Company measures a financial asset at its fair value.

Subsequent to initial recognition, measurement depends on the Company's business model for managing the asset and cash flow characteristic of the asset. For financial assets at amortized cost, interest income, if any, from these financial assets is included within the statement of total comprehensive income through profit or loss using the effective interest rate method.

(c) Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. As at December 31, 2023 and 2022, the Company holds financial assets at amortized cost which consist of cash (Note 2), receivables, excluding advances to advances to officers and employees, and other noninterest-bearing advances (Note 3) and due from related parties (Note 9).

Financial assets at amortized cost are assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is recognized in profit or loss using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income (expense).

(d) Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 17 details how the Company determines whether there has been a significant increase in credit risk.

Impairment losses and subsequent recoveries on receivables are presented within the statement of total comprehensive income through profit or loss.

20.2.2 Financial liabilities

The Company classifies its financial liabilities at initial recognition in the following categories: at fair value through profit or loss (including financial liabilities held for trading and those designated at fair value) and financial liabilities at amortized cost. As at December 31, 2023 and 2022, the Company only holds financial liabilities at amortized cost.

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder.

The Company's accounts and other payables (excluding payable to government agencies and guest deposits) (Note 8), due to related parties (Note 9) and lease liability (Note 15) in the statement of financial position are classified under financial liabilities at amortized cost.

20.3 Inventories

Inventories are stated at lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. Cost is determined using the moving average method. Inventories and supplies in-transit are stated at invoice cost plus importation and incidental charges.

Inventories exclude borrowing costs, if any. Inventory losses are set-up, if necessary, based on a review of the movement and current condition of each inventory item and charged to cost of sales in the statement of total comprehensive income.

Inventories are derecognized when they are sold or when there are no more future benefits to the Company. The carrying amount of those inventories is recognized as an expense and reported as cost of sales in statement of total comprehensive income in the period in which the related revenue is recognized.

20.4 Hotel property and equipment; Operating equipment

Hotel property and equipment and operating equipment are carried at historical cost less accumulated depreciation and amortization (except for work in-progress which represents equipment under construction and is stated at cost). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of hotel property and equipment and operating equipment commences once the hotel property and equipment are available for use and is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

	Years
Building	40
Furniture, fixtures and equipment	10
Operating equipment	5

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount.

Fully depreciated hotel property and equipment are retained in the accounts until they are no longer in use.

The carrying amount of an item of hotel property and equipment and operating equipment are derecognized on disposal or when no future economic benefits are expected from its use or disposal. When assets are derecognized, their cost, accumulated depreciation and amortization and accumulated impairment losses, if any, are eliminated from the statement of financial position. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are charged/credited to other income (expense) in the statement of total comprehensive income.

20.5 Impairment of non-financial assets

Assets that have definite useful life are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

20.6 Current and deferred income tax

(a) Current income tax

Current tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

(b) Deferred tax

Deferred tax is provided using the liability method 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, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of unused tax credits from excess of MCIT over the regular corporate income tax and unused NOLCO, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of 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 profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted as of reporting date.

Deferred tax assets and liabilities relating to items recognized directly in equity are recognized in equity and not in the statement of total comprehensive income.

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

20.7 Employee benefits

(a) Retirement benefit obligation

The Company maintains a defined benefit retirement plan which is a retirement plan that is non-contributory in nature, defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on certain factors such as age, years of credited service, and salary.

The liability recognized in the statement of financial position in respect of defined benefit retirement plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. In cases when the fair value of plan assets exceeds the present value of the defined benefit obligation at the end of the reporting period, the asset recognized is adjusted to the effect of asset ceiling which is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in personnel costs in the statement of total comprehensive income.

Remeasurements gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Bonus plans

The Company recognizes a liability and an expense for bonuses and based on a formula that takes into consideration the profit attributable to the Company’s employees after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Other short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented under Accounts payable and accrued expenses in the statement of financial position.

20.8 Equity

Share capital

The Company's share capital is composed of common and preferred shares at par value. The amount of proceeds from the issuance or sale of common and preferred shares representing the aggregate par value is credited to share capital. Proceeds in excess of the aggregate par or stated value of common and preferred shares, if any, are credited to share premium.

After initial measurement, share capital and share premium, if any, are carried at historical cost and are classified as equity in the statement of financial position.

Preferred shares can be classified as either liability or equity based on their specific terms and conditions. They are typically classified as equity if they represent ownership, provide voting rights, have no obligation to redeem or repurchase, and offer discretionary dividends. However, if they have features like mandatory redemption, fixed dividend payments, conversion options, or put options, they may be classified as liabilities.

Retained earnings/dividends

Retained earnings include all current and prior years' results of operations, net of dividends declared. Retained earnings may include the effect of changes in accounting policy as may be required by the relevant standard's transitional provisions.

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Board of Directors.

20.9 Revenue

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

The following specific recognition criteria must be met before revenue and expenses are recognized:

(a) Room revenue

Revenue from room rentals are recognized over the period of time under the input method, a time-based measure that results in a straight-line recognition of revenue, as the customer simultaneously receives the benefits from the services rendered by the Company throughout the period when rooms are occupied, or services are performed. Payment is due generally within 30 to 60 days as the customer occupies the room and receives the services, except for some customers with specific credit terms. The Company considers whether there are other promises in the contract that are distinct and separately identifiable. Accordingly, the Company allocates the transaction price based on the relative stand-alone selling prices of services and goods.

(b) Food and beverage revenue

Revenue from food and beverage sales are recognized at a point in time as goods are delivered. The transaction price of the goods is representative of their stand-alone selling prices. Payment is due generally within 30 to 60 days as goods are delivered, except for some customers with specific credit terms.

(c) *Other operating departments revenue*

Revenue from other operating departments include, among others, lobby shops, business center and car rental, laundry service, telephone service, and health club services which are recognized at a point in time as goods are delivered and over time as services are performed. The transaction prices of the related goods and services are representative of their stand-alone selling prices. Payment is due generally within 30 to 60 days as the customer receives the goods and services, except for some customers with specific credit terms.

In considering the transaction price for the revenue from rooms, food and beverages and other operating departments, the Company considers the effects of any variable consideration (e.g., rebates and discounts), noncash consideration and consideration payable to customers.

(d) *Interest income*

Interest income from cash in bank is recognized as the interest accrues.

20.10 Leases

Variable leases

Payments associated with leases with variable lease payments, those that are based on a certain percentage of a specific measure are recognized as expenses in the statement of total comprehensive income in the period in which the condition that triggers those payments occurs.

20.11 Related party relationships and transactions

(a) *Related party relationships*

A related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its trustees.

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

(b) *Related party transaction*

Related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party regardless of whether a price is charged or not.

20.12 Events after the reporting date

Post year-end events that provide additional information about the Company’s financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

21 Supplementary information required by the Bureau of Internal Revenue (BIR)

The following supplementary information required by Revenue Regulation No. 15-2010 is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

(a) Output VAT

Net sales/receipts and output VAT declared in the Company's VAT returns filed for the year ended December 31, 2023:

	Net sales/ receipts	Output VAT
Sales of services	322,853,900	38,742,468
VAT exempt sales	2,053,374	-
	324,907,274	38,742,468

The gross amount of revenues shown above is based on gross receipts of the Company for VAT purposes while gross service revenues in the statement of total comprehensive income are measured in accordance with Company policy.

(b) Input VAT

Input VAT declared in the Company's VAT returns filed for the year ended December 31, 2023 follows:

Balance at January 1	500,365
Current year's domestic purchases/payments for:	
Services	8,593,288
Goods other than capital goods	5,725,263
Total available input VAT	14,818,916
Allocable to exempt sales	(89,074)
Applied against output VAT	(14,407,042)
At December 31	322,800
Input tax to be carried over for the succeeding quarter	-
Input tax deferred on capital goods exceeding P1 million deferred for the succeeding period	(322,800)
Balance at December 31	-

(c) Importations, excise taxes, documentary stamp taxes

In 2023, the Company did not have any transactions which were subject to (1) customs duties, (2) excise taxes and (3) documentary stamp taxes.

(d) Local and national taxes

Details of the Company's taxes and licenses for the year ended December 31, 2023 follow:

Real property taxes	2,383,992
Business and municipal licenses	591,261
	2,975,253

(e) Withholding taxes

Details of withholding taxes in 2023 follow:

	Paid	Accrued	Total
Expanded withholding taxes	5,942,933	741,889	6,684,822
Withholding taxes on compensation and benefits	3,256,434	181,622	3,438,056
Total	9,199,367	923,511	10,122,878

(f) Tax assessments and cases

As at December 31, 2023, the Company has no outstanding final assessment notice from the BIR nor does it have any pending tax cases outside the administration of the BIR.

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Ground Floor, Secretariat Building, PICC
City of Pasay, Metro Manila

COMPANY REG. NO. CS200732005

CERTIFICATE OF FILING
OF
AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

THIS IS TO CERTIFY that the amended articles of incorporation of the

ACCENDO COMMERCIAL CORP.
(Amending Article VII thereof)

copy annexed, adopted on September 26, 2017 by a majority vote of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 15 of the Revised Corporation Code of the Philippines, Republic Act No. 11232, which took effect on February 23, 2019 and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company, pre-need plan issuer, general agent in pre-need plans and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of this Commission to be affixed to this Certificate at Pasay City, Metro Manila, Philippines, this 19th day of June, Twenty Nineteen.

DANIEL P. GABUYO
Assistant Director
SO Order 1188 Series of 2018

RM/ioo

COVER SHEET

COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application

AMENDED ARTICLES OF INCORPORATION

SEC Registration Number

C	S	2	0	0	7	3	2	0	0	5

Company Name

ACCENDO COMMERCIAL CORP.

Principal Office (No./Street/Barangay/City/Town/Province)

BRGY. 20-B, POBLACION WEST,
BAJADA, DAVAO CITY

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number

CONTACT PERSON INFORMATION

The designated person ***MUST*** be a Director/Trustee/Partner/Officer/Resident Agent of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Nimfa Ambrosia L. Perez-Paras		908-3952	

Contact Person's Address

3/F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City

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To be accomplished by CRMD Personnel

		Date	Signature
Assigned Processor			

Document I.D.

Recived by Corporate Filing and Records Division (CFRD)

Forwarded to:

- [ ] Corporate and Partnership Registration Division
- [ ] Green Lane Unit
- [ ] Financial Analysis and Audit Division
- [ ] Licensing Unit

PRESENTED ON: 4/1/19
COUNTER OFFICER: ARVIE
PROCESSOR: Ms. Rowena Mallari

AMENDED ARTICLES OF INCORPORATION

OF

ACCENDO COMMERCIAL CORP.
(SEC Reg. No. CS200732005)

Know All Men By These Presents:

The undersigned incorporators, all of legal age and majority of whom are residents of the Philippines, have this day voluntary agreed to form a stock corporation under the laws of the Republic of the Philippines.

THAT WE HEREBY CERTIFY:

FIRST: That the name of this corporation shall be:

ACCENDO COMMERCIAL CORP.

SECOND: A. That the primary purpose of this corporation is to develop, sell, invest, own, acquire, lease, hold, mortgage, administer or otherwise deal with commercial, residential, industrial or agricultural lands, buildings, structure or apertures, or in any other profitable business enterprise, venture or establishment, alone or jointly with other persons, natural or artificial.

B. That the secondary purposes of this corporation are:

1) To deal, engage, and transact, directly or indirectly, in all forms of business and mercantile acts and transactions concerning all kinds of real or personal property, goods, wares, chattel, choses in action, tangible and intangible properties, technical and industrial equipment, personal and real rights, commercial papers, evidence of indebtedness, or other forms of obligations, services, and all other things including future ones, which are not excluded from the commerce of men or which are not contrary to law or good morals;

2) To carry and undertake any business transactions or operation commonly carried on by persons, natural or artificial, engaged in the manufacture, production, exportation, importation, wholesale, retail, promotion and merchandising of any and all kinds of merchandise, goods and wares which are lawful objects of commerce.
(As amended on 3 November 2014)

C. That the corporation shall have all the express powers of a corporation as provided for under Section 36 of the Corporation Code of the Philippines.

THIRD. That the place where the principal office of the corporation is to be established is at:

Brgy. 20-B Poblacion West,
Bajada, Davao City, Philippines

FOURTH. That the term for which the corporation is to exist is Fifty (50) years from and after the date of the issuance of the certificate of incorporation.

FIFTH. That the names, nationalities, and residences of the incorporators are as follows:

Names	Nationalities	Residence
ANTONIO O. FLOIRENDO, SR.	Filipino	[redacted]
ANTONIO R. FLOIRENDO, JR.	Filipino	
MA. CRISTINA F. BRIAS	Filipino	
RICARDO R. FLOIRENDO	Filipino	
ANTHONY ALEXANDER N. VALORIA	Filipino	

SIXTH. That the number of directors of said corporation shall be nine (9) and that the names, nationalities and residences of the first directors who are to serve until their successors are elected and qualified as provided by the by-laws are as follows:

Names	Nationalities	Residence
ANTONIO O. FLOIRENDO, SR.	Filipino	[redacted]
NENITA R. FLOIRENDO	Filipino	
MA. LINDA F. LAGDAMEO	Filipino	
ANTONIO R. FLOIRENDO, JR.	Filipino	
MA. CRISTINA F. BRIAS	Filipino	
VICENTE R. FLOIRENDO	Filipino	
ANTHONY ALEXANDER N. VALORIA	Filipino	

SEVENTH. That the authorized capital stock of the corporation is EIGHT HUNDRED EIGHTY MILLION (Php880,000,000.00) Pesos in lawful money of the Philippines, consisting of sixty million (60,000,000.00) Common A Shares with a par value of One Peso (Php1.00) per share, thirty million (30,000,000) Common B Shares with a par value of One Peso (Php1.00) per share, and seven hundred ninety million (790,000,000) Redeemable Preferred Shares with a par value of One Peso (Php1.00) per share. (As amended on August 15, 2008) *(Further amended on September 26, 2017)*

The Class "A" Common Shares may be issued to any investor not affiliated with the Anflo Group of Companies and Class "B" Common Shares shall be exclusively issued to any member of the Anflo Group of Companies.

The Redeemable Preferred Shares shall have the following features:

(1) Voting Rights;

The holders of the Redeemable Preferred Shares outstanding from time to time (the "Preferred Shareholders") shall have voting rights in accordance with Section 6 of the Corporation Code of the Philippines.

(2) Dividends

The Preferred Shareholders shall be entitled to participate in any regular dividend declaration for the common shares of stock to be paid out of unrestricted retained earnings at the same rate and upon the same terms as declared and paid to holders of the common shares (the "Common Shareholders"). The Preferred Shareholders shall also be entitled to such other dividends as may be determined and approved by the Board of Directors.

Unless dividends on all outstanding shares of Redeemable Preferred Shares shall have been paid or declared, (i) No dividends shall be paid or declared and set apart for payment, in respect of the Common Shares; (ii) No distribution shall be made in respect of the Common Shares as to distribution upon liquidation, dissolution or winding up of the Corporation, be redeemed, purchased or otherwise acquired for any consideration by the Corporation.

(3) Liquidation Rights

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the Redeemable Preferred Shares shall be entitled to receive out of the assets of the Corporation available for distribution to the shareholders, before any distribution of assets is made to holders of common shares, distributions in the amount of the issue value per outstanding Redeemable Preferred Share, plus declared and unpaid dividends to the date of distribution.

(4) Redemption

The Redeemable Preferred Shares may be redeemed at the option of the Corporation. Any Redeemable Preferred Shares to be redeemed at the price and under such terms and conditions and procedures as shall be determined by the Board of Directors, provided, that in no case shall the redemption price of the actual number of the Redeemable Preferred Shares be less than the cost of such shares as recorded in the books of the Corporation at the time of redemption.

EIGHTH: The subscribers to the capital stock and the amount paid-in to their subscriptions are as follows:

Name	Nationality	No. of Shares Subscribed	Amount Subscribed	Amount Paid
PREFERRED SHARES				
Anflo Management & Investment Corporation	Filipino	9,000,000	P 9,000,000.00	P 9,000,000.00
CLASS "B" Common				
Antonio O. Floirendo, Sr.	Filipino	1	1.00	1.00
Nenita R. Floirendo	Filipino	1	1.00	1.00
Ma. Linda F. Lagdameo	Filipino	1	1.00	1.00
Antonio R. Floirendo, Jr.	Filipino	1	1.00	1.00
Ma. Cristina F. Brias	Filipino	1	1.00	1.00
Ma. Theresa R. Floirendo	Filipino	1	1.00	1.00
Ricardo R. Floirendo	Filipino	1	1.00	1.00
Vicente R. Floirendo	Filipino	1	1.00	1.00
Anthony Alexander N. Valoria	Filipino	1	1.00	1.00
Anflo Management & Investment Corporation	Filipino	999,991	999,991.00	999,991.00
Total		1,000,000	P 1,000,000.00	P 1,000,000.00
GRAND TOTAL		10,000,000	P 10,000,000.00	P 10,000,000.00

NINTH: No transfer of stock or interest which would reduce the stock ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the proper books of the corporation and this restriction shall be indicated in all the stock certificates issued by the corporation.

TENTH: That RICARDO R. FLOIRENDO has been elected by the subscribers as treasurer of the corporation to act as such until his successor is duly elected and qualified in accordance with the by-laws; and that as such Treasurer, he has been authorized to receive for and in the name and for the benefit of the corporation, all subscriptions paid by the subscribers.

ELEVENTH: That the corporation manifests its willingness to change its corporate name in the event another person, firm or entity has acquired a prior right to the use of the said firm name or one deceptively or, confusingly similar to it.

IN WITNESS WHEREOF, we have set our hands this 14th day of December 2007 at Davao City, Philippines.

(original signed)
ANTONIO O. FLOIRENDO, SR.
[redacted]

(original signed)
ANTONIO R. FLOIRENDO, JR.
[redacted]

(original signed)
MA. CRISTINA F. BRIAS
[redacted]

(original signed)
RICARDO R. FLOIRENDO
[redacted]

(original signed)
ANTHONY ALEXANDER N. VALORIA
[redacted]

WITNESSES:

(original signed) ____________________

(original signed) ____________________

ACKNOWLEDGMENT

Republic of the Philippines)
City of Davao) S.S.

BEFORE ME, a Notary Public in and for Davao City, Philippines, this 1st day of March 2010 personally appeared:

Name	Community Tax Certificate No.	Date/Place Issued
Antonio O. Floirendo, Sr.	[redacted]	
Antonio R. Floirendo, Jr.		
Ma. Cristina F. Brias		
Ricardo R. Floirendo		
Anthony Alexander N. Valoria		

all known to me and to me known to be the same persons who executed the foregoing Articles of Incorporation and they acknowledged to me that the same is their free and voluntary act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date at the place first above written.

Doc. No. 370;
Page No. 74;
Book No. 2;
Series of 2007.

(original signed)
NICOLAS A. BANGA
Notary Public
Commission No. 187-2006
Until December 31, 2007
PTR No. 4876573 – 2.26.07 – Davao City
IBP No. 704084 02.24.07 Davao City
Roll No. 51915

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

DIRECTORS' CERTIFICATE OF AMENDMENT
OF THE ARTICLES OF INCORPORATION
of
ACCENDO COMMERCIAL CORP.
(SEC Reg. No. CS200732005)

We, the undersigned, a majority of the members of the Board of Directors, the Chairman and the Corporate Secretary of **ACCENDO COMMERCIAL CORP.**, do hereby certify that -

1. At its regular meeting on 26 September 2017, all of the members of the Board of Directors approved the increase in the authorized capital stock of the Corporation from Five Hundred Eighty Million Pesos (Php580,000,000.00), divided into forty million (40,000,000) Common A Shares with a par value of One Peso (Php1.00) per share or a total par value of Forty Million Pesos (Php40,000,000.00), twenty million (20,000,000) Common B Shares with a par value of One Peso (Php1.00) per share or a total par value of Twenty Million Pesos (Php20,000,000.00) and five hundred twenty million (520,000,000) redeemable preferred shares with a par value of One Peso (Php1.00) per share or a total par value of Five Hundred Twenty Million Pesos (Php520,000,000.00) ***to*** Eight Hundred Eighty Million Pesos (Php880,000,000.00), divided into sixty million (60,000,000.00) Common A Shares with a par value of One Peso (Php1.00) per share or a total par value of Sixty Million Pesos (Php60,000,000.00), thirty million (30,000,000) Common B Shares with a par value of One Peso (Php1.00) per share or a total par value of Thirty Million Pesos (Php30,000,000.00), and seven hundred ninety million (790,000,000) Redeemable Preferred Shares with a par value of One Peso (Php1.00) per share or a total par value of Seven Hundred Ninety Million Pesos (Php790,000,000.00);

2. At the special stockholders' meeting of the Corporation on 26 September 2017 at the ALI Conference Main Hall, 31st Floor, Tower One and Exchange Plaza, Ayala Avenue, Makati City, the stockholders, by the affirmative vote of stockholders owning all outstanding capital stock, approved the increase in the authorized capital stock of the Corporation and for this purpose, the amendment of the Seventh Article of the Corporation's Articles of Incorporation.

3. The Corporation complied with all the requirements of Section 16 and 38 of the Corporation Code on the amendment of the Articles of Incorporation.

4. Attached hereto are copies of the Amended Articles of Incorporation of the Corporation as amended.

5. The attached Articles of Incorporation, as amended, is a true and correct copy thereof.

[Signature page follows.]

IN WITNESS WHEREOF, the parties have hereunto set their hands this APR 12 2019 at Makati City, Philippines.

FERNANDO ZOBEL DE AYALA
Chairman
[redacted]

BERNARD VINCENT O. DY
Director
[redacted]

ANNA MA. MARGARITA B. DY
Director
[redacted]

ANICETO V. BISNAR, JR.
Director
[redacted]

JOSE EMMANUEL H. JALANDONI
Director
[redacted]

MA. CRISTINA F. BRIAS
Director
[redacted]

RICARDO R. FLOIRENDO
Director
[redacted]

OSCAR V. GRAPA
Director
[redacted]

ATTESTED BY:

NIMFA AMBROSIA L. PEREZ-PARAS
Corporate Secretary
[redacted]

SUBSCRIBED AND SWORN to before me this APR 12 2019 at Makati City, the affiants exhibited to me their respective competent evidence of identity described below:

Name	*Competent Evidence of Identity*	*Date / Place Issued*
Fernando Zobel de Ayala	[redacted]	
Bernard Vincent O. Dy		
Anna Ma. Margarita B. Dy		
Aniceto V. Bisnar, Jr.		
Jose Emmanuel H. Jalandoni		
Ma. Cristina F. Brias		
Ricardo R. Floirendo		
Oscar V. Grapa		
Nimfa Ambrosia L. Perez-Paras		

Doc. No. 10 ;
Page No. 33 ;
Book No. XI ;
Series of 2019.

Notarial DST pursuant to
Sec. 188 of the Tax Code
affixed on Notary Public's copy.

MARIA PAULA G. ROMERO-BAUTISTA
NOTARY PUBLIC
ROLL NO. 58335

MARIA PAULA G. ROMERO-BAUTISTA
Notary Public – Makati City
Appt. No. 153 until December 31, 2019
Roll of Attorneys No. 58335
IBP No. 059414 – 01/09/19 – Makati City
PTR No. 7341730ME – 01/08/19 – Makati City
MCLE Compliance No. VI – 0009490 –06/20/2018
27th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

ACCENDO COMMERCIAL CORP.

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SECRETARY'S CERTIFICATE

I, **NIMFA AMBROSIA L. PEREZ-PARAS**, being the duly elected and incumbent Corporate Secretary of **ACCENDO COMMERCIAL CORP.** (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of Philippines with business address at Brgy. 20-B Poblacion West, Bajada Davao City, do hereby certify that-

1. At its regular meeting held on 26 September 2017, all of the members of the Board of Directors approved the increase of the Corporation's authorized capital stock Five Hundred Eighty Million Pesos (Php580,000,000.00), divided into forty million (40,000,000) Common A Shares with a par value of One Peso (Php1.00) per share or a total par value of Forty Million Pesos (Php40,000,000.00), twenty million (20,000,000) Common B Shares with a par value of One Peso (Php1.00) per share or a total par value of Twenty Million Pesos (Php20,000,000.00) and five hundred twenty million (520,000,000) redeemable preferred shares with a par value of One Peso (Php1.00) per share or a total par value of Five Hundred Twenty Million Pesos (Php520,000,000.00) ***to*** Eight Hundred Eighty Million Pesos (Php880,000,000.00), divided into sixty million (60,000,000.00) Common A Shares with a par value of One Peso (Php1.00) per share or a total par value of Sixty Million Pesos (Php60,000,000.00), thirty million (30,000,000) Common B Shares with a par value of One Peso (Php1.00) per share or a total par value of Thirty Million Pesos (Php30,000,000.00), and seven hundred ninety million (790,000,000) Redeemable Preferred Shares with a par value of One Peso (Php1.00) per share or a total par value of Seven Hundred Ninety Million Pesos (Php790,000,000.00).

2. At the special meeting stockholders on 26 September 2017 held at the ALI Conference Main Hall, 31st Floor, Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, the shareholders owning all outstanding capital stock approved the increase in the authorized capital stock Five Hundred Eighty Million Pesos (Php580,000,000.00), divided into forty million (40,000,000) Common A Shares with a par value of One Peso (Php1.00) per share or a total par value of Forty Million Pesos (Php40,000,000.00), twenty million (20,000,000) Common B Shares with a par value of One Peso (Php1.00) per share or a total par value of Twenty Million Pesos (Php20,000,000.00) and five hundred twenty million (520,000,000) Redeemable Preferred Shares with a par value of One Peso (Php1.00) per share or a total par value of Five Hundred Twenty Million Pesos (Php520,000,000.00) ***to*** Eight Hundred Eighty Million Pesos (Php880,000,000.00), divided into thirty million (30,000,000.00) Common Shares with a par value of One Peso (Php1.00) per share or a total par value of Thirty Million Pesos (Php30,000,000.00) and two hundred seventy million (270,000,000) Redeemable Preferred Shares with a par value of One Peso (Php1.00) per share or a total par value of Two Hundred Seventy Million Pesos (Php270,000,000.00);

3. In connection with said increase of the authorized capital stock, all non-subscribing stockholders have waived their pre-emptive rights to subscribe to the additional shares that will be issued.

4. From the time of such stockholders' and Board of Directors' approval of the increase in capital stock up to the filing of the application for increase of capital stock with the Securities and Exchange Commission, to the best of my knowledge and based on the records of the Corporation, no action or proceeding has been filed or is pending before any court/tribunal involving an intra-corporate dispute and/or claim by any person or group against the Board of Directors, individual directors and/or major corporate officers of the Corporation in their capacity as such directors and officers of the Corporation.

IN WITNESS WHEREOF, I have signed this Certificate this APR 05 2019 at Makati City.

NIMFA AMBROSIA L. PEREZ-PARAS
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 05 2019, at Makati City, affiant exhibiting to me as competent evidence of identity her Passport No. P9583334A issued on 16 November 2018 by the Department of Foreign Affairs in Manila, Philippines.

Doc. No. 2;
Page No. 4;
Book No. II;
Series of 2019.

RIZZA ANNE O. SY
NOTARY PUBLIC
ROLL NO. 64676
MAKATI CITY, PHILIPPINES

RIZZA ANNE O. SY
Notary Public – Makati City
Appt. No. M-187 until December 31, 2020
Roll of Attorneys No. 64676
Lifetime IBP No. 019509 – 01/04/18 – Bulacan
PTR No. 7341734ME – 01/08/19 – Makati City
MCLE Compliance No. VI – 0009493–06/20/2018
27th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

To the Securities and Exchange Commission:

In connection with the application of **ACCENDO COMMERCIAL CORP.** (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with business address at Brgy. 20-B Poblacion West, Bajada Davao City, for the increase in the authorized capital stock of the Corporation, the undersigned hereby declare under oath that:

(i) All information and representations contained in the submitted application and its supporting documents are true and correct;

(ii) The verification procedures required by the Commission were conducted by an independent auditor who issued a report thereon in accordance with the auditing standards in force;

(iii) The items/accounts subject of the application are authorized, valid and legal; and

(iv) The shares of stock to be issued are not watered.

The Management hereby authorizes the Commission to examine at any time, even after the approval of the application, the Corporation's books of accounts and records to determine the validity and accuracy of the transaction.

BERNARD VINCENT O. DY	**MA. LUISA D. CHIONG**
President MM	*Treasurer*

SUBSCRIBED AND SWORN to before me this APR 05 2019 at Makati City, Metro Manila, affiants exhibiting to me their competent evidences of identity as follows:

Name	*Competent Evidence of Identity*	*Date / Place Issued*
Bernard Vincent O. Dy	[redacted]	
Ma. Luisa D. Chiong		

Doc. No. 11;
Page No. 4;
Book No. I;
Series of 2019.

Notarial DST pursuant to
Sec. 188 of the Tax Code
affixed on Notary Public's copy.

RIZZA ANNE O. SY
NOTARY PUBLIC
ROLL NO. 64676
MAKATI CITY, PHILIPPINES

RIZZA ANNE O. SY
Notary Public – Makati City
Appt. No. M-187 until December 31, 2020
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27th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

Republic of the Philippines
Department of Finance
Securities and Exchange Commission

Company Registration and Monitoring Department
Compliance Monitoring Division

MONITORING SHEET – NO PENALTY

Corporate Name	ACCENDO COMMERCIAL CORP.		
Registration No.	CS200732005	**Date of Registration**	DECEMBER 17, 2007
Term of Existence	50 YEARS	**Annual Meeting**	3RD MONDAY OF MARCH
Principal Office	BRGY. 20-B POBLACION WEST, BAJADA, DAVAO CITY	**Actual Meeting**	APRIL 6, 2018
No. of Directors/Trustees	NINE (9)	**Fiscal Year**	DECEMBER 31

x STOCK CORPORATION		NON-STOCK CORPORATION	
Authorized Capital Stock	P 580,000,000.00		
Paid-Up Capital Stock	P 577,759,000.00	Equity/Fund Balance	P
Retained Earnings	P 997,868,775.00	Negative Fund Balance	P
Deficit	P		
Capital Deficiency	P	Fiscal Year ended	
Fiscal Year ended	DECEMBER 31, 2017		
Fine: P10,000.00/per year, per report		Fine: P per year, per report	

COMPUTATION OF FINES

YEAR	General Information Sheet		Financial Statements		FINE
2013				*MONITORED*	
2014		*MONITORED*		*10/19/2015*	
2015		*10/19/2015*	OT		
2016	OT		OT		
2017	OT		OT		
2018	OT		NYD		
Stock and Transfer Book (OT) 12/17/2007					

OT	-	On Time
NF	-	Not Filed
FL/RL	-	Filed/Registered Late

Monitored by:	SAP/CMD	DATE: 07/05/2018

[x] Compliant with all reportorial requirements as of JULY 05, 2018.

The findings/assessment is based on the documents/reports available in the SEC database and the documents presented by the party to the monitor as of: ________

____
Representative
Signature Over Printed Name

For the Director: FERDINAND B. SALES

By: SHERLY A. PAGUYO
DATA ANALYST
Pasay City. 07/05/2018

Note:
This assessment does not constitute as waiver of any fine or penalty for deficiencies in reportorial requirements due from, or may hereafter be assessed against, the corporation nor does it preclude the institution of any action against the corporation for violation of any of the provisions of the Corporation Code of the Philippines, the Securities Regulation Code, and its implementing rules and regulations, and other pertinent laws, rules and regulations implemented by the Commission.

In case the corporation is subject of a complaint or investigation by the Commission or any party, the computation of penalty may be years, earlier than the five (5) years and imposition of fine shall be made if warranted.

MS-NP_v.2016

Accendo Commercial Corp.

Report of Factual Findings on the Specific Agreed-Upon Procedures on the Company's Deposit for Future Stock Subscription

SGV
Building a better working world

SyCip Gorres Velayo & Co.
5th Floor, Topaz Tower
Damosa IT Park
JP Laurel Avenue, Lanang
8000 Davao City
Philippines

Tel: (082) 282 8447 to 51
Fax: (082) 282 8438
ey.com/ph

BOA/PRC Reg. No. 0001,
October 04, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

REPORT OF FACTUAL FINDINGS

The Board of Directors and Stockholders
Accendo Commercial Corp.
Brgy. 20-B Poblacion West
Bajada, Davao City

We have performed the procedures agreed upon with you and enumerated below with respect to the cash payments for subscriptions by Ayala Land Inc. (ALI), Damosa Land Inc. (DLI), Anflo Management and Investment Corp. (AMIC), and Pioneer Trading and Supply Co., Inc. (PTSCI) to Accendo Commercial Corp. (the Company) as of November 30, 2018, set forth in the accompanying schedule of cash receipts. Our engagement was undertaken in accordance with Philippine Standard on Related Services (PSRSs) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*. The procedures we performed were in accordance with the procedures required by the Securities and Exchange Commission (SEC) in connection with the application of Accendo Commercial Corp. with the SEC for an increase in its authorized capital stock, except for a procedure that was not performed and a procedure that was modified, as agreed upon with you and as explained in the following paragraphs.

A cash count was not performed as the cash payment for stock subscriptions was already deposited in the bank account of Accendo Commercial Corp. However, as provided in the required SEC procedures, we traced the amount received to the corresponding bank validated slips and to the bank statement.

The SEC requires that all entries in the cash disbursements book of Accendo Commercial Corp. be inspected for any prior disbursements to ALI, DLI, AMIC, and PTSCI that could be linked or associated with their payment for subscription, as well as for any subsequent disbursement, advances or loans granted to them by Accendo Commercial Corp. without specifying the periods to be covered by the inspection. In this regard, we have agreed with the management of Accendo Commercial Corp. to limit the periods to be covered by the inspection to three months before November 30, 2018, the date Accendo Commercial Corp. received the cash payment for subscription from ALI, DLI, AMIC, and PTSCI, and the period after that date up to January 9, 2019, the date of the auditor's report.

We report our findings below:

1. Obtained from the Company a schedule of cash received as deposits for subscription to the proposed increase in capital stock which shows the following information:

    a. Date recorded in the books
    b. Official Receipt (OR) number
    c. Name of subscriber
    d. Amount of cash received
    e. Form of payment (cash or check)

Please refer to Appendix A for the Schedule of Deposit for Future Stock Subscription as of November 30, 2018.

We found no exceptions.

2. Checked the mathematical accuracy of the Company's schedule.

   We found no exceptions.

3. Compared the balance of the deposits for future stock subscription to the general ledger as of November 30, 2018.

   We found no exceptions.

4. Traced the cash received as deposit for future stock subscription to the cash receipts book as of November 30, 2018.

   We found no exceptions.

5. Obtained a copy of the minutes of the meetings of the Board of Directors (BOD) and stockholders approving the increase in capital stock of the Company.

   On September 26, 2017, the BOD in their regular meeting and stockholders in their special meeting approved the increase of the authorized capital stock from ₱580.0 million divided into 60 million common shares with a par value of ₱1 and ₱520.0 million preferred shares with the same par value as common shares, to ₱880.0 million divided into 90 million common shares with a par value of ₱1 and ₱790.0 million preferred shares with the same par value as common shares.

   The increase in capital stock shall be subscribed and paid by the subscribers as follows:

	No. of Shares Subscribed			Amount Paid		
Name of Stockholder	Common	Preferred	Total	Common	Preferred	Total
ALI	10,050,000	90,450,000	100,500,000	₱10,050,000	₱90,450,000	₱100,500,000
DLI	2,799,000	25,191,000	27,990,000	2,799,000	25,191,000	27,990,000
AMIC	1,686,000	15,174,000	16,860,000	1,686,000	15,174,000	16,860,000
PTSCI	465,000	4,185,000	4,650,000	465,000	4,185,000	4,650,000
	15,000,000	135,000,000	150,000,000	₱15,000,000	₱135,000,000	₱150,000,000

6. Compared the amounts received from the subscribers to the duplicate copy of the official receipts.

   We found no exceptions.

7. Traced the amounts received to the bank-validated deposit slips and, for check payments, traced the amounts to the bank statement.

   Please refer to the Appendix A for the Schedule of Deposit for Future Stock Subscription as of November 30, 2018.

   We found no exceptions.

8. Inspected all entries in the cash disbursement books of the Company from September 1, 2018 to November 30, 2018 for any prior disbursements made to the subscribers that can be linked or associated with the subscribers' payment for subscriptions.

   The Company's cash disbursement books from September 1, 2018 to November 30, 2018 showed disbursements to ALI which represent payment of principal and quarterly interest for the Company's loan.

9. Inspected all entries in the cash disbursements book of the Company from December 1, 2018 to January 9, 2019 for any subsequent disbursements, advances or loans granted to the subscribers.

   We noted disbursements to ALI which represent payment of management fee, and principal and quarterly interest for the Company's loan.

10. Obtained a summary of the cash in the bank account of the Company and bank reconciliation statements as of December 31, 2018.

11. Checked the mathematical accuracy of the summary and bank reconciliation statements, traced the receipts and disbursements and other transactions in the summary and bank reconciliation statements to the entries in the general ledger, and compared the balances shown in the summary and bank reconciliation statements with the balances per books and bank statements.

Because the above procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standards on Review Engagements (PSRE), respectively, we do not express any assurance on cash payments for subscriptions made by ALI, DLI, AMIC, and PTSCI as at January 9, 2019.

Had we performed additional procedures or performed an audit or review of the financial statements in accordance with PSA or PSRE, other matters might have come to our attention that would have been reported to you.

Our report is intended solely for submission to the SEC in connection with the application of Accendo Commercial Corp. for an increase in its authorized capital stock and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the cash payment for subscriptions by ALI, DLI, AMIC, and PTSCI to Accendo Commercial Corp. as specified above and do not extend to the financial statements of Accendo Commercial Corp., taken as a whole.

SYCIP GORRES VELAYO & CO.

Jose Raoul J. Balisalisa
Partner
CPA Certificate No. 109542
SEC Accreditation No. 1557-A (Group A),
April 14, 2016, valid until April 14, 2019
Tax Identification No. 931-743-705
BIR Accreditation No. 08-001998-113-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 7332524, January 3, 2019, Makati City

January 9, 2019

ACCENDO COMMERCIAL CORP.

APPENDIX TO THE REPORT OF FACTUAL FINDINGS ON THE SPECIFIC AGREED-UPON PROCEDURES ON THE COMPANY'S DEPOSIT FOR FUTURE STOCK SUBSCRIPTION

Appendix A: Schedule of Deposit for Future Stock Subscription as of November 30, 2018

Date recorded in the books	Date deposited	Account number	OR number	Name of subscriber	Amount of cash received	Form of payment	Bank
11/26/2018	11/26/2018	008091-0069-88	9900004323	Ayala Land Inc.	₱100,500,000	Cash	BPI
11/29/2018	11/26/2018	008091-0069-88	9900004320	Damosa Land Inc.	27,990,000	Check	BPI
11/29/2018	11/26/2018	008091-0069-88	9900004321	Anflo Management and Investment Corporation	16,860,000	Check	BPI
11/29/2018	11/26/2018	008091-0069-88	9900004322	Pioneer Trading & Supply Co., Inc.	4,650,000	Check	BPI
					₱150,000,000		

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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Damosa IT Park
JP Laurel Avenue, Lanang
8000 Davao City
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Tel: (082) 282 8447 to 51
Fax: (082) 282 8438
ey.com/ph

BOA/PRC Reg. No. 0001,
October 04, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

To the Securities and Exchange Commission:

In connection with the application of Accendo Commercial Corp. (the Company) for the increase in its authorized capital stock, the undersigned hereby declares:

(1) That, as an external auditor engaged by the said Company, we conducted the verification procedures required under Section 2 of SEC Memorandum Circular No. 6, Series of 2008, *Guidelines on On-site Verification of Financial Records Relative to Certain Applications Filed with the Commission*, and that we observed all the requirements of existing standards and practices applicable to agreed-upon procedures engagements; and

(2) That since the foregoing engagement does not involve an audit or review of the Company's financial statements but only the conduct of a set of agreed-upon procedures and issuance of a report of the factual findings thereon, we gave a "no assurance" statement in our January 9, 2019 report attached to this letter. We understand, however, that the "no assurance" statement in our said report does not exempt us from responsibility over the conduct of the said procedures and the factual findings stated therein.

SYCIP GORRES VELAYO & CO.

Jose Raoul J. Balisalisa
Partner
CPA Certificate No. 109542
SEC Accreditation No. 1557-A (Group A),
April 14, 2016, valid until April 14, 2019
Tax Identification No. 931-743-705
BIR Accreditation No. 08-001998-113-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 7332524, January 3, 2019, Makati City

January 9, 2019

SECURITIES AND EXCHANGE COMMISSION
THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph

The following document has been received:

Receiving: ARIEL FETALVO
Receipt Date and Time: November 15, 2024 04:55:40 PM

Company Information

SEC Registration No.: CS200732005
Company Name: ACCENDO COMMERCIAL CORP.
Industry Classification: K70000
Company Type: Stock Corporation

Document Information

Document ID: OST11115202482954951
Document Type: GENERAL_INFORMATION_SHEET
Document Code: GIS
Period Covered: March 18, 2024
Submission Type: Amendment
Remarks: None

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

AMENDED GENERAL INFORMATION SHEET (GIS)

FOR THE YEAR 2024

STOCK CORPORATION

GENERAL INSTRUCTIONS:

1. FOR USER CORPORATION: THIS GIS SHOULD BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS FROM THE DATE OF THE ANNUAL STOCKHOLDERS' MEETING. **DO NOT LEAVE ANY ITEM BLANK.** WRITE "N.A." IF THE INFORMATION REQUIRED IS NOT APPLICABLE TO THE CORPORATION OR "NONE" IF THE INFORMATION IS NON-EXISTENT. IF THE ANNUAL STOCKHOLDERS' MEETING IS HELD ON A DATE OTHER THAN THAT STATED IN THE BY-LAWS, THE GIS SHALL BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS AFTER THE ELECTION OF THE DIRECTORS, TRUSTEES AND OFFICERS OF THE CORPORATION AT THE ANNUAL MEMBERS' MEETING.
2. IF NO MEETING IS HELD, THE CORPORATION SHALL SUBMIT THE GIS NOT LATER THAN JANUARY 30 OF THE FOLLOWING YEAR. HOWEVER, SHOULD AN ANNUAL STOCKHOLDERS' MEETING BE HELD THEREAFTER, A NEW GIS SHALL BE SUBMITTED/FILED.
3. THIS GIS SHALL BE ACCOMPLISHED IN ENGLISH AND CERTIFIED AND SWORN TO BY THE **CORPORATE SECRETARY** OF THE CORPORATION.
4. THE SEC SHOULD BE TIMELY APPRISED OF RELEVANT CHANGES IN THE SUBMITTED INFORMATION AS THEY ARISE. FOR CHANGES RESULTING FROM ACTIONS THAT AROSE BETWEEN THE ANNUAL MEETINGS, THE CORPORATION SHALL SUBMIT AMENDED GIS CONTAINING THE NEW INFORMATION TOGETHER WITH A COVER LETTER SIGNED BY THE CORPORATE SECRETARY OF THE CORPORATION. THE AMENDED GIS AND COVER LETTER SHALL BE SUBMITTED WITHIN SEVEN (7) DAYS AFTER SUCH CHANGE OCCURED OR BECAME EFFECTIVE.
5. SUBMIT FOUR (4) COPIES OF THE GIS TO THE RECEIVING SECTION AT THE SEC MAIN OFFICE, OR TO SEC SATELLITE OFFICES OR EXTENSION OFFICES. ALL COPIES SHALL UNIFORMLY BE ON A4 OR LETTER-SIZED PAPER. THE PAGES OF ALL COPIES SHALL USE ONLY ONE SIDE.
6. **ONLY THE GIS ACCOMPLISHED IN ACCORDANCE WITH THESE INSTRUCTIONS SHALL BE CONSIDERED AS HAVING BEEN FILED.**
7. THIS GIS MAY BE USED AS EVIDENCE AGAINST THE CORPORATION AND ITS RESPONSIBLE DIRECTORS/OFFICERS FOR ANY VIOLATION OF EXISTING LAWS, RULES AND REGULATIONS.

============================== **PLEASE PRINT LEGIBLY** ==================================

CORPORATE NAME: ACCENDO COMMERCIAL CORP.	**DATE REGISTERED:** DECEMBER 17, 2007
BUSINESS/TRADE NAME: ACCENDO COMMERCIAL CORP.	**FISCAL YEAR END:** December 31
SEC REGISTRATION NUMBER: CS200732005	
DATE OF ANNUAL MEETING PER BY-LAWS: THIRD MONDAY OF MARCH OF EACH YEAR	**CORPORATE TAX IDENTIFICATION NUMBER (TIN)** 006-843-675
ACTUAL DATE OF ANNUAL MEETING: MARCH 18, 2024	**WEBSITE/URL ADDRESS:** N.A.
COMPLETE PRINCIPAL OFFICE ADDRESS: BRGY. 20-B, POBLACION WEST, BAJADA, DAVAO CITY, PHILIPPINES	**E-MAIL ADDRESS:** N.A.
COMPLETE BUSINESS ADDRESS: 2/F, ABREEZA MALL, J.P. LAUREL AVE., DAVAO CITY	**FAX NUMBER:** (082) 285-8317

OFFICIAL E-MAIL ADDRESS	ALTERNATE E-MAIL ADDRESS	OFFICIAL MOBILE NUMBER	ALTERNATE MOBILE NUMBER
corporateservices@aglegal.com.ph	corporate.accendo@ayalamalls.com.ph	0905-465-4259	0906-561-3898

NAME OF EXTERNAL AUDITOR & ITS SIGNING PARTNER:		**SEC ACCREDITATION NUMBER (if applicable):**	**TELEPHONE NUMBER(S):**
ISLA LIPANA & CO.	JUSTO JESUS S. NAMUCO	N.A.	(082) 300-2919

PRIMARY PURPOSE/ACTIVITY/INDUSTRY PRESENTLY ENGAGED IN:	**INDUSTRY CLASSIFICATION:**	**GEOGRAPHICAL CODE:**
Please see Annex "A"	PROJECT DEVELOPMENT	N.A.

============================== **INTERCOMPANY AFFILIATIONS** ======================================

PARENT COMPANY	SEC REGISTRATION NO.	ADDRESS
AYALA LAND, INC.	152747	31/F, TOWER ONE AND EXCHANGE PLAZA, AYALA TRIANGLE, AYALA AVENUE, MAKATI CITY
SUBSIDIARY/AFFILIATE	**SEC REGISTRATION NO.**	**ADDRESS**
AVENCOSOUTH CORP.	CS201207832	2/F, ABREEZA MALL, J.P. LAUREL AVE., DAVAO CITY
AVIANA DEVELOPMENT CORP.	CS201317887	AZUELA COVE VISITOR'S CENTER, J.P. LAUREL AVENUE CORNER R. CASTILLO ST., LANANG, BRGY. VICENTE HIZON, DAVAO CITY
- NOTHING FOLLOWS -		

NOTE: USE ADDITIONAL SHEET IF NECESSARY

**This General Information Sheet is being amended to report the election of officers as approved by the Company's Board of Directors on November 8, 2024.*

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

================================ **PLEASE PRINT LEGIBLY** ================================

Corporate Name: **ACCENDO COMMERCIAL CORP.**

A. Is the Corporation a covered person under the Anti Money Laundering Act (AMLA), as amended? (Rep. Acts. 9160/9164/10167/10365) ◉ Yes ○ No

Please check the appropriate box:

1.

- ☐ a. Banks
- ☐ b. Offshore Banking Units
- ☐ c. Quasi-Banks
- ☐ d. Trust Entities
- ☐ e. Non-Stock Savings and Loan Associations
- ☐ f. Pawnshops
- ☐ g. Foreign Exchage Dealers
- ☐ h. Money Changers
- ☐ i. Remittance Agents
- ☐ j. Electronic Money Issuers
- ☐ k. Financial Institutions which Under Special Laws are subject to Bangko Sentral ng Pilipinas' (BSP) supervision and/or regulation, including their subsidiaries and affiliates.

2.

- ☐ a. Insurance Companies
- ☐ b. Insurance Agents
- ☐ c. Insurance Brokers
- ☐ d. Professional Reinsurers
- ☐ e. Reinsurance Brokers
- ☐ f. Holding Companies
- ☐ g. Holding Company Systems
- ☐ h. Pre-need Companies
- ☐ i. Mutual Benefit Association
- ☐ j. All Other Persons and entities supervised and/or regulated by the Insurance Commission (IC)

3.

- ☐ a. Securities Dealers
- ☐ b. Securities Brokers
- ☐ c. Securities Salesman
- ☐ d. Investment Houses
- ☐ e. Investment Agents and Consultants
- ☐ f. Trading Advisors
- ☐ g. Other entities managing Securities or rendering similar services
- ☐ h. Mutual Funds or Open-end Investment Companies
- ☐ i. Close-end Investment Companies
- ☐ j. Common Trust Funds or Issuers and other similar entities
- ☐ k. Transfer Companies and other similar entities
- ☐ l. Other entities administering or otherwise dealing in currency, commodities or financial derivatives based there on
- ☐ m. Entities administering of otherwise dealing in valuable objects
- ☐ n. Entities administering or otherwise dealing in cash Substitutes and other similar monetary instruments or property supervised and/or regulated by the Securities and Exchange Commission (SEC)

4. ☐ Jewelry dealers in precious metals, who, as a business, trade in precious metals

5. ☐ Jewelry dealers in precious stones, who, as a business, trade in precious stone

6. Company service providers which, as a business, provide any of the following services to third parties:

- ☐ a. acting as a formation agent of juridical persons
- ☐ b. acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons
- ☐ c. providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement
- ☐ d. acting as (or arranging for another person to act as) a nominee shareholder for another person

7. Persons who provide any of the following services:

- ☐ a. managing of client money, securities or other assets
- ☐ b. management of bank, savings or securities accounts
- ☐ c. organization of contributions for the creation, operation or management of companies
- ☐ d. creation, operation or management of juridical persons or arrangements, and buying and selling business entities

8. ☑ None of the above

Describe nature of business:	REAL ESTATE AS PROVIDED UNDER RA 11521

B. Has the Corporation complied with the requirements on Customer Due Diligence (CDD) or Know Your Customer (KYC), record-keeping, and submission of reports under the AMLA, as amended, since the last filing of its GIS? ◉ Yes ○ No

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

=============================== **PLEASE PRINT LEGIBLY** ===============================

CORPORATE NAME: **ACCENDO COMMERCIAL CORP.**

CAPITAL STRUCTURE

AUTHORIZED CAPITAL STOCK

	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP) (No. of shares X Par/Stated Value)
	COMMON A	60,000,000	1.00	60,000,000.00
	COMMON B	30,000,000	1.00	30,000,000.00
	PREFERRED***	790,000,000	1.00	790,000,000.00
	TOTAL	880,000,000	TOTAL P	880,000,000.00

SUBSCRIBED CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	7	COMMON A	48,759,853	N.A	1.00	48,759,853.00	7%
	11	COMMON B	24,016,047	N.A.	1.00	24,016,047.00	3%
	4	PREFERRED	654,983,100	N.A.	1.00	654,983,100.00	90%
		TOTAL	727,759,000	TOTAL	TOTAL P	727,759,000.00	100%

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
N.A.							
Percentage of Foreign Equity :	0%	TOTAL	-	TOTAL	TOTAL P	-	0%
					TOTAL SUBSCRIBED P	727,759,000.00	100%

PAID-UP CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	7	COMMON A	48,759,853	1.00	48,759,853.00	7%
	11	COMMON B	24,016,047	1.00	24,016,047.00	3%
	4	PREFERRED	654,983,100	1.00	654,983,100.00	90%
		TOTAL	727,759,000	TOTAL P	727,759,000.00	100%

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
N.A.						
		TOTAL	-	TOTAL P	-	0%
				TOTAL PAID-UP P	727,759,000.00	100%
				ADDITIONAL PAID UP CAPITAL P	577,759,000.00	
				TOTAL CAPITALIZATION P	1,305,518,000.00	

NOTE: USE ADDITIONAL SHEET IF NECESSARY

* Common, Preferred or other classification

** Other than Directors, Officers, Shareholders owning 10% of outstanding shares.

*** With voting rights.

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

================================ **PLEASE PRINT LEGIBLY** ================================

CORPORATE NAME: **ACCENDO COMMERCIAL CORP.**

D I R E C T O R S / O F F I C E R S

NAME/CURRENT RESIDENTIAL ADDRESS	NATIONALITY	INC'R	BOARD	GENDER	STOCK HOLDER	OFFICER	EXEC. COMM.	TAX IDENTIFICATION NUMBER
1. FERNANDO ZOBEL DE AYALA [redacted]	FILIPINO	N	C	M	Y	CHAIRMAN	N.A.	[redacted]
2. MARIANA BEATRIZ ZOBEL DE AYALA [redacted]	FILIPINO	N	M	F	Y	N.A.	N.A.	[redacted]
3. ANNA MA. MARGARITA B. DY [redacted]	FILIPINO	N	M	F	Y	N.A.	N.A.	[redacted]
4. JENNYLLE S. TUPAZ [redacted]	FILIPINO	N	M	F	Y	GENERAL MANAGER	N.A.	[redacted]
5. CHRISTOPHER B. MAGLANOC [redacted]	FILIPINO	N	M	M	Y	PRESIDENT (effective Nov. 8, 2024)	N.A.	[redacted]
6. ROBERT S. LAO [redacted]	FILIPINO	N	M	M	Y	N.A.	N.A	[redacted]
7. RICARDO F. LAGDAMEO [redacted]	FILIPINO	N	M	M	Y	ASSISTANT TREASURER	N.A	[redacted]
8. RICARDO R. FLOIRENDO [redacted]	FILIPINO	Y	M	M	Y	VICE CHAIRMAN	N.A.	[redacted]
9. MARIA LINDA F. LAGDAMEO [redacted]	FILIPINO	N	M	F	Y	N.A.	N.A.	[redacted]
10. FRANCIS M. MONTOJO [redacted]	FILIPINO	N	-	F	N	TREASURER, CHIEF FINANCE OFFICER & COMPLIANCE OFFICER (effective Nov. 8, 2024)	N.A.	[redacted]
11. MARIA PAULA G. ROMERO-BAUTISTA [redacted]	FILIPINO	N	-	F	N	CORPORATE SECRETARY	N.A.	[redacted]
12. KEVIN EDRICK P. RELOPEZ [redacted]	FILIPINO	N	-	M	N	ASSISTANT CORPORATE SECRETARY	N.A.	[redacted]
13. ROSCOE M. PINEDA [redacted]	FILIPINO	N	-	M	N	DATA PROTECTION OFFICER	N.A.	[redacted]
14. - NOTHING FOLLOWS -								
15.								

FOR SEX COLUMN, PUT "F" FOR FEMALE, "M" FOR MALE.
FOR BOARD COLUMN, PUT "C" FOR CHAIRMAN, "M" FOR MEMBER, "I" FOR INDEPENDENT DIRECTOR.
FOR INC'R COLUMN, PUT "Y" IF AN INCORPORATOR, "N" IF NOT.
FOR STOCKHOLDER COLUMN, PUT "Y" IF A STOCKHOLDER, "N" IF NOT.
FOR OFFICER COLUMN, INDICATE PARTICULAR POSITION IF AN OFFICER, FROM VP UP INCLUDING THE POSITION OF THE TREASURER, SECRETARY, COMPLIANCE OFFICER AND/OR ASSOCIATED PERSON.
FOR EXECUTIVE COMMITTEE, INDICATE "C" IF MEMBER OF THE COMPENSATION COMMITTEE; "A" FOR AUDIT COMMITTEE; "N" FOR NOMINATION AND ELECTION COMMITTEE. ADDITIONALLY WRITE "C" AFTER SLASH IF CHAIRMAN AND "M" IF MEMBER.

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

=============================== **PLEASE PRINT LEGIBLY** ===============================

CORPORATE NAME:	**ACCENDO COMMERCIAL CORP.**
TOTAL NUMBER OF STOCKHOLDERS: **18**	**NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:** 4
TOTAL ASSETS BASED ON LATEST AUDITED FINANCIAL STATEMENTS:	**9,603,893,093.00**

STOCKHOLDER'S INFORMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	**SHARES SUBSCRIBED**				**AMOUNT PAID (PhP)**	**TAX IDENTIFICATION NUMBER**
	TYPE	**NUMBER**	**AMOUNT (PhP)**	**% OF OWNER-SHIP**		
1 AYALA LAND, INC.	COMMON A	48,759,847	48,759,847.00	67.00%	487,598,524.00	000-153-790-000
FILIPINO	PREFERRED	438,838,677	438,838,677.00			
31/F, TOWER ONE AND EXCHANGE PLAZA, AYALA TRIANGLE, AYALA AVENUE, MAKATI CITY						
	TOTAL	**487,598,524**	**487,598,524**			
2. FERNANDO ZOBEL DE AYALA	COMMON A	1	1.00	0.00%	1.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
3. MARIANA BEATRIZ ZOBEL DE AYALA	COMMON A	1	**1.00**	0.00%	1.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
4. ANNA MA. MARGARITA B. DY	COMMON A	1	1.00	0.00%	1.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
5. JENNYLLE S. TUPAZ	COMMON A	1	1.00	0.00%	1.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
6. CHRISTOPHER B. MAGLANOC	COMMON A	1	1.00	0.00%	1.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
7. ROBERT S. LAO	COMMON A	1	1.00	0.00%	1.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
TOTAL AMOUNT OF SUBSCRIBED CAPITAL			-	**-**	-	
TOTAL AMOUNT OF PAID-UP CAPITAL						
ADDITIONAL PAID-IN CAPITAL					**-**	
TOTAL CAPITALIZATION					-	

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.

AMENDED GENERAL INFORMATION SHEET
STOCK CORPORATION

=================================== **PLEASE PRINT LEGIBLY** =================================

CORPORATE NAME:	ACCENDO COMMERCIAL CORP.		
TOTAL NUMBER OF STOCKHOLDERS:	**18**	**NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:**	4
TOTAL ASSETS BASED ON LATEST AUDITED FS:	**9,603,893,093.00**		

STOCKHOLDER'S INFORMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	**SHARES SUBSCRIBED**				**AMOUNT PAID (PhP)**	**TAX IDENTIFCATION NUMBER**
	TYPE	**NUMBER**	**AMOUNT (PhP)**	**% OF OWNER-SHIP**		
8. ANFLO MANAGEMENT AND INVESTMENT CORPORATION	COMMON B	8,180,785	8,180,785.00	11.24%	81,807,930.00	000-073-747
FILIPINO	PREFERRED	73,627,145	73,627,145.00			
DAMOSA BUILDING, LANANG, DAVAO CITY	**TOTAL**	81,807,930	81,807,930.00			
9. DAMOSA LAND, INC.	COMMON B	13,577,551	13,577,551.00	18.66%	135,775,514.00	000-558-169
FILIPINO	PREFERRED	122,197,963	122,197,963.00			
DAMOSA BUILDING, LANANG, DAVAO CITY						
	TOTAL	**135,775,514**	**135,775,514.00**			
10. PIONEER TRADING & SUPPLY CO., INC.	COMMON B	2,257,702	2,257,702.00	3.10%	22,577,017.00	000-076-833
FILIPINO	PREFERRED	20,319,315	20,319,315.00			
DAMOSA BUILDING, LANANG, DAVAO CITY						
	TOTAL	**22,577,017**	**22,577,017.00**			
11. RICARDO F. LAGDAMEO	COMMON B	1	1.00	0.00%	1.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
12. RICARDO R. FLOIRENDO	COMMON B	1	1.00	0.00%	1.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
13. MARIA LINDA F. LAGDAMEO	COMMON B	1	1.00	0.00%	1.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
14. MARIA CRISTINA F. BRIAS	COMMON B	1	1.00	0.00%	1.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
TOTAL AMOUNT OF SUBSCRIBED CAPITAL			-	-		
				TOTAL AMOUNT OF PAID-UP CAPITAL	-	
				ADDITIONAL PAID-IN CAPITAL	-	
				TOTAL CAPITALIZATION	-	

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: ***For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.***

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

=== **PLEASE PRINT LEGIBLY** ===

CORPORATE NAME:	ACCENDO COMMERCIAL CORP.		
TOTAL NUMBER OF STOCKHOLDERS:	**18**	**NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:**	4
TOTAL ASSETS BASED ON LATEST AUDITED FS:	**9,603,893,093.00**		

STOCKHOLDER'S INFORMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	**SHARES SUBSCRIBED**				**AMOUNT PAID (PhP)**	**TAX IDENTIFICATION NUMBER**
	TYPE	**NUMBER**	**AMOUNT (PhP)**	**% OF OWNER-SHIP**		
15. NENITA R. FLOIRENDO FILIPINO [redacted]	COMMON B	2	2.00	0.00%	2.00	[redacted]
	TOTAL	**2**	**2.00**			
16. MA. THERESA R. FLOIRENDO FILIPINO [redacted]	COMMON B	1	1.00	0.00%	1.00	[redacted]
	TOTAL	**1**	**1.00**			
17. ANTONIO R. FLOIRENDO, JR. FILIPINO [redacted]	COMMON B	1	1.00	0.00%	1.00	[redacted]
	TOTAL	**1**	**1.00**			
18. VICENTE R. FLOIRENDO FILIPINO [redacted]	COMMON B	1	1.00	0.00%	1.00	[redacted]
	TOTAL	**1**	**1.00**			
19. - NOTHING FOLLOWS -				0.00%		
20.				0.00%		
21. **OTHERS (Indicate the number of the remaining stockholders)**				0.00%		
TOTAL AMOUNT OF SUBSCRIBED CAPITAL			**727,759,000.00**	**100.00%**	**727,759,000.00**	
TOTAL AMOUNT OF PAID-UP CAPITAL						
ADDITIONAL PAID-IN CAPITAL					**577,759,000.00**	
TOTAL CAPITALIZATION					**1,305,518,000.00**	

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: ***For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.***

AMENDED GENERAL INFORMATION SHEET
STOCK CORPORATION

=================================== **PLEASE PRINT LEGIBLY** ===================================

CORPORATE NAME:	ACCENDO COMMERCIAL CORP.	
1. INVESTMENT OF CORPORATE FUNDS IN ANOTHER CORPORATION	**AMOUNT (PhP)**	**DATE OF BOARD RESOLUTION**
1.1 STOCKS	496,921,298.00	VARIOUS
1.2 BONDS/COMMERCIAL PAPER (Issued by Private Corporations)	N.A.	N.A.
1.3 LOANS/ CREDITS/ ADVANCES	N.A.	N.A.
1.4 GOVERNMENT TREASURY BILLS	N.A.	N.A.
1.5 OTHERS	N.A.	N.A.

2. INVESTMENT OF CORPORATE FUNDS IN ACTIVITIES UNDER ITS SECONDARY PURPOSES (PLEASE SPECIFY:)	DATE OF BOARD RESOLUTION	DATE OF STOCKHOLDERS RATIFICATION
NA		

3. TREASURY SHARES	NO. OF SHARES	% AS TO THE TOTAL NO. OF SHARES ISSUED
	NA	N.A.

4. UNRESTRICTED/UNAPPROPRIATED RETAINED EARNINGS AS OF END OF LAST FISCAL YEAR: Php 890,995,843

5. DIVIDENDS DECLARED DURING THE IMMEDIATELY PRECEDING YEAR: N.A.

TYPE OF DIVIDEND	AMOUNT (PhP)	DATE DECLARED
5.1 CASH	N.A.	N.A.
5.2 STOCK	N.A.	N.A.
5.3 PROPERTY	N.A.	N.A.
TOTAL		

6. ADDITIONAL SHARES ISSUED DURING THE PERIOD: N.A.

DATE	NO. OF SHARES	AMOUNT

SECONDARY LICENSE/REGISTRATION WITH SEC AND OTHER GOV'T AGENCY:

NAME OF AGENCY:	SEC	B S P	I C
TYPE OF LICENSE/REGN.	N.A.	N.A.	N.A.
DATE ISSUED:			
DATE STARTED OPERATIONS:			

TOTAL ANNUAL COMPENSATION OF DIRECTORS DURING THE PRECEDING FISCAL YEAR (in PhP)	TOTAL NO. OF OFFICERS	TOTAL NO. OF RANK & FILE EMPLOYEES	TOTAL MANPOWER COMPLEMENT*
N.A.	16	11	186

NOTE: USE ADDITIONAL SHEET IF NECESSARY

**Manpower complement is composed of service providers engaged by the Company.*

I, MARIA PAULA G. ROMERO-BAUTISTA, Corporate Secretary of ACCENDO COMMERCIAL CORP. declare under penalty of perjury that all matters set forth in this GIS have been made in good faith, duly verified by me and to the best of my knowledge and belief are true and correct.

I hereby attest that all the information in this GIS are being submitted in compliance with the rules and regulations of the Securities and Exchange Commission (SEC) the collection, processing, storage and sharing of said information being necessary to carry out the functions of public authority for the performance of the constitutionally and statutorily mandated functions of the SEC as a regulatory agency.

I further attest that I have been authorized by the Board of Directors/Trustees to file this amended GIS with the SEC.
I understand that the Commission may place the corporation under delinquent status for failure to submit the reportorial requirements three (3) times, consecutively or intermittently, within a period of five (5) years (*Section 177, RA No. 11232*).

Done this NOV 15 2024, in Makati City.

MARIA PAULA G. ROMERO-BAUTISTA
CORPORATE SECRETARY

SUBSCRIBED AND SWORN to before me this NOV 15 2024 at Makati City, Affiant exhibiting to me as competent evidence of identity her Passport No. P7427296A issued on 4 June 2018 by the Department of Foreign Affairs in Manila, Philippines.

DOC NO.: 439
PAGE NO.: 89;
BOOK NO.: III;
SERIES OF 2024.

Notarial DST pursuant to Sec. 61 of the TRAIN Act (amending Sec. 188 of the NIRC) affixed on Notary Public's copy.

TRIXIE CARMELA J. GONZALES
NOTARY PUBLIC
ROLL NO. 74043
MAKATI CITY, PHILIPPINES

TRIXIE CARMELA J. GONZALES
Notary Public - Makati City
Appt. No. M-025 until December 31, 2025
Roll of Attorneys No. 74043
IBP No. 385175 - 01/02/2024 - Manila IV
PTR No. MKT10074003MN - 01/02/2024 - Makati City
MCLE Compliance No. VII-0005431 - 12/10/2021
27th Floor, Tower One and Exchange Plaza,
Ayala Triangle, Ayala Avenue,
Makati City, Philippines

ANNEX "A"

ACCENDO COMMERCIAL CORP.
Primary Purpose

TO DEVELOP, SELL, INVEST, OWN, ACQUIRE, LEASE, HOLD, MORTGAGE, ADMINISTER OR OTHEWISE DEAL WITH COMMERCIAL, RESIDENTIAL, INDUSTRIAL OR AGRICULTURAL LANDS, BUILDINGS, STRUCTURES OR APERTURES, OR IN ANY OTHER PROFITABLE BUSINESS ENTERPRISE, VENTURE OR ESTABLISHMENT, ALONE OR JOINTLY WITH OTHER PERSONS, NATURAL OR ARTIFICIAL. *****00000*****

 ANNEX P - AFS Accendo 2021

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines
Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph

The following document has been received:

Receiving: ARVIN BANAWA
Receipt Date and Time: August 12, 2022 01:10:19 PM

Company Information

SEC Registration No.: CS200732005
Company Name: ACCENDO COMMERCIAL CORP.
Industry Classification: K70000
Company Type: Stock Corporation

Document Information

Document ID: OST1081220228695530
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2021
Submission Type: Annual
Remarks: None

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 7 3 2 0 0 5

COMPANY NAME

ACCENDO COMMERCIAL CORP. (*A Subsidiary of Ayala Land, Inc.*)

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

Brgy. 20-B Poblacion West, Bajada, Davao City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CFD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	(082) 321-6000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
18	3rd Monday of March	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ma. Divina Y. Lopez	lopez.divine@ayalaland.com.ph	(082) 321-6002	N/A

CONTACT PERSON's ADDRESS

2F Admin Office, Abreeza Mall, J.P. Laurel Ave., Bajada, Davao City

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

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

ACCENDO COMMERCIAL CORP.

Brgy 20-B Poblacion West, Bajada, Davao City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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

Fernando Zobel de Ayala
Chairman of the Board

Bernard Vincent O. Dy
President

Ma. Divina Y. Lopez
Treasurer

Signed this 31st day of March 2022.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
5th Floor, Topaz Tower
Damosa IT Park
JP Laurel Avenue, Lanang
8000 Davao City
Philippines

Tel: (082) 282 8447 to 51
Fax: (082) 282 8438
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Accendo Commercial Corp.
(A Subsidiary of Ayala Land, Inc.)
Brgy. 20-B Poblacion West
Bajada, Davao City

We have audited the accompanying financial statements of Accendo Commercial Corp. (a subsidiary of Ayala Land, Inc.) (the Company) as at December 31, 2021 and for the year then ended, on which we have rendered the attached report dated March 31, 2022.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Company has four stockholders owning 100 or more shares each.

SYCIP GORRES VELAYO & CO.

Jose Rao'ul J. Balisalisa
Partner
CPA Certificate No. 109542
Tax Identification No. 931-743-705
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1557-AR-1 (Group A)
May 30, 2019, valid until May 29, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-113-2022,
January 25, 2022, valid until January 24, 2025
PTR No. 8853468, January 3, 2022, Makati City

March 31, 2022

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SyCip Gorres Velayo & Co.
5th Floor, Topaz Tower
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JP Laurel Avenue, Lanang
8000 Davao City
Philippines

Tel: (082) 282 8447 to 51
Fax: (082) 282 8438
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Accendo Commercial Corp.
(A Subsidiary of Ayala Land, Inc.)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Accendo Commercial Corp. (a subsidiary of Ayala Land, Inc.) (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company as at December 31, 2021 and 2020, and for the years then ended are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the financial statements which indicates that the financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the 2021 financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the financial statements.

MAY 3 1 2022

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 28 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Accendo Commercial Corp. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jose Rao'ul J. Bulisalisa
Partner
CPA Certificate No. 109542
Tax Identification No. 931-743-705
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1557-AR-1 (Group A)
May 30, 2019, valid until May 29, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-113-2022,
January 25, 2022, valid until January 24, 2025
PTR No. 8853468, January 3, 2022, Makati City

March 31, 2022

Large Taxpayers Division-Davao
Date
MAY 3 1 2022

ACCENDO COMMERCIAL CORP.
(A Subsidiary of Ayala Land, Inc.)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash (Note 4)	**₱25,214,278**	₱20,919,395
Accounts receivable (Note 5)	**1,364,529,937**	783,738,834
Real estate inventories (Note 6)	**1,291,457,489**	1,262,472,122
Other current assets (Note 7)	**274,845,524**	213,225,456
Total Current Assets	**2,956,047,228**	2,280,355,807
Noncurrent Assets		
Noncurrent portion of accounts receivable (Note 5)	**260,093,751**	624,389,482
Investment in associates (Note 8)	**489,857,392**	484,221,586
Investment properties (Note 9)	**3,613,823,123**	3,692,842,038
Property and equipment (Note 10)	**2,988,852**	2,309,110
Other noncurrent assets (Note 11)	**454,227,597**	408,054,661
Total Noncurrent Assets	**4,820,990,715**	5,211,816,877
TOTAL ASSETS	**₱7,777,037,943**	₱7,492,172,684
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 13)	**₱2,397,377,034**	₱2,410,435,748
Current portion of long-term debt from Parent Company (Note 14)	**9,437,500**	9,437,500
Total Current Liabilities	**2,406,814,534**	2,419,873,248
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Note 14)	**794,582,536**	794,044,931
Long-term debt from Parent Company (Note 14)	**896,562,500**	906,000,000
Pension liability (Note 23)	**8,274,710**	10,061,730
Deferred tax liabilities - net (Note 24)	**89,750,490**	43,501,972
Other noncurrent liabilities (Note 15)	**396,610,242**	405,596,835
Total Noncurrent Liabilities	**2,185,780,478**	2,159,205,468
Total Liabilities	**4,592,595,012**	4,579,078,716
Equity		
Paid-in capital (Note 17)	**1,305,518,000**	1,305,518,000
Re-measurement gain (loss) on pension liability, net of tax (Note 23)	**344,760**	(2,135,335)
Retained earnings (Note 17)		
Appropriated	**500,000,000**	500,000,000
Unappropriated	**1,378,580,171**	1,109,711,303
Total Equity	**3,184,442,931**	2,913,093,968
TOTAL LIABILITIES AND EQUITY	**₱7,777,037,943**	₱7,492,172,684

See accompanying Notes to Financial Statements.

ACGENDO COMMERCIAL CORP.
(A Subsidiary of Ayala Land, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
REVENUE		
Real estate sales (Note 26)	**₱788,411,179**	₱815,094,898
Rental (Note 9)	**322,575,832**	302,186,209
Interest (Note 25)	**233,762,734**	225,064,668
CUSA and aircon charges (Note 26)	**130,852,038**	113,187,255
Other income (Note 26)	**73,004,962**	3,498,737
Equity in net earnings of associates (Note 8)	**13,575,167**	19,016,079
Other mall revenue	**2,692,572**	3,544,973
	1,564,874,484	1,481,592,819
COSTS AND EXPENSES		
Cost of real estate sold (Note 19)	**722,969,041**	847,326,944
Direct operating expenses (Note 20)	**355,861,765**	372,975,827
Interest and other financing charges (Notes 5, 14 and 16)	**117,524,312**	102,583,708
General and administrative expenses (Note 21)	**35,770,557**	44,591,146
	1,232,125,675	1,367,477,625
INCOME BEFORE INCOME TAX	**332,748,809**	114,115,194
PROVISION FOR INCOME TAX (Note 24)		
Current	**21,880,976**	2,976,201
Deferred	**43,455,478**	18,327,946
	65,336,454	21,304,147
NET INCOME	**267,412,355**	92,811,047
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income(loss) not to be reclassified to profit or loss in subsequent periods:		
Re-measurement gain (loss) on pension liability (Note 23)	**2,480,095**	(1,807,155)
TOTAL COMPREHENSIVE INCOME	**₱269,892,450**	₱91,003,892

See accompanying Notes to Financial Statements.

ACCENDO COMMERCIAL CORP.
(A Subsidiary of Ayala Land, Inc.)
STATEMENTS OF CHANGES IN EQUITY

	Number of Shares		Years Ended December 31	
	2021	2020	**2021**	2020
PAID-IN CAPITAL				
CAPITAL STOCK - ₱1 par value (Note 17)				
AUTHORIZED CAPITAL STOCK				
Preferred	**790,000,000**	790,000,000		
Common - Class A	**60,000,000**	60,000,000		
Common - Class B	**30,000,000**	30,000,000		
	880,000,000	880,000,000		
ISSUED CAPITAL STOCK				
Preferred				
At beginning and end of year	**654,983,100**	654,983,100	**₱654,983,100**	₱654,983,100
Common				
Class A				
At beginning and end of year	**48,517,267**	48,517,267	**48,517,267**	48,517,267
Class B				
At beginning and end of year	**24,258,633**	24,258,633	**24,258,633**	24,258,633
	727,759,000	727,759,000	**727,759,000**	727,759,000
ADDITIONAL PAID-IN CAPITAL			**577,759,000**	577,759,000
TOTAL PAID-IN CAPITAL			**1,305,518,000**	1,305,518,000
RE-MEASUREMENT GAIN (LOSS) ON PENSION LIABILITY, NET OF TAX (Note 23)				
At beginning of year			**(2,135,335)**	(328,180)
Re-measurement gain (loss) on pension liability			**2,480,095**	(1,807,155)
At end of year			**344,760**	(2,135,335)
RETAINED EARNINGS (Note 17)				
Appropriated				
At beginning and end of year			**500,000,000**	500,000,000
Unappropriated				
At beginning of year			**1,109,711,303**	1,016,900,256
Adoption of PFRS 15 covered by PIC Q&A 2018-12E (Note 2)			**1,456,513**	–
Net income			**267,412,355**	92,811,047
At end of year			**1,378,580,171**	1,109,711,303
			₱3,184,442,931	₱2,913,093,968

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
Large Taxpayers Service
Large Taxpayers Division
Date MAY 3 1 2022

ACCENDO COMMERCIAL CORP.
(A Subsidiary of Ayala Land, Inc.)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱332,748,809**	₱114,115,194
Adjustments for:		
Interest income (Note 25)	**(233,762,734)**	(225,064,668)
Interest and other financing charges (Notes 5 and 14)	**117,524,312**	102,583,708
Depreciation (Notes 9 and 10)	**94,308,034**	101,767,520
Equity in net earnings of associates (Note 8)	**(13,575,167)**	(19,016,079)
Change in pension liability (Note 23)	**1,723,139**	1,238,644
Operating income before working capital changes	**298,966,393**	75,624,319
Decrease (increase) in:		
Accounts receivable	**14,078,648**	(6,333,145)
Real estate inventories	**(28,985,367)**	(317,240,417)
Other current assets	**(82,370,027)**	(867,258)
Increase (decrease) in:		
Accounts and other payables	**(4,425,177)**	465,097,171
Other noncurrent liabilities	**(8,986,593)**	(398,132,445)
Net cash generated from (used in) operations	**188,277,877**	(181,851,775)
Income tax paid	**–**	(3,618,819)
Interest received	**581,737**	372,027
Net cash flows from (used in) operating activities	**188,859,614**	(185,098,567)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investment property (Note 9)	**(14,421,235)**	(12,399,968)
Property and equipment (Note 10)	**(1,547,626)**	(1,037,149)
Decrease (increase) in other noncurrent assets	**(46,172,936)**	118,588,838
Net cash flows from (used in) investing activities	**(62,141,797)**	105,151,721
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest and other financing charges paid	**(120,485,434)**	(102,637,829)
Payments of long-term debts	**(9,437,500)**	(659,437,500)
Dividends received (Note 8)	**7,500,000**	10,000,000
Proceeds from long-term debts	**–**	794,000,000
Net cash flows from (used in) financing activities	**(122,422,934)**	41,924,671
NET INCREASE (DECREASE) IN CASH	**4,294,883**	(38,022,175)
CASH AT BEGINNING OF YEAR	**20,919,395**	58,941,570
CASH AT END OF YEAR (Note 4)	**₱25,214,278**	₱20,919,395

See accompanying Notes to Financial Statements.

MAY 3 1 2022

ACCENDO COMMERCIAL CORP.
(A Subsidiary of Ayala Land, Inc.)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Accendo Commercial Corp. (the Company) is domiciled in the Philippines and was registered with the Securities and Exchange Commission (SEC) on December 17, 2007. The primary purpose of the Company is to develop, invest, own, acquire, lease, hold, mortgage, administer or otherwise deal with commercial, residential, industrial or agricultural lands, buildings, structures or apertures, or in any other profitable business enterprise, venture or establishment, alone or jointly with other persons, natural or artificial. The Company's registered office address and principal place of business is at Brgy. 20-B Poblacion West, Bajada, Davao City.

The Company is 67% owned by Ayala Land, Inc. (ALI). ALI's parent company is Ayala Corporation (AC). AC is a publicly listed company which is 47.87%-owned by Mermac, Inc. and the rest by the public as of December 31, 2021. Other stockholders that own a significant share in the outstanding stocks of the Company include Anflo Management and Investment Corporation (AMIC) (11.24%), Damosa Land, Inc. (DLI) (18.66%), and Pioneer Trading & Supply Co., Inc. (PITRADE) (3.10%).

The Company is currently operating the Abreeza Mall and the Abreeza Corporate Center located at J.P. Laurel St., Bajada, Davao City, which started commercial operations in May 2011 and September 2013, respectively. The Company is also engaged in selling of residential condominium units. These projects are also located at J.P. Laurel St., Bajada, Davao City.

The Company is registered with the Philippine Economic Zone Authority (PEZA) as a developer or operator of Abreeza Corporate Center and as such, the Company is entitled to a special income tax rate of 5% on gross income derived from its registered activity. Total income tax benefit availed for PEZA-registered operations amounted to ₱6.9 million and ₱7.3 million in 2021 and 2020, respectively (see Note 24).

The financial statements were approved and authorized for issue by the Company's Executive Committee on March 31, 2022.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared using the historical cost basis. The financial statements are presented in Philippine Peso, the Company's presentation and functional currency. All values are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting relief on the accounting for significant financing components as issued and approved by the SEC in response to the COVID-19 pandemic.

The Company has availed of the relief granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of PIC Q&A 2018-12-D (assessment if the transaction price includes a significant financing component) until December 31, 2023. SEC MC No. 4-2020 deferring the adoption of IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, *Borrowing Cost* (the IFRIC Agenda Decision on Borrowing Cost) is not applicable to the Company as is it is already in full compliance with the requirements of the IFRIC Agenda Decision.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the Adoption of New and Amended Accounting Standards and Interpretations section below.

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

Changes in Accounting Policies

- Adoption of PIC Q&A 2018-12-E

  In 2021, the Company adopted the provision of PFRS 15 covered by PIC Q&A 2018-12-E on the treatment of land in the calculation of POC. The Company applied the modified retrospective approach to recognize the impact of the change with an addition in the beginning retained earnings by ₱1.5 million.

  The change did not have any significant impact on the statement of cash flows of the Company.

- Adoption of Philippine Interpretations Committee Question and Answers (PIC Q&A) on accounting for Common Usage Service Area (CUSA).

  On February 14, 2018, the PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. This includes accounting for CUSA charges discussed in PIC Q&A No. 2018-12-H which concludes that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12 for a period of three years. The deferral will only be applicable for real estate transactions.

  The Company adopted PIC Q&A 2018-12, PFRS-15 - Accounting for CUSA starting January 1, 2021 which concludes that real estate developers are generally acting as principal for CUSA. The Company adopted the change using the full retrospective method of adoption.

  As a result of the adoption, the Company presented the revenue from CUSA charges at gross amounts and the related costs as part of revenues.

  The Company assessed itself (a) as principal on Buildings for CUSA and aircon charges, (b) as agent on Condominium Units for CUSA charges, and (c) as agent for electricity and water usage (see Note 26).

  Shown below is the detailed comparison between current and previous presentations of accounts related to CUSA, and utility charges.

	2020	
	Current Presentation	Previous Presentation
Revenues		
CUSA and aircon charges	₱113,187,255	₱–
Direct operating expenses		
Utilities	82,702,188	5,775,574
Outside services	36,398,441	8,400,937
Dues and fees	9,002,440	4,992,001
Others	9,816,634	5,563,936
	₱24,732,448	₱24,732,448

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the Company's financial statements are consistent with those of the previous financial year except for the adoption of the following new accounting pronouncements which became effective January 1, 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

The nature and impact of each new standard and amendment are described below:

- Amendment to PFRS 16, COVID-19-related Rent Concessions beyond 30 June 2021

  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and,
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.
  The amendment is not applicable to the Company as there are no rent concessions granted to the Company as a lessee.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:
- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and,
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

These amendments have no impact on the financial statements of the Company.

- Adoption of PIC Q&A 2018-14, *Accounting for Cancellation of Real Estate Sales* (as amended by PIC Q&A 2020-05)

  On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

  On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

  The adoption of this PIC Q&A did not impact the financial statements of the Company since it has previously adopted approach 3 in its accounting for sales cancellation which records the repossessed inventory at cost.

Standards Issued But Not Yet Effective
Pronouncements issues but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions,* *Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and 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 the entity first applies the amendment.

  The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- Annual Improvements to PFRSs 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 percent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are 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 lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and,
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

The new standard is not applicable to the Company since it does not have activities that are predominantly connected with insurance or issue insurance contracts.

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 the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

  The Company is currently assessing the impact of adopting these amendments.

- Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 *Implementation Issues Affecting the Real Estate Industry* (as amended by PIC Q&As 2020-02 and 2020-04)
  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. The PIC Q&A provisions covered by the SEC deferral that the Company availed in 2021 follows:

	Deferral Period
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)	Until December 31, 2023

As discussed under Changes in Accounting Policies, the Company adopted the provision of PFRS 15 that covered its treatment of land in the determination of POC as discussed in PIC Q&A 2018-12-E. As allowed under SEC MC No. 34, the Company adopted the change under the modified restrospective approach.

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:
a. The accounting policies applied.
b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

The Company availed of the SEC relief on the accounting for significant financing component of PIC Q&A No. 2018-12. Had this provision been adopted, the Company assessed that the impact would have been as follows:

The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable, provision for deferred income tax, deferred tax asset or liability for all years presented, and the opening balance of retained earnings. These would have impacted the cash flows from operations and cash flows from financing activities for all years presented. The Company believes that the mismatch for its contract to sell does not constitute a significant financing component that is material to the Company based on the examples provided in the PIC letter dated November 11, 2020.

Current versus Noncurrent Classification
The Company presents assets and liabilities in the statements of financial position based on current or noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or,

- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in its normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participants' 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.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

An external valuer was involved for valuation of investment properties. Involvement of external valuer is decided upon annually by corporate finance after discussion with and approval by the audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash
Cash includes cash on hand and in banks. Cash in banks earn interest at the prevailing bank deposit rates.

Financial Instruments
Date of recognition
The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets
Initial recognition of financial instruments
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash, accounts receivable (excluding advances to officers and employees) and deposit in escrow as of December 31, 2021 and 2020.

Disposal of financial assets at amortized cost
When financial assets at amortized cost are disposed, these are assessed whether the Company is consistent with its objective of collecting contractual cash flows until maturity. In the event that disposals have been concluded as infrequent and insignificant, the financial assets continue to be accounted at amortized cost.

Financial assets at fair value through OCI (debt instruments)
The Company measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company does not have debt instruments at fair value through OCI as of December 31, 2021 and 2020.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of comprehensive income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have equity instruments at fair value through OCI as of December 31, 2021 and 2020.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of comprehensive income.

The Company does not have financial assets at fair value through profit or loss as of December 31, 2021 and 2020.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:
- The rights to receive cash flows from the asset have expired; or,
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Modification of financial assets
The Company derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated statement of income.

Impairment of Financial Assets
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix for trade receivables and a vintage analysis for sales contract receivables that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such as accrued rent receivable, receivable from related parties, and advances to other companies, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and deposit in escrow, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such 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. The Company uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

The key inputs in the model include the Company's definition of default and historical data of three years for the origination, maturity date and default date. The Company considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

Determining the stage for impairment
At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Company considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECLs stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

b. Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value.

The Company's financial liabilities include accounts and other payables (excluding statutory payables, deferred income and customer's deposit), long-term debts and other noncurrent liabilities (excluding deferred output VAT, deferred credits, security deposits and customer's deposit) as of December 31, 2021 and 2020.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.
Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category generally applies to accounts and other payables (excluding statutory payables, deferred income and customers' deposits) and long-term debts and other noncurrent liabilities (excluding deferred output VAT, deferred credit, security deposits and customers' deposits).

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

c. Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Real Estate Inventories
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 real estate inventories. These are carried at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.
Cost includes:
- Land cost
- Land improvement cost
- Amounts paid to contractors for construction
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other directly related costs

Value-Added Tax (VAT)
Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When input VAT exceeds output VAT, the excess is recognized as an asset in statement of financial position to the extent of the recoverable amount. Impairment loss is recognized when input VAT can no longer be recovered.

Prepayments
Prepayments are carried at cost less the amortized portion. These typically comprise prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, and insurance.

With the exception of commission which is amortized using percentage of completion, other prepaid expenses are amortized as incurred.

Investment in Associates
The Company's investment in shares of stock of Avencosouth Corp. and Aviana Development Corp., associates, are accounted for under the equity method of accounting. An associate is an entity in which the Company holds 20% or more stock ownership or where it has the ability to significantly influence the investee's operating and financial affairs.

Under the equity method, the investment is carried in the financial position at cost plus post-acquisition changes in the Company's share of the net assets of the associate. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the associate arising from changes in the associate's other comprehensive income.

Investment Properties
Investment property consists of land and building and improvements which are held with the intention for capital appreciation or rental to others. Property held for long-term rental yields is also classified as an investment property. Investment property, except for land, is carried at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment in value.

Cost includes those costs incurred for development, improvement and construction of the properties, including capitalized borrowing costs.

Depreciation of investment property (excluding land) commences once the property is available for use. Depreciation of the building and improvements is computed using the straight-line method over its estimated useful life of 40 years. Investment property is derecognized when either it has been disposed of or is permanently withdrawn from use or no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal are recognized in the statement of comprehensive income in the year of retirement or disposal.

The separate recognition of significant components of investment property depends on whether these components serve the same purpose as the related items of investment property. If the corresponding components do not serve the same purpose, they must be recognized separately. If the component parts serve the same purpose, the need to recognize them separately depends on whether they have the same structure and the same normal useful life as the other component parts of the asset. If the structure and normal useful life are different, the component parts must be recognized separately and individually insofar as they comply with the definition of the assets. Accordingly, the cost of acquisition must be allocated to the individual components over their respective useful lives. The depreciation of the component parts must be recognized for each component part separately. The subsequent expenses for the exchange or replacement of such assets must be recognized as acquisition costs for a separate asset and depreciated over their useful life.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by: (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property; (b) commencement of development with a view to sale, for a transfer from investment property to inventories; (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or (d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

The Company discloses the fair value of its investment property lies in accordance with PAS 40. The Company engages independent valuation specialist to assess the fair value as at reporting date. The Company's investment properties consist of land and building and improvements. These were valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes interest and other charges on borrowed funds used to finance the acquisition or construction of property and equipment to the extent incurred during the period of construction and installation.

Expenditures incurred after the property and equipment have been put into operation, such as maintenance and repairs, are normally charged to expense in the period in which 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 an additional cost of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Category	Number of Years
Furniture, fixtures and equipment	5-10
Transportation equipment	5-10

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

When property and equipment are sold or retired, its cost, accumulated depreciation and any impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit or loss.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use

and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companys of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value 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 are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Security Deposits
Security deposits are measured at cost. These deposits represent amounts received from merchants and will be applied against the related receivable at the end of contract.

Deferred Credits
Deferred credits pertain to advance payments by the customers to cover various processing fees in relation to the sale of real estate inventories including, but not limited to, fees related to transfer of title and water and electricity connection fees. These are payable in the month preceding the last installment month. These are initially measured at cost of the various processing fees.

Deferred credits are reversed upon payment of the Company for various processing fees in relation to the sale of real estate inventories on behalf of the customers. Shortage of deferred credits shall be billed from the buyer and excess shall be recognized as other income in the statement of comprehensive income upon full project close out.

Equity
Capital stock
The Company records common and preferred shares at par value.

Preferred shares that provide for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date, or give the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount are classified as liability. Otherwise, they are classified as equity.

Retained earnings
Retained earnings include accumulated profits attributable to the Company's equity holders and reduced by dividends on capital stock. Dividends on capital stock, if any, are recognized as a liability and deducted from equity when they are approved by the Company's BOD, except for stock dividends which require the approval by the Company's stockholders. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Retained earnings may also include effect of changes in accounting policy as may be required by the transitional provisions of new and amended standards.

The Company considers the underlying substance and economic reality of its own equity instrument and not merely its legal form in determining its proper classification.

Revenue and Cost Recognition

Revenue from Real Estate Sales

The Company derives its real estate revenue from sale of condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date. In measuring the progress of its performance obligation over time, the Company uses the output method. The Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third-party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized as trade receivables under residential and office development receivables account. Any excess of collections over the total of recognized trade receivables is included in the "customer's deposit" account in the liabilities section of the statement of financial position. The impact of the significant financing component on the transaction price has not been considered since the Company availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry. Under the SEC Memorandum Circular No. 34, the relief has been extended until December 31, 2023.

In circumstances when the Company cancels the contract with customers, the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Cost recognition

The Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation and permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Customers' deposit
A customers' deposit is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a customers' deposit is recognized when the payment is made, or the payment is due (whichever is earlier). Customers' deposits are recognized as revenue when the Company performs under the contract.

Customers' deposit also include payments received by the Company from the customers for which revenue recognition has not yet commenced.

Costs to obtain contract
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. The Company has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Cost of real estate sold" account in the statement of comprehensive income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization, derecognition and impairment of capitalized costs to obtain a contract
The Company amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Company determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract.
In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Rental income
Rental income under non-cancellable and cancellable leases on investment property is recognized in the statement of comprehensive income on a straight-line basis over the lease term and the terms of

the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Other mall revenue
Other mall revenue is recognized when services are rendered and goods are delivered.
Other income
Other income is recognized when earned.

Interest income
Interest income is recognized as it accrues using the effective interest rate, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets.

Unearned discount is recognized as income over the terms of the financial assets at amortized cost using the effective interest method and is shown as deduction from the financial assets.

Common usage service area (CUSA) and aircon charges
The contract for the commercial spaces leased out by the Company to its tenants includes the right to charge for the electricity usage, water usage, air-conditioning charges and CUSA like maintenance, janitorial and security services. These are recognized at a point in time.

For the electricity and water usage, the Company determined that it is acting as an agent because the promise of the Company to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Company, are primarily responsible for the provisioning of the utilities while the Company administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air-conditioning of the buildings, the Company acts as a principal because it retains the right to direct the service provider of air-conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Company has the discretion on how to price the CUSA and air-conditioning charges.

Expense Recognition
Expenses are recognized in the statement of income when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in profit or loss:
- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or,
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Direct operating expenses and general and administrative expenses are recognized as they are incurred.

Operating Lease

Company as a Lessor

Leases where the Company does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned. Operating lease receipts are recognized as an income in the statement of comprehensive income on a straight-line basis over the lease term.

Pension Liability

The Company has unfunded, noncontributory retirement benefit plans covering all their eligible regular employees. Pension cost is actuarially determined using the projected unit credit method.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, 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 with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences 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.

Deferred tax assets and deferred liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

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

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) 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. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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 interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Events after the Reporting Period
Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Company's position at each reporting date (adjusting events) are reflected in the financial statements. Significant post year-end events that are not adjusting events are disclosed in the notes to the financial statements, when material.

3. Management's Judgments, Assumptions and Use of Estimates

The preparation of the financial statements in compliance with PFRSs requires management to make judgments, assumptions and estimates that affect the amounts reported in the financial statements and accompanying notes. The judgments, assumptions and estimates used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such as estimates.

Management believes the following represent a summary of these significant judgments, assumptions and estimates:

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

Functional currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is also the currency that mainly influences the costs of producing the goods and the currency in which receipts from operating activities are usually retained.

Accounting for investment in associate
The Company's investment in shares of stock of Aviana Development Corp. is accounted for under the equity method of accounting. The Company has determined that significant influence can still be exercised despite not having reached the quantitative threshold of 20% of the voting power for the applicability of equity method because of the representation on the board of directors and policy-making processes by both Companies which makes it appropriate to record the investment using equity method.

Operating lease
The Company has entered into commercial property leases on its investment property portfolio as a lessor. The Company has determined that it retains all significant risks and rewards of ownership of the property as the Company considered, among others, the length of the lease term as compared with the estimated life of the investment property.
Some of the Company's operating lease contracts are accounted for as noncancelable operating leases and the rest are cancellable. In determining whether a lease contract is cancellable or not, the Company considers among others, the significance of the penalty, including the economic consequence to the lessee.

Uncertain tax positions
The Company has assessed whether it has any uncertain tax position. The Company applies significant judgement in identifying uncertainties over its income tax treatments

Classification of property
The Company determines whether a property is classified as investment property or inventory as follows:

- Investment property comprises land and buildings and improvements which are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Company develops and intends to sell before or on completion of construction.

Distinction between investment properties and owner-occupied properties
The Company determines whether a property qualifies as an investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciations and another portion that is held for use in the supply of services or for administrative purposes. If these portions cannot be sold separately as of reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment (see Notes 9 and 10).

Collectability of the sales price
In determining whether the sales prices are collectible, the Company considers that initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

Existence of a contract
The Company's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell is not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress
The Company concluded that revenue for real estate sales is to be recognized over time because: (a) the Company's performance does not create an asset with an alternative use and; (b) the Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic

benefits will flow to the Company. The Company considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

The Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development to the customers.

Sale of real estate receivables
The Company has entered into arrangements with banks wherein it discounted its real estate receivables without recourse. The Company believes that the sales transactions are not more than infrequent and that the receivables discounted is insignificant in value both individually and in aggregate. Accordingly, the Company continues to present trade receivables at amortized cost as it remains to hold trade receivables with the objective of collecting contractual cash flows until maturity.

Definition of default and credit-impaired financial assets
The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria - for sales contracts receivable, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria
The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:
a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financial covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. Concessions have been granted by the Company, for economic or contractual reasons relating to the customer's financial difficulty
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Company's expected loss calculation.

Incorporation of forward-looking information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Company considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Company's evaluation and assessment and after taking into consideration external actual and forecast information, the Company formulates a "base case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Assessment on whether lease concessions granted constitute a lease modification
In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Company waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

The Company applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, the Company determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Company assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

The rent concessions granted by the Company amounted to ₱142.8 million and ₱257.1 million for the year ended December 31, 2021 and 2020, respectively (see Note 18).

Management's Use of Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Revenue recognition on real estate projects
The Company's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Company's revenue from real estate and construction contracts is recognized based on the percentage of completion measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual cost of real estate sold incurred to date over the estimated total costs of the project. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists (project engineers). Prior to 2021, the Company includes land in the calculation of POC since the Company availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry. In 2021, the Company did not avail of the relief provided by the SEC and adopted the provision on the treatment of land in the determination of POC.

Provision for expected credit losses of trade and other receivables
The Company uses a provision matrix to calculate ECLs for trade receivables other than sales contract receivables. The provision rates are based on days past due for companies of various customer segments that have similar loss patterns.

The Company uses vintage analysis approach to calculate ECLs for trade receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

For other receivables such as accrued receivable, receivable from related parties and advances to other companies, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Company has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables from sale of real estate during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

The information about the ECLs on the Company's trade receivables is disclosed in Notes 5 and 27.
Evaluation of net realizable value of real estate inventories
The Company adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Company in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete 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.

As of December 31, 2021 and 2020, the net realizable value of real estate inventories amounted to ₱1.3 billion (see Note 6).

Useful lives of investment property and property and equipment
The Company estimates the useful lives of investment property (excluding land) and property and equipment based on the economic lives of investment property and property and equipment. The estimated useful lives of investment property and property and equipment are reviewed periodically and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the investment property and property and equipment. However, it is possible that future results of operations could

be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the investment property and property and equipment would increase the recorded expenses and decrease the noncurrent assets.

As of December 31, 2021 and 2020, the aggregate carrying values of investment property (excluding land) and property and equipment amounted to ₱2.3 billion (see Notes 9 and 10).

Impairment of nonfinancial assets
The Company assesses at each reporting period whether there is an indication that advances to officers and employees (presented under accounts receivable), other current assets (excluding deposit in escrow), investment in associates, investment property, property and equipment and other noncurrent assets may be impaired. Determining the value in use of these assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of these assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and results of operations. The preparation of the estimated future cash flows involves significant judgments and estimates. While the Company believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.

As of December 31, 2021 and 2020, the aggregate carrying values of advances to officers and employees (presented under "Accounts receivable"), other current assets (excluding deposits in escrow), investment in associates, investment property, property and equipment and other noncurrent assets amounted to ₱4.8 billion (see Notes 5, 7, 8, 9, 10 and 11). No provision for impairment losses was recognized in 2021 and 2020.

Estimating pension liability
The determination of the Company's obligation and cost for pension is dependent on selection of certain assumptions used by actuaries in calculating such amounts. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Significant assumptions are disclosed in Note 23 and include among others, discount rate and salary increase rate.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Deferred tax assets
The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets 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 assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income.

As of December 31, 2021 and 2020, the Company recorded deferred tax assets of ₱9.9 million and ₱37.6 million, respectively (see Note 24).

4. Cash

	2021	2020
Cash on hand	**₱211,500**	₱311,500
Cash in banks	**25,002,778**	20,607,895
	₱25,214,278	₱20,919,395

Cash in banks earn interest at prevailing bank deposit rates.

Interest income from cash in banks amounted ₱0.1 million in 2021 and 2020, respectively (see Note 25).

5. Accounts Receivable

	2021	2020
Trade		
Condominium units	**₱1,234,927,875**	₱1,069,486,752
Commercial spaces	**178,048,986**	159,522,110
Accrued rent receivable	**185,109,497**	143,418,514
Related parties (Note 16)	**36,324,277**	46,691,356
Advances to officers and employees	**574,675**	454,772
Others	**380,000**	452,780
	1,635,365,310	1,420,026,284
Less allowance for impairment	**10,741,622**	11,897,968
	1,624,623,688	1,408,128,316
Less noncurrent portion	**260,093,751**	624,389,482
	₱1,364,529,937	₱783,738,834

The classes of trade receivables of the Company are as follows:

- Condominium units - pertain to receivables from the sale of condominium units; and,
- Commercial spaces - pertain to receivables from rentals of retail and office spaces.

The sales contracts receivable from condominium units, included under trade receivables, are collectible in monthly installments over a period of two to five years. Titles to condominium units are not transferred to the buyers until full payment has been made.

In 2021 and 2020, trade receivables from sale of condominium units with a total nominal amount of ₱1.5 billion and ₱1.6 billion, respectively, were recorded initially at fair value. The fair values of the receivables were obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Movements in the unamortized discount in trade receivables as of December 31, 2021 and 2020 are as follows:

	2021	2020
At beginning of the year	**₱489,893,478**	₱590,426,548
Additions	**19,473,657**	124,159,571
Accretion (Note 25)	**(233,180,997)**	(224,692,641)
At end of the year	**₱276,186,138**	₱489,893,478

Trade receivables from commercial spaces are non-interest bearing and are generally on 30 days' term.

Accrued rent receivable pertains to rent receivable from rentals of commercial spaces and additional expected rent for the period as a result of the PFRS 16 adjustment which was determined using the straight-line basis.

Allowance for impairment losses arose from trade receivables from commercial spaces. Trade receivables amounting to ₱10.7 million and ₱11.9 million were impaired and fully provided as of December 31, 2021 and 2020, respectively.

Movements in the allowance for impairment of trade receivables are as follows:

	2021	2020
At beginning of the year	**₱11,897,968**	₱11,370,739
Provision for impairment of receivables (Note 21)	**2,411,577**	9,295,007
Write-off of receivables	**(3,567,923)**	(8,767,778)
At end of the year	**₱10,741,622**	₱11,897,968

The Company sold residential receivables on a without recourse basis to Bank of the Philippine Islands-Family Savings Bank Inc., a related party, amounting to ₱589.2 million and ₱292.4 million in 2021 and 2020, respectively. This was sold at a discount with total proceeds of ₱548.7 million and ₱267.0 million in 2021 and 2020, respectively. The Company recognized loss on sale (presented under "Interest and other financing charges") amounting to ₱40.5 million and ₱25.4 million in 2021 and 2020, respectively.

6. Real Estate Inventories

Real estate inventories are accounted for as follows:

	2021	2020
January 1	**₱1,262,472,122**	₱945,231,705
Additions	**609,584,258**	989,378,110
Real estate inventories sold (Note 19)	**(580,598,891)**	(672,137,693)
December 31	**₱1,291,457,489**	₱1,262,472,122

Real estate inventories are carried at cost as of December 31, 2021 and 2020 as the NRV of all real estate inventories is substantially in excess of cost.

The Company has no purchase commitments pertaining to its inventories as of December 31, 2021 and 2020.

There are no liens and encumbrances on the Company's real estate inventories.

7. Other Current Assets

	2021	2020
Creditable withholding taxes	**₱91,334,121**	₱41,323,586
Prepaid commission (Notes 11 and 12)	**81,679,654**	71,581,573
Net input VAT	**77,035,430**	60,705,658
Deposits in escrow	**15,048,148**	14,969,140
Materials and supplies	**4,986,005**	12,880,021
Prepayments	**3,509,916**	10,513,228
Prepaid income tax	**1,252,250**	1,252,250
	₱274,845,524	₱213,225,456

Creditable withholding taxes and prepaid income taxes are applied against income tax payable.

Net input VAT will be applied against output VAT in the succeeding periods.

Deposits in escrow consist of investments in time deposits as required by the escrow agreement with Housing and Land Use Regulatory Board (HLURB) in relation to Avida Towers Abreeza Tower 2 project. These are investments in fixed income securities which will mature on February 2, 2022. Interest income on deposits in escrow amounting to ₱46,390 and ₱0.3 million in 2021 and 2020, respectively (see Note 25).

Materials and supplies pertain to stocks from the food and beverage operations of the Company.

Prepayments include other expenses which are expected to be applied or incurred within the normal operating cycle of the Company.

8. Investment in Associates

	2021	2020
Cost		
At beginning of year	**₱338,199,500**	₱348,199,500
Dividends	**(7,500,000)**	(10,000,000)
At end of year	**330,699,500**	338,199,500
Accumulated equity in net earnings		
At beginning of year	**146,022,086**	127,006,007
Equity in net earnings	**13,575,167**	19,016,079
Retained earnings adjustment	**(439,361)**	–
At end of year	**159,157,892**	146,022,086
	₱489,857,392	₱484,221,586

The Company's investment in Avencosouth Corp., a 30% owned associate has a carrying value of ₱269.6 million and ₱277.1 million as of December 31, 2021 and 2020, respectively. The associate was incorporated on April 26, 2012 and started commercial operations on August 11, 2012. It is operating in the real estate industry and is currently developing and selling units at Avida Towers Davao project, a two-tower condominium project located at C.M. Recto Avenue, Davao City. The Company recognized share in the net loss from Avencosouth Corp. amounting to ₱7.6 million in 2021 and share in the net income amounting to ₱0.3 million in 2020. The Company's total cost of investment amounted to ₱180.0 million as of December 31, 2021 and 2020.

The following table summarizes the financial information of the investment in Avencosouth Corp.:

	2021	2020
Current assets	**₱378,922,031**	₱406,004,408
Noncurrent assets	**706,072,118**	748,764,854
Current liabilities	**180,100,660**	211,699,459
Noncurrent liabilities	**6,343,944**	19,347,960
Revenue	**2,151,955**	22,658,108
Costs and expenses	**38,540,380**	21,204,146
Net income (loss)	**(25,172,298)**	1,049,275

The Company's investment in Aviana Development Corp., a 10% owned associate has a carrying value of ₱220.3 million and ₱207.1 million as of December 31, 2021 and 2020, respectively. The associate was incorporated on September 17, 2013. The Company handles the development of a waterfront property in Lanang, Davao City. The Company recognized share in the net income of Aviana Development Corp. amounting to ₱21.1 million and ₱18.7 million in 2021 and 2020, respectively. The Company received dividends amounting to ₱7.5 million and ₱10.0 million in 2021 and 2020, respectively. Retained earnings adjustment was recognized during the year to reflect the share of the Company to the adjustment in POC of the associate. The Company's total cost of investment amounted to ₱150.7 million and ₱158.2 million as of December 31, 2021 and 2020, respectively.

The Company's significant influence is exercised through the representation in the Board of Directors of Aviana.

The following table summarizes the financial information of the investment in Aviana Development Corp.:

	2021	2020
Current assets	**₱3,024,698,621**	₱2,567,198,589
Noncurrent assets	**2,087,366,983**	2,307,902,085
Current liabilities	**2,500,446,306**	2,380,786,526
Noncurrent liabilities	**408,689,017**	423,258,808
Revenue	**1,716,886,530**	1,242,361,716
Costs and expenses	**1,440,680,767**	977,556,623
Net income	**211,268,562**	187,012,964

9. Investment Properties

2021

	Land	Building and Improvements	Total
Cost			
At January 1	₱1,354,537,403	₱3,222,500,539	**₱4,577,037,942**
Additions	–	14,421,235	**14,421,235**
At December 31	1,354,537,403	3,236,921,774	**4,591,459,177**
Accumulated Depreciation			
At January 1	–	884,195,904	**884,195,904**
Depreciation (Note 20)	–	93,440,150	**93,440,150**
At December 31	–	977,636,054	**977,636,054**
Net Book Value	₱1,354,537,403	₱2,259,285,720	**₱3,613,823,123**

2020

	Land	Building and Improvements	Total
Cost			
At January 1	₱1,354,537,403	₱3,210,100,571	₱4,564,637,974
Additions	–	12,399,968	12,399,968
At December 31	1,354,537,403	3,222,500,539	4,577,037,942
Accumulated Depreciation			
At January 1	–	783,212,703	783,212,703
Depreciation (Note 20)	–	100,983,201	100,983,201
At December 31	–	884,195,904	884,195,904
Net Book Value	₱1,354,537,403	₱2,338,304,635	₱3,692,842,038

The Company's investment property pertains land for future development, mall, and office spaces rented by tenants. Total rental income arising from investment property amounted to ₱322.6 million and ₱302.2 million in 2021 and 2020, respectively. Depreciation expense arising from the investment property amounted to ₱93.4 million and ₱101.0 million in 2021 and 2020, respectively. (see Note 20).

The market value of the investment property as determined by an independent real estate appraiser amounted to ₱5.8 billion as of December 31, 2021 and 2020. This value was based on market value approach (Level 3 hierarchy) which considers the estimated amount for which a property should exchange on the date of valuation assuming that market participants act in their best economic interest. Market value is understood as the value of an asset estimated without regard to cost of sale or purchase and without offset for any associated taxes. Significant increase or decrease in the economic market value of the land brought by inflation, area stability, development and improvements per hectare, per location over time would result in a significantly higher or lower fair value of the property.

10. Property and Equipment

2021

	Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost			
At January 1	₱6,461,129	₱1,364,806	**₱7,825,935**
Additions	1,547,626	–	**1,547,626**
At December 31	8,008,755	1,364,806	**9,373,561**
Accumulated Depreciation			
At January 1	4,208,544	1,308,281	**5,516,825**
Depreciation (Note 21)	811,359	56,525	**867,884**
At December 31	5,019,903	1,364,806	**6,384,709**
Net Book Value	₱2,988,852	₱ –	**₱2,988,852**

2020

	Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost			
At January 1	₱5,423,980	₱1,364,806	₱6,788,786
Additions	1,037,149	–	1,037,149
At December 31	6,461,129	1,364,806	7,825,935
Accumulated Depreciation			
At January 1	3,559,877	1,172,629	4,732,506
Depreciation (Note 21)	648,667	135,652	784,319
At December 31	4,208,544	1,308,281	5,516,825
Net Book Value	₱2,252,585	₱56,525	₱2,309,110

As of December 31, 2021 and 2020, fully depreciated property and equipment still used in the Company's operations amounted to ₱4.6 million and ₱3.0 million, respectively.

11. Other Noncurrent Assets

	2021	2020
Project costs	**₱230,724,035**	₱76,379,111
Advances to contractors	**93,219,327**	173,145,536
Net input VAT- net of current portion	**40,697,734**	59,728,073
Prepaid commission - net of current portion (Notes 7 and 12)	**24,731,949**	68,172,649
Deferred input VAT	**263,763**	532,445
Others	**64,590,789**	30,096,847
	₱454,227,597	₱408,054,661

Project costs pertain to payments for master planning fees and construction expenditures necessary for the development of the residential properties.

Advances to contractors are recouped upon every progress billing payment depending on the percentage of accomplishment.

Deferred input VAT pertains to VAT on capital goods or properties that are recoverable in future periods.

Others include noncurrent deposits and accrual of management fees payable to Alveo.

12. Customers' Deposits and Cost to Obtain a Contract

Customers' deposits

Customer's deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion.

As of December 31, 2021 and 2020, customers' deposits amounted to ₱515.3 million and ₱315.1 million, respectively (see Notes 13 and 15).

The amount of revenue recognized from amounts included in contract liabilities at the beginning of the year amounted to ₱159.7 million and ₱88.0 million in 2021 and 2020, respectively.

Cost to obtain a contract
Prepaid commission pertains to costs of obtaining a contract paid to brokers on the sale of pre-completed real estate units and is charged to expense in the period in which the related revenue is recognized as earned.

The balances below pertain to the cost to obtain contracts included in the other current and noncurrent assets (see Notes 7 and 11):

	2021	2020
At beginning of the year	**₱139,754,222**	₱146,219,868
Additions	**22,230,798**	54,684,708
Amortization (Note 19)	**(55,573,417)**	(61,150,354)
At end of the year	**₱106,411,603**	₱139,754,222

13. Accounts and Other Payables

	2021	2020
Payables to related parties (Note 16)	**₱1,219,771,846**	₱1,008,018,428
Customers' deposits (Note 12)	**454,149,080**	202,537,482
Accrued project costs	**322,706,889**	693,085,030
Accounts payable	**114,736,483**	80,358,767
Commission payables (Note 12)	**106,411,603**	139,754,222
Deferred output VAT	**73,595,826**	169,814,894
Deferred credits	**47,765,616**	64,402,456
Nontrade payable	**14,823,089**	3,933,877
Interest payable	**5,961,644**	9,460,371
Accrued expenses	**3,197,052**	5,622,792
Retention payable	**1,868,101**	4,679,270
Taxes payable	**1,342,401**	9,904,931
Others	**31,047,404**	18,863,228
	₱2,397,377,034	₱2,410,435,748

Accrued project costs arise from unbilled project costs from its contractors on the development of residential projects. These are non-interest bearing and are normally settled within the normal operating cycle of the Company.

Accounts payable arise from regular transactions with suppliers and service providers. These are non-interest bearing and are normally settled on 15 to 60-day terms.

Commission payables to brokers arise on the sale of pre-completed real estate units and are normally settled within one year.

Deferred output VAT pertains to VAT on uncollected portion of total selling price of real estate installment sales which are payable to BIR upon collection from customers.

Deferred credits pertain to advance payments from customers to cover various processing fees in relation to the sale of real estate inventories including, but not limited to, fees related to transfer of title and water and electricity connection fees.

Nontrade payable pertains to the accruals of items such as utilities and advertising, which will be settled within twelve months from the reporting date. These are non-interest bearing and are normally settled within one year.

Interest payable represents accrued interest from long-term debt and is expected to be settled within one year.

Accrued expenses comprise of professional fees and other expenses already incurred but not yet paid.

Retention payable represents a certain percentage of the total project costs that is withheld for payment to the contractor until the end of the construction of the project.

Taxes payable pertains to expanded withholding taxes and other taxes payable. Expanded withholding taxes are settled on a monthly basis. Other taxes payable are normally settled within one year.

Others mainly pertain to statutory payables and deferred income. These are non-interest bearing and are normally settled within one year.

14. Long-term Debt

This account represents loan agreement binding.

Loan from a local universal bank
On October 23, 2020, a long-term loan was availed from a universal banking corporation in the maximum principal amount of up to ₱800.0 million, payable in semi-annual installment starting at the end of the fifth (5th) year from the initial drawdown date and a lump sum payment in 2028 for the balance of the loan. The loan bears an annual fixed interest rate of 4.25%.

The outstanding long-term loan amounted to ₱794.6 million and. ₱794.0 million, net of deferred financing cost of ₱5.4 million and ₱6.0 million in 2021 and 2020, respectively.

The loan is covered by an agreement which provides certain restrictions and requirements for the Company to maintain a debt to equity ratio of not greater than 3.0 to 1.

As of December 31, 2021 and 2020, the Company's debt to equity ratio is 1.44 to 1 and 1.57 to 1, respectively. The Company is compliant with the loan covenant.

Total interest expense recognized related to these loans amounted to ₱34.0 million and ₱8.8 million in 2021 and 2020.

Movements of long-term debt are as follows:

	2021	2020
At January 1	**₱794,044,931**	₱650,000,000
Additions	–	800,000,000
Deferred financing cost	–	(6,000,000)
Loan payments	–	(650,000,000)
Amortization of deferred financing cost	**537,605**	44,931
At December 31	**₱794,582,536**	₱794,044,931

Loan from Parent Company
On September 28, 2015, a loan amounting to ₱462.5 million was taken out from the Parent Company. This is apart from the ₱478.0 million credit facility taken out from a local government-owned universal bank and availment of ₱3.25 million loans, resulting to a total of ₱943.75 million long-term debt from the Parent Company.

Movement of loan from Parent Company is as follow:

	2021	2020
At January 1	**₱915,437,500**	₱924,875,000
Loan payments	**(9,437,500)**	(9,437,500)
At December 31	**906,000,000**	915,437,500
Less current portion	**9,437,500**	9,437,500
	₱896,562,500	₱906,000,000

Total interest expense recognized related to this loan amounted to ₱41.2 million and ₱41.7 million in 2021 and 2020, respectively.

Total bank charges recognized amounted to ₱0.1 million each year in 2021 and 2020.

15. Other Noncurrent Liabilities

	2021	2020
Security deposits	**₱144,933,555**	₱160,933,084
Deferred credits - net of current portion	**96,146,858**	66,144,080
Deferred output VAT - net of current portion	**92,098,773**	60,705,658
Customers' deposit - net of current portion (Note 12)	**61,146,073**	112,596,300
Others	**2,284,983**	5,217,713
	₱396,610,242	₱405,596,835

Security deposits mainly consist of the six months deposits paid by mall tenants at the beginning of the lease term, to be applied against outstanding rent receivable at the end of the contract.

16. Related Party Transactions

The Company, in the normal course of business, has entered into transactions with related parties consisting primarily of development, management and marketing agreements. Services rendered to and received from related parties are made at normal market prices. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. The transactions are made at terms and prices agreed upon by the parties. Outstanding related party balances are generally settled in cash.

The Company's statements of financial position and statements of comprehensive income include the following accounts resulting from transactions with related parties:

a. Interest expense related to short-term intercompany loans amounted to ₱1.7 million and ₱26.6 million in 2021 and 2020, respectively.

b. Transactions with the Parent Company and affiliates are as follows:

	Amount 2021	Amount 2020	Receivables from related parties (Note 5) 2021	Receivables from related parties (Note 5) 2020	Terms	Conditions
Affiliate						
Globe Telecom, Inc.						
Rental revenue	**₱20,579,185**	₱16,183,005	**₱7,844,198**	₱15,198,544	On demand, non-interest bearing	Unsecured, no impairment
Fellow subsidiaries						
Alveo Land Corp.						
Rental revenue and other charges	**2,372,891**	1,980,148	**1,895,466**	1,574,876	On demand, non-interest bearing	Unsecured, no impairment
Avida Land Corp.						
Rental revenue and other charges	**1,496,961**	829,770	**1,511,150**	3,026,900	On demand, non-interest bearing	Unsecured, no impairment
Southcrest Hotel Ventures						
Land lease	**992,382**	719,248	**1,044,670**	1,454,628	On demand, non-interest bearing	Unsecured, no impairment
Amicassa Process Solutions, Inc.						
Rental revenue and other charges	**1,152,388**	860,604	**368,279**	146,999	On demand, non-interest bearing	Unsecured, no impairment
Leisure and Allied Industries.						
Rental revenue and other charges	**1,076,831**	1,586,272	**163,866**	–	On demand, non-interest bearing	Unsecured, no impairment
(Forward)						
BPI						
Rental revenue and other charges	**9,218,614**	9,307,743	**–**	2,235,489	On demand, non-interest bearing	Unsecured, no impairment
Others						
Rental revenue and other charges	**2,972,424**	2,737,310	**17,546,449**	16,711,845	On demand, non-interest bearing	Unsecured, no impairment
Associates						
Avencosouth Corp.						
Rental and expenses paid on behalf of the associate	**1,063,105**	1,213,391	**3,536,205**	4,208,281	On demand, non-interest bearing	Unsecured, no impairment
Aviana Development Corp.						
Rental and expenses paid on behalf of the associate	**3,211,436**	2,062,587	**2,413,994**	2,133,794	On demand, non-interest bearing	Unsecured, no impairment
Cash dividends	**7,500,000**	10,000,000	**–**	–	On demand, non-interest bearing	Unsecured, no impairment
			₱36,324,277	₱46,691,356		

	Amount 2021	Amount 2020	Payables to related parties (Note 13) 2021	Payables to related parties (Note 13) 2020	Terms	Condition
Parent						
Ayala Land, Inc.						
Management fees (Note 20)	**₱29,864,823**	₱28,775,225	**₱179,429,319**	₱176,339,103	On demand, non-interest bearing	Unsecured; no collateral
Other charges	**43,364,804**	378,642	**73,372,841**	68,610,453	On demand, non-interest bearing	Unsecured; no collateral
Fellow subsidiaries						
Makati Development Corporation						
Construction contracts	**833,959,889**	619,248,957	**394,606,865**	298,626,010	On demand, non-interest bearing	Unsecured; no collateral
Other charges	**773,105**	2,381,183	**–**	–	On demand, non-interest bearing	Unsecured; no collateral
Short-term Loan	**74,000,000**	–	**74,000,000**	–	Due on Jan of the following year, subject to 1.95% interest	Unsecured; no collateral
Alveo Land Corporation						
Management, marketing and commission (Note 19)	**55,672,302**	104,616,440	**228,521,728**	283,609,460	On demand, non-interest bearing	Unsecured; no collateral
Other charges	**574,000**	1,218,194	**244,385**	303,297	On demand, non-interest bearing	Unsecured; no collateral

(Forward)

	Amount		Payables to related parties (Note 13)			
	2021	2020	**2021**	2020	Terms	Condition
Avida Land Corporation						
Management, marketing and commission (Note 19)	**₱87,802,762**	₱65,006,547	**₱136,431,639**	₱118,338,232	On demand, non-interest bearing	Unsecured; no collateral
Philippine Integrated Energy Solutions, Inc.						
Aircondition charges	**87,410,761**	79,630,341	**9,583,460**	12,642,317	Interest bearing	Unsecured; no collateral
Other Charges	**4,444**	–	–	–	On demand, non-interest bearing	Unsecured; no collateral
AyalaLand Malls, Inc.						
Service Fees	**1,465,998**	1,465,997	**2,611,229**	1,641,917	Interest bearing	Unsecured; no collateral
Ayalaland Malls Northeast, Inc.						
Service Fees	**401,260**	1,617,090	**1,338,487**	1,934,992	Interest bearing	Unsecured; no collateral
Aprisa Business Process Solutions, Inc.						
Service fees	**1,461,808**	1,412,990	**730,901**	131,466	Interest bearing	Unsecured; no collateral
Ayala Property Management Corporation						
Outside services	**250,996**	204,205	**193,263**	447,874	On demand, non-interest bearing	Unsecured; no collateral
Service fees	**492,936**	156,288	**136,737**	175,043	On demand, non-interest bearing	Unsecured; no collateral
Short-tem loan	–	5,600,000	–	5,600,000	Due on January of the following year, subject to 3.05% interest	Unsecured; no collateral
Other charges	**72,907**	144,291	–	144,291	On demand, non-interest bearing	Unsecured; no collateral
Ayalaland Malls Vismin, Inc						
Service fees	–	906,792	–	449,411	Interest bearing	Unsecured; no collateral
Others						
Fees and other charges	**121,930,006**	86,260,647	**118,570,992**	39,024,562	On demand non-interest bearing	Unsecured; no collateral
			₱1,219,771,846	₱1,008,018,428		

17. Equity

Preferred shares
The preferred shares have the following features:

(a) Voting Rights
The holders of the redeemable preferred shares outstanding from time to time (the "Preferred Shareholders") shall have voting rights in accordance with Section 6 of the Corporation Code of the Philippines.

(b) Dividends
The Preferred Shareholders shall be entitled to participate in any regular dividend declaration for the common shares of stock to be paid out of unrestricted retained earnings at the same rate and upon the same terms as declared and paid to holders of the common shares ("the Common Shareholders"). The Preferred Shareholders shall also be entitled to such other dividends as may be determined and approved by the BOD.

Unless dividends on all outstanding shares of redeemable preferred shares shall have been paid or declared, (i) no dividends shall be paid or declared with respect to the common shares; (ii) no distribution shall be made with respect to the common shares as to distribution upon liquidation, dissolution, or winding-up; (iii) nor shall any common shares (upon liquidation, dissolution, or winding-up of the Company) be redeemed, purchased, or otherwise acquired for any consideration by the Company.

(c) Liquidation Rights
In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the redeemable preferred shares shall be entitled to receive out of the assets of the Company available for distribution to the shareholders, before any distribution of assets is made to holders of common shares, distributions in the amount of the issue value per outstanding redeemable preferred share, plus declared and unpaid dividends to the date of distribution.

(d) Redemption
The redeemable preferred shares may be redeemed at the option of the Company. Any redeemable preferred shares to be redeemed at the price and under such terms and conditions and procedures as shall be determined by the BOD, provided, that in no case shall the redemption price of the actual number of the redeemable preferred shares be less than the cost of such shares as recorded in the books of the Company at the time of redemption.

Retained earnings
On April 12, 2019, the Company approved the appropriation of its retained earnings amounting to ₱500.0 million for its project pipeline requirements. The project is expected to be completed in three to five years.

Capital management
The primary objective of the Company's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value.

The Company monitors capital using a debt to equity ratio, which is total debt divided by total capital, maintained at 3:1. The Company considers as capital both common and preferred shares which are entitled to receive dividends, but preferred shares enjoy a preference in the distribution of dividends. As of December 31, 2021 and 2020, the Company has met the desired debt to equity ratio of 3:1.

The Company stockholders' core economic capital is as follows:

	2021	2020
Paid-in capital		
Issued capital stock	**₱727,759,000**	₱727,759,000
Additional paid-in capital	**577,759,000**	577,759,000
Retained earnings		
Appropriated	**500,000,000**	500,000,000
Unappropriated	**1,378,580,171**	1,109,711,303
	₱3,184,098,171	₱2,915,229,303

18. Leases

The Company enters into lease agreements with third parties on its investment property portfolio, covering the Company's retail and office spaces. These leases have terms ranging from one to 25 years and generally provide for either: (a) fixed monthly rent; or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals receivable under noncancellable operating leases of the Company are as follows:

	2021	2020
Within one year	**₱48,730,433**	₱71,772,437
After one year but not more than 5 years	**220,534,985**	210,033,660
More than 5 years	**719,715,787**	778,947,546
	₱988,981,205	₱1,060,753,643

The rent concessions granted by the Company amounted to ₱142.8 million and ₱257.1 million for the year ended December 31, 2021 and 2020, respectively.

19. Cost of Real Estate Sold

	2021	2020
Cost of real estate inventories (Note 6)	**₱580,598,891**	₱672,137,693
Direct operating expenses:		
Management fee (Note 16)	**87,901,646**	108,472,633
Commission (Notes 12 and 16)	**55,573,417**	61,150,354
Advertising and promotion	**(1,104,913)**	5,566,264
	₱722,969,041	₱847,326,944

20. Direct Operating Expenses

	2021	2020
Depreciation (Note 9)	**₱93,440,150**	₱100,983,201
Utilities	**91,456,574**	82,702,188
Taxes and licenses	**52,324,988**	51,060,494
Outside services	**38,114,489**	36,398,441
Management fee (Note 16)	**29,864,823**	28,775,225
Repairs and maintenance	**19,840,465**	13,448,871
Dues and fees	**8,213,943**	9,002,440
Marketing	**5,797,059**	34,963,612
Insurance	**2,569,823**	2,786,903
Beverage	**1,627,436**	1,496,539
Food and beverage	**–**	1,541,279
Others	**12,612,015**	9,816,634
	₱355,861,765	₱372,975,827

21. General and Administrative Expenses

	2021	2020
Salaries and employee benefits (Note 22)	**₱19,575,312**	₱18,254,263
Outside services	**3,892,070**	3,800,770
Provision for impairment of receivables (Note 5)	**2,411,577**	9,295,007
Repairs and maintenance	**2,140,706**	1,380,539
Retirement cost (Notes 22 and 23)	**1,723,139**	1,238,644

(Forward)

	2021	2020
Communication, light and water	**₱1,623,001**	₱1,273,341
Taxes and licenses	**1,262,805**	5,604,212
Depreciation (Note10)	**867,884**	784,319
Supplies	**599,596**	387,163
Dues and fees	**562,077**	10,926
Professional fees	**517,506**	274,938
Trainings and seminars	**62,631**	84,696
Rent	**57,857**	115,267
Travel and transportation	**45,785**	307,842
Insurance	**39,747**	42,033
Entertainment, amusement and recreation	**33,178**	32,335
Others	**355,686**	1,704,851
	₱35,770,557	₱44,591,146

22. Personnel Expenses

	2021	2020
Salaries, wages and allowances (Note 21)	**₱16,966,318**	₱15,604,301
Employees' benefits (Note 21)	**1,768,969**	1,930,052
Retirement costs (Notes 21 and 23)	**1,723,139**	1,238,644
SSS, Pag-ibig and other contributions (Note 21)	**840,025**	719,910
	₱21,298,451	₱19,492,907

23. Pension Liability

The Company has an unfunded and noncontributory defined benefit retirement plan covering all of its regular employees. The retirement costs are based on the years of service and percentage of latest monthly salary. The Company recognized retirement cost amounting to ₱1.7 million and ₱1.2 million in 2021 and 2020, respectively (see Notes 21 and 22).

The retirement plan meets the minimum requirement benefit specified under Republic Act (R.A.) 7641.

The following tables summarize the components of the retirement costs recognized in the statements of comprehensive income and amounts recognized in the statements of financial position for the retirement plan.

Changes in pension liability in 2021 and 2020 are as follows:

	2021	2020
At January 1	**₱10,061,730**	₱6,241,436
Net benefit cost in statements of comprehensive income:		
Current service cost	**1,350,855**	920,331
Interest cost	**372,284**	318,313
	1,723,139	1,238,644
Actuarial (gain) loss recognized in other comprehensive income	**(3,510,159)**	2,581,650
At December 31	**₱8,274,710**	₱10,061,730

The re-measurement effects recognized under other comprehensive income are as follows:

	2021	2020
Remeasurement gain (loss) on pension liability	**₱3,510,159**	(₱2,581,650)
Tax effect	**(877,540)**	774,495
	2,632,619	(1,807,155)
Effect of change in tax rate	**(152,524)**	–
Re-measurement gain on pension liability, net of tax	**₱2,480,095**	(₱1,807,155)

The actuarial valuation involves making various assumptions. In 2021 and 2020, the principal assumptions used in determining pension obligation for the defined benefit plans are as follows:

	2021	2020
Discount rate	**4.95%**	3.70%
Salary increase rate	**7.00%**	7.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2021 and 2020, the latest available assumption, assuming all other assumptions were held constant:

		2021	2020
Discount rates	+1.00%	**(₱1,220,147)**	(₱1,701,909)
	-1.00%	**1,540,249**	2,189,466
Future salary increase	+1.00%	**1,451,178**	2,039,975
	-1.00%	**(1,181,794)**	(1,635,277)

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2021 and 2020:

	2021	2020
Less than 1 year	**₱2,194,451**	₱1,125,581
More than 1 year to 5 years	**–**	1,251,656
More than 5 years to 10 years	**1,351,281**	–
More than 10 years to 15 years	**1,610,133**	1,322,813
More than 15 years to 20 years	**14,564,703**	20,200,847
More than 20 years	**95,826,161**	128,590,498
	₱115,546,729	₱152,491,395

The average duration of the defined benefit obligation as of December 31, 2021 is 21 years.

24. Income Tax

The provision for current income tax in 2021 and 2020 represents the regular corporate income tax (RCIT) and the minimum corporate income tax (MCIT), respectively. Furthermore, the current income tax expense includes 5% tax on PEZA registered activity.

The components of income tax expense are as follows:

	2021	2020
Current tax		
Current tax expense on current period's profit	**₱22,257,982**	₱2,976,201
Adjustment recognized in the period for current tax of prior period	**(377,006)**	–
	21,880,976	2,976,201
Deferred tax		
Deferred tax expenses relating to origination and reversal of temporary differences	**50,726,567**	18,327,946
Deferred tax benefit relating to changes in tax rates	**(7,271,089)**	–
	43,455,478	18,327,946
Income tax expense (benefit)	**₱65,336,454**	₱21,304,147

The current income tax includes adjustments to recognize the decrease in current tax of the prior period as a result of the enactment of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act on March 26, 2021. Effective July 1, 2020, regular income tax of the Company is reduced from 30% to 25% and effective July 1, 2020 to June 30, 2023, MCIT rate is reduced from 2% to 1% of gross income. Accordingly, the difference between the current tax in the 2020 annual income tax return and in the 2020 financial statements was recorded in 2021 as a reduction to income tax expense. The Company's deferred tax assets and liabilities were also remeasured as a result of changes in tax rates.

The components of the Company's net deferred tax liabilities are as follows:

	2021	2020
Deferred tax liabilities:		
Difference between tax and book basis of accounting for real estate transactions	**₱64,600,250**	₱42,956,009
Straight-line adjustment on rent income	**33,575,497**	36,406,874
Deferred financing cost - net of amortization	**1,354,366**	1,786,521
Remeasurement gain on pension liability recognized in other comprehensive income	**114,920**	–
	99,645,033	81,149,404
Deferred tax assets:		
Unearned income	**4,562,680**	5,475,593
Allowance for impairment of receivables	**2,685,406**	3,569,390
Retirement costs recognized in profit or loss	**2,183,598**	2,103,375
Accrued compensation and benefits	**462,859**	407,637
Net carrying loss carry over (NOLCO)	–	23,668,270
MCIT	–	1,508,023
Remeasurement loss on pension liability recognized in other comprehensive income	–	915,144
	9,894,543	37,647,432
Deferred tax liabilities - net	**(₱89,750,490)**	(₱43,501,972)

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from taxable income for the next five (5) consecutive taxable years immediately following the year of such loss.

On December 31, 2020, the Company has incurred NOLCO in taxable year 2020 amounting to ₱78.9 million which can be claimed as deduction against the regular corporate income tax for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act. This was claimed as deduction in 2021.

The details of the Company's MCIT follow:

Year Incurred	Expiry Date	At December 31, 2020	Effect of change in tax rate	Application	**At December 31, 2021**
2020	December 31, 2023	₱1,508,023	(₱377,006)	(₱1,131,017)	**₱–**

The reconciliation between the provision for income tax computed at the statutory income tax rate to actual provision for income tax follows:

	2021	2020
Income before income tax	**₱332,748,809**	₱114,115,194
At statutory income tax rate	**83,187,202**	34,234,558
Addition to (reduction in) income taxes resulting from:		
Effect on opening deferred taxes and current taxes resulting from reduction in tax rate	**(7,648,095)**	–
Income from PEZA-registered operations subjected to 5% income tax rate	**(6,922,545)**	(7,340,892)
Equity share in net earnings of associate	**(3,393,792)**	(5,704,824)
Accrued rent	**146,285**	181,078
Interest income already subjected to final tax at a lower tax rate	**(43,434)**	(111,608)
Limitation on deductibility of interest expense	**10,833**	45,835
	₱65,336,454	₱21,304,147

25. Interest

Interest income consists of interest earned from the following:

	2021	2020
Accretion of trade receivables (Note 5)	**₱233,180,997**	₱224,692,641
Short-term loans	**408,000**	–
Cash in banks (Note 4)	**127,347**	85,510
Deposits in escrow (Note 7)	**46,390**	286,517
	₱233,762,734	₱225,064,668

26. Performance Obligations

Real estate sales

The Company entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.
The Company recognizes revenue from the sale of real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% of the contract price spread over a certain period (e.g., one to two years) at a fixed monthly payment with the remaining balance payable in full at the end of the period either through cash or external financing. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a trade receivables or customers' deposits.

After the delivery of the completed real estate unit, the Company provides one-year warranty to repair minor defects on the condominium unit. This is assessed by the Company as a quality assurance warranty and not treated as a separate performance obligation.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2021 and 2020 are as follows:

	2021	2020
Within one year	**₱1,402,447,039**	₱1,240,627,240
More than one year	**3,164,183,150**	3,094,973,651
	₱4,566,630,189	₱4,335,600,891

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Company's real estate projects. The Company's condominium units are completed within three years and five years, respectively, from start of construction.

Revenue from real estate sales amounted to ₱788.4 million and ₱815.1 million in 2021 and 2020, respectively.

CUSA and aircon charges

CUSA and aircon charges amounted to ₱130.9 million and ₱113.2 million in 2021 and 2020, respectively. This includes common area charges recoveries and aircon charges recoveries.

Other income

Other income amounted to ₱73.0 million and ₱3.5 million in 2021 and 2020, respectively. This includes forfeited deposits arising from cancellations due to backout and proceeds from insurance.

27. Financial Instruments

The methods and assumptions used by the Company in estimating the fair value of the financial instruments follows:

- *Cash, trade receivables from commercial spaces, receivables from related parties, accrued rent receivable, other receivables and deposits in escrow.* Carrying amounts approximate fair values due to the relatively short-term maturities of these investments.
- *Trade receivables from sale of condominium units.* The fair values approximate the carrying amounts since these are measured at amortized cost.

- *Other financial liabilities.* The fair values of accounts and other payables (excluding statutory payables, deferred income and customers' deposits) approximate the carrying amounts due to the short-term nature of these accounts.

- *Long-term debt.* The fair value of long-term debt with fixed interest rate is determined based on Level 3 inputs using the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 4.6% to 4.8% and 1.4% to 3.0% in 2021 and 2020, respectively.

  The carrying value and corresponding fair value of the long-term debt are as follows:

2021		2020	
Carrying Value	**Fair Value**	Carrying Value	Fair Value
₱794,582,536	**₱787,451,260**	₱794,044,931	₱859,050,349

- *Long-term debt from Parent Company.* The fair value of long-term debt with fixed interest rate is determined based on Level 3 inputs using the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 3.8% to 4.2% and 2.0% to 2.7% in 2021 and 2020, respectively.

2021		2020	
Carrying Value	**Fair Value**	Carrying Value	Fair Value
₱906,000,000	**₱941,245,432**	₱915,437,500	₱924,526,107

As of December 31, 2021 and 2020, the Company has no financial assets and financial liabilities measured at fair value.

Financial Risk Management Objectives and Policies

The main purpose of the Company's financial assets and financial liabilities is to fund its operations. The Company's principal financial instruments comprise cash, accounts receivable (excluding other advances to officers and employees), deposits in escrow, accounts and other payables (excluding statutory payables, deferred income and customers' deposits), long-term debts and other noncurrent liabilities.

Exposures to credit and liquidity risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and,
- to provide a degree of certainty about costs.

The Company's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company.

The BOD reviews and approves policies for managing each of these risks which are summarized below:

Credit risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The investment of the Company's cash resources is managed so as to minimize risk while seeking to enhance yield. To manage credit risks, the Company maintains defined credit policies and monitors on a continuous basis the exposure to credit risks.

The Company has credit management policies in place to ensure that rental contracts are entered into with customers who have sufficient financial capacity and good credit history. Credit risk arising from real estate sales from selling condominium units and rental income from leasing properties is primarily managed through a buyer and tenant selection process. Prospective buyers and tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which help reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Given the Company's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

The credit quality of the financial assets was determined as follows:

Cash in banks and deposits in escrow- based on the nature of the counterparty and the Company's internal rating system. The Company's cash is of high quality as the amounts are deposited in reputable banks.

Liquidity risk
Liquidity risk is the risk arising from the shortage of funds due to unexpected events or transactions. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of long-term debt.

The Company monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Company's policy is to maintain a level of cash deemed sufficient to fund its monthly cash requirements, at least for the next two months. Capital expenditures are funded through long-term debt, while operating expenses and working capital requirements are sufficiently funded through cash collections.

The extent and nature of exposures to liquidity risk and how they arise as well as the Company's objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for 2021 and 2020.

The table below summarizes the maturity profile of the Company's financial liabilities as of December 31, 2021 and 2020 based on contractual undiscounted payments.

2021

	Less than one year	One to five years	More than five years	**Total**
Financial liabilities				
Other financial liabilities				
Accounts and other payables				
Payable to related parties	₱1,219,771,846	₱–	₱–	**₱1,219,771,846**
Accrued project cost	322,706,889	–	–	**322,706,889**
Commission payable	106,411,603	–	–	**106,411,603**
Accounts payable	114,736,483	–	–	**114,736,483**
Nontrade payable	14,823,089	–	–	**14,823,089**
Interest payable	5,961,644	–	–	**5,961,644**
Accrued expenses	3,197,052	–	–	**3,197,052**
Retention payable	1,868,101	–	–	**1,868,101**
Long-term debt from Parent Company	9,437,500	37,750,000	858,812,500	**906,000,000**
Long-term debt	5,417,464	5,264,978	789,317,558	**800,000,000**
Future interest on long-term debt	75,734,259	302,320,923	94,051,685	**472,106,867**
Other noncurrent liabilities*	2,284,983	–	–	**2,284,983**
Total undiscounted financial liabilities	₱1,882,350,913	₱345,335,901	₱1,742,181,743	**₱3,969,868,557**

**excluding deferred output VAT, deferred credit, security deposits and customers' deposits*

2020

	Less than one year	One to five years	More than five years	Total
Financial liabilities				
Other financial liabilities				
Accounts and other payables				
Payable to related parties	₱1,008,018,428	₱–	₱–	₱1,008,018,428
Accrued project cost	693,085,030	–	–	693,085,030
Commission payable	139,754,222	–	–	139,754,222
Accounts payable	80,358,767	–	–	80,358,767
Interest payable	9,460,371	–	–	9,460,371
Accrued expenses	5,622,792	–	–	5,622,792
Retention payable	4,679,270	–	–	4,679,270
Nontrade payable	3,933,877	–	–	3,933,877
Long-term debt from Parent Company	9,437,500	37,750,000	868,250,000	915,437,500
Long-term debt	5,955,069	1,910,655	792,134,276	800,000,000
Future interest on long-term debt	76,689,849	388,558,687	89,059,300	554,307,836
Other noncurrent liabilities*	5,217,713	–	–	5,217,713
Total undiscounted financial liabilities	₱2,042,212,888	₱428,219,342	₱1,749,443,576	₱4,219,875,806

**excluding deferred output VAT, deferred credits, security deposits and customers' deposits*

28. Supplementary Information Required Under Revenue Regulations 15-2010

The Company reported and paid the following taxes as of and for the year ended December 31, 2021.

Value Added Tax

Details of the Company's net sales/receipts, output VAT and input VAT in 2021 follow:

a. Net Sales/Receipts and Output VAT declared in the Company's VAT returns filed for the period follow:

	VAT Gross Receipts	Output VAT
Vatable sales/receipts	₱874,052,726	₱104,886,327
Exempt sales	408,720,618	–
	₱1,282,773,344	₱104,886,327

- Gross receipts derived from admission tickets in showing motion pictures, films or movies are not subject to VAT under Section 108 of the National Internal Revenue Code.

The Company's VATable sales derived from real estate sales were computed using either the installment method (i.e., when initial payments made by the buyer in the year of sale do not exceed 25% of the gross selling price) or deferred payment method (i.e., when initial payments made by the buyer in the year of sale exceed 25% of the gross selling price), whichever is applicable. VATable sales under the installment method are recognized based on actual collections received while VATable sales recognized under the deferred payment method are based on the entire gross selling price. While, the Company's sales of services are based on actual collections received.

Moreover, for income tax purposes, taxable income from sale of properties on installment method is recognized based on collections received multiplied by the gross profit rate while taxable income from sale of properties on a deferred payment basis is recognized based on the entire gross selling price of properties sold. Thus, the VATable sales and the sales subjected to income tax may not be the same as the amounts accrued in the statement of comprehensive income.

Exempt sales consist of non-vatable sales which are pursuant to Revenue Regulations No. 8-2021 Section 2, the amount of threshold to determine whether the sale of residential house and lot is subject to VAT has increased from ₱2.5 million to ₱3.2 million.

b. Input VAT

At beginning of year	₱120,433,731
Current year's domestic purchases of:	
Services	120,878,684
Goods	1,989,640
Capital goods not subject to amortization	168,295
Other adjustments	20,587,096
Total available input VAT	222,883,254
Applied against output VAT	104,886,327
Deferred input VAT	263,763
At December 31, 2021	₱117,733,164

Withholding Taxes

Details of withholding taxes in 2021 are as follows:

Expanded withholding taxes	₱55,077,344
Withholding taxes on compensation and benefits	1,778,252
	₱56,855,596

Other Taxes, Duties and License Fees

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees included under the "Direct operating expenses" and "General and administrative expenses" accounts in the Company's statement of comprehensive income.

Details of taxes and licenses in 2021 follow:

Under direct operating expenses	
Real property taxes	₱45,620,411
Taxes & licenses	6,704,577
	52,324,988
Under general and administrative expenses	
Documentary stamp taxes	1,249,558
License and permit fees	13,247
	1,262,805
	₱53,587,793

Documentary stamp taxes pertain to intercompany loans during the year.

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines
Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph

The following document has been received:

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Company Information

SEC Registration No.: CS200732005
Company Name: ACCENDO COMMERCIAL CORP.
Industry Classification: K70000
Company Type: Stock Corporation

Document Information

Document ID: OST10616202381333748
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2022
Submission Type: Annual
Remarks: None

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

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Company TIN: **006-843-675**

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- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	7	3	2	0	0	5

COMPANY NAME

ACCENDO COMMERCIAL CORP. (*A Subsidiary of Ayala Land, Inc.)*

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

Brgy. 20-B Poblacion West, Bajada, Davao City

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	(082) 321-6000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
18	3rd Monday of March	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ma. Divina Y. Lopez	lopez.divine@ayalaland.com.ph	(082) 321-6002	N/A

CONTACT PERSON's ADDRESS

2F Admin Office, Abreeza Mall, J.P. Laurel Ave., Bajada, Davao City

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

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

ACCENDO
COMMERCIAL CORP.

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

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Fernando Zobel de Ayala
Chairman of the Board

Robert S. Lao
President

Ma. Divina Y. Lopez
Treasurer

Signed this 14th day of April 2023.

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SyCip Gorres Velayo & Co.
3rd Floor, Diamond Tower
Damosa IT Park
JP Laurel Avenue, Lanang
8000 Davao City
Philippines

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Accendo Commercial Corp.
(A Subsidiary of Ayala Land, Inc.)
Brgy. 20-B Poblacion West
Bajada, Davao City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Accendo Commercial Corp. (a subsidiary of Ayala Land, Inc.) (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company as at December 31, 2022 and 2021, and for the years then ended are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the financial statements which indicates that the financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the 2022 financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the financial statements.

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 28 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Accendo Commercial Corp. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jose Rao'ul J. Palisalisa
Partner
CPA Certificate No. 109542
Tax Identification No. 931-743-705
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109542-SEC (Group A)
Valid to cover audit of 2022 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-113-2022,
January 25, 2022, valid until January 24, 2025
PTR No. 9369776, January 3, 2023, Makati City

April 14, 2023

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Accendo Commercial Corp.
(A Subsidiary of Ayala Land, Inc.)
Brgy. 20-B Poblacion West
Bajada, Davao City

We have audited the accompanying financial statements of Accendo Commercial Corp. (a subsidiary of Ayala Land, Inc.) (the Company) as at December 31, 2022 and for the year then ended, on which we have rendered the attached report dated April 14, 2023.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Company has four (4) stockholders owning 100 or more shares each.

SYCIP GORRES VELAYO & CO.

Jose Rao'ul J. Balisalisa
Partner
CPA Certificate No. 109542
Tax Identification No. 931-743-705
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109542-SEC (Group A)
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BIR Accreditation No. 08-001998-113-2022,
January 25, 2022, valid until January 24, 2025
PTR No. 9369776, January 3, 2023, Makati City

April 14, 2023

ACCENDO COMMERCIAL CORP.
(A Subsidiary of Ayala Land, Inc.)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash (Note 4)	**₱42,036,279**	₱25,214,278
Accounts receivable (Note 5)	**1,482,418,337**	1,364,529,937
Real estate inventories (Note 6)	**2,214,119,232**	1,291,457,489
Other current assets (Note 7)	**254,391,369**	274,845,524
Total Current Assets	**3,992,965,217**	2,956,047,228
Noncurrent Assets		
Noncurrent portion of accounts receivable (Note 5)	**405,892,449**	260,093,751
Investment in associates (Note 8)	**496,749,371**	489,857,392
Investment properties (Note 9)	**3,740,631,451**	3,613,823,123
Property and equipment (Note 10)	**3,088,272**	2,988,852
Other noncurrent assets (Note 11)	**676,261,032**	454,227,597
Total Noncurrent Assets	**5,322,622,575**	4,820,990,715
TOTAL ASSETS	**₱9,315,587,792**	₱7,777,037,943
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 13)	**₱3,670,003,154**	₱2,397,377,034
Current portion of long-term debt (Note 14)	**9,437,500**	9,437,500
Total Current Liabilities	**3,679,440,654**	2,406,814,534
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Note 14)	**1,682,252,921**	794,582,536
Long-term debt from Parent Company (Note 14)	**–**	896,562,500
Pension liability (Note 23)	**7,480,475**	8,274,710
Deferred tax liabilities - net (Note 24)	**119,956,706**	89,750,490
Other noncurrent liabilities (Note 15)	**395,029,227**	396,610,242
Total Noncurrent Liabilities	**2,204,719,329**	2,185,780,478
Total Liabilities	**5,884,159,983**	4,592,595,012
Equity		
Paid-in capital (Note 17)	**1,305,518,000**	1,305,518,000
Remeasurement gain on pension liability, net of tax (Note 23)	**1,918,741**	344,760
Retained earnings (Note 17)		
Appropriated	**500,000,000**	500,000,000
Unappropriated	**1,623,991,068**	1,378,580,171
Total Equity	**3,431,427,809**	3,184,442,931
TOTAL LIABILITIES AND EQUITY	**₱9,315,587,792**	₱7,777,037,943

See accompanying Notes to Financial Statements.

ACCENDO COMMERCIAL CORP.
(A Subsidiary of Ayala Land, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
REVENUE		
Real estate sales (Note 26)	**₱1,341,688,683**	₱788,411,179
Rental (Note 9)	**539,434,000**	322,575,832
CUSA and aircon charges (Note 26)	**141,525,420**	130,852,038
Interest (Note 25)	**114,150,829**	233,762,734
Other income (Note 26)	**24,757,706**	73,004,962
Equity in net earnings of associates (Note 8)	**14,391,979**	13,575,167
Other mall revenue	**6,327,085**	2,692,572
	2,182,275,702	1,564,874,484
COSTS AND EXPENSES		
Cost of real estate sold (Note 19)	**1,320,958,415**	722,969,041
Direct operating expenses (Note 20)	**395,814,454**	355,861,765
Interest and other financing charges (Notes 5, 14 and 16)	**111,074,911**	117,524,312
General and administrative expenses (Note 21)	**42,467,472**	35,770,557
	1,870,315,252	1,232,125,675
INCOME BEFORE INCOME TAX	**311,960,450**	332,748,809
PROVISION FOR INCOME TAX (Note 24)		
Current	**36,867,998**	21,880,976
Deferred	**29,681,555**	43,455,478
	66,549,553	65,336,454
NET INCOME	**245,410,897**	267,412,355
OTHER COMPREHENSIVE INCOME		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gain on pension liability (Note 23)	**1,573,981**	2,480,095
TOTAL COMPREHENSIVE INCOME	**₱246,984,878**	₱269,892,450

See accompanying Notes to Financial Statements.

ACCENDO COMMERCIAL CORP.
(A Subsidiary of Ayala Land, Inc.)

STATEMENTS OF CHANGES IN EQUITY

	Number of Shares		Years Ended December 31	
	2022	2021	**2022**	2021
PAID-IN CAPITAL				
CAPITAL STOCK - ₱1 par value (Note 17)				
AUTHORIZED CAPITAL STOCK				
Preferred	**790,000,000**	790,000,000		
Common - Class A	**60,000,000**	60,000,000		
Common - Class B	**30,000,000**	30,000,000		
	880,000,000	880,000,000		
ISSUED CAPITAL STOCK				
Preferred				
At beginning and end of year	**654,983,100**	654,983,100	**₱654,983,100**	₱654,983,100
Common				
Class A				
At beginning and end of year	**48,759,853**	48,759,853	**48,759,853**	48,759,853
Class B				
At beginning and end of year	**24,016,047**	24,016,047	**24,016,047**	24,016,047
	727,759,000	727,759,000	**727,759,000**	727,759,000
ADDITIONAL PAID-IN CAPITAL			**577,759,000**	577,759,000
TOTAL PAID-IN CAPITAL			**1,305,518,000**	1,305,518,000
REMEASUREMENT GAIN (LOSS) ON PENSION LIABILITY, NET OF TAX (Note 23)				
At beginning of year			**344,760**	(2,135,335)
Remeasurement gain on pension liability, net of tax			**1,573,981**	2,632,619
Effect of change in tax rate			–	(152,524)
At end of year			**1,918,741**	344,760
RETAINED EARNINGS (Note 17)				
Appropriated				
At beginning and end of year			**500,000,000**	500,000,000
Unappropriated				
At beginning of year			**1,378,580,171**	1,109,711,303
Adoption of PFRS 15 covered by PIC Q&A 2018-12E (Note 2)			–	1,456,513
Net income			**245,410,897**	267,412,355
At end of year			**1,623,991,068**	1,378,580,171
			₱3,431,427,809	₱3,184,442,931

See accompanying Notes to Financial Statements.

ACCENDO COMMERCIAL CORP.
(A Subsidiary of Ayala Land, Inc.)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱311,960,450**	₱332,748,809
Adjustments for:		
Interest income (Note 25)	**(114,150,829)**	(233,762,734)
Interest and other financing charges (Notes 5 and 14)	**111,074,911**	117,524,312
Depreciation (Notes 9 and 10)	**92,807,481**	94,308,034
Equity in net earnings of associates (Note 8)	**(14,391,979)**	(13,575,167)
Provision for impairment of receivables (Note 5)	**1,974,675**	2,411,577
Change in pension liability (Note 23)	**1,304,406**	1,723,139
Operating income before working capital changes	**390,579,115**	301,377,970
Decrease (increase) in:		
Real estate inventories	**(922,661,743)**	(28,985,367)
Accounts receivable	**(151,856,220)**	11,667,071
Other current assets	**(16,413,843)**	(82,370,027)
Increase (decrease) in:		
Accounts and other payables	**1,038,990,508**	(4,425,177)
Other noncurrent liabilities	**(1,581,015)**	(8,986,593)
Net cash generated from operations	**337,056,802**	188,277,877
Interest received	**345,276**	581,737
Net cash flows from operating activities	**337,402,078**	188,859,614
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investment property (Note 9)	**(166,345,208)**	(14,421,235)
Property and equipment (Note 10)	**(940,021)**	(1,547,626)
Increase (decrease) in other noncurrent assets	**(45,172,913)**	(46,172,936)
Cash flows used in investing activities	**(212,458,142)**	(62,141,797)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest and other financing charges paid	**(106,184,435)**	(120,485,434)
Payments of long-term debts	**(9,437,500)**	(9,437,500)
Dividends received (Note 8)	**7,500,000**	7,500,000
Net cash flows used in financing activities	**(108,121,935)**	(122,422,934)
NET INCREASE IN CASH	**16,822,001**	4,294,883
CASH AT BEGINNING OF YEAR	**25,214,278**	20,919,395
CASH AT END OF YEAR (Note 4)	**₱42,036,279**	₱25,214,278

See accompanying Notes to Financial Statements.

ACCENDO COMMERCIAL CORP.
(A Subsidiary of Ayala Land, Inc.)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Accendo Commercial Corp. (the Company) is domiciled in the Philippines and was registered with the Securities and Exchange Commission (SEC) on December 17, 2007. The primary purpose of the Company is to develop, invest, own, acquire, lease, hold, mortgage, administer or otherwise deal with commercial, residential, industrial or agricultural lands, buildings, structures or apertures, or in any other profitable business enterprise, venture or establishment, alone or jointly with other persons, natural or artificial. The Company's registered office address and principal place of business is at Brgy. 20-B Poblacion West, Bajada, Davao City.

The Company is 67% owned by Ayala Land, Inc. (ALI). ALI's parent company is Ayala Corporation (AC). AC is a publicly listed company which is 47.87%-owned by Mermac, Inc. and the rest by the public as of December 31, 2022. Other stockholders that own a significant share in the outstanding stock of the Company include Anflo Management and Investment Corporation (AMIC) (11.24%), Damosa Land, Inc. (DLI) (18.66%), and Pioneer Trading & Supply Co., Inc. (PITRADE) (3.10%).

The Company is currently operating the Abreeza Mall and the Abreeza Corporate Center located at J.P. Laurel St., Bajada, Davao City, which started commercial operations in May 2011 and September 2013, respectively. The Company is also engaged in selling of residential condominium units. These projects are also located at J.P. Laurel St., Bajada, Davao City.

The Company is registered with the Philippine Economic Zone Authority (PEZA) as a developer or operator of Abreeza Corporate Center and as such, the Company is entitled to a special income tax rate of 5% on gross income derived from its registered activity. Total income tax benefit availed for PEZA-registered operations amounted to ₱7.8 million and ₱6.9 million in 2022 and 2021, respectively (see Note 24).

The financial statements were approved and authorized for issue by the Board of Directors on April 14, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared using the historical cost basis. The financial statements are presented in Philippine Peso (₱), the Company's presentation and functional currency. All values are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting relief on the accounting for significant financing components as issued and approved by the SEC in response to the COVID-19 pandemic.

The Company has availed of the relief granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of PIC Q&A 2018-12-D (assessment if the transaction price includes a significant financing component) until December 31, 2023.

SEC MC No. 4-2020 deferring the adoption of IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, *Borrowing Cost* (the IFRIC Agenda Decision on Borrowing Cost) is not applicable to the Company as is it is already in full compliance with the requirements of the IFRIC Agenda Decision.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the Adoption of New and Amended Accounting Standards and Interpretations section below.

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the Company's financial statements are consistent with those of the previous financial year except for the adoption of the following new accounting pronouncements which became effective January 1, 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  These amendments have no material impact on the financial statements of the Company.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach".

The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Company applies these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements* to PFRSs 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 percent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are 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 lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Standards Issued But Not Yet Effective
Pronouncements issues but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

*Effective beginning on or after January 1, 202*3

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies; and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement;
  - That a right to defer must exist at the end of the reporting period;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right; and,
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the

International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

  The new standard is not applicable to the Company since it has no activities that are predominantly connected with insurance or issue insurance contracts.

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 the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards

Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Company is currently assessing the impact of adopting these amendments.

- Deferral of Certain Provision of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	Deferral Period
Assessing if the transaction price includes a significant financing component (SFC) as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023

  The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

  a. The accounting policies applied;
  b. Discussion of the deferral of the subject implementation issues in the PIC Q&A;
  c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted; and,
  d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

  After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

  The Company availed of the SEC relief on the accounting for significant financing component of PIC Q&A No. 2018-12. Had this provision been adopted, the Company assessed that the impact would have been as follows:

  The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable, provision for deferred income tax, deferred tax asset or liability for all years presented, and the opening balance of retained earnings. These would have impacted the cash flows from operations and cash flows from financing activities for all years presented. While there maybe instances that the performance obligation differs from the buyer's amortization schedule, initial calculation showed SFC but the consolidated impact is expected to be not material to the Company. Assumptions are still under assessment and evaluation, and the refinement to the calculation to determine the SFC is ongoing.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on current or noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or,
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in its normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participants' 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.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

An external valuer was involved for valuation of investment properties. Involvement of external valuer is decided upon annually by corporate finance after discussion with and approval by the audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

<u>Cash</u>
Cash includes cash on hand and in banks. Cash in banks earn interest at the prevailing bank deposit rates.

<u>Financial Instruments</u>
Date of recognition
The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets
Initial recognition of financial instruments
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through

OCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.
The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash, accounts receivable (excluding advances to officers and employees) and deposit in escrow as of December 31, 2022 and 2021.

Disposal of financial assets at amortized cost
When financial assets at amortized cost are disposed, these are assessed whether the Company is consistent with its objective of collecting contractual cash flows until maturity. In the event that disposals have been concluded as infrequent and insignificant, the financial assets continue to be accounted at amortized cost.

Financial assets at fair value through OCI (debt instruments)
The Company measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company does not have debt instruments at fair value through OCI as of December 31, 2022 and 2021.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of comprehensive income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have equity instruments at fair value through OCI as of December 31, 2022 and 2021.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of comprehensive income.

The Company does not have financial assets at fair value through profit or loss as of December 31, 2022 and 2021.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:
- The rights to receive cash flows from the asset have expired; or,
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Modification of Financial Assets
The Company derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated statement of income.

Impairment of Financial Assets
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix for trade receivables and a vintage analysis for sales contract receivables that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such as accrued rent receivable, receivable from related parties, and ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and deposit in escrow, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such 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. The Company uses the ratings from Standard and

Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

The key inputs in the model include the Company's definition of default and historical data of three years for the origination, maturity date and default date. The Company considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

Determining the stage for impairment
At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Company considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECLs stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

b. Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Directly attributable transaction costs are documentary stamp tax, underwriting and selling fees, regulatory filing fees and other fees.

The Company's financial liabilities include accounts and other payables (excluding statutory payables, deferred income and customer's deposit), long-term debts and other noncurrent liabilities (excluding deferred output VAT, deferred credits, security deposits and customer's deposit) as of December 31, 2022 and 2021.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category generally applies to accounts and other payables (excluding statutory payables, deferred income and customers' deposits) and long-term debts and other noncurrent liabilities (excluding deferred output VAT, deferred credit, security deposits and customers' deposits).

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

c. Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

<u>Classification of Financial Instruments between Liability and Equity</u>
A financial instrument is classified as liability if it provides for a contractual obligation to:
- deliver cash or another financial asset to another entity; or,
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or,
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as income or expense. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Real Estate Inventories

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 real estate inventories. These are carried at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of the business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost includes:

- Land cost
- Land improvement cost
- Amounts paid to contractors for construction
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other directly related costs

Value-Added Tax (VAT)

Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When input VAT exceeds output VAT, the excess is recognized as an asset in statement of financial position to the extent of the recoverable amount. Impairment loss is recognized when input VAT can no longer be recovered.

Prepayments

Prepayments are carried at cost less the amortized portion. These typically comprise prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, and insurance.

With the exception of commission which is amortized using percentage of completion, other prepaid expenses are amortized as incurred.

Investment in Associates

The Company's investment in shares of stock of Avencosouth Corp. and Aviana Development Corp., associates, are accounted for under the equity method of accounting. An associate is an entity in which the Company holds 20% or more stock ownership or where it has the ability to significantly influence the investee's operating and financial affairs.

Under the equity method, the investment is carried in the financial position at cost plus post-acquisition changes in the Company's share of the net assets of the associate. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the associate arising from changes in the associate's other comprehensive income.

Investment Properties
Investment properties consist of land and building and improvements which are held with the intention for capital appreciation or rental to others. Property held for long-term rental yields is also classified as an investment property. Investment property, except for land, is carried at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment in value.

Cost includes those costs incurred for development, improvement and construction of the properties, including capitalized borrowing costs.

Depreciation of investment property (excluding land) commences once the property is available for use. Depreciation of the building and improvements is computed using the straight-line method over its estimated useful life of 40 years. Investment property is derecognized when either it has been disposed of or is permanently withdrawn from use or no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal are recognized in the statement of comprehensive income in the year of retirement or disposal.

The separate recognition of significant components of investment property depends on whether these components serve the same purpose as the related items of investment property. If the corresponding components do not serve the same purpose, they must be recognized separately. If the component parts serve the same purpose, the need to recognize them separately depends on whether they have the same structure and the same normal useful life as the other component parts of the asset. If the structure and normal useful life are different, the component parts must be recognized separately and individually insofar as they comply with the definition of the assets. Accordingly, the cost of acquisition must be allocated to the individual components over their respective useful lives. The depreciation of the component parts must be recognized for each component part separately. The subsequent expenses for the exchange or replacement of such assets must be recognized as acquisition costs for a separate asset and depreciated over their useful life.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by: (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property; (b) commencement of development with a view to sale, for a transfer from investment property to inventories; (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or (d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

The Company discloses the fair value of its investment property lies in accordance with PAS 40. The Company engages independent valuation specialist to assess the fair value as at reporting date. The Company's investment properties consist of land and building and improvements. These were valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management is recognized in profit or loss.

Expenditures incurred after the property and equipment have been put into operation, such as maintenance and repairs, are normally charged to expense in the period in which 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 an additional cost of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Category	Number of Years
Furniture, fixtures and equipment	5-10
Transportation equipment	5-10

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

When property and equipment are sold or retired, its cost, accumulated depreciation and any impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit or loss.

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value 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 are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Security Deposits
Security deposits are measured initially at fair value. After initial recognition, security deposits are subsequently measured at amortized cost using the effective interest method. These deposits represent amounts received from merchants and will be applied against the related receivable at the end of contract.

Deferred Credits
Deferred credits pertain to advance payments by the customers to cover various processing fees in relation to the sale of real estate inventories including, but not limited to, fees related to transfer of title and water and electricity connection fees. These are payable in the month preceding the last installment month. These are initially measured at cost of the various processing fees.

Deferred credits are reversed upon payment of the Company for various processing fees in relation to the sale of real estate inventories on behalf of the customers. Shortage of deferred credits shall be billed from the buyer and excess shall be recognized as other income in the statement of comprehensive income upon full project close out.

Equity
Capital stock
The Company records common and preferred shares at par value.

Preferred shares that provide for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date, or give the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount are classified as liability. Otherwise, they are classified as equity.

Retained earnings
Retained earnings include accumulated profits attributable to the Company's equity holders and reduced by dividends on capital stock. Dividends on capital stock, if any, are recognized as a liability and deducted from equity when they are approved by the Company's BOD, except for stock dividends which require the approval by the Company's stockholders. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Retained earnings may also include effect of changes in accounting policy as may be required by the transitional provisions of new and amended standards.

The Company considers the underlying substance and economic reality of its own equity instrument and not merely its legal form in determining its proper classification.

Revenue and Cost Recognition
Revenue from Real Estate Sales
The Company derives its real estate revenue from sale of condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its

contract with the buyers, the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date. In measuring the progress of its performance obligation over time, the Company uses the output method. The Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third-party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized as trade receivables under residential and office development receivables account. Any excess of collections over the total of recognized trade receivables is included in the "customers' deposit" account in the liabilities section of the statement of financial position. The impact of the significant financing component on the transaction price has not been considered since the Company availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry. Under the SEC Memorandum Circular No. 34, the relief has been extended until December 31, 2023.

In circumstances when the Company cancels the contract with customers, the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Cost recognition
The Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation and permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Customers' deposit
A customers' deposit is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a customers' deposit is recognized when the payment is made, or the payment is due (whichever is earlier). Customers' deposits are recognized as revenue when the Company performs under the contract.

Customers' deposit also include payments received by the Company from the customers for which revenue recognition has not yet commenced.

Costs to obtain contract
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. The Company has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Cost of real estate sold" account in the statement of comprehensive income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization, derecognition and impairment of capitalized costs to obtain a contract
The Company amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Company determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Rental income
Rental income under non-cancellable and cancellable leases on investment property is recognized in the statement of comprehensive income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Other mall revenue
Other mall revenue is recognized when services are rendered and goods are delivered.

Other income
Other income is recognized when earned.

Interest income
Interest income is recognized as it accrues using the effective interest rate, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets.

Unearned discount is recognized as income over the terms of the financial assets at amortized cost using the effective interest method and is shown as deduction from the financial assets.

Common usage service area (CUSA) and aircon charges
The contract for the commercial spaces leased out by the Company to its tenants includes the right to charge for the electricity usage, water usage, air-conditioning charges and CUSA like maintenance, janitorial and security services. These are recognized at a point in time.

For the electricity and water usage, the Company determined that it is acting as an agent because the promise of the Company to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Company, are primarily responsible for the provisioning of the utilities while the Company administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air-conditioning of the buildings, the Company acts as a principal because it retains the right to direct the service provider of air-conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Company has the discretion on how to price the CUSA and air-conditioning charges.

Expense Recognition
Expenses are recognized in the statement of income when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in profit or loss:
- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or,
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Direct operating expenses and general and administrative expenses are recognized as they are incurred.

Operating Lease
Company as a Lessor
Leases where the Company does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned. Operating lease receipts are recognized as an income in the statement of comprehensive income on a straight-line basis over the lease term.

Pension Liability
The Company has unfunded, noncontributory retirement benefit plans covering all their eligible regular employees. Pension cost is actuarially determined using the projected unit credit method.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Taxes
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, 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 with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences 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.

Deferred tax assets and deferred liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

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

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) 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. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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 interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

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

Events after the Reporting Period

Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Company's position at each reporting date (adjusting events) are reflected in the financial statements. Significant post year-end events that are not adjusting events are disclosed in the notes to the financial statements, when material.

3. Management's Judgments, Assumptions and Use of Estimates

The preparation of the financial statements in compliance with PFRSs requires management to make judgments, assumptions and estimates that affect the amounts reported in the financial statements and accompanying notes. The judgments, assumptions and estimates used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such as estimates.

Management believes the following represent a summary of these significant judgments, assumptions and estimates:

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

Functional currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is also the currency that mainly influences the costs of producing the goods and the currency in which receipts from operating activities are usually retained.

Accounting for investment in associate
The Company's investment in shares of stock of Aviana Development Corp. is accounted for under the equity method of accounting. The Company has determined that significant influence can still be exercised despite not having reached the quantitative threshold of 20% of the voting power for the applicability of equity method because of the representation on the board of directors and policy-making processes by both Companies which makes it appropriate to record the investment using equity method.

Operating lease
The Company has entered into commercial property leases on its investment property portfolio as a lessor. The Company has determined that it retains all significant risks and rewards of ownership of the property as the Company considered, among others, the length of the lease term as compared with the estimated life of the investment property.

Some of the Company's operating lease contracts are accounted for as noncancelable operating leases and the rest are cancellable. In determining whether a lease contract is cancellable or not, the Company considers among others, the significance of the penalty, including the economic consequence to the lessee.

Classification of property
The Company determines whether a property is classified as investment property or inventory as follows:

- Investment property comprises land and buildings and improvements which are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Company develops and intends to sell before or on completion of construction.

Distinction between investment properties and owner-occupied properties
The Company determines whether a property qualifies as an investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciations and another portion that is held for use in the supply of services or for administrative purposes. If these portions cannot be sold separately as of reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment (see Notes 9 and 10).

Collectability of the sales price
In determining whether the sales prices are collectible, the Company considers that initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

Existence of a contract
The Company's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell is not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress
The Company concluded that revenue for real estate sales is to be recognized over time because: (a) the Company's performance does not create an asset with an alternative use and; (b) the Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Company. The Company considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

The Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development to the customers.

Sale of real estate receivables
The Company has entered into arrangements with banks wherein it discounted its real estate receivables without recourse. The Company believes that the sales transactions are not more than infrequent and that the receivables discounted is insignificant in value both individually and in aggregate. Accordingly, the Company continues to present trade receivables at amortized cost as it remains to hold trade receivables with the objective of collecting contractual cash flows until maturity.

Definition of default and credit-impaired financial assets
The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria - for sales contracts receivable, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria
The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:
a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financial covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. Concessions have been granted by the Company, for economic or contractual reasons relating to the customer's financial difficulty
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Company's expected loss calculation.

Incorporation of forward-looking information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Company considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Company's evaluation and assessment and after taking into consideration external actual and forecast information, the Company formulates a "base case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.
The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Assessment on whether lease concessions granted constitute a lease modification
In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Company waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

The Company applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, the Company determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Company assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

The rent concessions granted by the Company amounted to ₱58.6 million and ₱142.8 million for the year ended December 31, 2022 and 2021, respectively (see Note 18).

Management's Use of Estimates and Assumptions

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

Revenue recognition on real estate projects

The Company's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Company's revenue from real estate and construction contracts is recognized based on the percentage of completion measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual cost of real estate sold incurred to date over the estimated total costs of the project. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists (project engineers). Prior to 2021, the Company includes land in the calculation of POC since the Company availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry. In 2021, the Company did not avail of the relief provided by the SEC and adopted the provision on the treatment of land in the determination of POC.

Provision for expected credit losses of trade and other receivables

The Company uses a provision matrix to calculate ECLs for trade receivables other than sales contract receivables. The provision rates are based on days past due for companies of various customer segments that have similar loss patterns.

The Company uses vintage analysis approach to calculate ECLs for residential receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

For other receivables such as accrued receivable, receivable from related parties. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Company has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables from sale of real estate during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

The information about the ECLs on the Company's trade receivables is disclosed in Notes 5 and 27.

Evaluation of net realizable value of real estate inventories
The Company adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Company in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete 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.

As of December 31, 2022 and 2021, the net realizable value of real estate inventories amounted to ₱2.2 billion and ₱1.3 billion, respectively (see Note 6).

Useful lives of investment property and property and equipment
The Company estimates the useful lives of investment property (excluding land) and property and equipment based on the economic lives of investment property and property and equipment. The estimated useful lives of investment property and property and equipment are reviewed periodically and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the investment property and property and equipment. However, it is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the investment property and property and equipment would increase the recorded expenses and decrease the noncurrent assets.

As of December 31, 2022 and 2021, the aggregate carrying values of investment property (excluding land) and property and equipment amounted to ₱2.3 billion in each year (see Notes 9 and 10).

Impairment of nonfinancial assets
The Company assesses at each reporting period whether there is an indication that advances to officers and employees (presented under accounts receivable), other current assets (excluding deposit in escrow), investment in associates, investment properties, property and equipment and other noncurrent assets may be impaired. Determining the value in use of these assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of these assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact

on the Company's financial position and results of operations. The preparation of the estimated future cash flows involves significant judgments and estimates. While the Company believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.

As of December 31, 2022 and 2021, the aggregate carrying values of advances to officers and employees (presented under "Accounts receivable"), other current assets (excluding deposits in escrow), investment in associates, investment property, property and equipment and other noncurrent assets amounted to ₱5.2 billion and ₱4.8 billion (see Notes 5, 7, 8, 9, 10 and 11). No provision for impairment losses was recognized in 2022 and 2021.

Estimating pension liability
The determination of the Company's obligation and cost for pension is dependent on selection of certain assumptions used by actuaries in calculating such amounts. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Significant assumptions are disclosed in Note 23 and include among others, discount rate and salary increase rate.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

As of December 31, 2022 and 2021, pension liability amounted to ₱7.5 million and ₱8.3 million, respectively (see Note 23). Retirement costs charged to operations amounted to ₱1.3 million and ₱1.7 million in 2022 and 2021, respectively (see Notes 21, 22 and 23).

Deferred tax assets
The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets 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 assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income.

As of December 31, 2022 and 2021, the Company recorded deferred tax assets of ₱11.0 million and ₱9.9 million, respectively (see Note 24).

4. **Cash**

	2022	2021
Cash on hand	**₱211,500**	₱211,500
Cash in banks	**41,824,779**	25,002,778
	₱42,036,279	₱25,214,278

Cash in banks earn interest at prevailing bank deposit rates.

Interest income from cash in banks amounted ₱138,695 and ₱127,347 in 2022 and 2021, respectively (see Note 25).

5. Accounts Receivable

	2022	2021
Trade		
Condominium units	**₱1,441,578,404**	₱1,234,927,875
Commercial spaces	**202,844,988**	178,048,986
Accrued rent receivable	**215,102,111**	185,109,497
Related parties (Note 16)	**40,378,455**	36,324,277
Advances to officers and employees	**743,125**	574,675
Others	**380,000**	380,000
	1,901,027,083	1,635,365,310
Less allowance for impairment	**12,716,297**	10,741,622
	1,888,310,786	1,624,623,688
Less noncurrent portion	**405,892,449**	260,093,751
	₱1,482,418,337	₱1,364,529,937

The classes of trade receivables of the Company are as follows:

- Condominium units - pertain to receivables from the sale of condominium units; and,
- Commercial spaces - pertain to receivables from rentals of retail and office spaces.

The sales contracts receivable from condominium units, included under trade receivables, are collectible in monthly installments over a period of two to five years. Titles to condominium units are not transferred to the buyers until full payment has been made.

In 2022 and 2021, trade receivables from sale of condominium units with a total nominal amount of ₱1.7 billion and ₱1.5 billion, respectively, were recorded initially at fair value. The fair values of the receivables were obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Movements in the unamortized discount in trade receivables as of December 31, 2022 and 2021 are as follows:

	2022	2021
At beginning of the year	**₱276,186,139**	₱489,893,478
Additions	**59,893,595**	19,473,657
Accretion (Note 25)	**(113,805,553)**	(233,180,997)
At end of the year	**₱222,274,181**	₱276,186,138

Trade receivables from commercial spaces are non-interest bearing and are generally on 30 days' term.

Accrued rent receivable pertains to rent receivable from rentals of commercial spaces and additional expected rent for the period as a result of the PFRS 16 adjustment which was determined using the straight-line basis.

Allowance for impairment losses arose from trade receivables from commercial spaces. Trade receivables amounting to ₱12.7 million and ₱10.7 million were impaired and fully provided as of December 31, 2022 and 2021, respectively.

Movements in the allowance for impairment of trade receivables are as follows:

	2022	2021
At beginning of the year	**₱10,741,622**	₱11,897,968
Provision for impairment of receivables (Note 21)	**1,974,675**	2,411,577
Write-off of receivables	**–**	(3,567,923)
At end of the year	**₱12,716,297**	₱10,741,622

The Company sold residential receivables on a without recourse basis to Security Bank Philippines amounting to ₱155.9 million and to Bank of the Philippine Islands-Family Savings Bank Inc., a related party, amounting to ₱589.2 million in 2022 and 2021, respectively. This was sold at a discount with total proceeds of ₱133.3 million and ₱548.7 million in 2022 and 2021, respectively. The Company recognized loss on sale (presented under "Interest and other financing charges") amounting to ₱22.6 million and ₱40.5 million in 2022 and 2021, respectively.

6. Real Estate Inventories

Real estate inventories are accounted for as follows:

	2022	2021
January 1	**₱1,291,457,489**	₱1,262,472,122
Additions	**2,003,624,423**	609,584,258
Real estate inventories sold (Note 19)	**(1,080,962,680)**	(580,598,891)
December 31	**₱2,214,119,232**	₱1,291,457,489

Real estate inventories are carried at cost as of December 31, 2022 and 2021 as the NRV of all real estate inventories is substantially in excess of cost.

7. Other Current Assets

	2022	2021
Creditable withholding taxes	**₱135,197,559**	₱91,334,121
Net input VAT	**83,953,110**	77,035,430
Deposits in escrow	**15,325,101**	15,048,148
Prepaid commission (Notes 11 and 12)	**15,060,133**	81,679,654
Prepayments	**2,968,487**	3,509,916
Prepaid income tax	**1,252,250**	1,252,250
Materials and supplies	**634,729**	4,986,005
	₱254,391,369	₱274,845,524

Creditable withholding taxes are applied against income tax payable.

Net input VAT pertains to the 12% indirect tax passed on to the Company in the course of its business on local purchases of goods and services, including lease or use of property from VAT-registered entities. Input VAT is presented net of output VAT on the Company's income subjected to VAT.

Deposits in escrow consist of investments in time deposits as required by the escrow agreement with Housing and Land Use Regulatory Board (HLURB) in relation to Avida Towers Abreeza Tower 2 project. These are investments in fixed income securities which will mature on February 2, 2022. Interest income on deposits in escrow amounted to ₱206,581 and ₱46,390 in 2022 and 2021, respectively (see Note 25).

Prepayments include other expenses which are expected to be applied or incurred within the normal operating cycle of the Company.

Prepaid income tax pertains to the excess of tax credits over income tax due

Materials and supplies pertain to stocks from the food and beverage operations of the Company.

8. **Investment in Associates**

	2022	2021
Cost		
At beginning of year	**₱330,699,500**	₱338,199,500
Dividends	**(7,500,000)**	(7,500,000)
At end of year	**323,199,500**	330,699,500
Accumulated equity in net earnings		
At beginning of year	**159,157,892**	146,022,086
Equity in net earnings	**14,391,979**	13,575,167
Retained earnings adjustment	**–**	(439,361)
At end of year	**173,549,871**	159,157,892
	₱496,749,371	₱489,857,392

The Company's investment in Avencosouth Corp., a 30% owned associate has a carrying value of ₱267.0 million and ₱269.6 million as of December 31, 2022 and 2021, respectively. The associate was incorporated on April 26, 2012 and started commercial operations on August 11, 2012. It is operating in the real estate industry and is currently developing and selling units at Avida Towers Davao project, a two-tower condominium project located at C.M. Recto Avenue, Davao City. The Company recognized share in the net loss from Avencosouth Corp. amounting to ₱2.6 million and ₱7.6 million in 2022 and 2021, respectively. The Company's total cost of investment amounted to ₱180.0 million as of December 31, 2022 and 2021.

The following table summarizes the financial information of the investment in Avencosouth Corp:

	2022	2021
Current assets	**₱347,572,338**	₱378,922,031
Noncurrent assets	**718,196,503**	706,072,118
Current liabilities	**172,188,564**	180,100,660
Noncurrent liabilities	**3,596,910**	6,343,944
Revenue	**(10,924,533)**	2,151,955
Costs and expenses	**504,720**	38,540,380
Net income (loss)	**(8,566,178)**	(25,172,298)

The Company's investment in Aviana Development Corp., a 10% owned associate has a carrying value of ₱229.8 million and ₱220.3 million as of December 31, 2022 and 2021, respectively. The associate was incorporated on September 17, 2013. The Company handles the development of a waterfront property in Lanang, Davao City. The Company recognized share in the net income of Aviana Development Corp. amounting to ₱17.0 million and ₱21.1 million in 2022 and 2021, respectively. The Company received dividends amounting to ₱7.5 million in each year in 2022 and

2021. The Company's total cost of investment amounted to ₱143.2 million and ₱150.7 million as of December 31, 2022 and 2021.

The Company's significant influence is exercised through the representation in the Board of Directors of Aviana.

The following table summarizes the financial information of the investment in Aviana Development Corp.:

	2022	2021
Current assets	**₱2,655,493,807**	₱3,026,422,257
Noncurrent assets	**1,543,767,019**	2,087,366,982
Current liabilities	**1,538,482,255**	2,500,446,306
Noncurrent liabilities	**363,229,976**	410,412,652
Revenue	**1,018,915,345**	1,716,886,530
Costs and expenses	**792,810,156**	1,440,680,766
Net income	**169,618,314**	211,268,563

9. **Investment Properties**

2022

	Land	**Building and Improvements**	**Total**
Cost			
At January 1	₱1,354,537,403	₱3,236,921,774	**₱4,591,459,177**
Additions	107,345,182	111,430,026	**218,775,208**
At December 31	1,461,882,585	3,348,351,800	**4,810,234,385**
Accumulated Depreciation			
At January 1	–	977,636,054	**977,636,054**
Depreciation (Note 20)	–	91,966,880	**91,966,880**
At December 31	–	1,069,602,934	**1,069,602,934**
Net Book Value	₱1,461,882,585	₱2,278,748,866	**₱3,740,631,451**

2021

	Land	Building and Improvements	Total
Cost			
At January 1	₱1,354,537,403	₱3,222,500,539	₱4,577,037,942
Additions	–	14,421,235	14,421,235
At December 31	1,354,537,403	3,236,921,774	4,591,459,177
Accumulated Depreciation			
At January 1	–	884,195,904	884,195,904
Depreciation (Note 20)	–	93,440,150	93,440,150
At December 31	–	977,636,054	977,636,054
Net Book Value	₱1,354,537,403	₱2,259,285,720	₱3,613,823,123

The Company's investment property pertains land for future development, mall, and office spaces rented by tenants. Total rental income arising from investment property amounted to ₱539.4 million and ₱322.6 million in 2022 and 2021, respectively. Depreciation expense arising from the investment property amounted to ₱91.9 million and ₱93.4 million in 2022 and 2021, respectively. (see Note 20).

On September 20, 2022, the Company acquired a parcel of land with an area of approximately 104,860 square meters located in Toril, Davao City amounting to ₱107.4 million inclusive of transaction costs amounting to ₱2.5 million. The Company has cash bond from Department of Agriculture amounting to ₱29.0 million presented as “Others” under noncurrent assets (see Note 11).

The market value of the investment property as determined by an independent real estate appraiser amounted to ₱19.5 billion and ₱5.8 billion as of December 31, 2022 and 2021, respectively. This value was based on market value approach (Level 3 hierarchy) which considers the estimated amount for which a property should exchange on the date of valuation assuming that market participants act in their best economic interest. Market value is understood as the value of an asset estimated without regard to cost of sale or purchase and without offset for any associated taxes. Significant increase or decrease in the economic market value of the land brought by inflation, area stability, development and improvements per hectare, per location over time would result in a significantly higher or lower fair value of the property.

The value of the land was arrived at using the Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. This valuation approach is categorized as Level 3 in the fair value hierarchy as at December 31, 2022 and 2021. The significant unobservable input to the valuation is the price per square meter.

For land, significant increases or decreases in estimated price per square meter in isolation would result in a significantly higher or lower fair value on a linear basis.

The fair value of the building was arrived at using the Income Approach. This is an approach in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value.

For buildings, significant increases or decreases in the replacement and reproduction costs, in isolation, would result in a significantly higher or lower fair value of the properties.

10. Property and Equipment

2022

	Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost			
At January 1	₱8,008,755	₱1,364,806	**₱9,373,561**
Additions	940,021	–	**940,021**
At December 31	8,948,776	1,364,806	**10,313,582**
Accumulated Depreciation			
At January 1	5,019,903	1,364,806	**6,384,709**
Depreciation (Note 21)	840,601	–	**840,601**
At December 31	5,860,504	1,364,806	**7,225,310**
Net Book Value	₱3,088,272	₱ –	**₱3,088,272**

2021

	Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost			
At January 1	₱6,461,129	₱1,364,806	₱7,825,935
Additions	1,547,626	–	1,547,626
At December 31	8,008,755	1,364,806	9,373,561
Accumulated Depreciation			
At January 1	4,208,544	1,308,281	5,516,825
Depreciation (Note 21)	811,359	56,525	867,884
At December 31	5,019,903	1,364,806	6,384,709
Net Book Value	₱2,988,852	₱ –	₱2,988,852

As of December 31, 2022 and 2021, fully depreciated property and equipment still used in the Company's operations amounted to ₱5.3 million and ₱4.6 million, respectively.

11. Other Noncurrent Assets

	2022	2021
Project costs	**₱382,899,459**	₱230,724,035
Advances to contractors	**117,132,237**	93,219,327
Net input VAT- net of current portion	**104,861,343**	40,697,734
Prepaid commission - net of current portion (Notes 7 and 12)	**24,952,713**	24,731,949
Deferred input VAT	**163,226**	263,763
Others (Note 16)	**46,252,054**	64,590,789
	₱676,261,032	₱454,227,597

Project costs pertain to payments for master planning fees and construction expenditures necessary for the development of the residential properties.

Advances to contractors are recouped upon every progress billing payment depending on the percentage of accomplishment.

Deferred input VAT pertains to VAT on capital goods or properties that are recoverable in future periods.

Others include noncurrent deposits and marketing and management fees to Alveo.

12. Customers' Deposits and Cost to Obtain a Contract

Customers' deposits

Customer's deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion.

Movements of customers' deposits are as follows:

	2022	2021
At beginning of the year	**₱515,295,153**	₱315,133,782
Additions	**12,570,079**	359,902,146
Recognized to revenue	**(402,246,595)**	(159,740,775)
	125,618,637	515,295,153
Less current portion (Note 13)	**84,535,762**	454,149,080
Customers' deposits – noncurrent (Note 15)	**₱41,082,875**	₱61,146,073

The amount of revenue recognized from amounts included in contract liabilities at the beginning of the year amounted to ₱402.3 million and ₱159.7 million in 2022 and 2021, respectively.

Cost to obtain a contract
Prepaid commission pertains to costs of obtaining a contract paid to brokers on the sale of pre-completed real estate units and is charged to expense in the period in which the related revenue is recognized as earned.

The balances below pertain to the cost to obtain contracts included in the other current and noncurrent assets (see Notes 7 and 11):

	2022	2021
At beginning of the year	**₱106,411,603**	₱139,754,222
Additions	**26,570,073**	22,230,798
Amortization (Note 19)	**(92,968,830)**	(55,573,417)
At end of the year	**₱40,012,846**	₱106,411,603

13. Accounts and Other Payables

	2022	2021
Payables to related parties (Note 16)	**₱2,130,203,271**	₱1,219,771,846
Accrued project costs	**845,006,139**	322,706,889
Accounts payable	**238,955,409**	114,736,483
Retention payable	**99,845,301**	1,868,101
Customers' deposits (Note 12)	**84,535,762**	454,149,080
Nontrade payable	**79,865,729**	14,823,089
Deferred credits	**59,584,392**	47,765,616
Commission payables (Note 12)	**40,012,846**	106,411,603
Deferred output VAT	**31,598,337**	73,595,826
Taxes payable	**17,529,378**	1,342,401
Interest payable	**10,306,735**	5,961,644
Accrued expenses	**4,380,324**	3,197,052
Others	**28,179,531**	31,047,404
	₱3,670,003,154	₱2,397,377,034

Accrued project costs arise from unbilled project costs from its contractors on the development of residential projects. These are non-interest bearing and are normally settled within the normal operating cycle of the Company.

Accounts payable arise from regular transactions with suppliers and service providers. These are non-interest bearing and are normally settled on 15 to 60-day terms.

Retention payable represents a certain percentage of the total project costs that is withheld for payment to the contractor until the end of the construction of the project.

Nontrade payable pertains to the accruals of items such as utilities and advertising, which will be settled within twelve months from the reporting date. These are non-interest bearing and are normally settled within one year.

Deferred credits pertain to advance payments from customers to cover various processing fees in relation to the sale of real estate inventories including, but not limited to, fees related to transfer of title and water and electricity connection fees.

Commission payables to brokers arise on the sale of pre-completed real estate units and are normally settled within one year.

Deferred output VAT pertains to VAT on uncollected portion of total selling price of real estate installment sales which are payable to BIR upon collection from customers.

Taxes payable pertains to expanded withholding taxes and other taxes payable. Expanded withholding taxes are settled on a monthly basis. Other taxes payable are normally settled within one year.

Interest payable represents accrued interest from long-term debt and is expected to be settled within one year.

Accrued expenses comprise of professional fees and other expenses already incurred but not yet paid.

Others mainly pertain to statutory payables, security deposits and deferred income. These are non-interest bearing and are normally settled within one year.

14. **Long-term Debt**

This account represents loan agreement binding.

Loan from a local universal bank
On October 23, 2020, a long-term loan was availed from a universal banking corporation in the maximum principal amount of up to ₱800.0 million, payable in semi-annual installment starting at the end of the fifth (5th) year from the initial drawdown date and a lump sum payment in 2028 for the balance of the loan. The loan bears an annual fixed interest rate of 4.25%.

The outstanding long-term loan amounted to ₱795.1 million and. ₱794.6 million, net of deferred financing cost of ₱4.9 million and ₱5.4 million in 2022 and 2021, respectively.

The loan is covered by an agreement which provides certain restrictions and requirements for the Company to maintain a debt-to-equity ratio of not greater than 3.0 to 1.

As of December 31, 2022 and 2021, the Company's debt-to-equity ratio is 1.72 to 1 and 1.44 to 1, respectively. The Company is compliant with the loan covenant.

Total interest expense recognized related to these loans amounted to ₱34.5 million and ₱34.0 million in 2022 and 2021.

Movements of long-term debt are as follows:

	2022	2021
At January 1	**₱794,582,536**	₱794,044,931
Amortization of deferred financing cost	**545,385**	537,605
At December 31	**₱795,127,921**	₱794,582,536

Movements of deferred financing costs are as follows:

	2022	2021
At January 1	**₱5,417,464**	₱6,000,000
Amortization of deferred financing cost	**545,385**	582,536
At December 31	**₱4,872,079**	₱5,417,464

Loan from Parent Company
On September 28, 2015, a loan amounting to ₱462.5 million was taken out from the Parent Company. This is apart from the ₱478.0 million credit facility taken out from a local government-owned universal bank and availment of ₱3.3 million loans, resulting to a total of ₱943.8 million long-term debt from the Parent Company.

On August 28, 2022, the Parent Company assigned the remaining balance of the loan amounting to ₱906.0 million to the same local government-owned universal bank. The assigned loan carries a floating rate applicable for the remaining 3.5 years of the long -term facility. There is no change in interest rate and terms of the loan.

Movement of loan from Parent Company, which was assigned to a local universal bank, is as follows:

	2022	2021
At January 1	**₱896,562,500**	₱915,437,500
Loan payments	**(9,437,500)**	(9,437,500)
At December 31	**887,125,000**	906,000,000
Less current portion	**9,437,500**	9,437,500
	₱877,687,500	₱896,562,500

Total interest expense recognized related to this loan amounted to ₱40.8 million and ₱41.2 million in 2022 and 2021, respectively.

15. **Other Noncurrent Liabilities**

	2022	2021
Security deposits	**₱157,443,667**	₱144,933,555
Deferred credits - net of current portion	**110,452,705**	96,146,858
Deferred output VAT - net of current portion	**78,981,862**	92,098,773
Customers' deposit - net of current portion (Note 12)	**41,082,875**	61,146,073
Others	**7,068,118**	2,284,983
	₱395,029,227	₱396,610,242

Security deposits mainly consist of the six months deposits paid by mall tenants at the beginning of the lease term, to be applied against outstanding rent receivable at the end of the contract.

16. Related Party Transactions

The Company, in the normal course of business, has entered into transactions with related parties consisting primarily of development, management and marketing agreements. Services rendered to and received from related parties are made at normal market prices. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. The transactions are made at terms and prices agreed upon by the parties. Outstanding related party balances are generally settled in cash.

The Company's statements of financial position and statements of comprehensive income include the following accounts resulting from transactions with related parties:

a. Interest expense related to short-term intercompany loans amounted to ₱13.2 million and ₱1.8 million in 2022 and 2021, respectively.

b. Transactions with the Parent Company and affiliates are as follows:

	Amount		Receivables from related parties (Note 5)		Terms	Conditions
	2022	2021	**2022**	2021		
Affiliate						
Globe Telecom, Inc.						
Rental revenue	**₱21,307,674**	₱20,579,185	**₱12,797,283**	₱7,844,198	On demand, non-interest bearing	Unsecured, no impairment
Fellow subsidiaries						
Alveo Land Corp.						
Rental revenue and other charges	**4,644,554**	2,372,891	**786,749**	1,895,466	On demand, non-interest bearing	Unsecured, no impairment
Southcrest Hotel Ventures						
Land lease	**2,287,290**	992,382	**1,243,247**	1,044,670	On demand, non-interest bearing	Unsecured, no impairment
Amicassa Process Solutions, Inc.						
Rental revenue and other charges	**1,582,715**	1,152,388	**545,419**	368,279	On demand, non-interest bearing	Unsecured, no impairment
Leisure and Allied Industries.						
Rental revenue and other charges	**4,062,946**	1,076,831	**165,226**	163,866	On demand, non-interest bearing	Unsecured, no impairment
Avida Land Corp.						
Rental revenue and other charges	**4,201,500**	1,496,961	**75,593**	1,511,150	On demand, non-interest bearing	Unsecured, no impairment
BPI						
Rental revenue and other charges	**10,847,960**	9,218,614	**50,156**	–	On demand, non-interest bearing	Unsecured, no impairment
Others						
Rental revenue and other charges	**119,345**	2,972,424	**17,665,794**	17,546,449	On demand, non-interest bearing	Unsecured, no impairment
Associates						
Avencosouth Corp.						
Rental and expenses paid on behalf of the associate	**1,111,708**	1,063,105	**4,919,039**	3,536,205	On demand, non-interest bearing	Unsecured, no impairment
Aviana Development Corp.						
Rental and expenses paid on behalf of the associate	**1,218,319**	3,211,436	**2,129,949**	2,413,994	On demand, non-interest bearing	Unsecured, no impairment
Cash dividends	**7,500,000**	7,500,000	**–**	–	On demand, non-interest bearing	Unsecured, no impairment
			₱40,378,455	₱36,324,277		

	Amount 2022	Amount 2021	Payables to related parties (Note 13) 2022	Payables to related parties (Note 13) 2021	Terms	Condition
Parent						
Ayala Land, Inc.						
Management fees (Note 20)	**₱40,604,404**	₱29,864,823	**₱206,873,808**	₱179,429,319	On demand, non-interest bearing	Unsecured; no collateral
Other charges	**38,199,442**	43,364,804	**26,559,866**	73,372,841	On demand, non-interest bearing	Unsecured; no collateral
Short Term Loan	**239,000,000**	–	**239,000,000**	–	Due on March of the following year, subject to 5.71% ave. interest rate	Unsecured; no collateral
Fellow subsidiaries						
Makati Development Corporation						
Construction contracts	**1,582,946,521**	833,959,889	**427,409,711**	394,606,865	On demand, non-interest bearing	Unsecured; no collateral
Other charges	**1,506,696**	773,105	**–**	–	On demand, non-interest bearing	Unsecured; no collateral
Short-term Loan	**187,000,000**	74,000,000	**–**	74,000,000	Due on Jan of the following year, subject to 1.95% interest	Unsecured; no collateral
Alveo Land Corporation						
Management, marketing and commission (Note 19)	**107,915,476**	55,672,302	**138,428,032**	228,521,728	On demand, non-interest bearing	Unsecured; no collateral
Other charges	–	574,000	**319,642**	244,385	On demand, non-interest bearing	Unsecured; no collateral
Avida Land Corporation						
Management, marketing and commission (Note 19)	**131,297,867**	87,802,762	**206,828,123**	136,431,639	On demand, non-interest bearing	Unsecured; no collateral
Other Charges	**456,733**	–	**456,733**	–		
Philippine Integrated Energy Solutions, Inc.						
Aircondition charges	**95,184,205**	87,410,761	**13,418,284**	9,583,460	Interest bearing	Unsecured; no collateral
Other Charges	**–**	4,444	**–**	–	On demand, non-interest bearing	Unsecured; no collateral
AyalaLand Malls, Inc.						
Service Fees	**3,465,299**	1,465,998	**476,314**	2,611,229	Interest bearing	Unsecured; no collateral
Ayalaland Malls Northeast, Inc.						
Service Fees	**989,497**	401,260	**205,059**	1,338,487	Interest bearing	Unsecured; no collateral
Aprisa Business Process Solutions, Inc.						
Service fees	**1,942,777**	1,461,808	**582,731**	730,901	Interest bearing	Unsecured; no collateral
Short-term loan	**43,000,000**	**–**	**43,000,000**	–	Due on March of the following year, subject to 5.50% interest	Unsecured; no collateral
Ayala Property Management Corporation						
Outside services	**345,056**	250,996	**–**	193,263	On demand, non-interest bearing	Unsecured; no collateral
Service fees	**373,542**	492,936	**579,693**	136,737	On demand, non-interest bearing	Unsecured; no collateral
Short-tem loan	**25,000,000**	–	**20,000,000**	–	Due on January of the following year, subject to 3.05% interest	Unsecured; no collateral
Other charges	**3,866,809**	72,907	**3,977,711**	–	On demand, non-interest bearing	Unsecured; no collateral
Others						
Fees and other charges	**355,466,549**	121,930,006	**802,087,564**	118,570,992	On demand non-interest bearing	Unsecured; no collateral
			₱2,130,203,271	₱1,219,771,846		

17. **Equity**

Preferred shares
The preferred shares have the following features:

(a) Voting Rights
The holders of the redeemable preferred shares outstanding from time to time (the "Preferred Shareholders") shall have voting rights in accordance with Section 6 of the Corporation Code of the Philippines.

(b) Dividends
The preferred shareholders shall be entitled to participate in any regular dividend declaration for the common shares of stock to be paid out of unrestricted retained earnings at the same rate and upon the same terms as declared and paid to holders of the common shares ("the Common Shareholders"). The preferred shareholders shall also be entitled to such other dividends as may be determined and approved by the BOD.

Unless dividends on all outstanding shares of redeemable preferred shares shall have been paid or declared, (i) no dividends shall be paid or declared with respect to the common shares; (ii) no distribution shall be made with respect to the common shares as to distribution upon liquidation, dissolution, or winding-up; (iii) nor shall any common shares (upon liquidation, dissolution, or winding-up of the Company) be redeemed, purchased, or otherwise acquired for any consideration by the Company.

(c) Liquidation Rights
In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the redeemable preferred shares shall be entitled to receive out of the assets of the Company available for distribution to the shareholders, before any distribution of assets is made to holders of common shares, distributions in the amount of the issue value per outstanding redeemable preferred share, plus declared and unpaid dividends to the date of distribution.

(d) Redemption
The redeemable preferred shares may be redeemed at the option of the Company. Any redeemable preferred shares to be redeemed at the price and under such terms and conditions and procedures as shall be determined by the BOD, provided, that in no case shall the redemption price of the actual number of the redeemable preferred shares be less than the cost of such shares as recorded in the books of the Company at the time of redemption.

Retained earnings
On April 12, 2019, the Company approved the appropriation of its retained earnings amounting to ₱500.0 million for its project pipeline requirements. The project is expected to be completed in three to five years.

Capital management
The primary objective of the Company's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value.

The Company is exposed to externally imposed capital requirement (see Note 14). The Company monitors capital using a debt-to-equity ratio, which is total debt divided by total capital, maintained at 3:1. The Company considers as capital both common and preferred shares which are entitled to receive dividends, but preferred shares enjoy a preference in the distribution of dividends. As of December 31, 2022 and 2021, the Company has met the desired debt to equity ratio of 3:1.

The Company stockholders' core economic capital is as follows:

	2022	2021
Paid-in capital		
Issued capital stock	**₱727,759,000**	₱727,759,000
Additional paid-in capital	**577,759,000**	577,759,000
Retained earnings		
Appropriated	**500,000,000**	500,000,000
Unappropriated	**1,623,991,068**	1,378,580,171
	₱3,429,509,068	₱3,184,098,171

18. Leases

The Company enters into lease agreements with third parties on its investment property portfolio, covering the Company's retail and office spaces. These leases have terms ranging from one to 25 years and generally provide for either: (a) fixed monthly rent; or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

The rental income for operating leases amounted to ₱539.5 million and ₱322.6 million in 2022 and 2021, inclusive of straight-line adjustment amounting to ₱10.8 million and ₱13.1 million in 2022 and 2021, respectively. Rental income recorded in the books is ₱59.5 million on both years in 2022 and 2021 while the rental income billed to customers amounted ₱48.7 million and ₱46.4 million in 2022 and 2021, respectively. The difference between the rental income recorded and billed resulted to accrued rent receivable.

Future minimum rentals receivable under noncancellable operating leases of the Company are as follows:

	2022	2021
Within one year	**₱51,166,888**	₱48,730,433
After one year but not more than 5 years	**231,561,535**	220,534,985
More than 5 years	**657,522,350**	719,715,787
	₱940,250,773	₱988,981,205

The rent concessions granted by the Company amounted to ₱58.6 million and ₱142.8 million for the year ended December 31, 2022 and 2021, respectively.

19. Cost of Real Estate Sold

	2022	2021
Cost of real estate inventories (Note 6)	**₱1,080,962,680**	₱580,598,891
Direct operating expenses:		
Management fee (Note 16)	**146,244,514**	87,901,646
Commission (Notes 12 and 16)	**92,968,829**	55,573,417
Advertising and promotion	**782,392**	(1,104,913)
	₱1,320,958,415	₱722,969,041

20. **Direct Operating Expenses**

	2022	2021
Utilities	**₱105,972,669**	₱91,456,574
Depreciation (Note 9)	**91,966,877**	93,440,150
Taxes and licenses	**55,941,203**	52,324,988
Management fee (Note 16)	**40,604,404**	29,864,823
Outside services	**36,985,901**	38,114,489
Repairs and maintenance	**17,882,988**	19,840,465
Marketing	**17,015,403**	5,797,059
Dues and fees	**10,531,988**	8,213,943
Beverage	**4,818,774**	1,627,436
Insurance	**2,946,832**	2,569,823
Food and beverage	**827,106**	–
Others	**10,320,309**	12,612,015
	₱395,814,454	₱355,861,765

21. **General and Administrative Expenses**

	2022	2021
Salaries, contributions, and employee benefits (Note 22)	**₱21,770,335**	₱19,575,312
Outside services	**4,533,475**	3,892,070
Taxes and licenses	**3,025,494**	1,262,805
Repairs and maintenance	**2,322,004**	2,140,706
Provision for impairment of receivables (Note 5)	**1,974,675**	2,411,577
Communication, light and water	**1,722,092**	1,623,001
Retirement cost (Notes 22 and 23)	**1,304,406**	1,723,139
Travel and transportation	**1,001,929**	45,785
Depreciation (Note 10)	**840,604**	867,884
Professional fees	**735,683**	517,506
Supplies	**607,558**	599,596
Dues and fees	**373,175**	562,077
Trainings and seminars	**202,233**	62,631
Rent	**64,637**	57,857
Entertainment, amusement and recreation	**47,366**	33,178
Insurance	**37,259**	39,747
Others	**1,904,547**	355,686
	₱42,467,472	₱35,770,557

22. **Personnel Expenses**

	2022	2021
Salaries, wages and allowances (Note 21)	**₱19,019,361**	₱16,966,318
Employees' benefits (Note 21)	**1,850,474**	1,768,969
Retirement costs (Notes 21 and 23)	**1,304,406**	1,723,139
SSS, Pag-ibig and other contributions (Note 21)	**900,500**	840,025
	₱23,074,741	₱21,298,451

23. **Pension Liability**

The Company has an unfunded and noncontributory defined benefit retirement plan covering all of its regular employees. The retirement costs are based on the years of service and percentage of latest monthly salary. The Company recognized retirement cost amounting to ₱1.3 million and ₱1.7 million in 2022 and 2021, respectively (see Notes 21 and 22).

The retirement plan meets the minimum requirement benefit specified under Republic Act (R.A.) 7641.

The following tables summarize the components of the retirement costs recognized in the statements of comprehensive income and amounts recognized in the statements of financial position for the retirement plan.

Changes in pension liability in 2022 and 2021 are as follows:

	2022	2021
At January 1	**₱8,274,710**	₱10,061,730
Net benefit cost in statements of comprehensive income:		
Current service cost	**894,808**	1,350,855
Interest cost	**409,598**	372,284
	1,304,406	1,723,139
Actuarial gain recognized in other comprehensive income	**(2,098,641)**	(3,510,159)
At December 31	**₱7,480,475**	₱8,274,710

The remeasurement effects recognized under other comprehensive income are as follows:

	2022	2021
Remeasurement gain on pension liability	**₱2,098,641**	₱3,510,159
Tax effect	**(524,660)**	(877,540)
	1,573,981	2,632,619
Effect of change in tax rate	**–**	(152,524)
Remeasurement gain on pension liability, net of tax	**₱1,573,981**	₱2,480,095

The actuarial valuation involves making various assumptions. In 2022 and 2021, the principal assumptions used in determining pension obligation for the defined benefit plans are as follows:

	2022	2021
Discount rate	**7.50%**	4.95%
Salary increase rate	**8.00%**	7.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2022 and 2021, the latest available assumption, assuming all other assumptions were held constant:

		2022	2021
Discount rates	+1.00%	**(₱946,363)**	(₱1,220,147)
	-1.00%	**1,171,983**	1,540,249
Future salary increase	+1.00%	**1,112,355**	1,451,178
	-1.00%	**(916,257)**	(1,181,794)

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2022 and 2021:

	2022	2021
Less than 1 year	**₱ –**	₱2,194,451
More than 1 year to 5 years	**2,407,554**	–
More than 5 years to 10 years	**1,923,416**	1,351,281
More than 10 years to 15 years	**1,432,369**	1,610,133
More than 15 years	**97,391,378**	110,390,864
	₱103,154,717	₱115,546,729

The average duration of the defined benefit obligation as of December 31, 2022 is 16 years.

24. Income Tax

The provision for current income tax in 2022 and 2021 represents the regular corporate income tax (RCIT). Furthermore, the current income tax expense includes 5% tax on PEZA registered activity.

The components of income tax expense are as follows:

	2022	2021
Current tax		
Current tax expense on current period's profit	**₱36,867,998**	₱22,257,982
Adjustment recognized in the period for current tax of prior period	–	(377,006)
	36,867,998	21,880,976
Deferred tax		
Deferred tax expenses relating to origination and reversal of temporary differences	**29,681,555**	50,726,567
Deferred tax benefit relating to changes in tax rates	–	(7,271,089)
	29,681,555	43,455,478
Income tax expense	**₱66,549,553**	₱65,336,454

The current income tax includes adjustments to recognize the decrease in current tax of the prior period as a result of the enactment of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act on March 26, 2021. Effective July 1, 2020, regular income tax of the Company is reduced from 30% to 25% and effective July 1, 2020 to June 30, 2023, MCIT rate is reduced from 2% to 1% of gross income. Accordingly, the difference between the current tax in the 2020 annual income tax return and in the 2020 financial statements was recorded in 2021 as a reduction to income tax expense. The Company's deferred tax assets and liabilities were also remeasured as a result of changes in tax rates.

In 2021, the effect of change in tax rate on re-measurement gain on pension liability amounted to ₱0.2 million.

The components of the Company's net deferred tax liabilities are as follows:

	2022	2021
Deferred tax liabilities:		
Difference between tax and book basis of accounting for real estate transactions	**₱92,860,389**	₱64,600,250
Straight-line adjustment on rent income	**36,262,302**	33,575,497
Deferred financing cost - net of amortization	**1,218,020**	1,354,366
Remeasurement gain on pension liability recognized in other comprehensive income	**639,580**	114,920
	130,980,291	99,645,033
Deferred tax assets:		
Unearned income	**₱4,562,680**	₱4,562,680
Allowance for impairment of receivables	**3,179,074**	2,685,406
Retirement costs recognized in profit or loss	**2,509,699**	2,183,598
Accrued compensation and benefits	**772,132**	462,859
	11,023,585	9,894,543
Deferred tax liabilities - net	**₱119,956,706**	₱89,750,490

The reconciliation between the provision for income tax computed at the statutory income tax rate to actual provision for income tax follows:

	2022	2021
Income before income tax	**₱311,960,450**	₱332,748,809
At statutory income tax rate	**77,990,113**	83,187,202
Adjustments to income taxes resulting from:		
Income from PEZA-registered operations subjected to 5% income tax rate	**(7,777,802)**	(6,922,545)
Equity share in net earnings of associate	**(3,597,995)**	(3,393,792)
Interest income already subjected to final tax at a lower tax rate	**(86,319)**	(43,434)
Limitation on deductibility of interest expense	**21,556**	10,833
Effect on opening deferred taxes and current taxes resulting from reduction in tax rate	–	(7,648,095)
Accrued rent	–	146,285
	₱66,549,553	₱65,336,454

25. **Interest**

Interest income consists of interest earned from the following:

	2022	2021
Accretion of trade receivables (Note 5)	**₱113,805,553**	₱233,180,997
Deposits in escrow (Note 7)	**206,581**	46,390
Cash in banks (Note 4)	**138,695**	127,347
Short-term loans	–	408,000
	₱114,150,829	₱233,762,734

26. **Performance Obligations**

Real estate sales
The Company entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The Company recognizes revenue from the sale of real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% of the contract price spread over a certain period (e.g., one to two years) at a fixed monthly payment with the remaining balance payable in full at the end of the period either through cash or external financing. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a trade receivables or customers' deposits.

After the delivery of the completed real estate unit, the Company provides one-year warranty to repair minor defects on the condominium unit. This is assessed by the Company as a quality assurance warranty and not treated as a separate performance obligation.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2022 and 2021 are as follows:

	2022	2021
Within one year	**₱310,271,661**	₱1,402,447,039
More than one year	**373,509,116**	440,786,721
	₱683,780,777	₱1,843,233,760

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Company's real estate projects. The Company's condominium units are completed within three years and five years, respectively, from start of construction.

Revenue from real estate sales amounted to ₱1,341.7 million and ₱788.4 million in 2022 and 2021, respectively.

CUSA and aircon charges
CUSA and aircon charges amounted to ₱141.5 million and ₱130.9 million in 2022 and 2021, respectively. This includes common area charges recoveries and aircon charges recoveries.

Other income
Other income amounted to ₱24.8 million and ₱73.0 million in 2022 and 2021, respectively. This includes forfeited deposits arising from cancellations due to backout and proceeds from insurance.

27. **Financial Instruments**

The methods and assumptions used by the Company in estimating the fair value of the financial instruments follows:

- *Cash, trade receivables from commercial spaces, receivables from related parties, accrued rent receivable, and other receivables*. Carrying amounts approximate fair values due to the relatively short-term maturities of these investments.

- *Trade receivables from sale of condominium units*. The fair values approximate the carrying amounts since these are measured at amortized cost.

- *Other financial liabilities*. The fair values of accounts and other payables (excluding statutory payables, deferred income and customers' deposits) approximate the carrying amounts due to the short-term nature of these accounts.

- *Long-term debt.* The fair value of long-term debt with fixed interest rate is determined based on Level 3 inputs using the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 5.5% to 6.9% and 4.6% to 4.8% in 2022 and 2021, respectively. The carrying value and corresponding fair value of the long-term debt are as follows:

2022		2021	
Carrying Value	**Fair Value**	Carrying Value	Fair Value
₱795,127,921	**₱646,208,388**	₱794,582,536	₱787,451,260

- *Long-term debt from Parent Company (Assigned loan)*. The fair value of long-term debt with fixed interest rate is determined based on Level 3 inputs using the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 4.1% to 6.3% and 3.8% to 4.2% in 2022 and 2021, respectively.

2022		2021	
Carrying Value	**Fair Value**	Carrying Value	Fair Value
₱887,125,000	**₱862,960,743**	₱906,000,000	₱941,245,432

As of December 31, 2022 and 2021, the Company has no financial assets and financial liabilities measured at fair value.

Financial Risk Management Objectives and Policies

The main purpose of the Company's financial assets and financial liabilities is to fund its operations. The Company's principal financial instruments comprise cash, accounts receivable (excluding other advances to officers and employees), deposits in escrow, accounts and other payables (excluding statutory payables, deferred income and customers' deposits), long-term debts and other noncurrent liabilities.

Exposures to credit and liquidity risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and,
- to provide a degree of certainty about costs.

The Company's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company.

The BOD reviews and approves policies for managing each of these risks which are summarized below:

Credit risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The investment of the Company's cash resources is managed so as to minimize risk while seeking to enhance yield. To manage credit risks, the Company maintains defined credit policies and monitors on a continuous basis the exposure to credit risks.

The Company has credit management policies in place to ensure that rental contracts are entered into with customers who have sufficient financial capacity and good credit history. Credit risk arising from real estate sales from selling condominium units and rental income from leasing properties is primarily managed through a buyer and tenant selection process. Prospective buyers and tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which help reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Given the Company's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

The credit quality of the financial assets was determined as follows:

Cash in banks and deposits in escrow- based on the nature of the counterparty and the Company's internal rating system. The Company's cash is of high quality as the amounts are deposited in reputable banks.

Liquidity risk
Liquidity risk is the risk arising from the shortage of funds due to unexpected events or transactions. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of long-term debt.

The Company monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Company's policy is to maintain a level of cash deemed sufficient to fund its monthly cash requirements, at least for the next two months. Capital expenditures are funded through long-term debt, while operating expenses and working capital requirements are sufficiently funded through cash collections.

The extent and nature of exposures to liquidity risk and how they arise as well as the Company's objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for 2022 and 2021.

The table below summarizes the maturity profile of the Company's financial liabilities as of December 31, 2022 and 2021 based on contractual undiscounted payments.

2022

	Less than one year	One to five years	More than five years	**Total**
Financial liabilities				
Other financial liabilities				
Accounts and other payables				
Payable to related parties	₱2,130,203,271	₱ –	₱ –	**₱2,130,203,271**
Accrued project cost	845,006,139	–	–	**845,006,139**
Accounts payable	238,955,408	–	–	**238,955,408**
Retention payable	99,845,301	–	–	**99,845,301**
Nontrade payable	79,865,729	–	–	**79,865,729**
Commission payable	40,012,846	–	–	**40,012,846**
Interest payable	10,306,735	–	–	**10,306,735**
Accrued expenses	4,380,324	–	–	**4,380,324**
Others	28,179,532	–	–	**28,179,532**
Long-term debt	9,437,500	893,687,500	₱784,000,000	**1,687,125,000**
Future interest on long-term debt	41,336,250	91,586,219	–	**132,922,469**
Other noncurrent liabilities*	7,068,117	–	–	**7,068,117**
Total undiscounted financial liabilities	₱3,534,597,152	₱985,273,719	₱784,000,000	**₱5,303,870,871**

**excluding deferred output VAT, deferred credits, security deposits and customers' deposits*

2021

	Less than one year	One to five years	More than five years	Total
Financial liabilities				
Other financial liabilities				
Accounts and other payables				
Payable to related parties	₱1,219,771,846	₱ –	₱ –	₱1,219,771,846
Accrued project cost	322,706,889	–	–	322,706,889
Commission payable	106,411,603	–	–	106,411,603
Accounts payable	114,736,483	–	–	114,736,483
Nontrade payable	14,823,089	–	–	14,823,089
Interest payable	5,961,644	–	–	5,961,644
Accrued expenses	3,197,052	–	–	3,197,052
Retention payable	1,868,101	–	–	1,868,101
Others	31,047,404	–	–	31,047,404
Long-term debt from Parent Company	9,437,500	37,750,000	858,812,500	906,000,000
Long-term debt	–	12,000,000	788,000,000	800,000,000
Future interest on long-term debt	41,766,936	132,922,469	–	174,689,405
Other noncurrent liabilities*	2,284,983	–	–	2,284,983
Total undiscounted financial liabilities	₱1,874,013,530	₱182,672,469	₱1,646,812,500	₱3,703,498,499

**excluding deferred output VAT, deferred credits, security deposits and customers' deposits*

28. Supplementary Information Required Under Revenue Regulations 15-2010

The Company reported and paid the following taxes as of and for the year ended December 31, 2022.

Value Added Tax

Details of the Company's net sales/receipts, output VAT and input VAT in 2022 follow:

a. Net Sales/Receipts and Output VAT declared in the Company's VAT returns filed for the period follow:

	VAT Gross Receipts	Output VAT
Vatable sales/receipts	₱1,338,016,136	₱160,561,936
Exempt sales	221,552,173	–
	₱1,559,568,309	₱160,561,936

Gross receipts derived from admission tickets in showing motion pictures, films or movies are not subject to VAT under Section 108 of the National Internal Revenue Code.

The Company's VATable sales derived from real estate sales were computed using either the installment method (i.e., when initial payments made by the buyer in the year of sale do not exceed 25% of the gross selling price) or deferred payment method (i.e., when initial payments made by the buyer in the year of sale exceed 25% of the gross selling price), whichever is applicable. VATable sales under the installment method are recognized based on actual collections received while VATable sales recognized under the deferred payment method are based on the entire gross selling price. While, the Company's sales of services are based on actual collections received.

Moreover, for income tax purposes, taxable income from sale of properties on installment method is recognized based on collections received multiplied by the gross profit rate while taxable income from sale of properties on a deferred payment basis is recognized based on the entire gross selling price of properties sold. Thus, the VATable sales and the sales subjected to income tax may not be the same as the amounts accrued in the statement of comprehensive income.

Exempt sales consist of non-vatable sales which are pursuant to Revenue Regulations No. 8-2021 Section 2, the amount of threshold to determine whether the sale of residential house and lot is subject to VAT has increased from ₱2.5 million to ₱3.2 million.

b. Input VAT

At beginning of year	₱117,733,164
Current year's domestic purchases of:	
Services	252,365,470
Goods	3,224,204
Capital goods not subject to amortization	381,628
Other adjustments	(24,164,851)
Total available input VAT	349,539,615
Applied against output VAT	160,561,936
Deferred input VAT	163,226
At December 31, 2022	₱188,814,453

Withholding Taxes

Details of withholding taxes in 2022 are as follows:

Expanded withholding taxes	₱88,156,611
Withholding taxes on compensation and benefits	2,173,901
	₱90,330,512

Other Taxes, Duties and License Fees

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees included under the "Direct operating expenses" and "General and administrative expenses" accounts in the Company's statement of comprehensive income.

Details of taxes and licenses in 2022 follow:

Under direct operating expenses	
Real property taxes	₱48,210,956
Taxes & licenses	7,730,247
	55,941,203
Under general and administrative expenses	
Documentary stamp taxes	3,013,218
License and permit fees	12,276
	3,025,494
	₱58,966,697

Documentary stamp taxes pertain to intercompany loans during the year.

Tax Assessment and Cases
As of December 31, 2022, the Company has no outstanding final assessment notice from BIR, nor does it have any pending tax cases outside the administration of BIR

SECURITIES AND EXCHANGE COMMISSION
THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph

The following document has been received:

Receiving: ICTD ERMD
Receipt Date and Time: June 03, 2024 08:00:00 AM

Company Information

SEC Registration No.: CS200732005
Company Name: ACCENDO COMMERCIAL CORP.
Industry Classification: K70000
Company Type: Stock Corporation

Document Information

Document ID: OST10603202482677062
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2023
Submission Type: Annual
Remarks: None

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

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	7	3	3	0	0	5

COMPANY NAME

ACCENDO COMMERCIAL CORP. (*A Subsidiary of Ayala Land, Inc.)*

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

Poblacion West, Bajada, Brgy. 20-B (POB) Davao City Davao Del Sur Philippines 8000

Form Type	Department requiring the report	Secondary License Type, if Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
N/A	(082) 321-6000	N/A

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
18	3rd Monday of March	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ma. Divina Y. Lopez	lopez.divine@ayalaland.com.ph	(082) 321-6002	N/A

CONTACT PERSON's ADDRESS

2F Admin Office, Abreeza Mall, J.P. Laurel Ave., Bajada, Davao City

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

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

ACCENDO
COMMERCIAL CORP.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Accendo Commercial Corp. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud of error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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

Fernando Zobel de Ayala
Chairman of the Board

Robert S. Lao
President

Ma. Divina Y. Lopez
Treasurer

Signed this 18th day of March 2024.

pwc

Independent Auditor's Report

The Board of Directors and Stockholders of
Accendo Commercial Corp.
(A Subsidiary of Ayala Land, Inc.)
Brgy. 20-B Poblacion West, Bajada
Davao City

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Accendo Commercial Corp. (a subsidiary of Ayala Land, Inc.) (the "Company") as at December 31, 2023 and its financial performance and its cash flows for the year then ended, in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The financial statements of the Company comprise:

- the statement of financial position as at December 31, 2023;
- the statement of total comprehensive income for the year ended December 31, 2023;
- the statement of changes in equity for the year ended December 31, 2023;
- the statement of cash flows for the year ended December 31, 2023; and
- the notes to the financial statements, which include a summary of material accounting policies.

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 27 to the financial statements, which indicates that the financial statements have been prepared in accordance with PFRS, as modified by the application of the financial reporting relief issued and approved by the SEC in response to the COVID-19 pandemic. The details of the financial reporting relief availed by the Company and the impact of the application on the 2023 financial statements are discussed in Note 27.2. Our opinion is not modified in respect to this matter. Our opinion remains to be unqualified on the financial statements taken as a whole.

Other Matter

The financial statements of the Company as at and for the year ended December 31, 2022 were audited by another auditor who expressed an unqualified opinion on those statements on April 14, 2023.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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Independent Auditor's Report
The Board of Directors and Stockholders
Accendo Commercial Corp.
(A Subsidiary of Ayala Land, Inc.)
Page 4

Report on the Bureau of Internal Revenue (BIR) Requirement

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations Nos. 34-2020 and 15-2010 in Note 29 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Justo Jesus S. Namuco
Partner
CPA Certificate No. 126048
P.T.R. No. 0080036, issued on January 12, 2024, Makati City
TIN 268-147-608-000
BIR A.N. 08-000745-239-2023, issued on January 30,2023; effective until January 29, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 15, 2024

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Statement Required by Section 8-A Revenue Regulations No. V-1

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The Board of Directors and Stockholders
Accendo Commercial Corp.
(A Subsidiary of Ayala Land, Inc.)
Brgy. 20-B Poblacion West, Bajada
Davao City

None of the partners of the firm have any financial interest in Accendo Commercial Corp. or any family relationships with its president, manager, or principal members.

The supplementary information on taxes and licenses as at and for the year ended December 31, 2023 is presented in Note 29 to the financial statements.

Isla Lipana & Co.

Justo Jesus S. Namuco
Partner
CPA Certificate No. 126048
P.T.R. No. 0080036, issued on January 12, 2024, Makati City
TIN 268-147-608-000
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BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 15, 2024

Accendo Commercial Corp.
(A Subsidiary of Ayala Land, Inc.)

Statement of Financial Position
As at December 31, 2023
(With comparative figures as at December 31, 2022)
(All amounts in Philippine Peso)

	Note	2023	2022
Assets			
Current assets			
Cash	2	70,492,671	42,036,279
Accounts and other receivables, net	3	803,620,713	1,482,418,337
Real estate inventories	4	2,825,697,995	2,214,119,232
Other current assets	5	228,118,704	254,391,369
Total current assets		3,927,930,083	3,992,965,217
Noncurrent assets			
Noncurrent portion of accounts and other receivables	3	703,895,745	405,892,449
Investment in associates	6	496,921,298	496,749,371
Investment properties, net	7	3,734,355,988	3,740,631,451
Property and equipment, net	8	4,716,261	3,088,272
Other noncurrent assets	9	736,073,718	676,261,032
Total noncurrent assets		5,675,963,010	5,322,622,575
Total assets		9,603,893,093	9,315,587,792
Liabilities and Equity			
Current liabilities			
Accounts and other payables	11	3,624,704,796	3,670,003,154
Current portion of long-term debt	12	9,437,500	9,437,500
Total current liabilities		3,634,142,296	3,679,440,654
Noncurrent liabilities			
Noncurrent portion of long-term debt	12	1,673,351,544	1,682,252,921
Pension liability, net	21	11,820,712	7,480,475
Deferred tax liabilities, net	22	111,872,222	119,956,706
Other noncurrent liabilities	13	474,608,576	395,029,227
Total noncurrent liabilities		2,271,653,054	2,204,719,329
Total liabilities		5,905,795,350	5,884,159,983
Equity			
Paid-in capital	15	1,305,518,000	1,305,518,000
Remeasurement gain on pension liability, net of tax	21	1,583,900	1,918,741
Retained earnings			
Appropriated	15	1,500,000,000	500,000,000
Unappropriated	15	890,995,843	1,623,991,068
Total equity		3,698,097,743	3,431,427,809
Total liabilities and equity		9,603,893,093	9,315,587,792

(The notes on pages 1 to 37 are an integral part of these financial statements.)

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Accendo Commercial Corp.
(A Subsidiary of Ayala Land, Inc.)

Statement of Total Comprehensive Income
For the year ended December 31, 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

	Notes	2023	2022
Revenue			
Real estate sales	24	665,112,678	1,341,688,683
Rental	7	643,246,097	539,434,000
CUSA and aircon charges	24	152,397,208	141,525,420
Interest income	23	81,317,142	114,150,829
Other income	24	9,288,529	24,757,706
Equity in net earnings of associates	6	7,671,927	14,391,979
Other mall revenue		34,464,224	6,327,085
		1,593,497,805	2,182,275,702
Cost and expenses			
Cost of real estate sold	17	518,226,875	1,320,958,415
Direct operating expenses	18	478,961,569	395,814,454
Interest and other financing charges	3,12,14	191,776,969	111,074,911
General and administrative expenses	19	60,671,945	42,467,472
		1,249,637,358	1,870,315,252
Income before income tax		343,860,447	311,960,450
Provision for income tax	22	(76,855,672)	(66,549,553)
Net income for the year		267,004,775	245,410,897
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement (loss) gain on pension liability, net of tax	21	(334,841)	1,573,981
Total comprehensive income for the year		266,669,934	246,984,878

(The notes on pages 1 to 37 are an integral part of these financial statements.)

BUREAU OF INTERNAL REVENUE
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Large Taxpayers Division - Davao
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Accendo Commercial Corp.
(A Subsidiary of Ayala Land, Inc.)

Statement of Changes in Equity
For the year ended December 31, 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

	Note	Capital stock	Remeasurement loss (gain) on pension liability, net of tax	Retained earnings: Appropriated	Retained earnings: Unappropriated	Total
Balances at January 1, 2022		1,305,518,000	344,760	500,000,000	1,378,580,171	3,184,442,931
Total comprehensive income						
Net income for the year		-	-	-	245,410,897	245,410,897
Other comprehensive income		-	1,573,981	-	-	1,573,981
Total comprehensive income for the year		-	1,573,981	-	245,410,897	246,984,878
Balances at December 31, 2022		1,305,518,000	1,918,741	500,000,000	1,623,991,068	3,431,427,809
Total comprehensive income						
Net income for the year		-	-	-	267,004,775	267,004,775
Other comprehensive income		-	(334,841)	-	-	(334,841)
Total comprehensive income for the year		-	(334,841)	-	267,004,775	266,669,934
Appropriation of retained earnings	15	-	-	1,000,000,000	(1,000,000,000)	-
Balances at December 31, 2023		1,305,518,000	1,583,900	1,500,000,000	890,995,843	3,698,097,743

(The notes on pages 1 to 37 are an integral part of these financial statements.)

Accendo Commercial Corp.
(A Subsidiary of Ayala Land, Inc.)

Statements of Cash Flows
For the year ended December 31, 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

	Notes	2023	2022
Cash flows from operating activities			
Income before income tax		343,860,447	311,960,450
Adjustments for:			
Interest income	23	(81,317,142)	(114,150,829)
Interest and other financing charges	3,12,14	191,776,969	111,074,911
Depreciation	7, 8	101,803,896	92,807,481
Equity in net earnings of associates	6	(7,671,927)	(14,391,979)
Provision for expected credit losses	3	1,181,806	1,974,675
Change in pension liability	21	4,893,782	1,304,406
Operating income before working capital changes		554,527,831	390,579,115
Decrease (increase) in:			
Real estate inventories		(611,578,763)	(922,661,743)
Accounts receivable		460,158,133	(151,856,220)
Other current assets		(58,555,877)	(16,413,843)
Increase (decrease) in:			
Accounts and other payables	11	6,145,868	1,038,990,508
Other noncurrent liabilities		79,579,350	(1,581,015)
Net cash generated from operations		430,276,542	337,056,802
Contributions to plan assets		(1,000,000)	-
Interest received		771,529	345,276
Net cash flows generated by operating activities		430,048,071	337,402,078
Cash flows from investing activities			
Increase in other noncurrent assets		(59,812,686)	(45,172,913)
Additions to:			
Investment properties		(146,980,316)	(166,345,208)
Property and equipment	8	(2,606,106)	(940,021)
Dividends received	6	7,500,000	7,500,000
Net cash flows used in investing activities		(201,899,108)	(204,958,142)
Cash flows from financing activities			
Payment of:			
Interest and other financing charges		(190,255,071)	(106,184,435)
Long-term debts	12	(9,437,500)	(9,437,500)
Net cash flows used in financing activities		(199,692,571)	(115,621,935)
Net increase in cash		28,456,392	16,822,001
Cash at beginning of year		42,036,279	25,214,278
Cash at end of year	2	70,492,671	42,036,279

(The notes on pages 1 to 37 are an integral part of these financial statements.)

ACCENDO COMMERCIAL CORP.
(A Subsidiary of Ayala Land, Inc.)

Notes to the Financial Statements
As at and for the year ended December 31, 2023
(With comparative figures as at and for the year ended December 31, 2022)
(All amounts in Philippine Peso)

1 General information

Corporate information

Accendo Commercial Corp. (the Company) is domiciled in the Philippines and was registered with the Securities and Exchange Commission (SEC) on December 17, 2007. The primary purpose of the Company is to develop, invest, own, acquire, lease, hold, mortgage, administer or otherwise deal with commercial, residential, industrial, or agricultural lands, buildings, structures, or apertures, or in any other profitable business enterprise, venture or establishment, alone or jointly with other persons, natural or artificial. The Company's registered office address and principal place of business is at Brgy. 20-B Poblacion West, Bajada, Davao City.

The Company is 67% owned by Ayala Land, Inc. (ALI). ALI's parent company is Ayala Corporation (AC). AC is a publicly listed company, 47.86% owned by Mermac Inc. and the rest by the public as at December 31, 2023. Other stockholders that own a significant share in the outstanding stock of the Company include Anflo Management and Investment Corporation (AMIC) (11.24%), Damosa Land, Inc. (DLI) (18.66%), and Pioneer Trading & Supply Co., Inc. (PITRADE) (3.10%).

The Company is currently operating the Abreeza Mall and the Abreeza Corporate Center located at J.P. Laurel St., Bajada, Davao City, which started commercial operations in May 2011 and September 2013, respectively. The Company is also engaged in selling of residential condominium units. These projects are also located at J.P. Laurel St., Bajada, Davao City.

The Company is registered with the Philippine Economic Zone Authority (PEZA) as a developer or operator of Abreeza Corporate Center and as such, the Company is entitled to a special income tax rate of 5% on gross income derived from its registered activity. Total income tax benefit availed for PEZA-registered operations amounted to P7.4 million and P7.8 million in 2023 and 2022, respectively (see Note 22).

The financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 18, 2024.

2 Cash

	2023	2022
Cash on hand	326,500	211,500
Cash in banks	70,166,171	41,824,779
	70,492,671	42,036,279

Cash in bank earns interest at prevailing bank deposit rates. Interest income from cash in banks amounted to P104,633 and P138,695 in 2023 and 2022, respectively (see Note 23).

3 Accounts and other receivables

	Note	2023	2022
Trade receivables			
Condominium units		1,031,800,563	1,441,578,404
Commercial spaces		194,614,884	202,844,988
Accrued rent receivable		234,437,568	215,102,111
Receivable from related parties	14	59,354,138	40,378,455
Advances to officers and employees		877,082	743,125
Others		330,326	380,000
		1,521,414,561	1,901,027,083
Less: allowance for expected credit losses		(13,898,103)	(12,716,297)
		1,507,516,458	1,888,310,786
Less: noncurrent portion		(703,895,745)	(405,892,449)
		803,620,713	1,482,418,337

The classes of trade receivables of the Company are as follow:

- Condominium units - pertain to sales contracts receivable of condominium units.
- Commercial spaces - pertain to receivables from rentals of mall commercial and office spaces.

The sales contracts receivable, included under trade receivables, are collectible in monthly installments over a period of two to five years. Titles to condominium units are not transferred to the buyers until full payment has been made.

The trade receivables from sale of condominium units with a total nominal amount of P1.3 billion and P1.7 billion as at 2023 and 2022, respectively, were recorded initially at fair value. The fair values of the receivables were obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Movements in the unamortized discount in trade receivables are as follows:

	Note	2023	2022
At beginning of the year		222,274,181	276,186,139
Additions		121,173,389	59,893,595
Accretion for the year	23	(80,545,613)	(113,805,553)
At end of the year		262,901,957	222,274,181

Trade receivables from commercial spaces are non-interest bearing and are generally on 30 days' term.

Accrued rent receivable pertains to rent receivable from rentals of commercial spaces and additional expected rent for the period as a result of the PFRS 16 adjustment which was determined using the straight-line basis.

Allowance for expected credit losses arose from trade receivables from commercial spaces. Trade receivables amounting to P13.9 million and P12.7 million were impaired and fully provided as at December 31, 2023, and 2022, respectively.

Movements in the allowance for expected credit losses of trade receivables are as follows:

	Note	2023	2022
At beginning of the year		12,716,297	10,741,622
Provision for expected credit losses	19	1,181,806	1,974,675
At end of the year		13,898,103	12,716,297

The Company sold residential receivables on a without recourse basis to Banco De Oro amounting to P193.1 million and to Security Bank Corporation amounting to P155.9 million in 2023 and 2022, respectively. This was sold at a discount with total proceeds of P169.5 million and P133.3 million in 2023 and 2022, respectively. The Company recognized loss on sale (presented under "Interest and other financing charges") amounting to P23.6 million and P22.9 million in 2023 and 2022, respectively.

4 Real estate inventories

A summary of the movements in real estate inventories is set out below:

	Note	2023	2022
At January 1		2,214,119,232	1,291,457,489
Additions		1,017,198,097	2,003,624,423
Cost of real estate inventories sold	17	(405,619,334)	(1,080,962,680)
At December 31		2,825,697,995	2,214,119,232

Real estate inventories are carried at cost as at December 31, 2023 and 2022 as the NRV of all real estate inventories is substantially in excess of cost.

5 Other current assets

	Note	2023	2022
Creditable withholding tax		133,521,474	135,197,559
Net input VAT		60,409,230	83,953,110
Deposit in escrow		16,016,672	15,325,101
Cost to obtain a contract	10	11,509,639	15,060,133
Prepayments		4,879,594	2,968,487
Prepaid income tax		1,252,250	1,252,250
Materials and supplies		529,845	634,729
		228,118,704	254,391,369

Creditable withholding taxes are applied against income tax payable.

Net input VAT pertains to the 12% indirect tax passed on to the Company in the course of its business on local purchases of goods and services, including lease or use of property from VAT-registered entities. Input VAT is presented net of output VAT on the Company's income subjected to VAT.

Deposits in escrow consist of investments in time deposits as required by the escrow agreement with Housing and Land Use Regulatory Board (HLURB) in relation to Avida Towers Abreeza Tower 2 project. These are investments in fixed income securities which will mature on April 4, 2024. Interest income on deposits in escrow amounted to P666,896 and P206,581 in 2023 and 2022, respectively (see Note 23).

Prepayments include other expenses which are expected to be applied or incurred within the normal operating cycle of the Company.

Prepaid income tax pertains to the excess of tax credits over income tax due.

Materials and supplies pertain to stocks from the food and beverage operations of the Company.

6 Investment in associates

	2023	2022
Cost		
Balance at beginning of year	323,199,500	330,699,500
Dividends	(7,500,000)	(7,500,000)
Balance at end of year	315,699,500	323,199,500
Accumulated equity in net earnings		
Balance at beginning of year	173,549,871	159,157,892
Equity in net earnings	7,671,927	14,391,979
Balance at end of year	181,221,798	173,549,871
	496,921,298	496,749,371

The Company's investment in Avencosouth Corp., a 30% owned associate has a carrying value of P268 million and P267 million as at December 31, 2023 and 2022, respectively. The associate was incorporated on April 26, 2012 and started commercial operations on August 11, 2012. It is operating in the real estate industry and is currently developing and selling units at Avida Towers Davao project, a two-tower condominium project located at C.M. Recto Avenue, Davao City. The Company recognized share in the net income (loss) from Avencosouth Corp. amounting to P0.937 million and P2.6 million in 2023 and 2022, respectively. The Company's total cost of investment amounted to P180.0 million as at December 31, 2023 and 2022.

The following table summarizes the financial information of the investment in Avencosouth Corp:

	2023	2022
Current assets	341,083,123	347,572,338
Noncurrent assets	744,412,374	718,196,503
Current liabilities	174,543,958	172,188,564
Noncurrent liabilities	17,843,442	3,596,910
Revenue	41,784,839	(10,924,533)
Cost of expenses	(37,621,688)	(504,720)
Net income (loss)	3,124,730	(8,566,178)

The Company's investment in Aviana Development Corp., a 10% owned associate has a carrying value of P228.9 million and P229.8 million as at December 31, 2023 and 2022, respectively. The associate was incorporated on September 17, 2013. The Company handles the development of a waterfront property in Lanang, Davao City. The Company recognized share in the net income of Aviana Development Corp. amounting to P6.7 million and P17.0 million in 2023 and 2022, respectively. The Company received dividends amounting to P 7.5 million in each year in 2023 and 2022. The Company's total cost of investment amounted to P135.7 million and P143.2 million as at December 31, 2023 and 2022.

The Company's significant influence is exercised through the representation in the Board of Directors of Aviana.

The following table summarizes the financial information of the investment in Aviana Development Corp:

	2023	2022
Current assets	2,082,352,570	2,655,493,807
Noncurrent assets	1,490,842,132	1,543,767,019
Current liabilities	1,081,310,510	1,538,482,255
Noncurrent liabilities	201,875,011	363,229,976
Revenue	604,922,560	1,018,915,345
Cost of expenses	515,153,134	792,810,156
Net income	67,340,586	169,618,314

7 Investment properties

	Note	Land	Building and improvements	Total
Cost				
At January 1, 2022		1,354,537,403	3,236,921,774	4,591,459,177
Additions		107,345,182	111,430,026	218,775,208
At December 31, 2022		1,461,882,585	3,348,351,800	4,810,234,385
Additions		-	94,550,316	94,550,316
At December 31, 2023		1,461,882,585	3,442,902,116	4,904,784,701
Accumulated depreciation				
At January 1, 2022		-	977,636,054	977,636,054
Depreciation	18	-	91,966,880	91,966,880
At December 31, 2022		-	1,069,602,934	1,069,602,934
Depreciation	18	-	100,825,779	100,825,779
At December 31, 2023		-	1,170,428,713	1,170,428,713
Net book value				
December 31, 2022		1,461,882,585	2,278,748,866	3,740,631,451
December 31, 2023		1,461,882,585	2,272,473,403	3,734,355,988

The Company's investment property pertains to land for future development, mall, and office spaces rented by tenants. Total rental income arising from investment property amounted to P643.2 million and P539.4 million in 2023 and 2022, respectively. Depreciation expense arising from the investment properties amounted to P100.8 million in 2023 (2022 - P92.0 million). These are recognized under "Direct operating expenses" in the statements of total comprehensive income.

On September 20, 2022, the Company acquired a parcel of land with an area of approximately 104,860 square meters located in Toril, Davao City amounting to P107.4 million inclusive of transaction costs amounting to P2.5 million.

The market value of the investment property as determined by an independent real estate appraiser amounted to P11.08 billion as at December 31, 2023 and 2022, respectively. This value was based on market value approach (Level 2 hierarchy) which considers the estimated amount for which a property should exchange on the date of valuation assuming that market participants act in their best economic interest. Market value is understood as the value of an asset estimated without regard to cost of sale or purchase and without offset for any associated taxes. Significant increase or decrease in the economic market value of the land brought by inflation, area stability, development and improvements per hectare, per location over time would result in a significantly higher or lower fair value of the property.

The value of the land was arrived at using the market data approach. In this approach, the value of the land is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. This valuation approach is categorized as Level 2 in the fair value hierarchy as at December 31, 2023 and 2022. The significant unobservable input to the valuation is the price per square meter.

For land, significant increases or decreases in estimated price per square meter in isolation would result in a significantly higher or lower fair value on a linear basis.

The fair value of the building was arrived at using the income approach (Level 3). This is an approach in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value.

For buildings, significant increases or decreases in the replacement and reproduction costs, in isolation, would result in a significantly higher or lower fair value of the properties.

8 Property and equipment

	Note	Furniture, fixtures and equipment	Transportation equipment	Total
Cost				
At January 1, 2022		8,008,755	1,364,806	9,373,561
Additions		940,021	-	940,021
At December 31, 2022		8,948,776	1,364,806	10,313,582
Additions		458,785	2,147,321	2,606,106
At December 31, 2023		9,407,561	3,512,127	12,919,688
Accumulated depreciation				
At January 1, 2022		5,019,903	1,364,806	6,384,709
Depreciation	19	840,601	-	840,601
At December 31, 2022		5,860,504	1,364,806	7,225,310
Depreciation	19	942,328	35,789	978,117
At December 31, 2023		6,802,832	1,400,595	8,203,427
Net book value				
December 31, 2022		3,088,272	-	3,088,272
December 31, 2023		2,604,729	2,111,532	4,716,261

As at December 31, 2023 and 2022, fully depreciated property and equipment still used in the Company's operations amounted to P5.3 million.

9 Other noncurrent assets

	Note	2023	2022
Project costs		455,272,325	382,899,459
Net input VAT- net of current portion		134,869,182	104,861,343
Advances to contractors		80,131,572	117,132,237
Cost to obtain a contract	10	19,442,202	24,952,713
Deferred input VAT		106,384	163,226
Others		46,252,053	46,252,054
		736,073,718	676,261,032

Project costs pertain to payments for master planning fees and construction expenditures necessary for the development of the residential properties.

Advances to contractors are recouped upon every progress billing payment depending on the percentage of accomplishment.

Deferred input VAT pertains to VAT on capital goods or properties that are recoverable in future periods.

Others include noncurrent deposits and cash bonds and performance bond paid to Department of Agrarian Reform.

10 Customer's deposits and cost to obtain a contract

Customers' deposits

Customer's deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition, and excess of collections over the recognized receivables based on percentage of completion.

Movements in customers' deposits are as follows:

	Note	2023	2022
At beginning of the year		125,618,637	515,295,153
Additions		26,369,404	12,570,079
Recognized to revenue		(45,766,549)	(402,246,595)
		106,221,492	125,618,637
Less: current portion	11	(35,138,578)	(84,535,762)
Customers' deposits - noncurrent	13	71,082,914	41,082,875

The amount of revenue recognized from amounts included in contract liabilities at the beginning of the year amounted to P45.8 million and P402.3 million in 2023 and 2022, respectively.

Cost to obtain a contract

Cost to obtain a contract includes prepaid commissions which are paid to brokers on the sale of pre-completed real estate units and are charged to expense in the period in which the related revenue is recognized as earned.

The balances below pertain to the cost to obtain contracts included in the other current and noncurrent assets:

	Notes	2023	2022
At beginning of the year		40,012,846	106,411,603
Additions		34,944,917	26,570,072
Amortization	17	(44,005,922)	(92,968,829)
At end of the year	5,9	30,951,841	40,012,846

11 Accounts and other payables

	Notes	2023	2022
Payable to related parties	14	2,229,188,530	2,130,203,271
Accounts payable		517,053,353	238,955,409
Accrued project costs		396,339,668	845,006,139
Retention payable		146,490,608	99,845,301
Deferred output VAT		60,409,230	31,598,337
Nontrade payables		38,468,195	79,865,729
Customers' deposits	10	35,138,578	84,535,762
Commission payables	10	30,951,841	40,012,846
Interest payable		11,292,509	10,306,735
Taxes payable		9,141,492	17,529,378
Accrued expenses		5,734,350	4,380,324
Deferred credits		117,143,829	59,584,392
Others		27,352,613	28,179,531
		3,624,704,796	3,670,003,154

Accounts payable arise from regular transactions with suppliers and service providers. These are non-interest bearing and are normally settled on 15 to 60-day terms.

Accrued project costs arise from unbilled project costs from its contractors on the development of residential projects. These are non-interest bearing and are normally settled within the normal operating cycle of the Company.

Retention payable represents a certain percentage of the total project costs that is withheld for payment to the contractor until the end of the construction of the project.

Deferred output VAT pertains to VAT on uncollected portion of total selling price of real estate installment sales which are payable to BIR upon collection from customers.

Nontrade payable pertains to the accruals of items such as utilities and advertising. These are non-interest bearing and are normally settled within one year.

Commission payables to brokers arise on the sale of pre-completed real estate units and are normally settled within one year.

Interest payable represents accrued interest from long-term debt and is expected to be settled within one year.

Taxes payable pertain to expanded withholding taxes and other taxes payable. Expanded withholding taxes are settled on a monthly basis. Other taxes payable are normally settled within one year.

Accrued expenses comprise of professional fees and other expenses already incurred but not yet paid.

Deferred credits pertain to advance payments from customers to cover various processing fees in relation to the sale of real estate inventories including, but not limited to, fees related to transfer of title and water and electricity connection fees.

Others mainly pertain to statutory payables, security deposits and deferred income.

12 Long-term debt

This account represents loans from parties as specified below:

	Note	2023	2022
Loan from Parent Company			
3.5-year loan maturing February 28, 2026	14	887,125,000	896,562,500
Loan from a local universal bank			
10-year loan maturing October 28, 2030		800,000,000	800,000,000
		1,687,125,000	1,696,562,500
Unamortized debt issue cost		(4,335,956)	(4,872,079)
		1,682,789,044	1,691,690,421
Less: Current portion of long-term debt		(9,437,500)	(9,437,500)
Long-term debt, net of current portion		1,673,351,544	1,682,252,921

Total interest expense recognized amounted to P91.6 million and P75.4 million in 2023 and 2022, respectively.

Loan from a local universal bank

On October 23, 2020, a long-term loan was availed from a universal banking corporation in the maximum principal amount of up to P800 million, payable in semi-annual installments starting at the end of the fifth (5th) year from the initial drawdown date and a lump sum payment in 2028 for the balance of the loan. The loan bears an annual fixed interest rate of 4.25%.

The loan is covered by an agreement which provides certain restrictions and requirements for the Company to maintain a debt-to-equity ratio of not greater than 3.0 to 1.

As at December 31, 2023 and 2022, the Company's debt-to-equity ratio is 1.60 to 1 and 1.72 to 1, respectively. The Company is compliant with the loan covenant.

Movements of long-term debt are as follows:

	2023	2022
At beginning of the year	795,127,921	794,582,536
Amortization of deferred financing cost	536,123	545,385
At end of the year	795,664,044	795,127,921

Movements of deferred financing costs are as follows:

	2023	2022
At beginning of the year	4,872,079	5,417,464
Amortization of deferred financing cost	(536,123)	(545,385)
At end of the year	4,335,956	4,872,079

13 Other noncurrent liabilities

	Note	2023	2022
Security deposits		194,211,796	157,443,667
Deferred credits		99,545,372	110,452,705
Customer's deposits	10	71,082,914	41,082,875
Deferred output VAT		69,817,064	78,981,862
Others		39,951,430	7,068,118
		474,608,576	395,029,227

Security deposits mainly consist of the 6-month deposits paid by mall tenants at the beginning of the lease term, to be applied against outstanding rent receivable at the end of the contract.

14 Related party transactions

The Company, in the normal course of business, has entered into transactions with related parties consisting primarily of development, management and marketing agreements. Services rendered to and received from related parties are made at normal market prices. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. The transactions are made at terms and prices agreed upon by the parties. Outstanding related party balances are generally settled in cash.

The Company's statements of financial position and statements of total comprehensive income include the following accounts resulting from transactions with related parties:

As at December 31, 2023, transactions with the Parent Company and affiliates are as follows:

Receivables from related parties

	2023		2022	
	Transactions	Receivable (Note 3)	Transactions	Receivable (Note 3)
Entities under common control (a)	57,804,252	59,354,138	58,884,011	40,378,455

Payable to related parties

	2023		2022	
	Transactions	Payable (Note 11)	Transactions	Payable (Note 11)
Parent (b)	46,562,663	149,179,083	317,803,846	472,433,674
Entities under common control (c)	1,469,687,210	2,080,009,447	2,540,757,027	1,657,769,597
	1,516,249,873	2,229,188,530	2,858,560,873	2,130,203,271

In the ordinary course of business, the Company transacts with its related parties. The transactions and balances of accounts with related parties follow:

a. Receivable from entities under common control includes rentals, dividends, and other charges that are collectible in cash, noninterest-bearing, unsecured and not impaired.

b. A portion of payable to Parent Company pertains to accrual of management fee and corporate costs allocation amounting to P126.9 million in 2023 (2022 - P206.9 million). This amount is payable in cash, noninterest-bearing, unsecured and not impaired.

   The other portion includes short term loans amounting to nil in 2023 (2022 - P239 million) that are made for varying periods of up to three months depending on immediate cash requirements. The amount is payable in cash, interest bearing, unsecured, and unguaranteed.

   The remaining balance pertains to other charges and fees that are payable in cash, noninterest-bearing, unsecured and not impaired.

c. A portion of payable to entities under common control includes construction contracts payable amounting to P299.6 million (2022 - P427.4 million), payable in cash, noninterest bearing, unsecured and unguaranteed.

   Another portion consists of short-term loans amounting to P1.38 billion in 2023 (2022 - P0.85 billion) which are payable in cash, interest bearing, unsecured and unguaranteed.

The remaining balance includes accrual of management fee, corporate costs and other allocated charges amounting to P0.40 billion in 2023 (2022 - P0.38 billion) that are payable in cash, noninterest-bearing, and unguaranteed.

Interest expense related to short-term intercompany loans amounted to P76.5 million and P12.7 million in 2023 and 2022, respectively.

Loan from Parent Company

On September 28, 2015, a loan amounting to P462.5 million was taken out from the Parent Company. This is apart from the P478 million credit facility taken out from a local government-owned universal bank and availment of P3.3 million loans, resulting to a total of P943.8 million long-term debt from the Parent Company.

On August 28, 2022, the Parent Company assigned the remaining balance of the loan amounting to P906 million to the same local government-owned universal bank. The assigned loan carries a floating rate applicable for the remaining 3.5 years of the long-term facility. There is no change in interest rate and terms of the loan.

Movement of loan from Parent Company (Note 12), which was assigned to a local universal bank, is as follows:

	2023	2022
At beginning of the year	896,562,500	906,000,000
Less loan payments	(9,437,500)	(9,437,500)
At end of the year	887,125,000	896,562,500
Less current portion	(9,437,500)	(9,437,500)
	877,687,500	887,125,000

Interest expense related to long-term loan from Parent Company assigned to a local universal bank amounted to P57.6 million and P41.4 million in 2023 and 2022, respectively.

15 Equity

The details of the number of shares as at December 31, 2023 and 2022 follow:

	Preferred	Common A	Common B	Total
Authorized shares	790,000,000	60,000,000	30,000,000	880,000,000
Issued and outstanding	654,983,100	48,759,853	24,016,047	727,759,000
Par value per share	P1.00	P1.00	P1.00	P1.00

Preferred shares

The preferred shares have the following features:

(a) Voting rights

The holders of the redeemable preferred shares outstanding from time to time (the "preferred shareholders") shall have voting rights in accordance with Section 6 of the Corporation Code of the Philippines.

Dividends

The preferred shareholders shall be entitled to participate in any regular dividend declaration for the common shares of stocks to be paid out of unrestricted retained earnings at the same rate and upon the same terms as declared and paid to holders of the common shares ("the common shareholders"). The preferred shareholders shall also be entitled to such other dividends as may be determined and approved by the BOD.

Unless dividends on all outstanding shares of redeemable preferred shares shall have been paid or declared, (i) no dividends shall be paid or declared with respect to the common shares; (ii) no distribution shall be made with respect to the common shares as to distribution upon liquidation, dissolution, or winding-up; (iii) nor shall any common shares (upon liquidation, dissolution, or winding-up of the Company) be redeemed, purchased, or otherwise acquired for any consideration by the Company.

(b) Liquidation rights

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the redeemable preferred shares shall be entitled to receive out of the assets of the Company available for distribution to the shareholders, before any distribution of assets is made to holders of common shares, distributions in the amount of the issue value per outstanding redeemable preferred shares, plus declared and unpaid dividends to the date of distribution.

(c) Redemption

The redeemable preferred shares may be redeemed at the option of the Company. Any redeemable preferred shares to be redeemed at the price and under such terms and conditions and procedures as shall be determined by the BOD, provided, that in no case shall the redemption price of the actual number of the redeemable preferred shares be less than the cost of such shares as recorded in the books of the Company at the time of redemption.

Retained earnings

On October 18, 2023, the Company's BOD approved the appropriation of its retained earnings amounting to P1.0 billion for its projects pipeline requirements. The project is expected to be completed in three to five years.

16 Leases

The Company enters into lease agreements with third parties on its investment property portfolio, covering the Company's retail and office spaces. These leases have terms ranging from one to 25 years and generally provide for either: (a) fixed monthly rent; or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

The rental income for operating leases amounted to P643.2 million and P539.4 million in 2023 and 2022, inclusive of straight-line adjustment amounting to P8.3 million and P10.8 million in 2023 and 2022, respectively.

Future minimum rentals receivable under noncancelable operating leases of the Company are as follows:

	2023	2022
Within one year	53,725,077	51,166,888
After one year but not more than 5 years	243,139,684	231,561,535
More than 5 years	591,811,669	657,522,350
	888,676,430	940,250,773

The rent concessions granted by the Company for the year ended December 31, 2023 and 2022 amounted to P4.5 million and P58.6 million, respectively.

17 Cost of real estate sold

	Note	2023	2022
Cost of real estate inventories	4	405,619,334	1,080,962,680
Management fee		68,409,619	146,244,514
Commissions	10	44,005,922	92,968,829
Advertising and promotion		192,000	782,392
		518,226,875	1,320,958,415

18 Direct operating expenses

	Note	2023	2022
Utilities		128,735,439	105,972,669
Depreciation	7	100,825,779	91,966,880
Taxes and licenses		58,205,462	55,941,203
Outside services		55,634,140	36,985,901
Management fees		46,774,872	40,604,404
Marketing		29,628,306	17,015,403
Repairs and maintenance		15,302,730	17,882,988
Film producers' share		14,270,669	-
Dues and fees		13,829,324	10,531,988
Beverage		6,558,677	4,818,774
Insurance		3,993,374	2,946,832
Food and beverage		-	827,106
Others		5,202,797	10,320,306
		478,961,569	395,814,454

19 General and administrative expenses

	Notes	2023	2022
Personnel expenses	20	31,872,158	23,074,741
Taxes and licenses		11,290,380	3,025,494
Outside services		5,286,821	4,533,475
Communication, light and water		2,885,787	1,722,092
Repairs and maintenance		2,847,913	2,322,004
Travel and transportation		1,909,239	1,001,929
Provision for expected credit losses	3	1,181,806	1,974,675
Depreciation	8	978,117	840,601
Professional fees		803,743	735,683
Supplies		622,307	607,558
Trainings and seminars		307,226	202,233
Rent		300,900	64,637
Entertainment, amusement, and recreation		96,021	47,366
Insurance		43,324	37,259
Dues and fees		9,048	373,175
Others		237,155	1,904,550
		60,671,945	42,467,472

20 Personnel expenses

Breakdown of personnel expenses is as follows:

	Note	2023	2022
Salaries, wages, and allowances		23,472,839	19,019,361
Employee's benefits		2,213,979	1,850,474
Retirement costs	21	4,893,782	1,304,406
SSS, Pag-ibig and other contributions		1,291,558	900,500
		31,872,158	23,074,741

21 Pension liability

The Company has a funded and noncontributory defined benefit retirement plan covering all of its regular employees. The retirement costs are based on the years of service and percentage of latest monthly salary..

The retirement plan meets the minimum requirement benefit specified under Republic Act (R.A.) 7641.

The following tables summarize the components of the retirement costs recognized in the statements of total comprehensive income and amounts recognized in the statements of financial position for the retirement plan.

(a) Retirement benefit obligation

The amount of retirement benefit obligation recognized in the statement of financial position as at December 31 is determined as follows:

	2023	2022
Defined benefit obligation	12,820,703	7,480,475
Less: fair value of plan assets	(999,991)	-
	11,820,712	7,480,475

(b) Defined benefit obligation

The movements in the present value of defined benefit obligation follow:

	2023	2022
At January 1	7,480,475	8,274,710
Net retirement cost in profit or loss:		
Current service cost	1,353,901	894,808
Past service cost	2,771,019	-
Interest cost	768,862	409,598
	4,893,782	1,304,406
Actuarial loss (gain) recognized in OCI due to:		
Return on plan assets	446,446	-
Experience adjustments	-	(2,098,641)
	446,446	(2,098,641)
At December 31	12,820,703	7,480,475

(c) Plan assets

The movements in the fair value of plan assets for the years ended December 31 follow:

	2023	2022
January 1	-	-
Contributions	1,000,000	-
Remeasurement loss on plan assets	(9)	-
At December 31	999,991	-

As at December 31, 2023 and 2022, the retirement plan assets comprise of investments.

The fair value of the plan assets approximates their carrying value as at December 31, 2023 and 2022. Expected contributions to the plan assets for the year 2024 are estimated to be P4,723,503.

The remeasurement effects recognized in other comprehensive income in 2023 and 2022 are as follows:

	2023	2022
Remeasurement loss (gain) on pension liability	446,455	(2,098,641)
Tax effect	(111,614)	524,660
Remeasurement loss (gain) on pension liability, net of tax	334,841	(1,573,981)

The actuarial valuation involves making various assumptions. In 2023 and 2022, the principal assumptions used in determining pension obligation for the defined benefit plans are as follows:

	2023	2022
Discount rate	6.27%	7.50%
Salary increase rate	7.50%	8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2023 and 2022, the latest available assumption, assuming all other assumptions were held constant:

		Increase (decrease) in defined benefit obligation	
		2023	2022
Discount rates	+1.00%	(1,691,059)	(946,363)
	-1.00%	2,108,236	1,171,983
Future salary increases	+1.00%	1,997,971	1,112,355
	-1.00%	(1,644,948)	(916,257)

The average duration of the defined benefit obligation as at December 31, 2023 and 2022 are 22 years and 16 years respectively.

22 Income tax

The provision for current income tax in 2023 and 2022 represents the regular corporate income tax (RCIT). Furthermore, the current income tax expense includes 5% tax on PEZA registered activity.

The components of the Company's income tax expense are as follow:

	2023	2022
Current tax	84,828,542	36,867,998
Deferred tax	(7,972,870)	29,681,555
	76,855,672	66,549,553

The components of the Company's net deferred tax liabilities are as follows:

	2023	2022
Deferred tax liabilities		
Difference between tax and book basis of accounting for real estate transactions	84,688,940	92,860,389
Straight-line adjustment on rent income	38,339,993	36,262,302
Deferred financing cost - net of amortization	1,083,989	1,218,020
Remeasurement loss on pension liability recognized in other comprehensive income	527,966	639,580
	124,640,888	130,980,291
Deferred tax asset		
Unearned income	4,583,616	4,562,680
Allowance for expected credit losses	3,474,526	3,179,074
Retirement costs recognized in profit or loss	3,733,144	2,509,699
Accrued compensation and benefits	977,380	772,132
	12,768,666	11,023,585
Deferred tax liabilities, net	111,872,222	119,956,706

The reconciliation between the provision for income tax computed at the statutory income tax rate to actual provision for income tax follows:

	2023	2022
Income before income tax	343,860,447	311,960,450
At statutory income tax rate	85,965,112	77,990,113
Adjustments to income taxes resulting from:		
Income from PEZA-registered operations subjected to 5% income tax rate	(7,417,142)	(7,777,802)
Equity share in net earnings of associate	(1,917,982)	(3,597,995)
Interest income already subjected to final tax at a lower tax rate	(192,882)	(86,319)
Limitation on deductibility of interest expense	48,184	21,556
Interest expense on loans with parent company	370,382	-
	76,855,672	66,549,553

23 Interest income

Interest income consists of interest earned from the following:

	Notes	2023	2022
Accretion of trade receivables	3	80,545,613	113,805,553
Deposits in escrow	5	666,896	206,581
Cash in banks	2	104,633	138,695
		81,317,142	114,150,829

24 Performance obligations

Real estate sales

The Company entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The Company recognizes revenue from the sale of real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% of the contract price spread over a certain period (e.g., one to two years) at a fixed monthly payment with the remaining balance payable in full at the end of the period either through cash or external financing. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a trade receivables or customers' deposits.

After the delivery of the completed real estate unit, the Company provides one-year warranty to repair minor defects on the condominium unit. This is assessed by the Company as a quality assurance warranty and not treated as a separate performance obligation.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2023 and 2022 are as follows:

	2023	2022
Within one year	146,176,856	310,271,661
More than one year	102,167,703	373,509,116
	248,344,559	683,780,777

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Company's real estate projects. The Company's condominium units are completed within three years and five years, respectively, from start of construction.

Revenue from real estate sales amounted to P665.1 million and P1,341.7 million in 2023 and 2022, respectively.

CUSA and aircon charges
CUSA and aircon charges amounted to P152.4 million and P141.5 million in 2023 and 2022, respectively. This includes common area charges recoveries and aircon charges recoveries.

Other mall revenue
Other mall revenue amounted to P34.5 million and P6.3 million in 2023 and 2022, respectively. This includes theater receipts and beverage sales.

Other income
Other income amounted to P9.3 million and P24.8 million in 2023 and 2022, respectively. This includes forfeited deposits arising from cancellations due to backout and proceeds from insurance.

25 Financial Instruments

The methods and assumptions used by the Company in estimating the fair value of the financial instruments follow:

- *Cash, trade receivables from commercial spaces, receivables from related parties, accrued rent receivable, and other receivables.* Carrying amounts approximate fair values due to the relatively short-term maturities of these investments.

- *Trade receivables from sale of condominium units.* The fair values approximate the carrying amounts since these are measured at amortized cost.

- *Other financial liabilities.* The fair values of accounts and other payables (excluding statutory payables, deferred income and customers' deposits) and security deposits approximate the carrying amounts due to the short-term nature of these accounts.

- *Long-term debt.* The fair value of long-term debt with fixed interest rate is determined based on Level 3 inputs using the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 4.25% to 4.35% and 5.5% to 6.9% in 2023 and 2022, respectively. The carrying value and corresponding fair value of the long-term debt are as follows:

2023		2022	
Carrying value	Fair value	Carrying value	Fair value
795,664,044	786,886,229	795,127,921	787,451,260

- *Long-term debt from Parent Company (Assigned loan).* The fair value of long-term debt with fixed interest rate is determined based on Level 3 inputs using the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 4.1% to 4.5% and 4.1% to 6.3% in 2023 and 2022, respectively.

2023		2022	
Carrying value	Fair value	Carrying value	Fair value
887,125,000	917,779,893	896,562,500	941,245,432

As at December 31, 2023 and 2022, the Company has no financial assets and financial liabilities measured at fair value.

Financial risk management objectives and policies

The main purpose of the Company's financial assets and financial liabilities is to fund its operations. The Company's principal financial instruments comprise cash, accounts receivable (excluding other advances to officers and employees), deposits in escrow, accounts and other payables (excluding statutory payables, deferred income and customers' deposits), and securities.

Exposures to credit and liquidity risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and,
- to provide a degree of certainty about costs.

The Company's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company.

The BOD reviews and approves policies for managing each of these risks which are summarized below:

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The investment of the Company's cash resources is managed so as to minimize risk while seeking to enhance yield. To manage credit risks, the Company maintains defined credit policies and monitors on a continuous basis the exposure to credit risks.

The Company has credit management policies in place to ensure that rental contracts are entered into with customers who have sufficient financial capacity and good credit history. Credit risk arising from real estate sales from selling condominium units and rental income from leasing properties is primarily managed through a buyer and tenant selection process. Prospective buyers and tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which help reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Given the Company's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

Financial assets classified into credit quality are presented below:

2023	High grade	Standard grade	Substandard grade	Total
Cash in banks	70,492,671	-	-	70,492,671
Receivable, gross	1,507,516,458	-	13,898,103	1,521,414,561
	1,578,009,129	-	13,898,103	1,591,907,232

2022	High grade	Standard grade	Substandard grade	Total
Cash in banks	42,036,279	-	-	42,036,279
Receivables, gross	1,888,310,786	-	12,716,297	1,901,027,083
	1,930,347,065	-	12,716,297	1,943,063,362

The credit grades used by the Company in evaluating the credit quality of its financial assets are the following:

a. *High grade* - represents bank deposits, investment in equity securities and receivables which have a high probability of collection. The counterparty has the apparent ability to satisfy its obligation. These also include deposits with reputable institutions from where the deposits may be withdrawn and recovered with certainty.
b. *Standard grade* - represents receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay.
c. *Substandard grade* - include impaired receivables. Substandard grade receivables are those where the counterparties are, most likely, not capable of honoring their financial obligations.

Liquidity risk

Liquidity risk is the risk arising from the shortage of funds due to unexpected events or transactions. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The Company monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Company's policy is to maintain a level of cash deemed sufficient to fund its monthly cash requirements, at least for the next two months. Capital expenditures are funded through long-term debt, while operating expenses and working capital requirements are sufficiently funded through cash collections.

The extent and nature of exposures to liquidity risk and how they arise as well as the Company's objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for 2023 and 2022.

The following table summarizes the maturity profile of the Company's financial liabilities as at December 31, 2023 and 2022 based on contractual undiscounted payments. The table also provides analysis on the maturity profile of the financial liabilities in order to provide a complete view of the Company's contractual commitments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

2023	Less than one year	One to five years	More than five years	Total
Financial liabilities				
Accounts and other payables				
Payable to related parties	2,229,188,530	-	-	2,229,188,530
Accrued project cost	396,339,668	-	-	396,339,668
Accounts payable	517,053,353	-	-	517,053,353
Retention payable	146,490,608	-	-	146,490,608
Nontrade payable	38,468,195	-	-	38,468,195
Commission payable	30,951,841	-	-	30,951,841
Interest payable	11,292,509	-	-	11,292,509
Accrued expenses	5,734,350	-	-	5,734,350
Others	27,352,613	-	-	27,352,613
Long-term debt	9,437,500	897,687,500	780,000,000	1,687,125,000
Future interest payments	40,561,687	53,148,299	-	93,709,986
Other noncurrent liabilities*	39,951,430	-	-	39,951,430
Total undiscounted financial liabilities	3,492,822,284	950,835,799	780,000,000	5,223,658,083

**excluding deferred output VAT, deferred credits, security deposits and customers' deposits*

2022	Less than one year	One to five years	More than five years	Total
Financial liabilities				
Accounts and other payables				
Payable to related parties	2,130,203,271	-	-	2,130,203,271
Accrued project cost	845,006,139	-	-	845,006,139
Accounts payable	238,955,408	-	-	238,955,408
Retention payable	99,845,301	-	-	99,845,301
Nontrade payable	79,865,729	-	-	79,865,729
Commission payable	40,012,846	-	-	40,012,846
Interest payable	10,306,735	-	-	10,306,735
Accrued expenses	4,380,324	-	-	4,380,324
Others	28,179,532	-	-	28,179,532
Long-term debt	9,437,500	903,125,000	784,000,000	1,696,562,500
Future interest payments	41,336,250	91,586,219	-	132,922,469
Other noncurrent liabilities*	7,068,117	-	-	7,068,117
Total undiscounted financial liabilities	3,534,597,152	994,711,219	784,000,000	5,313,308,371

**excluding deferred output VAT, deferred credits, security deposits and customers' deposits*

26 Capital management

The primary objective of the Company's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value.

The Company is exposed to externally imposed capital requirement (see Note 12). The Company monitors capital using a debt-to-equity ratio, which is total debt divided by total capital, maintained at 3:1. The Company considers as capital both common and preferred shares which are entitled to receive dividends, but preferred shares enjoy a preference in the distribution of dividends. As at December 31, 2023 and 2022, the Company has met the desired debt to equity ratio of 3:1.

The Company stockholders' core economic capital is as follows:

	2023	2022
Paid-in capital		
Issued capital stock	727,759,000	727,759,000
Additional paid-in capital	577,759,000	577,759,000
Retained earnings		
Appropriated	1,500,000,000	500,000,000
Unappropriated	890,995,843	1,623,991,068
	3,696,513,843	3,429,509,068

27 Summary of significant accounting policies

27.1 Basis of preparation

The financial statements of the Company have been prepared on a historical cost basis. The financial statements are presented in Philippine Peso (P), which is the Company's functional and presentation currency. All amounts have been rounded off to the nearest peso unless otherwise indicated.

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

PFRS include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

27.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the amounts presented in Company's financial position or performance.
- PFRS 17 *Insurance Contracts*
- *Definition of Accounting Estimates* – amendments to PAS 8
- *International Tax Reform – Pillar Two Model Rules* – amendments to PAS 12.
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* – amendments to PAS 12
- *Disclosure of Accounting Policies* – Amendments to PAS 1 and PFRS Practice Statement 2.

The Company also elected to adopt the following amendments early:
- Amendments to PAS 1 – *Classification of Liabilities as Current or Non-current* and Amendments to PAS 1 – *Non-current Liabilities with Covenants.*

Standards issued but not yet effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024
- Amendments to PFRS 16, *Lease liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025
- Amendments to PFRS 17, *Insurance Contracts*

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
- Certain Provision of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry' by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of the PIC Q&A until December 31, 2023. The PIC Q&A provisions covered by the SEC deferral that the Company availed pertain to '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)' with allowed deferral period until December 31, 2023.

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

The Company availed the SEC relief on the accounting for significant financing component in its 2023 consolidated financial statements. Had this provision been adopted, the Company would follow the allowed modified retrospective approach allowing it to only adjust the beginning balance of retained earnings in 2023. The net income for the current period is not expected to materially change as it would only require allocation of transaction price from one revenue line item to another.

The Company assessed that the overall impact of the adoption of the requirement of PIC Q&A No. 2018-12 pertaining to significant financing component is not material to the 2023 financial statements. Upon the adoption in 2024, the adjustment on the beginning balance of retained earnings approximates a decrease of P57.0 million.

27.3 Financial instruments

Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income [OCI] or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

The Company does not have financial assets measured at fair value as at December 31, 2023 and 2022.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets are subsequently measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains or losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Impairment

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For financial assets such as trade receivables and receivable from related parties, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such 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.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

The key inputs in the model include the Company's definition of default and historical data of three years for the origination, maturity date and default date. In certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

Determining the stage for impairment

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to a 12-month ECL.

Financial liabilities

Excluding statutory payables, customers' deposits and deferred credits, the Company's financial liabilities include accounts and other payables, long-term debt and other noncurrent liabilities.

Financial liabilities are subsequently measured at amortized cost, except those that are held for trading or designated upon initial recognition as fair value through profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statements of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

27.4 Real estate Inventories

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 real estate inventories. These are carried at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

Cost includes:

- Land cost
- Land improvement cost
- Amounts paid to contractors for construction
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other directly related costs

27.5 Value-Added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

27.6 Investment properties

Investment properties consist of land and building and improvements which are held with the intention for capital appreciation or rental to others. Property held for long-term rental yields is also classified as an investment property. Investment properties, except for land are carried at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment in value. Cost includes those costs incurred for development, improvement and construction of the properties.

Expenditures incurred after the investment properties have been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are obtained.

Depreciation of investment property commences once the property is available for use. Depreciation of the building and improvements is computed using the straight-line method over its estimated useful life of 40 years.

Investment property is derecognized when either it has been disposed of or is permanently withdrawn from use or no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal are recognized in the statement of total comprehensive income in the year of retirement or disposal.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by: (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property; (b) commencement of development with a view to sale, for a transfer from investment property to inventories; (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or (d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

Constructions-in-progress are carried at cost (including borrowing cost) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

The Company disclosed the fair value of investment properties in accordance with PAS 40.

27.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

Expenditures incurred after the property and equipment have been put into operation, such as maintenance and repairs, are normally charged to expense in the period in which 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 an additional cost of property and equipment.

Depreciation of property and equipment commences once the property and equipment are available for use.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Category	Number of Years
Furniture, fixtures, and equipment	5-10
Service equipment	5-10

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

When property and equipment are sold or retired, its cost, accumulated depreciation and any impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit or loss.

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value 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 are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

27.8 Deferred credits

Deferred credits pertain to advance payments by the customers to cover various processing fees in relation to the sale of real estate inventories including, but not limited to, fees related to transfer of title and water and electricity connection fees. These are payable in the month preceding the last installment month. These are initially measured at cost of the various processing fees. Deferred credits are reversed upon payment of the Company for various processing fees in relation to the sale of real estate inventories on behalf of the customers. Any shortage is collectible from the customers while any excess is recognized as other income in the statement of total comprehensive income upon full project close out.

27.9 Equity

Capital stock

The Company records common and preferred shares at par value.

Preferred shares that provide for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date or give the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount are classified as liability. Otherwise, they are classified as equity.

Retained earnings

Retained earnings include accumulated profits attributable to the Company's equity holders and reduced by dividends on capital stock. Dividends on capital stock, if any, are recognized as a liability and deducted from equity when they are approved by the Company's BOD, except for stock dividends which require the approval by the Company's stockholders. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

27.10 Revenue and cost recognition

Revenue from contract with customers

The Company derives its real estate revenue from sale of condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date. The Company has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, electricity, air-conditioning and common use service area in its mall retail spaces, wherein it is acting as agent.

In measuring the progress of its performance obligation over time, the Company uses the output method. The Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third-party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized as trade receivables under accounts and oth er receivables account. Any excess of collections over the total of recognized trade receivables is included in the "accounts and other payables" account in the liabilities section of the statements of financial position. The impact of the significant financing component on the transaction price has not been considered since the Company availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry. Under the SEC Memorandum Circular No. 34, the relief has been extended until December 31, 2023.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 28.

Cost recognition

The Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation and permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Customers' deposit

A customers' deposit is a contract liability which is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a customers' deposit is recognized when the payment is made, or the payment is due (whichever is earlier). Customers' deposits are recognized as revenue when the Company performs under the contract.

Customers' deposit also include payments received by the Company from the customers for which revenue recognition has not yet commenced.

Costs to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. The Company has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Cost of real estate sold" account in the statement of total comprehensive income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization, derecognition and impairment of capitalized costs to obtain a contract

The Company amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of real estate sold.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Company determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Rental income

Rental income under non-cancellable and cancellable leases on investment properties is recognized in the statement of total comprehensive income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Common usage service area (CUSA) and aircon charges

The contract for the commercial spaces leased out by the Company to its tenants includes the right to charge for the electricity usage, water usage, air-conditioning charges and CUSA like maintenance, janitorial and security services.

For the electricity and water usage, the Company determined that it is acting as an agent because the promise of the Company to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Company, are primarily responsible for the provisioning of the utilities while the Company administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air-conditioning of the buildings, the Company acts as a principal because it retains the right to direct the service provider of air-conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Company has the discretion on how to price the CUSA and air-conditioning charges.

Cinema and other mall revenue

Cinema and other mall revenue is recognized when services are rendered and goods are delivered.

Interest income

Interest income is recognized as it accrues using the effective interest rate, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets.

Other income

Other income is recognized when earned.

27.11 Expense recognition

Expenses are recognized in profit or loss when a decrease in future economic benefit related to decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in profit or loss:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Direct operating expenses and general and administrative expenses are recognized as they are incurred.

27.12 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted on a straight-line basis over the lease term and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

27.13 Pension liability

The Company has a funded, noncontributory retirement benefit plans covering all their eligible regular employees. Pension cost is actuarially determined using the projected unit credit method. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

27.14 Income taxes

Current tax

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

Deferred tax

Deferred tax is provided, using the liability method, 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, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized.

Deferred tax assets and deferred liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

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

Deferred tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

Creditable withholding taxes (CWT)

CWT pertains to taxes withheld on income payments and may be applied against income tax due. The balance of taxes withheld is recovered in future periods. The balance as at end of each reporting period represents the unutilized amount after deducting any income tax payable. Creditable withholding tax is stated at its realizable value.

27.15 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) 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.

27.16 Contingencies

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

27.17 Events after the reporting period

Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Company's position at each reporting date (adjusting events) are reflected in the financial statements. Significant post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

28 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from such as estimates.

Management believes the following represent a summary of these significant judgments, assumptions and estimates:

28.1 Judgments

Operating lease

The Company has entered into commercial property leases on its investment property portfolio as a lessor. The Company has determined that it retains all significant risks and rewards of ownership of the property as the Company considered, among others, the length of the lease term as compared with the estimated life of the investment property.

Some of the Company's operating lease contracts are accounted for as noncancelable operating leases and the rest are cancellable. In determining whether a lease contract is cancellable or not, the Company considers among others, the significance of the penalty, including the economic consequence to the lessee.

Assessment on whether lease concessions granted constitute a lease modification

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Company waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

The Company applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, the Company determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Company assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

The rent concessions granted by the Company for the year ended December 31, 2023 and 2022 amounted to P4.5 million and P58.6 million, respectively (see Note 16).

Existence of a contract

The Company's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell is not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress

The Company concluded that revenue for real estate sales is to be recognized over time because (a) the Company's performance does not create an asset with an alternative use and; (b) the Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Company. The Company considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

The Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development to the customers.

Distinction of land between real estate inventories and investment properties

The Company determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, the Company whether the property will be sold in the normal operating cycle (real estate inventories). All other properties that are not yet determined to be sold in the normal operating cycle are classified as investment properties.

Definition of default and credit-impaired financial assets

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria - for sales contracts receivable, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria

The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financial covenant(s)
c. An active market for that financial asset has disappeared because of financial difficulties
d. Concessions have been granted by the Company, for economic or contractual reasons relating to the customer's financial difficulty
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization.

The criteria above have been applied to the financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Company's expected loss calculation.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Company considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Company's evaluation and assessment and after taking into consideration external actual and forecast information, the Company formulates a "base case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

28.2 Management's use of estimates and assumptions

Revenue recognition on real estate projects

The Company's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues. The Company's revenue from real estate is recognized based on the percentage of completion and this is measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists (project engineers).

Provision for expected credit losses of trade and other receivables

The Company uses a provision matrix to calculate ECLs for trade receivables other than sales contract receivables. The provision rates are based on days past due for companies of various customer segments that have similar loss patterns.

The Company uses vintage analysis approach to calculate ECLs for trade receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

For other receivables such as accrued receivable, receivable from related parties and advances to other companies, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on trade receivables is disclosed in Notes 3 and 25.

Evaluation of net realizable value (NRV) of real estate inventories

The Company adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Company in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete 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.

As at December 31, 2023 and 2022, the net realizable value of real estate inventories amounted to P2.8 billion and P2.2 billion, respectively (see Note 4).

Useful lives of investment properties and property and equipment

The Company estimates the useful lives of investment properties (excluding land) and property and equipment based on the economic lives of investment properties and property and equipment. The estimated useful lives of these assets are reviewed periodically and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the investment properties and property and equipment. However, it is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the investment properties and property and equipment would increase the recorded expenses and decrease noncurrent assets.

As at December 31, 2023 and 2022, the aggregate carrying values of investment properties (excluding land) and property and equipment amounted to P2.3 million in each year (see Notes 7 and 8).

Impairment of nonfinancial assets

The Company assesses at each reporting period whether there is an indication that other current assets, investment property, property and equipment and other noncurrent assets may be impaired. Determining the value in use of these assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of these assets, requires the Company to make estimates and assumptions that can materially affect the financial statements.

Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and results of operations. The preparation of the estimated future cash flows involves significant judgments and estimates. While the Company believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.

As at December 31, 2023 and 2022, the aggregate carrying values of advances to employees (presented under "accounts and other receivables"), other current assets (excluding deposits in escrow), investment in associates, investment property, property and equipment and other noncurrent assets amounted to P5.2 billion (see Notes 3, 5, 6, 7, 8, and 9). No provision for impairment losses was recognized in 2023 and 2022.

Estimating pension liability

The determination of the Company's obligation and cost for pension is dependent on selection of certain assumptions used by actuaries in calculating such amounts. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Significant assumptions are disclosed in Note 21 and include among others, discount rate and salary increase rate.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

As at December 31, 2023 and 2022, pension liability amounted to P11.8 million and P7.5 million, respectively. Retirement costs charged to operations amounted to P4.9 million and P1.3 million in 2023 and 2022, respectively (see Notes 21).

Deferred tax assets

The Company reviews the carrying amounts of deferred tax asset at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income.

The Company recorded deferred tax assets amounting to P12.8 million and P11.0 million as at December 31, 2023 and 2022, respectively (see Note 22).

29 Supplementary information required under Revenue Regulation (R.R.) No. 15-2010

The Company reported and paid the following taxes as at and for the year ended December 31, 2023:

a. Value-Added Tax

Details of the Company's net sales/receipts, output VAT and input VAT in 2023 follow:

Net sales/receipts and output VAT declared in the Company's VAT returns filed for the period follow:

	VAT gross receipts	Output VAT
Vatable sales/receipts	1,564,916,129	187,789,935
Exempt sales	178,248,933	-
	1,743,165,062	187,789,935

Gross receipts derived from admission tickets in showing motion pictures, films or movies are not subject to VAT under Section 108 of the National Internal Revenue Code.

The Company's VATable sales derived from real estate sales were computed using either the installment method (i.e., when initial payments made by the buyer in the year of sale do not exceed 25% of the gross selling price) or deferred payment method (i.e., when initial payments made by the buyer in the year of sale exceed 25% of the gross selling price), whichever is applicable. VATable sales under the installment method are recognized based on actual collections received while VATable sales recognized under the deferred payment method are based on the entire gross selling price. While, the Company's sales of services are based on actual collections received.

Moreover, for income tax purposes, taxable income from sale of properties on installment method is recognized based on collections received multiplied by the gross profit rate while taxable income from sale of properties on a deferred payment basis is recognized based on the entire gross selling price of properties sold. Thus, the VATable sales and the sales subjected to income tax may not be the same as the amounts accrued in the statement of total comprehensive income.

Exempt sales consist of non-vatable sales which are pursuant to Revenue Regulations No. 8-2021 Section 2, the amount of threshold to determine whether the sale of residential house and lot is subject to VAT has increased from P2.5 million to P3.2 million.

Input VAT

At beginning of the year	188,814,453
Current year's domestic purchases of:	
Services	204,619,377
Goods	3,569,326
Capital goods not subject to amortization	2,705,794
Other adjustments	(16,534,219)
Total available input VAT	383,174,731
Applied against output VAT	(187,789,935)
Deferred input VAT	(106,384)
At end of the year	195,278,412

b. Withholding Taxes

Details of withholding taxes in 2023 are as follows:

Expanded withholding tax	78,833,150
Withholding taxes on compensation and benefits	2,402,269
	81,235,419

c. Other taxes, duties and license fees

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees included under the "Direct operating expenses" and "General and administrative expenses" accounts in the Company's statement of total comprehensive income.

Details of taxes and licenses in 2023 follow:

Under direct operating expenses	
Real property tax	47,677,768
Taxes & Licenses	10,527,694
	58,205,462
Under general and administrative expenses	
Documentary stamp tax	11,276,803
Licenses and permit fees	13,577
	11,290,380

Documentary stamp taxes pertain to intercompany loans during the year.

Tax assessment and cases

As at December 31, 2023, the Company has no outstanding final assessment notice from BIR, nor does it have any pending tax cases outside the administration of BIR.

Accendo Commercial Corp.
(A Subsidiary of Ayala Land, Inc.)

Tentative Statements of Financial Position
As at December 31, 2023
(With comparative figures as at December 31, 2022)
(All amounts in Philippine Peso)

	2023	2022
Assets		
Current assets		
Cash	70,492,671	42,036,279
Accounts and other receivables, net	803,620,713	1,482,418,337
Real estate inventories	2,825,697,995	2,214,119,232
Other current assets	228,118,704	254,391,369
Total current assets	3,927,930,083	3,992,965,217
Noncurrent assets		
Noncurrent portion of accounts and other receivables	703,895,745	405,892,449
Investment in associates	496,921,299	496,749,371
Investment properties, net	3,734,355,988	3,740,631,451
Property and equipment, net	4,716,261	3,088,272
Other noncurrent assets	736,073,718	676,261,032
Total noncurrent assets	5,675,963,011	5,322,622,575
Total assets	9,603,893,094	9,315,587,792
Liabilities and Equity		
Accounts and other payables	3,507,560,968	3,670,003,154
Current portion of long-term debt	9,437,500	9,437,500
Total Current Liabilities	3,516,998,468	3,679,440,654
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt	1,673,351,543	1,682,252,921
Pension liability, net	11,820,712	7,480,475
Deferred tax liabilities, net	111,872,222	119,956,706
Other noncurrent liabilities	591,752,406	395,029,227
Total noncurrent liabilities	2,388,796,883	2,204,719,329
Total liabilities	5,905,795,351	5,884,159,983
Equity		
Paid-in capital	1,305,518,000	1,305,518,000
Remeasurement gain on pension liability, net of tax	1,583,900	1,918,741
Retained earnings		
Appropriated	1,500,000,000	500,000,000
Unappropriated	890,995,843	1,623,991,068
Total equity	3,698,097,743	3,431,427,809
Total liabilities and equity	9,603,893,094	9,315,587,792

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS DIVISION - DAVAO
Date 3 0 APR 2024 RDO 127
RECEIVED
MARK IVAN KHAISER A. DOMINGO

Accendo Commercial Corp.
(A Subsidiary of Ayala Land, Inc.)

Tentative Statements of Cash Flows
For the year ended December 31, 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

	2023	2022
Cash flows from operating activities		
Income before income tax	343,860,447	311,960,450
Adjustments for:		
Interest income	(81,317,142)	(114,150,829)
Interest and other financing charges	191,776,969	111,074,911
Depreciation	101,803,895	92,807,481
Equity in net earnings of associates	(7,671,928)	(14,391,979)
Provision for expected credit losses	1,181,806	1,974,675
Change in pension liability	4,893,782	1,304,406
Operating income before working capital changes	554,527,829	390,579,115
Decrease (increase) in:		
Real estate inventories	(611,578,763)	(922,661,743)
Accounts receivable	460,158,136	(151,856,220)
Other current assets	(58,555,877)	(16,413,843)
Increase (decrease) in:		
Accounts and other payables	1,042,690,117	2,507,545,029
Other noncurrent liabilities	196,723,179	(1,581,015)
Net cash generated from operations	1,583,964,620	1,805,611,323
Interest received	771,529	345,276
Net cash flows generated by operating activities	1,584,736,149	1,805,611,323
Cash flows from investing activities		
Decrease (increase) in other noncurrent assets	(59,812,686)	(45,172,913)
Development costs	(1,153,688,077)	(1,468,554,521)
Contributions to plan assets	(1,000,000)	-
Additions to:		
Investment properties	(146,980,316)	(166,345,208)
Property and equipment	(2,606,106)	(940,021)
Net cash flows used in investing activities	(1,364,087,185)	(1,681,012,663)
Cash flows from financing activities		
Payment of:		
Interest and other financing charges	(190,255,072)	(106,184,435)
Long-term debts	(9,437,500)	(9,437,500)
Dividends received	7,500,000	7,500,000
Net cash flows used in financing activities	(192,192,572)	(108,121,935)
Net increase in cash	28,456,392	16,822,001
Cash at beginning of year	42,036,279	25,214,278
Cash at end of year	70,492,671	42,036,279

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS DIVISION - DAVAO
Date 30 APR 2024 RDO 127
RECEIVED
MARK IVAN KHAISER A. DOMINGO

Accendo Commercial Corp.
(A Subsidiary of Ayala Land, Inc.)

Tentative Statements of Total Comprehensive Income
For the year ended December 31, 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

	2023	2022
Revenue		
Real estate sales	665,112,678	1,341,688,683
Rental	643,246,097	539,434,000
CUSA and aircon charges	152,397,208	141,525,420
Interest	81,317,142	114,150,829
Other Income	9,288,529	24,757,706
Equity in net earnings of associates	7,671,928	14,391,979
Other mall revenue	34,464,223	6,327,085
	1,593,497,805	2,182,275,702
Cost and expenses		
Cost of real estate sold	518,226,875	1,320,958,415
Direct operating expenses	478,961,569	395,814,454
Interest and other financing charges	191,776,969	111,074,911
General and administrative expenses	60,671,945	42,467,472
	1,249,637,358	1,870,315,252
Income before income tax	343,860,447	311,960,450
Provision for income tax	(76,855,672)	(66,549,553)
Net income for the year	267,004,775	245,410,897
Other comprehensive income		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Remeasurement (loss) gain on pension liability	(334,841)	1,573,981
Total comprehensive income for the year	266,669,934	246,984,878

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS DIVISION - DAVAO
Date 30 APR 2024 RDO 127
RECEIVED
MARK IVAN KHAISER A. DOMINGO

Accendo Commercial Corp.
(A Subsidiary of Ayala Land, Inc.)

Tentative Statements of Changes in Equity
For the year ended December 31, 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

		Remeasurement loss (gain) on pension liability,	Retained earnings		
	Capital stock	**net of tax**	**Appropriated**	**Unappropriated**	**Total**
Balances at January 1, 2022	1,305,518,000	344,760	500,000,000	1,378,580,171	3,184,442,931
Total comprehensive income					
Net income for the year	-	-	-	245,410,897	245,410,897
Other comprehensive income	-	1,573,981	-	-	1,573,981
Total comprehensive income for the year	-	1,573,981	-	245,410,897	246,984,878
Balances at December 31, 2022	1,305,518,000	1,918,741	500,000,000	1,623,991,068	3,431,427,809
Total comprehensive income					
Net income for the year	-	-	-	267,004,775	267,004,775
Other comprehensive income	-	(334,841)	-	-	(334,841)
Total comprehensive income for the year	-	(334,841)	-	267,004,775	266,669,934
Appropriation of retained earnings	-	-	1,000,000,000	(1,000,000,000)	-
Balances at December 31, 2023	1,305,518,000	1,583,900	1,500,000,000	890,995,843	3,698,097,743

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

COMPANY REG. NO. CS201026257

CERTIFICATE OF FILING OF AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

CAGAYAN DE ORO GATEWAY CORP.
(Amending Article II by introducing Secondary Purposes thereof.)

copy annexed, adopted on November 03, 2014 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980, and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 3rd day of November, Twenty Fifteen.

FERDINAND B. SALES
Director
Company Registration and Monitoring Department

BUWIS RENTAS INTERNAS
DSJ2014
15296930
15 PISO DOKUMENTARYO 15 PISO

OFFICIAL RECEIPT
Republic of the Philippines
DEPARTMENT OF FINANCE
SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, 1554

Accountable Form No. 51 Revised 2006	**ORIGINAL**
DATE October 30, 2015	No. 1343864

PAYOR CAGAYAN DE ORO GATEWAY CORP.
CAGAYAN DE ORO CITY

NATURE OF COLLECTION	ACCOUNT CODE	RESPONSIBILITY CENTER	AMOUNT
LRF (A0823)			10.00
AMENDED ARTICLES			500.00
		TOTAL	PHP 510.00

AMOUNT IN WORDS
FIVE HUNDRED TEN PESOS AND 0/100

Received	[X] Cash [ ] Treasury Warrant [ ] Check [ ] Money Order	Received the Amount Stated Above
Treasury Warrant, Check, Money Order Number		Mary Jane Dominguez COLLECTING OFFICER
Date of Treasury Warrant, Check, Money Order		O.R. No. 1343864

NOTE: Write the number and date of this receipt on the back of treasury warrant, check or money order received.

SECURITIES AND EXCHANGE COMMISSION
APPROVED ON
COMPANY REGISTRATION AND MONITORING DEPT.

COVER SHEET

for Applications at

COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application	SEC Registration Number
AMENDED ARTICLES	CS201026257

Company Name

CAGAYAN DE ORO GATEWAY CORP.

AMENDED TO:

New Company Name

Principal Office (No./Street/Barangay/City/Town/Province)

C. M. RECTO AVENUE AND CORRALES STREET, CAGAYAN DE ORO CITY

Company's Telephone Number/s

C/O 752-7981

Contact Person	Contact Person's Telephone Number
FLORENCE C. FERNANDEZ	C/O 752-7981

Contact Person's Address

To be accomplished by CRMD Personnel

		Date	Signature
Assigned Processor			

Document I.D.

Recived by Corporate Filing and Records Division (CFRD)

Forwarded to:

- [ ] Corporate and Partnership Registration Division
- [ ] Green Lane Unit
- [ ] Financial Analysis and Audit Divison
- [ ] Licensing Unit
- [ ] Compliance Monitoring Division

REPUBLIC OF THE PHILIPPINES)
CITY OF DAVAO) SS.

DIRECTORS' CERTIFICATE OF THE AMENDMENT OF THE ARTICLES OF INCORPORATION
of
CAGAYAN DE ORO GATEWAY CORP.
(SEC Reg. No. CS201026257)

WE, being a majority of the members of the Board of Directors and the Corporate Secretary of **CAGAYAN DE ORO GATEWAY CORP.** (the "Corporation"), do hereby certify that:

1. At its regular meeting on 3 November 2014, a majority of the members of the Board of Directors approved the amendment of the Second Article of the Corporation's Articles of Incorporation to include two (2) secondary purposes to allow the Corporation to engage in all forms of activities and mercantile acts and transactions;

2. At the special stockholders' meeting of the Corporation on 3 November 2014 at the 31st Floor, Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, the stockholders, by the affirmative vote of stockholders owning at least two-thirds (2/3) of the outstanding capital stock, approved the amendment of the Second Article of the Corporation's Articles of Incorporation to include two (2) secondary purposes to allow the Corporation to engage in all forms of activities and mercantile acts and transactions.

3. The Corporation complied with all the requirements of Sections 16 of the Corporation Code on the amendments to the Articles of Incorporation.

4. Attached hereto are copies of the Amended Articles of Incorporation of the Corporation.

IN WITNESS WHEREOF, the parties have hereunto set their hands this November 12, 2014 at DAVAO CITY, Philippines.

SIGNATURE PAGE FOLLOWS

ANTONIO R. FLOIRENDO JR.
Director
[redacted]

RICARDO R. FLOIRENDO
Director
[redacted]

ANTHONY ALEXANDER N. VALORIA
Director
[redacted]

SUBSCRIBED AND SWORN to before me this NOV 12 2014 at Davao city the affiants exhibited to me their respective competent evidence of identity described below:

Name	Competent Evidence of Identity Type/No.	Date Issued	Place Issued
Antonio R. Floirendo Jr. Ricardo R. Floirendo Anthony Alexander N. Valoria	[redacted]		

Doc. No. 476;
Page No. 096;
Book No. 66;
Series of 2014.

ALAN ROY C. LOPEZ
Notary Public
Until December 31, 2014
PTR No. 3760420B • 12/20/13 • D.C.
IBP Lifetime Membership No. 05717
Roll of Attorney's No. 43364
MCLE Comp. No. IV-0006196 • 06/13/12
TIN 184-275-447

BERNARD VINCENT O. DY
Chairman
[redacted]

JOSE EMMANUEL H. JALANDONI
Director
[redacted]

MARIA ROWENA M. TOMELDAN
Director
[redacted]

ANICETO V. BISNAR JR.
Director
[redacted]

EMILIO J. TUMBOCON
Director
[redacted]

ENRIQUE B. MANUEL JR.
Director
[redacted]

ATTESTED BY:

NIMFA AMBROSIA L. PEREZ-PARAS
Corporate Secretary
[redacted]

SUBSCRIBED AND SWORN to before me this OCT 26 2015 at Makati City, the affiants exhibited to me their respective competent evidence of identity described below:

Name	Competent Evidence of Identity Type/No.	Date Issued	Place Issued
Bernard Vincent O. Dy	[redacted]		
Jose Emmanuel H. Jalandoni			
Maria Rowena M. Tomeldan			
Emilio J. Tumbocon			
Aniceto V. Bisnar Jr.			
Enrique B. Manuel Jr.			
Nimfa Ambrosia L. Perez-Paras			

Doc. No. 197;
Page No. 40;
Book No. 71;
Series of 2015.

Notarial DST pursuant to Sec. 188 of the Tax Code affixed on Notary Public's copy.

CHARLENE MAE C. TAPIC-CASTRO NOTARY PUBLIC ROLL NO. 58720 MAKATI CITY, PHILS.

CHARLENE MAE C. TAPIC-CASTRO
Notary Public - Makati City
Appt. No. 393 until 31 December 2016
Attorney's Roll No. 58720
PTR No. 4756013MC; 01/06/2015; Makati City
IBP Lifetime Roll No. 010104
MCLE Compliance No. V-0004684; 11/28/2014
3rd Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

Republic of the Philippines
Department of Finance
Securities and Exchange Commission
SEC Bldg. EDSA, Greenhills, Mandaluyong City

COMPANY REGISTRATION AND MONITORING DEPARTMENT

IN THE MATTER OF	: FOR THE VIOLATION OF THE
CAGAYAN DE ORO GATEWAY CORP.	: CORPORATION CODE OF THE PHILIPPINES
	: AND THE SEC GUIDELINES ON
	: REPORTORIAL REQUIREMENTS
	:
SEC Registration No. CS201026257	:

x---x

CONFIRMATION OF PAYMENT OF FINES

The **CAGAYAN DE ORO GATEWAY CORP.**, registered on **March 03, 2010,** violated the Corporation Code of the Philippines and the SEC Guidelines on Reportorial Requirements by failing to submit the following within the prescribed period:

REQUIREMENTS	NOTED DEFICIENCIES YEARS COVERED	
	NOT FILED	FILED LATE
Financial Statements		2014

It also violated **SEC Memorandum Circular No. 8, series of 2009** (i.e. Material Deficiency in its 2014 Audited Financial Statements).

The corporation was directed to pay a total fine of **P9,000.00** paid on **October 01, 2015** under Official Receipt No. **1336053.**

This serves as a confirmation that the corporation has paid the fines for its failure to comply with the above-stated requirements. However, in case the corporation is subject to a complaint or investigation by the Commission or any party, the computation of penalty may be for years, earlier than five (5) years and imposition of fine shall also be made if warranted.

It is warned that if the corporation commits a similar violation in the future, the Commission shall be constrained to impose heavier penalties on the corporation and/or its responsible officers.

Mandaluyong City, Philippines. OCT 05 2015.

For the Director:

FERDINAND B. SALES

By: **KATHERINE ANN C. BALDOS**
Officer-in-Charge
Compliance Monitoring Division

GIS-2015
AFS-2014

/kbp

AMENDED
ARTICLES OF INCORPORATION

of

CAGAYAN DE ORO GATEWAY CORP.
(SEC Registration No. CS2010026257)

Know All Men By These Presents:

The undersigned incorporators, all of legal ages and majority of whom are residents of the Philippines, have this day voluntarily agreed to form a stock corporation under the laws of the Republic of the Philippines.

THAT WE HEREBY CERTIFY:

FIRST: The name of this corporation shall be:

CAGAYAN DE ORO GATEWAY CORP.

SECOND: A. That the primary purpose of this corporation is to develop, sell, invest, own, acquire, lease, hold, mortgage, administer or otherwise deal with commercial, residential, industrial or agricultural lands, buildings, structures or apertures, or in any other profitable business enterprise, venture or establishment, alone or jointly with other persons, natural or artificial.

B. That the secondary purposes of this corporation are:

1) to deal, engage, and transact, directly or indirectly, in all forms of business and mercantile acts and transactions concerning all kinds of real or personal property, goods, wares, chattel, choses in action, tangible and intangible properties, technical and industrial equipment, personal and real rights, commercial papers, evidence of indebtedness, or other forms of obligations, services, and all other things including future ones, which are not excluded from the commerce of men or which are not contrary to law or good morals;

2) To carry and undertake any business transactions or operation commonly carried on by persons, natural or artificial, engaged in the manufacture, production, exportation, importation, wholesale, retail, promotion and merchandising of any and all kinds of merchandise, goods and wares which are lawful objects of commerce.

(As amended on 3 November 2014).

C. That the corporation shall have all the express powers of a corporation as provided for under Section 36 of the Corporation Code of the Philippines.

THIRD: The place where the principal office of the corporation is to be established is at:

C.M. Recto Ave. and Corrales St.,
Cagayan de Oro City, Philippines.

FOURTH: That the term for which the corporation is to exist is Fifty (50) years from and after the date of issuance of the certificate of incorporation.

FIFTH: That the names, nationalities, and residences of the incorporators are as follows:

Name	Nationality	Residence
ANTONIO O. FLOIRENDO, SR.	[redacted]	
ANTONIO R. FLOIRENDO, JR.		
RICARDO R. FLOIRENDO		
VICENTE R. FLOIRENDO		
ANTHONY ALEXANDER N. VALORIA		

SIXTH: That the number of directors of said corporation shall be nine (9) and that the names, nationalities and residences of the first directors who are to serve until their successors are elected and qualified as provided by the by-laws are as follows: *(As amended on October 12, 2010)*

Name	Nationality	Residence (Complete Address)
ANTONIO O. FLOIRENDO, SR.	[redacted]	
ANTONIO R. FLOIRENDO, JR.		
RICARDO R. FLOIRENDO		
VICENTE R. FLOIRENDO		
ANTHONY ALEXANDER N. VALORIA		

SEVENTH: That the authorized capital stock of the corporation is ONE BILLION TWO HUNDRED FORTY MILLION (₱1,240,000,000.00) Pesos in lawful money of the Philippines, consisting of (i) 1,116,000,000 Redeemable Preferred Shares, (ii) 86,800,000 Class "A: Common Shares and (iii) 37,200,000 Class "B" Common Shares, each with a par value of ONE (₱1.00) peso per share. :

The Class "A" Common Shares may be issued to any investor not affiliated with the Anflo Group of Companies and Class "B" Common Shares shall be exclusively issued to any member of the Anflo Group of Companies. *(As amended on October 12, 2010)*

The Redeemable Preferred Shares shall have the following features:

(1) Voting Rights

The holders of the Redeemable Preferred Shares outstanding from time to time (the "Preferred Shareholders") shall have voting rights in accordance with Section 6 of the Corporation Code. of the Philippines.

(2) Dividends

The Preferred Shareholders shall be entitled to participate in any regular dividend declaration for the common shares of stock to be paid out of unrestricted retained earnings at the same rate and upon the same terms as declared and paid to holders of the common shares (the "Common Shareholders"). The Preferred Shareholders shall also be entitled to such other dividends as may be determined and approved by the Board of Directors.

Unless dividends on all outstanding shares of Redeemable Preferred Shares shall have been paid or declared, (i) no dividends shall be paid or declared and set apart for payment , in respect of the Common Shares; (ii) no distribution shall be made in respect of the Common Shares as to distribution upon liquidation, dissolution or winding-up; (iii) nor shall any Common Shares, upon liquidation, dissolution or winding up of the Corporation, be redeemed, purchased or otherwise acquired for any consideration by the Corporation.

(3) Liquidation Rights

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the Redeemable Preferred Shares shall be entitled to receive out of the assets of the Corporation available for distribution to the shareholders, before any distribution of assets is made to holders of common shares, distributions in the amount of the issue value per outstanding Redeemable Preferred Share, plus declared and unpaid dividends to the date of distribution.

(4) Redemption

The Redeemable Preferred Shares may be redeemed at the option of the Corporation. Any Redeemable Preferred Shares to be redeemed at the price and under such terms and conditions and procedures as shall be determined by the Board of Directors, provided, that in no case shall the redemption price of the actual number of the Redeemable Preferred Shares be less than the cost of such shares as recorded in the books of the Corporation at the time of redemption.

EIGHTH: The subscribers to the capital stock and the amount paid-in to their subscriptions are as follows:

Name	Nationality	No. of Shares Subscribed	Amount Subscribed	Amount Paid
PREFERRED SHARES				
Anflo Management & Investment Corporation	Filipino	9,000	P 9,000.00	P 9,000.00
CLASS "B" Common				
Antonio O. Floirendo, Sr.	Filipino	1	1.00	1.00
Nenita R. Floirendo	Filipino	1	1.00	1.00
Ma. Linda F. Lagdameo	Filipino	1	1.00	1.00
Antonio R. Floirendo, Jr.	Filipino	1	1.00	1.00
Ma. Cristina F. Brias	Filipino	1	1.00	1.00
Ma. Theresa R. Floirendo	Filipino	1	1.00	1.00
Ricardo R. Floirendo	Filipino	1	1.00	1.00
Vicente R. Floirendo	Filipino	1	1.00	1.00
Anthony Alexander N. Valoria	Filipino	1	1.00	1.00
Anflo Management & Investment Corporation	Filipino	991	991.00	991.00
Total		1,000	P 1,000.00	P 1,000.00
GRAND TOTAL		10,000	P 10,000.00	P 10,000.00

NINTH: No transfer of stock or interest which would reduce the stock ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the proper books of the corporation and this restriction shall be indicated in all the stocks certificates issued by the corporation.

TENTH: That RICARDO R. FLOIRENDO has been elected by the subscribers as treasurer of the corporation to act as such until his successor is duly elected and qualified in accordance with the by-laws; and that as such Treasurer, he has been authorized to receive for and in the name and for the benefit of the corporation, all subscriptions paid by the subscribers.

ELEVENTH: That the corporation manifest its willingness to change its corporate name in the event another person, firm or entity has acquired a prior right to the use of the said firm name or one deceptively or, confusingly similar to it.

IN WITNESS WHEREOF, we have set our hands this 1st day of March 2010 at Davao City, Philippines.

(original signed)
ANTONIO O. FLOIRENDO, ST.
[redacted]

(original signed)
ANTONIO R. FLOIRENDO, JR.
[redacted]

(original signed)
RICARDO R. FLOIRENDO
[redacted]

(original signed)
VICENTE R. FLOIRENDO
[redacted]

(original signed)
ANTHONY ALEXANDER N. VALORIA
[redacted]

WITNESSES:

(original signed)
____

(original signed)
____

ACKNOWLEDGMENT

Republic of the Philippines)
City of Davao) S.S.

BEFORE ME, a Notary Public in and for Davao City, Philippines, this 1st day of March 2010 personally appeared:

Name	Competent Evidence of Identity
Antonio O. Floirendo, Sr. Antonio R. Floirendo, Jr. Ricardo R. Floirendo Vicente R. Floirendo Anthony Alexander N. Valoria	[redacted]

all known to me and to me known to be the same persons who executed the forgoing Articles of Incorporation and they acknowledged to me that the same is their free and voluntary act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and place first above written.

(original signed)
NICOLAS A. BANGA
Notary Public
Commission No. 081-2010
Until December 31, 2011
PTR No. 8442077 – 12.23.09 – Davao City
Roll No. 51915

Doc. No. 162;
Page No. 33;
Book No. 12;
Series of 2010.

CAGAYAN DE ORO GATEWAY CORP.
C. M. RECTO AVENUE AND CORRALES STREET, CAGAYAN DE ORO CITY

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) SS.

SECRETARY'S CERTIFICATE

I, **NIMFA AMBROSIA L. PEREZ-PARAS**, of legal age, being the duly elected, qualified, and incumbent Corporate Secretary of **CAGAYAN DE ORO GATEWAY CORP.** (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, after having been duly sworn in accordance with law, do hereby certify that to the best of my knowledge and based on the records of the Corporation, no action or proceeding has been filed or is pending before any court or tribunal involving an intra-corporate dispute and/or claim by any person or group against the Board of Directors, individual directors, and major corporate officers of the Corporation in their capacity as such directors and officers of the Corporation.

IN WITNESS WHEREOF, I have signed this Certificate this MAR 0 9 2015 in Makati City.

NIMFA AMBROSIA L. PEREZ-PARAS
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 0 9 2015 at Makati City, the affiant exhibited to me, as competent evidence of identity, her Passport with number EC1178482 issued on 22 May 2014 at the Department of Foreign Affairs in Manila, Philippines.

Doc. No. 405;
Page No. 82;
Book No. II;
Series of 2015.

Notarial DST pursuant to Sec. 188 of the Tax Code affixed on Notary Public's copy.

SANDRA A. LUNA-ARIAS NOTARY PUBLIC ROLL NO. 55755 MAKATI CITY, PHILIPPINES

SANDRA A. LUNA-ARIAS
Notary Public - Makati City
Appt. No. 286 until December 31, 2016
Attorney's Roll No. 55755
PTR No. 4748077MC; 01-05-2015; Makati City
IBP Lifetime Roll No. 010328
MCLE Compliance No. V-0004781; 12/03/2014
3rd Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

SECURITIES AND EXCHANGE COMMISSION
THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph

The following document has been received:

Receiving: ARIEL FETALVO
Receipt Date and Time: November 15, 2024 05:08:00 PM

Company Information

SEC Registration No.: CS201026257
Company Name: CAGAYAN DE ORO GATEWAY CORP.
Industry Classification: K70190
Company Type: Stock Corporation

Document Information

Document ID: OST11115202482954970
Document Type: GENERAL_INFORMATION_SHEET
Document Code: GIS
Period Covered: March 18, 2024
Submission Type: Amendment
Remarks: None

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

AMENDED GENERAL INFORMATION SHEET (GIS)

FOR THE YEAR 2024

STOCK CORPORATION

GENERAL INSTRUCTIONS:

1. FOR USER CORPORATION: THIS GIS SHOULD BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS FROM THE DATE OF THE ANNUAL STOCKHOLDERS' MEETING. **DO NOT LEAVE ANY ITEM BLANK.** WRITE "N.A." IF THE INFORMATION REQUIRED IS NOT APPLICABLE TO THE CORPORATION OR "NONE" IF THE INFORMATION IS NON-EXISTENT. IF THE ANNUAL STOCKHOLDERS' MEETING IS HELD ON A DATE OTHER THAN THAT STATED IN THE BY-LAWS, THE GIS SHALL BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS AFTER THE ELECTION OF THE DIRECTORS, TRUSTEES AND OFFICERS OF THE CORPORATION AT THE ANNUAL MEMBERS' MEETING.
2. IF NO MEETING IS HELD, THE CORPORATION SHALL SUBMIT THE GIS NOT LATER THAN JANUARY 30 OF THE FOLLOWING YEAR. HOWEVER, SHOULD AN ANNUAL STOCKHOLDERS' MEETING BE HELD THEREAFTER, A NEW GIS SHALL BE SUBMITTED/FILED.
3. THIS GIS SHALL BE ACCOMPLISHED IN ENGLISH AND CERTIFIED AND SWORN TO BY THE **CORPORATE SECRETARY** OF THE CORPORATION.
4. THE SEC SHOULD BE TIMELY APPRISED OF RELEVANT CHANGES IN THE SUBMITTED INFORMATION AS THEY ARISE. FOR CHANGES RESULTING FROM ACTIONS THAT AROSE BETWEEN THE ANNUAL MEETINGS, THE CORPORATION SHALL SUBMIT AMENDED GIS CONTAINING THE NEW INFORMATION TOGETHER WITH A COVER LETTER SIGNED BY THE CORPORATE SECRETARY OF THE CORPORATION. THE AMENDED GIS AND COVER LETTER SHALL BE SUBMITTED WITHIN SEVEN (7) DAYS AFTER SUCH CHANGE OCCURED OR BECAME
5. SUBMIT FOUR (4) COPIES OF THE GIS TO THE RECEIVING SECTION AT THE SEC MAIN OFFICE, OR TO SEC SATELLITE OFFICES OR EXTENSION OFFICES. ALL COPIES SHALL UNIFORMLY BE ON A4 OR LETTER-SIZED PAPER. THE PAGES OF ALL COPIES SHALL USE ONLY ONE SIDE
6. **ONLY THE GIS ACCOMPLISHED IN ACCORDANCE WITH THESE INSTRUCTIONS SHALL BE CONSIDERED AS HAVING BEEN FILED.**
7. THIS GIS MAY BE USED AS EVIDENCE AGAINST THE CORPORATION AND ITS RESPONSIBLE DIRECTORS/OFFICERS FOR ANY VIOLATION OF EXISTING LAWS, RULES AND REGULATIONS

=============================== PLEASE PRINT LEGIBLY ====================================

CORPORATE NAME: CAGAYAN DE ORO GATEWAY CORP.	**DATE REGISTERED:** MARCH 3, 2010
BUSINESS/TRADE NAME: CAGAYAN DE ORO GATEWAY CORP.	
SEC REGISTRATION NUMBER: CS201026257	**FISCAL YEAR END:** December 31
DATE OF ANNUAL MEETING PER BY-LAWS: THIRD MONDAY OF MARCH OF EACH YEAR	**CORPORATE TAX IDENTIFICATION NUMBER (TIN)** 292-607-470
ACTUAL DATE OF ANNUAL MEETING: MARCH 18, 2024	**WEBSITE/URL ADDRESS:** N.A.
COMPLETE PRINCIPAL OFFICE ADDRESS: C. M. RECTO AVENUE AND CORRALES STREET, CAGAYAN DE ORO CITY, PHILIPPINES	**E-MAIL ADDRESS:** N.A.
COMPLETE BUSINESS ADDRESS: C. M. RECTO AVENUE AND CORRALES STREET, CAGAYAN DE ORO CITY, PHILIPPINES	**FAX NUMBER:** N.A.

OFFICIAL E-MAIL ADDRESS	ALTERNATE E-MAIL ADDRESS	OFFICIAL MOBILE NUMBER	ALTERNATE MOBILE NUMBER
ali.ccsg@amicassa.com.ph	corporate.cdogc@ayalamalls.com.ph	0945-208-8045	0956-019-2281

NAME OF EXTERNAL AUDITOR & ITS SIGNING PARTNER:		SEC ACCREDITATION NUMBER (if applicable):	TELEPHONE NUMBER(S):
ISLA LIPANA & CO.	JUSTO JESUS S. NAMUCO	N.A.	C/O (02) 7752-7991

PRIMARY PURPOSE/ACTIVITY/INDUSTRY PRESENTLY ENGAGED IN:	INDUSTRY CLASSIFICATION:	GEOGRAPHICAL CODE:
Please see Annex "A"	PROJECT DEVELOPMENT	N.A.

=============================== INTERCOMPANY AFFILIATIONS ======================================

PARENT COMPANY	SEC REGISTRATION NO.	ADDRESS
AYALA LAND, INC.	152747	31/F, TOWER ONE AND EXCHANGE PLAZA, AYALA TRIANGLE, AYALA AVENUE, MAKATI CITY
SUBSIDIARY/AFFILIATE	**SEC REGISTRATION NO.**	**ADDRESS**
- NOTHING FOLLOWS -		

NOTE: USE ADDITIONAL SHEET IF NECESSARY

**This General Information Sheet is being amended to report the election of officers as approved by the Company's Board of Directors on November 8, 2024.*

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

================================ **PLEASE PRINT LEGIBLY** ================================

Corporate Name: CAGAYAN DE ORO GATEWAY CORP.

A. Is the Corporation a covered person under the Anti Money Laundering Act (AMLA), as amended? (Rep. Acts. 9160/9164/10167/10365) ◉ Yes ○ No

Please check the appropriate box:

1.

- ☐ a. Banks
- ☐ b. Offshore Banking Units
- ☐ c. Quasi-Banks
- ☐ d. Trust Entities
- ☐ e. Non-Stock Savings and Loan Associations
- ☐ f. Pawnshops
- ☐ g. Foreign Exchage Dealers
- ☐ h. Money Changers
- ☐ i. Remittance Agents
- ☐ j. Electronic Money Issuers
- ☐ k. Financial Institutions which Under Special Laws are subject to Bangko Sentral ng Pilipinas' (BSP) supervision and/or regulation, including their subsidiaries and affiliates.

2.

- ☐ a. Insurance Companies
- ☐ b. Insurance Agents
- ☐ c. Insurance Brokers
- ☐ d. Professional Reinsurers
- ☐ e. Reinsurance Brokers
- ☐ f. Holding Companies
- ☐ g. Holding Company Systems
- ☐ h. Pre-need Companies
- ☐ i. Mutual Benefit Association
- ☐ j. All Other Persons and entities supervised and/or regulated by the Insurance Commission (IC)

3.

- ☐ a. Securities Dealers
- ☐ b. Securities Brokers
- ☐ c. Securities Salesman
- ☐ d. Investment Houses
- ☐ e. Investment Agents and Consultants
- ☐ f. Trading Advisors
- ☐ g. Other entities managing Securities or rendering similar services
- ☐ h. Mutual Funds or Open-end Investment Companies
- ☐ i. Close-end Investment Companies
- ☐ j. Common Trust Funds or Issuers and other similar entities
- ☐ k. Transfer Companies and other similar entities
- ☐ l. Other entities administering or otherwise dealing in currency, commodities or financial derivatives based there on
- ☐ m. Entities administering of otherwise dealing in valuable objects
- ☐ n. Entities administering or otherwise dealing in cash Substitutes and other similar monetary instruments or property supervised and/or regulated by the Securities and Exchange Commission (SEC)

4. ☐ Jewelry dealers in precious metals, who, as a business, trade in precious metals

5. ☐ Jewelry dealers in precious stones, who, as a business, trade in precious stone

6. Company service providers which, as a business, provide any of the following services to third parties:

- ☐ a. acting as a formation agent of juridical persons
- ☐ b. acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons
- ☐ c. providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement
- ☐ d. acting as (or arranging for another person to act as) a nominee shareholder for another person

7. Persons who provide any of the following services:

- ☐ a. managing of client money, securities or other assets
- ☐ b. management of bank, savings or securities accounts
- ☐ c. organization of contributions for the creation, operation or management of companies
- ☐ d. creation, operation or management of juridical persons or arrangements, and buying and selling business entities

8. ☑ None of the above

Describe nature of business: REAL ESTATE AS PROVIDED UNDER RA 11521

B. Has the Corporation complied with the requirements on Customer Due Diligence (CDD) or Know Your Customer (KYC), record-keeping, and submission of reports under the AMLA, as amended, since the last filing of its GIS? ◉ Yes ○ No

AMENDED GENERAL INFORMATION SHEET
STOCK CORPORATION

=============================== PLEASE PRINT LEGIBLY ===============================

CORPORATE NAME: CAGAYAN DE ORO GATEWAY CORP.

CAPITAL STRUCTURE

AUTHORIZED CAPITAL STOCK

	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP) (No. of shares X Par/Stated Value)
	PREFERRED***	1,116,000,000	1.00	1,116,000,000.00
	COMMON A	86,800,000	1.00	86,800,000.00
	COMMON B	37,200,000	1.00	37,200,000.00
	TOTAL	1,240,000,000	TOTAL P	1,240,000,000.00

SUBSCRIBED CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	3	PREFERRED	1,115,631,000	N.A	1.00	1,115,631,000.00	7%
	7	COMMON A	86,768,000	N.A.	1.00	86,768,000.00	3%
	10	COMMON B	37,191,000	N.A.	1.00	37,191,000.00	90%
		TOTAL	1,239,590,000	TOTAL	TOTAL P	1,239,590,000.00	100%

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
N.A.							
Percentage of Foreign Equity :	0%	TOTAL	-	TOTAL	TOTAL P	-	0%
					TOTAL SUBSCRIBED P	1,239,590,000.00	100%

PAID-UP CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	3	PREFERRED	1,115,631,000	1.00	1,115,631,000.00	90%
	7	COMMON A	86,768,000	1.00	86,768,000.00	7%
	10	COMMON B	37,191,000	1.00	37,191,000.00	3%
		TOTAL	1,239,590,000	TOTAL P	1,239,590,000.00	100%

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
N.A.						
		TOTAL	-	TOTAL P	-	0%
				TOTAL PAID-UP P	1,239,590,000.00	100%
				ADDITIONAL PAID UP CAPITAL P	0.00	
				TOTAL CAPITALIZATION P	1,239,590,000.00	

NOTE: USE ADDITIONAL SHEET IF NECESSARY

* Common, Preferred or other classification

** Other than Directors, Officers, Shareholders owning 10% of outstanding shares.

*** With voting rights.

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

================================ **PLEASE PRINT LEGIBLY** ================================

CORPORATE NAME: **CAGAYAN DE ORO GATEWAY CORP.**

D I R E C T O R S / O F F I C E R S

NAME/CURRENT RESIDENTIAL ADDRESS	NATIONALITY	INC'R	BOARD	GENDER	STOCK HOLDER	OFFICER	EXEC. COMM.	TAX IDENTIFICATION NUMBER
1. ANNA MA. MARGARITA B. DY [redacted]	FILIPINO	N	C	F	Y	CHAIRMAN	N.A.	[redacted]
2. RICARDO R. FLOIRENDO [redacted]	FILIPINO	Y	M	M	Y	VICE CHAIRMAN	N.A.	[redacted]
3. CHRISTOPHER B. MAGLANOC [redacted]	FILIPINO	N	M	M	Y	PRESIDENT	N.A.	[redacted]
4. MARIANA BEATRIZ E. ZOBEL DE AYALA [redacted]	FILIPINO	N	M	F	Y	N.A.	N.A.	[redacted]
5. ROBERT S. LAO [redacted]	FILIPINO	N	M	M	Y	N.A.	N.A.	[redacted]
6. JENNYLLE S. TUPAZ [redacted]	FILIPINO	N	M	F	Y	GENERAL MANAGER	N.A.	[redacted]
7. RICARDO F. LAGDAMEO [redacted]	FILIPINO	N	M	M	Y	ASSISTANT TREASURER	N.A.	[redacted]
8. MARIA LINDA F. LAGDAMEO [redacted]	FILIPINO	N	M	F	Y	N.A.	N.A.	[redacted]
9. MA. DIVINA Y. LOPEZ [redacted]	FILIPINO	N	M	F	N	TREASURER, CHIEF FINANCE OFFICER & COMPLIANCE OFFICER (until Nov. 7, 2024)	N.A.	[redacted]
10. FRANCIS M. MONTOJO [redacted]	FILIPINO	N	-	F	N	TREASURER, CHIEF FINANCE OFFICER & COMPLIANCE OFFICER (effective Nov. 8, 2024)	N.A.	[redacted]
11. MARIA PAULA G. ROMERO-BAUTISTA [redacted]	FILIPINO	N	-	F	N	CORPORATE SECRETARY	N.A.	[redacted]
12. KEVIN EDRICK P. RELOPEZ [redacted]	FILIPINO	N	-	M	N	ASSISTANT CORPORATE SECRETARY	N.A.	[redacted]
13. ROSCOE M. PINEDA [redacted]	FILIPINO	N	-	M	N	DATA PROTECTION OFFICER	N.A.	[redacted]
14. - NOTHING FOLLOWS -								
15.								

INSTRUCTION:

FOR SEX COLUMN, PUT "F" FOR FEMALE, "M" FOR MALE.

FOR BOARD COLUMN, PUT "C" FOR CHAIRMAN, "M" FOR MEMBER, "I" FOR INDEPENDENT DIRECTOR.

FOR INC'R COLUMN, PUT "Y" IF AN INCORPORATOR, "N" IF NOT.

FOR STOCKHOLDER COLUMN, PUT "Y" IF A STOCKHOLDER, "N" IF NOT.

FOR OFFICER COLUMN, INDICATE PARTICULAR POSITION IF AN OFFICER, FROM VP UP INCLUDING THE POSITION OF THE TREASURER, SECRETARY, COMPLIANCE OFFICER AND/OR ASSOCIATED PERSON.

FOR EXECUTIVE COMMITTEE, INDICATE "C" IF MEMBER OF THE COMPENSATION COMMITTEE; "A" FOR AUDIT COMMITTEE; "N" FOR NOMINATION AND ELECTION COMMITTEE. ADDITIONALLY WRITE "C" AFTER SLASH IF CHAIRMAN AND "M" IF MEMBER.

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

===================================== **PLEASE PRINT LEGIBLY** =====================================

CORPORATE NAME:	CAGAYAN DE ORO GATEWAY CORP.		
TOTAL NUMBER OF STOCKHOLDERS:	**17**	**NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:**	3
TOTAL ASSETS BASED ON LATEST AUDITED FINANCIAL STATEMENTS:	**5,607,987,699.00**		

STOCKHOLDER'S INFORMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	**SHARES SUBSCRIBED**				**AMOUNT PAID (PhP)**	**TAX IDENTIFICATION NUMBER**
	TYPE	**NUMBER**	**AMOUNT (PhP)**	**% OF OWNER-SHIP**		
1 AYALA LAND, INC.	PREFERRED	780,912,000	780,912,000.00	70.00%	867,679,994.00	000-153-790-000
FILIPINO	COMMON A	86,767,994	86,767,994.00			
31/F, TOWER ONE AND EXCHANGE PLAZA, AYALA TRIANGLE, AYALA AVENUE, MAKATI CITY						
	TOTAL	**867,679,994**	**867,679,994.00**			
2. ANNA MA. MARGARITA B. DY	COMMON A	1	1.00	0.00%	1.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
3. CHRISTOPHER B. MAGLANOC	COMMON A	1	1.00	0.00%	1.00	
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
4. MARIANA BEATRIZ E. ZOBEL DE AYALA	COMMON A	1	1.00	0.00%	1.00	
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
5. ROBERT S. LAO	COMMON A	1	1.00	0.00%	1.00	
[redacted]						
	TOTAL	**1**	**1.00**			
6. JENNYLLE S. TUPAZ	COMMON A	1	1.00	0.00%	1.00	
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
7. MA. DIVINA Y. LOPEZ	COMMON A	1	1.00	0.00%	1.00	
FILIPINO						
[redacted]						
	TOTAL	**1**	**1.00**			
TOTAL AMOUNT OF SUBSCRIBED CAPITAL			-	**-**	-	
TOTAL AMOUNT OF PAID-UP CAPITAL						
ADDITIONAL PAID-IN CAPITAL					**-**	
TOTAL CAPITALIZATION					-	

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.

AMENDED GENERAL INFORMATION SHEET
STOCK CORPORATION

== **PLEASE PRINT LEGIBLY** ==

CORPORATE NAME:	CAGAYAN DE ORO GATEWAY CORP.		
TOTAL NUMBER OF STOCKHOLDERS:	**17**	**NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:**	3
TOTAL ASSETS BASED ON LATEST AUDITED FS:	**5,607,987,699.00**		

STOCKHOLDER'S INFORMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	SHARES SUBSCRIBED				AMOUNT PAID (PhP)	TAX IDENTIFCATION NUMBER
	TYPE	NUMBER	AMOUNT (PhP)	% OF OWNER-SHIP		
8. ANFLO MANAGEMENT AND INVESTMENT CORPORATION FILIPINO DAMOSA BUILDING, LANANG, DAVAO CITY	PREFERRED	61,784,649	61,784,649.00	5.54%	68,649,601.00	000-073-747
	COMMON B	6,864,952	6,864,952.00			
	TOTAL	**68,649,601**	**68,649,601.00**			
9. MINDANAO MOTORS CORPORATION FILIPINO C.M. RECTO AVE., CAGAYAN DE ORO CITY	PREFERRED	272,934,351	272,934,351.00	24.46%	303,260,390.00	000-558-169
	COMMON B	30,326,039	30,326,039.00			
	TOTAL	**303,260,390**	**303,260,390**			
10. RICARDO R. FLOIRENDO FILIPINO [redacted]	COMMON B	1	1.00	0.00%	1.00	[redacted]
	TOTAL	**1**	**1.00**			
11. RICARDO F. LAGDAMEO FILIPINO [redacted]	COMMON B	1	1.00	0.00%	1.00	
	TOTAL	**1**	**1.00**			
12. MARIA LINDA F. LAGDAMEO FILIPINO [redacted]	COMMON B	1	1.00	0.00%	1.00	
	TOTAL	**1**	**1.00**			
13. VICENTE R. FLOIRENDO FILIPINO [redacted]	COMMON B	1	1.00	0.00%	1.00	
	TOTAL	**1**	**1**			
14. MARIA CRISTINA F. BRIAS FILIPINO [redacted]	COMMON B	1	**1.00**	0.00%	1.00	
	TOTAL	**1**	**1**			
TOTAL AMOUNT OF SUBSCRIBED CAPITAL			-	-		
				TOTAL AMOUNT OF PAID-UP CAPITAL	-	
				ADDITIONAL PAID-IN CAPITAL	-	
				TOTAL CAPITALIZATION	-	

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: ***For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.***

AMENDED GENERAL INFORMATION SHEET
STOCK CORPORATION
== **PLEASE PRINT LEGIBLY** ==

CORPORATE NAME:	CAGAYAN DE ORO GATEWAY CORP.		
TOTAL NUMBER OF STOCKHOLDERS:	**17**	**NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:**	3
TOTAL ASSETS BASED ON LATEST AUDITED FS:	**5,607,987,699.00**		

STOCKHOLDER'S INFORMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	**SHARES SUBSCRIBED**				**AMOUNT PAID (PhP)**	**TAX IDENTIFICATION NUMBER**
	TYPE	**NUMBER**	**AMOUNT (PhP)**	**% OF OWNERSHIP**		
15. NENITA R. FLOIRENDO FILIPINO [redacted]	COMMON B	2	2.00	0.00%	2.00	[redacted]
	TOTAL	**2**	**2.00**			
16. MA. THERESA R. FLOIRENDO FILIPINO [redacted]	COMMON B	1	1.00	1.00%	1.00	
	TOTAL	**1**	**1.00**			
17. ANTONIO R. FLOIRENDO, JR. FILIPINO [redacted]	COMMON B	1	1.00	0.00%	1.00	
	TOTAL	**1**	**1.00**			
18. - NOTHING FOLLOWS -				0.00%		
19.				0.00%		
	TOTAL					
20.				0.00%		
	TOTAL					
21. **OTHERS (Indicate the number of the remaining stockholders)**				0.00%		
	TOTAL					
TOTAL AMOUNT OF SUBSCRIBED CAPITAL			**1 ,239,590,000.00**	**100.00%**	**1 ,239,590,000.00**	
TOTAL AMOUNT OF PAID-UP CAPITAL						
ADDITIONAL PAID-IN CAPITAL					**-**	
TOTAL CAPITALIZATION					**1 ,239,590,000.00**	

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: ***For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.***

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

=================================== PLEASE PRINT LEGIBLY ===================================

CORPORATE NAME: CAGAYAN DE ORO GATEWAY CORP.

1. INVESTMENT OF CORPORATE FUNDS IN ANOTHER CORPORATION	AMOUNT (PhP)	DATE OF BOARD RESOLUTION
1.1 STOCKS	N.A.	N.A.
1.2 BONDS/COMMERCIAL PAPER (Issued by Private Corporations)	N.A.	N.A.
1.3 LOANS/ CREDITS/ ADVANCES	N.A.	N.A.
1.4 GOVERNMENT TREASURY BILLS	N.A.	N.A.
1.5 OTHERS	N.A.	N.A.

2. INVESTMENT OF CORPORATE FUNDS IN ACTIVITIES UNDER ITS SECONDARY PURPOSES (PLEASE SPECIFY:)	DATE OF BOARD RESOLUTION	DATE OF STOCKHOLDERS RATIFICATION
NA		

3. TREASURY SHARES	NO. OF SHARES	% AS TO THE TOTAL NO. OF SHARES ISSUED
	NA	N.A.

4. UNRESTRICTED/UNAPPROPRIATED RETAINED EARNINGS AS OF END OF LAST FISCAL YEAR: Php 1,004,765,572

5. DIVIDENDS DECLARED DURING THE IMMEDIATELY PRECEDING YEAR: N.A.

TYPE OF DIVIDEND	AMOUNT (PhP)	DATE DECLARED
5.1 CASH	N.A.	N.A.
5.2 STOCK	N.A.	N.A.
5.3 PROPERTY	N.A.	N.A.
TOTAL		

6. ADDITIONAL SHARES ISSUED DURING THE PERIOD: N.A.

DATE	NO. OF SHARES	AMOUNT

SECONDARY LICENSE/REGISTRATION WITH SEC AND OTHER GOV'T AGENCY:

NAME OF AGENCY:	SEC	B S P	I C
TYPE OF LICENSE/REGN.	N.A.	N.A.	N.A.
DATE ISSUED:			
DATE STARTED OPERATIONS:			

TOTAL ANNUAL COMPENSATION OF DIRECTORS DURING THE PRECEDING FISCAL YEAR (in PhP)	TOTAL NO. OF OFFICERS	TOTAL NO. OF RANK & FILE EMPLOYEES	TOTAL MANPOWER COMPLEMENT*
N.A.	12	4	161

NOTE: USE ADDITIONAL SHEET IF NECESSARY

**Manpower complement is composed of service providers engaged by the Company.*

I, MARIA PAULA G. ROMERO-BAUTISTA, Corporate Secretary of CAGAYAN DE ORO GATEWAY CORP. declare under penalty of perjury that all matters set forth in this GIS have been made in good faith, duly verified by me and to the best of my knowledge and belief are true and correct.

I hereby attest that all the information in this GIS are being submitted in compliance with the rules and regulations of the Securities and Exchange Commission (SEC) the collection, processing, storage and sharing of said information being necessary to carry out the functions of public authority for the performance of the constitutionally and statutorily mandated functions of the SEC as a regulatory agency.

I further attest that I have been authorized by the Board of Directors/Trustees to file this amended GIS with the SEC.

I understand that the Commission may place the corporation under delinquent status for failure to submit the reportorial requirements three (3) times, consecutively or intermittently, within a period of five (5) years (*Section 177, RA No. 11232*).

Done this NOV 15 2024, in Makati City.

MARIA PAULA G. ROMERO-BAUTISTA
CORPORATE SECRETARY

SUBSCRIBED AND SWORN to before me this NOV 15 2024 at Makati City, Affiant exhibiting to me as competent evidence of identity her Passport No. P7427296A issued on 4 June 2018 by the Department of Foreign Affairs in Manila, Philippines.

DOC NO.: 440;
PAGE NO.: 89;
BOOK NO.: IV;
SERIES OF 2024.

Notarial DST pursuant to Sec. 61 of the TRAIN Act (amending Sec. 188 of the NIRC) affixed on Notary Public's copy.

TRIXIE CARMELA J. GONZALES * NOTARY PUBLIC ROLL NO. 74043 * MAKATI CITY, PHILIPPINES

TRIXIE CARMELA J. GONZALES
Notary Public - Makati City
Appt. No. M-025 until December 31, 2025
Roll of Attorneys No. 74043
IBP No. 385175 - 01/02/2024 - Manila IV
PTR No. MKT10074003MN - 01/02/2024 - Makati City
MCLE Compliance No. VII-0005431 - 12/10/2021
27th Floor, Tower One and Exchange Plaza,
Ayala Triangle, Ayala Avenue,
Makati City, Philippines

CAGAYAN DE ORO GATEWAY CORP.
Primary Purpose

TO DEVELOP, SELL, INVEST, OWN, ACQUIRE, LEASE, HOLD, MORTGAGE, ADMINISTER OR OTHERWISE DEAL WITH COMMERCIAL, RESIDENTIAL, INDUSTRIAL OR AGRICULTURAL LANDS, BUILDINGS, STRUCTURES OR APERTURES, OR IN ANY OTHER PROFITABLE BUSINESS ENTERPRISE, VENTURE OR ESTABLISHMENT, ALONE OR JOINTLY WITH OTHER PERSONS, NATURAL OR ARTIFICIAL. *****00000*****

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Cagayan de Oro Gateway Corp.
(A Subsidiary of Ayala Land, Inc.)
C.M. Recto Avenue and Corrales Street
Cagayan de Oro City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cagayan de Oro Gateway Corp. (a subsidiary of Ayala Land, Inc.) (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company as at December 31, 2021 and 2020, and for the years then ended are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the financial statements which indicates that the financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the 2021 financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the financial statements.

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Cagayan de Oro Gateway Corp. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jose Rao'ul J. Balisalisa
Partner
CPA Certificate No. 109542
Tax Identification No. 931-743-705
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1557-AR-1 (Group A)
May 30, 2019, valid until May 29, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-113-2022,
January 25, 2022, valid until January 24, 2025
PTR No. 8853468, January 3, 2022, Makati City

March 31, 2022

CAGAYAN DE ORO GATEWAY CORP.
(A Subsidiary of Ayala Land, Inc.)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash (Note 4)	**₱25,028,285**	₱28,863,634
Accounts and other receivables (Note 5)	**319,637,342**	404,121,751
Real estate inventories (Note 6)	**1,440,309,020**	1,250,867,762
Other current assets (Note 7)	**334,317,762**	332,220,879
Total Current Assets	**2,119,292,409**	2,016,074,026
Noncurrent Assets		
Noncurrent portion of trade receivables (Note 5)	**199,778,868**	497,589,827
Investment properties (Note 8)	**3,008,286,941**	3,094,037,400
Property and equipment (Note 9)	**28,012,487**	33,671,580
Deferred tax assets - net (Note 22)	**63,784,399**	56,894,126
Other noncurrent assets (Note 10)	**228,172,298**	266,896,307
Total Noncurrent Assets	**3,528,034,993**	3,949,089,240
TOTAL ASSETS	**₱5,647,327,402**	₱5,965,163,266
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 12)	**₱1,263,868,183**	₱2,713,336,627
Current portion of long-term debt (Note 13)	**43,125,000**	43,125,000
Total Current Liabilities	**1,306,993,183**	2,756,461,627
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 13)	**1,838,167,655**	690,000,000
Pension liability (Note 15)	**3,199,925**	3,206,554
Other noncurrent liabilities (Note 14)	**551,478,767**	510,315,629
Total Noncurrent Liabilities	**2,392,846,347**	1,203,522,183
Total Liabilities	**3,699,839,530**	3,959,983,810
Equity		
Paid-in capital (Note 17)	**1,239,590,000**	1,239,590,000
Retained earnings (Note 17)	**707,717,070**	765,896,410
Remeasurement gain (loss) on pension liability, net of tax	**180,802**	(306,954)
Total Equity	**1,947,487,872**	2,005,179,456
TOTAL LIABILITIES AND EQUITY	**₱5,647,327,402**	₱5,965,163,266

See accompanying Notes to Financial Statements.

CAGAYAN DE ORO GATEWAY CORP.
(A Subsidiary of Ayala Land, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
REVENUE		
Real estate sales (Note 24)	**₱247,321,847**	₱141,972,354
Rental (Note 8)	**229,502,795**	242,491,839
CUSA and aircon charges (Note 24)	**126,581,617**	116,229,472
Interest and other income (Note 23)	**26,609,698**	25,533,321
Cinema and other mall revenue	**2,761,194**	8,198,897
	632,777,151	534,425,883
COSTS AND EXPENSES		
Cost of real estate sold (Note 19)	**237,190,549**	117,299,736
Direct operating expenses (Note 20)	**346,496,668**	371,855,321
General and administrative expenses (Note 21)	**19,669,468**	25,166,362
Interest and other financing charges (Notes 5, 13 and 16)	**94,624,786**	92,523,953
	697,981,471	606,845,372
LOSS BEFORE INCOME TAX	**(65,204,320)**	(72,419,489)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 22)		
Current	**57,112**	1,091,765
Deferred	**(7,082,092)**	(22,824,167)
	(7,024,980)	(21,732,402)
NET LOSS	**(58,179,340)**	(50,687,087)
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gain (loss) on pension liability (Note 15)	**679,575**	(417,886)
Income tax effect	**(169,894)**	125,366
Effect of changes in tax rate (Note 22)	**(21,925)**	–
	487,756	(292,520)
TOTAL COMPREHENSIVE LOSS	**(₱57,691,584)**	(₱50,979,607)

See accompanying Notes to Financial Statements.

CAGAYAN DE ORO GATEWAY CORP.
(A Subsidiary of Ayala Land, Inc.)

STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31	
	2021	2020
PAID-IN CAPITAL STOCK - ₱1 par value (Note 17)		
AUTHORIZED CAPITAL STOCK		
Preferred - 1,116,000,000 shares		
Common - Class A - 86,800,000 shares		
Common - Class B - 37,200,000 shares		
ISSUED CAPITAL STOCK		
Preferred - 1,115,631,000 shares	**₱1,115,631,000**	₱1,115,631,000
Common - Class A - 86,768,000 shares	**86,768,000**	86,768,000
Common - Class B - 37,191,000 shares	**37,191,000**	37,191,000
PAID-IN CAPITAL	**1,239,590,000**	1,239,590,000
REMEASUREMENT GAIN (LOSS) ON PENSION LIABILITY, NET OF TAX (Note 15)		
At beginning of year	**(306,954)**	(14,434)
Remeasurement gain (loss) on pension liability, net of income tax effect (Note 15)	**509,681**	(292,520)
Effect of changes in tax rate (Note 22)	**(21,925)**	–
At end of year	**180,802**	(306,954)
RETAINED EARNINGS (Note 17)		
At beginning of year	**765,896,410**	816,583,497
Net loss	**(58,179,340)**	(50,687,087)
At end of year	**707,717,070**	765,896,410
	₱1,947,487,872	₱2,005,179,456

See accompanying Notes to Financial Statements.

CAGAYAN DE ORO GATEWAY CORP.
(A Subsidiary of Ayala Land, Inc.)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱65,204,320)**	(₱72,419,489)
Adjustments for:		
Depreciation (Notes 8 and 9)	**103,237,533**	103,382,242
Interest and other financing charges (Notes 13 and 16)	**94,624,786**	92,523,953
Interest income (Note 23)	**(24,386,874)**	(25,533,321)
Change in pension liability (Note 15)	**672,946**	515,795
Operating income before working capital changes	**108,944,071**	98,469,180
Decrease (increase) in:		
Accounts and other receivables	**406,669,151**	(190,694,360)
Real estate inventories	**(189,441,258)**	(30,974,046)
Other current assets	**(2,153,995)**	(17,447,819)
Other noncurrent assets	**38,724,009**	94,142,369
Increase (decrease) in:		
Accounts and other payables	**(1,489,876,653)**	821,827,989
Other noncurrent liabilities	**41,163,138**	90,969,477
Net cash generated from (used in) operations	**(1,085,971,537)**	866,292,790
Income tax paid	**–**	(4,333,252)
Interest received	**13,091**	46,484
Interest and other financing charges paid	**(53,923,922)**	(92,644,256)
Net cash flows from (used in) operating activities	**(1,139,882,368)**	769,361,766
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investment properties (Note 8)	**(230,091)**	(667,405)
Property and equipment (Note 9)	**(11,597,890)**	(9,755,019)
Net cash flows from (used in) investing activities	**(11,827,981)**	(10,422,424)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of:		
Long-term debt (Note 13)	**(43,125,000)**	(751,406,250)
Debt-issue costs (Note 13)	**(9,000,000)**	–
Proceeds from loans	**1,200,000,000**	–
Net cash flows from (used in) financing activities	**1,147,875,000**	(751,406,250)
NET INCREASE (DECREASE) IN CASH	**(3,835,349)**	7,533,092
CASH AT BEGINNING OF YEAR	**28,863,634**	21,330,542
CASH AT END OF YEAR (Note 4)	**₱25,028,285**	₱28,863,634

See accompanying Notes to Financial Statements.

CAGAYAN DE ORO GATEWAY CORP.
(A Subsidiary of Ayala Land, Inc.)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Cagayan de Oro Gateway Corp. (the Company) is domiciled in the Philippines and was registered with the Securities and Exchange Commission (SEC) on March 3, 2010. The primary purpose of the Company is to develop, invest, own, acquire, lease, hold, mortgage, administer or otherwise deal with commercial, residential, industrial or agricultural lands, buildings, structures or apertures, or in any other profitable business enterprise, venture or establishment, alone or jointly with other persons, natural or artificial. The Company's registered office address and principal place of business is C.M. Recto Avenue and Corrales Street, Cagayan de Oro City.

The Company is 70% owned by Ayala Land, Inc. (ALI). ALI's parent company is Ayala Corporation (AC). AC is a publicly-listed company, 47.87% owned by Mermac Inc. and the rest by the public as of December 31, 2021.

The Company is operating the Centrio Mall located at C.M. Recto Ave. and Corrales St., Cagayan de Oro City, which started commercial operations on November 9, 2012. The Company is also developing and selling two residential condominium projects, namely, Centrio Towers located at Corrales Avenue, Cagayan de Oro City (launched in 2012) and Avida Towers Aspira located at Chavez Street, Cagayan de Oro City (Towers 1 and 2 launched in 2013 and 2018, respectively). The Company started operating its office space with four (4) floors on August 1, 2016.

On February 11, 2016, the Company was registered with the Philippine Economic Zone Authority (PEZA) as the developer/operator of Centrio Corporate Center pursuant to Republic Act (R.A.) No. 7916, as amended, its Implementing Rules and Regulations and PEZA Board Resolution Nos. 00-411 dated December 29, 2000 and 14-431 dated August 13, 2014. The Company, however, is not entitled to PEZA incentives under R.A. 7916, as amended.

The financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 31, 2022

2. Summary of Significant Accounting Policies

Basis for Preparation

The financial statements of the Company have been prepared on a historical cost basis. The financial statements are presented in Philippine Peso (₱), which is the Company's functional and presentation currency. All amounts have been rounded off to the nearest peso unless otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting relief on the accounting for significant financing components as issued and approved by the SEC in response to the COVID-19 pandemic.

The Company has availed of the relief granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of PIC Q&A 2018-12-D (assessment if the transaction price includes a significant financing component) until December 31, 2023.

SEC MC No. 4-2020 deferring the adoption of IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, *Borrowing Cost* (the IFRIC Agenda Decision on Borrowing Cost) and is not applicable to the Company as is it is already in full compliance with the requirements of the IFRIC Agenda Decision.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the Adoption of New and Amended Accounting Standards and Interpretations section of Note 2.

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

Changes in Accounting Policies

- Adoption of PIC Q&A 2018-12-E, *PFRS 15 Implementation Issues Affecting the Real Estate Industry:* STEP 5 - *Specifies How an Entity Should Determine When to Recognize Revenue in Relation to a Performance Obligation (Measurement of Progress).*

  In 2021, the Company adopted the provision of PFRS 15 covered by PIC Q&A 2018-12-E on the treatment of land in the calculation of POC. The change did not have significant impact on the financial statement of the Company.

- Adoption of Philippine Interpretations Committee Question and Answers (PIC Q&A) on *accounting for Common Usage Service Area (CUSA).*

  On February 14, 2018, the PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. This includes accounting for CUSA charges discussed in PIC Q&A No. 2018-12-H which concludes that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12 for a period of three years. The deferral will only be applicable for real estate transactions.

  The Company adopted PIC Q&A 2018-12, PFRS-15 - Accounting for CUSA starting January 1, 2021 which concludes that real estate developers are generally acting as principal for CUSA. The Company adopted the change using the full retrospective method of adoption.

  As a result of the adoption, the Company presented the revenue from CUSA charges at gross amounts and the related costs as part of revenues.

  The Company assessed itself (a) as principal on Buildings for CUSA and aircon charges, (b) as agent on Condominium Units for CUSA charges, and (c) as agent for electricity and water usage (see Note 24).

  Shown below is the detailed comparison between current and previous presentations of accounts related to CUSA, and utility charges.

	2020	
	Current Presentation	Previous Presentation
Revenues		
CUSA and aircon charges	₱116,229,472	₱ –
Direct operating expenses		
Utilities	90,130,863	–
Others	7,738,922	18,359,687
	₱18,359,687	₱18,359,687

Adoption of New and Amended Accounting Standards and Interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Company.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and,
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

  The amendment is not applicable as the Company has no existing lease arrangements wherein it acts as a lessee.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Company shall also disclose information about:
  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

- Adoption of PIC Q&A 2018-14, *Accounting for Cancellation of Real Estate Sales* (as amended by PIC Q&A 2020-05)

  On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

  On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

  The adoption of this PIC Q&A did not impact the financial statements of the Company since it has previously adopted approach 3 in its accounting for sales cancellation which records the repossessed inventory at cost.

  <u>Standards Issued but not yet Effective</u>
  Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

  Effective beginning on or after January 1, 2022

  - Amendments to PFRS 3, *Reference to the Conceptual Framework*

    The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’gains or losses arising for liabilities and contingent liabilities within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

    The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.
  - Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

    The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and 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 the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to* PFRSs 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

    The amendments are not expected to have a material impact on the Company.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are 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 lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and

Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

The amendments are not expected to have a material impact on the Company.

Deferred Effectivity

- Amendments to PFRS 10, *Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

  The Company is currently assessing the impact of adopting these amendments.

- Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. The PIC Q&A provisions covered by the SEC deferral that the Company availed in 2021 follows:

	Deferral Period
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)	Until December 31, 2023

  As discussed under Changes in Accounting Policies, the Company adopted the provision of PFRS 15 that covered its treatment of land in the determination of POC as discussed in PIC Q&A 2018-12-E. As allowed under SEC MC No. 34, the Company adopted the change under the modified retrospective approach.

  The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

  a. The accounting policies applied.
  b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
  c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.

d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

The Company availed of the SEC relief on the accounting for significant financing component of PIC Q&A No. 2018-12. Had this provision been adopted, the Company assessed that the impact would have been as follows:

The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable, provision for deferred income tax, deferred tax asset or liability for all years presented, and the opening balance of retained earnings. These would have impacted the cash flows from operations and cash flows from financing activities for all years presented. The Company believes that the mismatch for its contract to sell does not constitute a significant financing component that is material to the Company based on the examples provided in the PIC letter dated November 11, 2020.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on current or noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in its normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participants' 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.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

An external valuer is involved for valuation of investment properties. Involvement of external valuer is decided upon annually by corporate finance after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The Company, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash
Cash includes cash on hand and in banks. Cash in banks earn interest at the prevailing bank deposit rates.

Financial Instruments
Date of recognition
The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets
Initial recognition of financial instruments
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15, *Revenue from contract with customers*. Refer to the accounting policies on Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective 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 SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash, and accounts and other receivables (excluding advances to employees).

Financial assets at fair value through OCI (debt instruments)
The Company measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized OCI is recycled to profit or loss.

The Company does not have debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.
The Company does not have equity instruments at fair value through OCI.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognized in profit or loss.

The Company does not have financial assets at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's statements of financial position) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liabilities are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of Financial Assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix for trade receivables and a vintage analysis for sales contract receivables that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For receivable from related parties and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such 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. The Company uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

The key inputs in the model include the Company's definition of default and historical data of three years for the origination, maturity date and default date. The Company considers trade receivables in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

Determining the stage for impairment
At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Company considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

b. Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value.
The Company's financial liabilities include long-term debt, accounts and other payables (excluding statutory payables and customers' deposits).

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

This category generally applies to accounts and other payables (excluding statutory payables and customers' deposits) and long-term debt.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

c. Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Real Estate Inventories
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 real estate inventories. These are carried at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

Cost includes:
- Land cost
- Land improvement cost
- Amounts paid to contractors for construction
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other directly related costs

Prepayments
Prepayments are carried at cost less the amortized portion. These typically comprise prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, and insurance.

Value-Added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Investment Properties
Investment properties consist of land and building and improvements which are held with the intention for capital appreciation or rental to others. Property held for long-term rental yields is also classified as an investment property. Investment properties, except for land are carried at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment in value. Cost includes those costs incurred for development, improvement and construction of the properties.

Expenditures incurred after the investment properties have been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are obtained.

Depreciation of investment property commences once the property is available for use. Depreciation of the building and improvements is computed using the straight-line method over its estimated useful life of 40 years.

Investment property is derecognized when either it has been disposed of or is permanently withdrawn from use or no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal are recognized in the statement of comprehensive income in the year of retirement or disposal.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by: (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property; (b) commencement of development with a view to sale, for a transfer from investment property to inventories; (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or (d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

Constructions-in-progress are carried at cost (including borrowing cost) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

The Company disclosed the fair value of investment properties in accordance with PAS 40.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

Expenditures incurred after the property and equipment have been put into operation, such as maintenance and repairs, are normally charged to expense in the period in which 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 an additional cost of property and equipment.

Depreciation of property and equipment commences once the property and equipment are available for use.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Category	Number of Years
Furniture, fixtures and equipment	5
Service equipment	5 - 10

The useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.
When property and equipment are sold or retired, its cost, accumulated depreciation and any impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit or loss.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value 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 are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Deferred Credits
Deferred credits pertain to advance payments by the customers to cover various processing fees in relation to the sale of real estate inventories including, but not limited to, fees related to transfer of title and water and electricity connection fees. These are payable in the month preceding the last installment month. These are initially measured at cost of the various processing fees. Deferred credits are reversed upon payment of the Company for various processing fees in relation to the sale of real estate inventories on behalf of the customers. Any shortage is collectible from the customers while any excess is recognized as other income in the statement of comprehensive income upon full project close out.

Equity
Capital stock
The Company records common and preferred shares at par value.

Preferred shares that provide for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date, or give the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount are classified as liability. Otherwise, they are classified as equity.

Retained earnings
Retained earnings include accumulated profits attributable to the Company's equity holders and reduced by dividends on capital stock. Dividends on capital stock, if any, are recognized as a liability and deducted from equity when they are approved by the Company's BOD, except for stock dividends which require the approval by the Company's stockholders. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue and Cost Recognition
Revenue from Contract with Customers
The Company derives its real estate revenue from sale of condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date. The Company has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, electricity, air-conditioning and common use service area in its mall retail spaces, wherein it is acting as agent.

In measuring the progress of its performance obligation over time, the Company uses the output method. The Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third-party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized as trade receivables under accounts and other receivables account. Any excess of collections over the total of recognized trade receivables is included in the "accounts and other payables" account in the liabilities section of the statements of financial position. The impact of the significant financing component on the transaction price has not been considered since the Company availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry. Under the SEC Memorandum Circular No. 34, the relief has been extended until December 31, 2023.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Cost recognition
The Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation and permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Customers' deposit
A customers' deposit is a contract liability which is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a customers' deposit is recognized when the payment is made, or the payment is due (whichever is earlier). Customers' deposits are recognized as revenue when the Company performs under the contract.

Customers' deposit also include payments received by the Company from the customers for which revenue recognition has not yet commenced.

Costs to obtain contract
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. The Company has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Cost of real estate sold" account in the statement of comprehensive income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization, derecognition and impairment of capitalized costs to obtain a contract
The Company amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of real estate sold.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Company determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Rental Income
Rental income under non-cancellable and cancellable leases on investment properties is recognized in the statement of comprehensive income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Common usage service area (CUSA) and aircon charges
The contract for the commercial spaces leased out by the Company to its tenants includes the right to charge for the electricity usage, water usage, air-conditioning charges and CUSA like maintenance, janitorial and security services.

For the electricity and water usage, the Company determined that it is acting as an agent because the promise of the Company to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Company, are primarily responsible for the provisioning of the utilities while the Company administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air-conditioning of the buildings, the Company acts as a principal because it retains the right to direct the service provider of air-conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Company has the discretion on how to price the CUSA and air-conditioning charges.

Cinema and Other Mall Revenue
Cinema and other mall revenue is recognized when services are rendered and goods are delivered.

Interest Income
Interest income is recognized as it accrues using the effective interest rate, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets.

Other Income
Other income is recognized when earned.

Expense Recognition
Expenses are recognized in profit or loss when a decrease in future economic benefit related to decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in profit or loss:
- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or,
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Direct operating expenses and general and administrative expenses are recognized as they are incurred.

Leases
The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as Lessee
Except for short-term leases and leases of low-value assets, the Company applies a single recognition and measurement approach for all leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Company applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Company as Lessor
Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted on a straight-line basis over the lease term and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Pension Liability
The Company has unfunded, noncontributory retirement benefit plans covering all their eligible regular employees. Pension cost is actuarially determined using the projected unit credit method.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, 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 with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences 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.

Deferred tax assets and deferred liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

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

Deferred tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

<u>Provisions</u>
Provisions are recognized when the Company has a present obligation (legal or constructive) 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.

<u>Contingencies</u>
Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

<u>Events after the Reporting Period</u>
Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Company's position at each reporting date (adjusting events) are reflected in the financial statements. Significant post year-end events that are not adjusting events are disclosed in the notes to the financial statements, when material.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRSs requires management to make judgments, assumptions and estimates that affect the amounts reported in the financial statements and accompanying notes. The judgments, assumptions and estimates used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such as estimates.

Management believes the following represent a summary of these significant judgments, assumptions and estimates:

<u>Judgments</u>
Operating lease
The Company has entered into commercial property leases on its investment property portfolio as a lessor. The Company has determined that it retains all significant risks and rewards of ownership of the property as the Company considered, among others, the length of the lease term as compared with the estimated life of the investment property.

Some of the Company's operating lease contracts are accounted for as noncancelable operating leases and the rest are cancellable. In determining whether a lease contract is cancellable or not, the Company considers among others, the significance of the penalty, including the economic consequence to the lessee.

Assessment on whether lease concessions granted constitute a lease modification
In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Company waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

The Company applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, the Company determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Company assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

The rent concessions granted by the Company for the year ended December 31, 2021 and 2020 amounted to ₱274.6 million and ₱239.0 million, respectively (see Note 18).

Judgements made in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates applying paragraph 122 of PAS 1, Presentation of Financial Statements
Upon adoption of the Interpretation, the Company has assessed whether it has any uncertain tax position. The Company applies significant judgement in identifying uncertainties over its income tax treatments. The Company determined, based on its assessment, in consultation with its tax counsel, that it is probable that its uncertain income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

The Company has entered into commercial property leases on its investment property portfolio as a lessor. The Company has determined that it retains all significant risks and rewards of ownership of the property as the Company considered, among others, the length of the lease term as compared with the estimated life of the investment property.

Existence of a contract
The Company's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell is not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress
The Company concluded that revenue for real estate sales is to be recognized over time because: (a) the Company's performance does not create an asset with an alternative use and; (b) the Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Company. The Company considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

The Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development to the customers.

Distinction of land between real estate inventories and investment properties
The Company determines whether a property will be classified as real estate inventories or investment properties. The Company determines whether the property will be sold in the normal operating cycle (real estate inventories). All other properties that are not yet determined to be sold in the normal operating cycle are classified as investment properties.

Definition of default and credit-impaired financial assets
The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria - for sales contracts receivable, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria
The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financial covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. Concessions have been granted by the Company, for economic or contractual reasons relating to the customer's financial difficulty
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Company's expected loss calculation.

Incorporation of forward-looking information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Company considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Company's evaluation and assessment and after taking into consideration external actual and forecast information, the Company formulates a "base case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Management's Use of Estimates and Assumptions
Revenue recognition on real estate projects
The Company's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues. The Company's revenue from real estate is recognized based on the percentage of completion and this is measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists (project engineers). Prior to 2021, the Company includes land in the calculation of POC since the Company availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry. In 2021, the Company did not avail of the relief provided by the SEC and adopted the provision on the treatment of land in the determination of POC.

Following the pattern of real estate revenue recognition, the cost to obtain a contract (e.g. commission) is determined using the percentage of completion.

Provision for expected credit losses of trade and other receivables
The Company uses a provision matrix to calculate ECLs for trade receivables other than sales contract receivables. The provision rates are based on days past due for companies of various customer segments that have similar loss patterns.

The Company uses vintage analysis approach to calculate ECLs for trade receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

For other receivables such as accrued receivable, receivable from related parties and advances to other companies, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Company has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables from sale of real estate during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

The information about the ECLs on trade receivables is disclosed in Notes 5 and 25.

Evaluation of net realizable value (NRV) of real estate inventories
The Company adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Company in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete 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. In line with the impact of COVID-19, the Company experienced limited selling activities that resulted to lower sales in 2020. In evaluating NRV, recent market conditions and current market prices have been considered. As of December 31, 2021 and 2020, the net realizable value of real estate inventories amounted to ₱1.4 billion and ₱1.3 billion, respectively (see Note 6).

Useful lives of investment properties and property and equipment
The Company estimates the useful lives of investment properties (excluding land) and property and equipment based on the economic lives of investment properties and property and equipment. The estimated useful lives of these assets are reviewed periodically and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the investment properties and property and equipment. However, it is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the investment properties and property and equipment would increase the recorded expenses and decrease noncurrent assets.

As of December 31, 2021 and 2020, the aggregate carrying values of investment properties (excluding land) and property and equipment amounted to ₱2.7 billion and ₱2.8 billion, respectively (see Notes 8 and 9).

Impairment of nonfinancial assets
The Company assesses at each reporting period whether there is an indication that other current assets, investment property, property and equipment and other noncurrent assets may be impaired. Determining the value in use of these assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of these assets, requires the Company to make estimates and assumptions that can materially affect the financial statements.

Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and results of operations. The preparation of the estimated future cash flows involves significant judgments and estimates. While the Company believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.

As of December 31, 2021 and 2020, the aggregate carrying values of advances to employees (presented under "Accounts and other receivables"), other current assets, investment properties, property and equipment and other noncurrent assets amounted to ₱3.6 billion and ₱3.7 billion in 2021 and 2020 (see Notes 5, 7, 8, 9 and 10). No provision for impairment losses was recognized in 2021 and 2020.

Estimating pension liability
The determination of the Company's obligation and cost for pension is dependent on selection of certain assumptions used by actuaries in calculating such amounts. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Significant assumptions are disclosed in Note 15 and include among others, discount rate and salary increase rate.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

As of December 31, 2021 and 2020, the Company has an outstanding balance of pension liability amounting to ₱3.2 million.

Deferred tax assets
The Company reviews the carrying amounts of deferred tax asset at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income.

The Company recorded deferred tax assets amounting to ₱80.3 million and ₱77.3 million as of December 31, 2021 and 2020, respectively (see Note 22).

4. Cash

	2021	2020
Cash in banks	**₱24,776,085**	₱28,631,434
Cash on hand	**252,200**	232,200
	₱25,028,285	₱28,863,634

Cash in banks earn interest at prevailing bank deposit rates. Interest income from cash in banks amounted to ₱13,091 and ₱46,484 in 2021 and 2020, respectively (see Note 23).

5. Accounts and Other Receivables

	2021	2020
Trade commercial and condominium receivable	**₱414,419,830**	₱775,026,388
Accrued rent receivable	**65,698,862**	68,079,976
Related parties (Note 16)	**18,687,117**	12,636,210
Advances to employees	**643,676**	478,021
Others	**28,497,584**	55,432,533
	527,947,069	911,653,128
Less allowance for impairment	**8,530,859**	9,941,550
	519,416,210	901,711,578
Less noncurrent portion	**199,778,868**	497,589,827
	₱319,637,342	₱404,121,751

The classes of trade receivables of the Company are as follow:

- Condominium units - pertain to sales contracts receivable of condominium units.
- Commercial spaces - pertain to receivables from rentals of mall commercial and office spaces.

The sales contracts receivable, included under trade receivables, are collectible in monthly installments over a period of two to five years. Titles to condominium units are not transferred to the buyers until full payment has been made.

Trade receivables from commercial spaces are non-interest bearing and are generally collectible on a 30-day term. Accrued rent receivable pertains to additional expected rent for the period as a result of the PFRS 16 adjustment which was determined using the straight-line basis and expected rent from rentals of commercial spaces and office spaces.

Advances to employees are non-interest bearing and are due and demandable.

Others pertain mainly to nontrade receivables. These are non-interest bearing and are due and demandable such as creditable withholding taxes.

Allowance for impairment losses arose from trade receivables from commercial spaces. Trade receivables amounting to ₱8.5 million and ₱9.9 million were impaired and fully provided as of December 31, 2021 and 2020, respectively. In 2021, a reversal of the allowance for impairment losses amounting to ₱1.4 million was recorded part as of "Other income".

Movements in the allowance for impairment of trade receivables are as follows:

	2021	2020
At beginning of the year	**₱9,941,550**	₱4,508,574
Reversal	**(1,410,691)**	–
Provision for impairment of receivables (Note 21)	**–**	7,478,172
Write-off	**–**	(2,045,196)
At end of the year	**₱8,530,859**	₱9,941,550

Trade receivables from condominium units with a nominal amount of ₱199.8 million and ₱497.6 million were recorded as of December 31, 2021 and 2020, respectively, at fair value. The fair values of the receivables were obtained by discounting future cash flows using the applicable rates for similar types of instruments. Income from reversal of allowance for impairment of receivables amounting to ₱1.4 million was recognized under other income in "Interest and other income" (see Note 23).

Movements in the unamortized discount in trade receivables are as follows:

	2021	2020
At January 1	**₱83,977,585**	₱89,450,429
Additions	**39,166,364**	19,219,445
Accretion for the year (Note 23)	**(24,373,783)**	(24,692,289)
At December 31	**₱98,770,166**	₱83,977,585

In 2021, the Company sold residential receivables on a without recourse basis to Bank of the Philippine Islands - Family Savings Bank Inc., a related party, and Banco de Oro, amounting to ₱62.5 million and ₱67.3 million, respectively. These were sold at a discount, with total proceeds of ₱115.5 million. The Company recognized loss on sale under "Interest and other financing charges" in the statement of comprehensive income in 2021 amounting to ₱14.3 million.

6. Real Estate Inventories

The real estate inventories are stated at cost amounting to ₱1.4 billion and ₱1.3 billion as of December 31, 2021 and 2020, respectively. Real estate inventories are carried at cost as of as the NRV of all real estate inventories is substantially in excess of cost.

A summary of the movements in real estate inventories is set out below:

	2021	2020
At January 1	**₱1,250,867,762**	₱1,219,893,716
Additions	**382,523,987**	118,355,653
Cost of real estate inventories sold (Note 19)	**(193,082,729)**	(87,381,607)
At December 31	**₱1,440,309,020**	₱1,250,867,762

Inventories recognized as cost of real estate sales amounted to ₱193.1 million and ₱87.4 million in 2021 and 2020, respectively, and were included under "Cost of real estate sold" in the statement of comprehensive income (see Note 19).

The Company has no purchase commitments pertaining to its inventories as of December 31, 2021 and 2020.

There are no liens and encumbrances on the Company's real estate inventories.

7. Other Current Assets

	2021	2020
Prepayments	**₱216,584,977**	₱219,123,695
Current portion of net input VAT (Note 10)	**40,942,619**	49,859,559
Materials and supplies	**37,162,064**	38,279,623
Current portion of prepaid commission (Notes 10 and 11)	**3,123,656**	2,569,736
Other prepayments	**36,504,446**	22,388,266
	₱334,317,762	₱332,220,879

Prepayments include prepaid management fee and storage fees which are to be recognized as expense based on the percentage of completion of project.

Net input VAT represents VAT due or paid on purchases of goods and services subjected to VAT that the Company can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT received from sale of goods and services subjected to VAT.

Materials and supplies pertain to stocks from the food and beverage operations of the Company.

Prepaid commission pertains to commissions to real estate brokers.

Other prepayments include prepaid insurance and prepaid expenses which are expected to be applied or incurred within the normal operating cycle of the Company.

8. Investment Properties

2021

	Land	Building and Improvements	**Total**
Cost			
Balance at beginning of year	₱332,540,001	₱3,401,312,610	**₱3,733,852,611**
Additions	–	230,091	**230,091**
Balance at end of year	332,540,001	3,401,542,701	**3,734,082,702**
Accumulated Depreciation			
Balance at beginning of year	–	639,815,211	**639,815,211**
Depreciation (Notes 20 and 21)	–	85,980,550	**85,980,550**
Balance at end of year	–	725,795,761	**725,795,761**
Net Book Value	₱332,540,001	₱2,675,746,940	**₱3,008,286,941**

2020

	Land	Building and Improvements	Total
Cost			
Balance at beginning of year	₱332,540,001	₱3,400,645,205	₱3,733,185,206
Additions	–	667,405	667,405
Balance at end of year	332,540,001	3,401,312,610	3,733,852,611

(Forward)

	Land	Building and Improvements	Total
Accumulated Depreciation			
Balance at beginning of year	₱ –	₱552,989,443	₱552,989,443
Depreciation (Notes 20 and 21)	–	86,825,768	86,825,768
Balance at end of year	–	639,815,211	639,815,211
Net Book Value	₱332,540,001	₱2,761,497,399	₱3,094,037,400

The Company's investment properties pertain to mall and office spaces rented by tenants. Total rental income arising from investment properties amounted to ₱229.5 million and ₱242.5 million in 2021 and 2020, respectively. Total income derived from CUSA and aircon charges recoveries from investment properties amounted to ₱126.6 million and ₱116.2 million in 2021 and 2020, respectively. Depreciation expense arising from the investment properties amounted to ₱86.0 million and ₱86.8 million in 2021 and 2020, and total CUSA charges amounted to ₱91.8 million and ₱97.9 million in 2021 and 2020, respectively. These are recognized under "Direct operating expenses" in the statements of comprehensive income.

The market value of the investment properties as determined by an independent real estate appraiser amounted to ₱4.8 billion as of December 31, 2021 and 2020. This value was based on market value approach (Level 3 hierarchy) which considers the estimated amount for which a property should exchange on the date of valuation assuming that market participants act in their best economic interest. Market value is understood as the value of an asset estimated without regard to cost of sale or purchase and without offset for any associated taxes.

9. Property and Equipment

2021

	Furniture, Fixtures and Equipment	**Service Equipment**	**Total**
Cost			
Balance at beginning of year	**₱49,539,487**	**₱107,261,360**	**₱156,800,847**
Additions	**11,597,890**	**–**	**11,597,890**
Balance at end of year	**61,137,377**	**107,261,360**	**168,398,737**
Accumulated Depreciation			
Balance at beginning of year	**31,304,354**	**91,824,913**	**123,129,267**
Depreciation (Notes 20 and 21)	**5,658,608**	**11,598,375**	**17,256,983**
Balance at end of year	**36,962,962**	**103,423,288**	**140,386,250**
Net Book Value	**₱24,174,415**	**₱3,838,072**	**₱28,012,487**

2020

	Furniture, Fixtures and Equipment	Service Equipment	Total
Cost			
Balance at beginning of year	₱39,784,468	₱107,261,360	₱147,045,828
Additions	9,755,019	–	9,755,019
Balance at end of year	49,539,487	107,261,360	156,800,847
Accumulated Depreciation			
Balance at beginning of year	26,346,255	80,226,538	106,572,793
Depreciation (Notes 20 and 21)	4,958,099	11,598,375	16,556,474
Balance at end of year	31,304,354	91,824,913	123,129,267
Net Book Value	₱18,235,133	₱15,436,447	₱33,671,580

As of December 31, 2021 and 2020, fully depreciated property and equipment still used in the Company's operations amounted to ₱4.5 million and ₱3.0 million, respectively.

10. Other Noncurrent Assets

	2021	2020
Net input VAT - net of current portion (Note 7)	**₱168,804,411**	₱181,390,299
Deferred input VAT	**36,800,139**	23,578,200
Advances to contractors	**13,176,202**	14,125,013
Prepaid commission - net of current portion (Notes 7 and 11)	**9,391,546**	7,153,065
Project costs	**–**	31,759,489
Others	**–**	8,890,241
	₱228,172,298	₱266,896,307

Deferred input VAT as of December 31, 2021 and 2020 pertains to VAT on capital goods or properties that are recoverable in future periods.

Advances to contractors pertain to the Company's down payments for the construction works of Aspira Tower 2 in Cagayan de Oro City. This is realized upon receipt of progress billing depending on the percentage of the contractor's accomplishment.

Project costs pertains to payment for master planning fees and construction expenditures necessary for the development of the residential properties.
Others pertain mostly to equipment and services related to capital expenditures already paid but not yet delivered and rendered.

11. Customer's Deposits and Cost to Obtain a Contract

Customer's deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion.

As of December 31, 2021 and 2020, customers' deposits amounted to ₱36.9 million and ₱26.3 million, respectively (see Notes 12 and 14).

The amount of revenue recognized from amounts included in contract liabilities at the beginning of the year amounted to ₱4.0 million and ₱10.0 million in 2021 and 2020, respectively.

Cost to obtain a contract
Commission directly related to signed contract to sell agreements are deferred and amortized using the POC method.

The balances below pertain to the cost to obtain contracts included in the other current and noncurrent assets (see Notes 7 and 10):

	2021	2020
At beginning of the year	**₱9,722,801**	₱7,837,675
Additions	**20,883,838**	12,405,687
Amortization (Note 19)	**(18,091,437)**	(10,520,561)
At end of the year	**₱12,515,202**	₱9,722,801

12. **Accounts and Other Payables**

	2021	2020
Payable to related parties (Note 16)	**₱913,612,310**	₱2,024,301,982
Accounts payable	**196,729,428**	225,084,005
Retention payable	**45,303,508**	33,058,228
Accrued expenses	**40,595,244**	371,862,440
Current portion of customers' deposits (Note 11)	**33,560,700**	22,271,953
Interest payable (Note 13)	**18,835,925**	471,820
Taxes payable	**4,880,189**	5,902,883
Accrued project cost	**–**	6,859,045
Others	**10,350,879**	23,524,271
	₱1,263,868,183	₱2,713,336,627

Payables to related parties are non-interest bearing and are mostly due and demandable (see Note 16).

Accounts payable and accrued expenses arise from regular transactions with suppliers and service providers. These are non-interest bearing and are normally settled on 15 to 60-day terms.

Retention payable represents a certain percentage of the total project costs that is withheld for payment to the contractor until the end of the construction of the project.

Accrued expenses comprise of professional fees, management fees and other expenses already incurred but not yet paid.

Interest payable represents accrued interest from loans payable.

Taxes payable pertains to expanded withholding taxes and other taxes payable. Expanded withholding taxes are settled on a monthly basis. Other taxes payable are normally settled within one year.

Accrued project costs are billings not yet received from suppliers for direct materials, and services from subcontractors. These are accruals of project costs such as equipment charges, materials, labor, overhead, and provision for repairs and maintenance.

Other payables mostly pertain to other statutory payables and unearned income. These are normally settled within one year.

13. **Long-term Debt**

	2021	2020
8-year Loan Maturing December 28, 2027	**₱733,125,000**	₱787,031,250
10-year Loan Maturing August 11, 2031	**1,200,000,000**	–
7-year Loan Maturing March 20, 2019	–	697,500,000
	1,933,125,000	1,484,531,250
Unamortized debt issue cost	**(8,707,345)**	–
	1,933,125,000	1,484,531,250
Loan payments	**(43,125,000)**	(751,406,250)
	1,881,292,655	733,125,000
Current portion of long-term debt	**(43,125,000)**	(43,125,000)
Long-term debt - net of current portion	**₱1,838,167,655**	₱690,000,000

Long-term debt represents various unsecured loans obtained from local banks to finance the Company's various mall redevelopment projects.

8-year Loan Maturing December 28, 2027
On November 7, 2019, the Company entered into an unsecured ₱787.0 million peso-denominated long-term debt with a local government-owned universal bank to refinance its maturing obligation with another local universal bank. The loan commitment includes the following:

Fixed rated portion - shall pay interest at a rate equivalent to the Base Rate-Fixed plus a spread of 70 basis points per annum.

The foregoing shall be deemed inclusive of gross receipts tax. The long-term debt shall be for a maximum of ten years from the initial drawdown date.

10-year Loan Maturing August 11, 2031
On August 5, 2021, the Company entered into a ten-year unsecured ₱1.2 billion peso-denominated long-term debt with local bank to partially finance capital expenditures and/or for general corporate funding requirements, including refinancing of existing debt. The loans were subject to prevailing borrower's rate of 4% per annum, subject to repricing beginning on 6th year. The loan is payable semi-annually starting at the end of the fifth (5th) year from the initial drawdown date equivalent to one eight percent (0.125%) of the original loan amount with the last amortization sufficient to fully pay the loan equivalent to ninety-eight and three fourth percent (98.75%) of the original amount.

7-year Loan Maturing March 20, 2019
On December 20, 2012, the Company entered into an unsecured ₱775.0 million peso-denominated long-term debt with a local government-owned universal bank to finance the development of the Company's mixed-use development project in Cagayan de Oro City. The loan commitment includes the following:

Fixed rated portion - shall pay interest at a rate equal to the Base Rate-Fixed plus a spread of 75 basis points per annum.

The long-term debt shall be for a maximum term of seven years and three months from and after the initial drawdown date, inclusive of three years grace period.

The Company received its last drawdown of ₱25.0 million on February 26, 2015 subjected at fixed rate. Loan was fully paid on June 26, 2020.

The Company incurred debt issue cost amounting to ₱9.0 million which was being amortized over the loan term of 10 years using effective interest method. The amortized debt issue cost amounting to ₱0.3 million in 2021 were lodged under "Interest and other financing charges" in the statement of comprehensive income.

The movements of the unamortized debt issue costs as at December 31, 2021 and 2020 follow:

	2021
At January 1	**₱–**
Additions	**9,000,000**
Amortization (see Note 18)	**(292,655)**
At December 31	**₱8,707,345**

Interest expense, including amortization of debt issue cost, amounted to ₱53.0 million and ₱52.4 million in 2021 and 2020, respectively.

The loans are covered by an arrangement which provides certain restrictions and requirements for the Company to maintain a debt to tangible net worth ratio of not greater than 3:1. As of December 31, 2021 and 2020, debt to tangible net worth ratio is 1.90:1 and 1.97:1, respectively. Given the ratios, the Company is compliant with the loan covenants in both 2021 and 2020.

As of December 31, 2021 and 2020, the accrued interest payable on the loans amounted to ₱18.8 million and ₱0.5 million, respectively (see Note 12).

The repayment schedule of the long-term debt is as follows:

Year	**2021**	2020
2021	**₱ –**	₱43,125,000
2022	**43,125,000**	43,125,000
2023	**43,125,000**	43,125,000
2024	**43,125,000**	43,125,000
2025	**43,125,000**	43,125,000
2026 to 2031	**1,717,500,000**	474,375,000
	₱1,890,000,000	₱690,000,000

14. **Other Noncurrent Liabilities**

	2021	2020
Deferred credits	**₱218,180,598**	₱172,308,900
Security deposits	**189,347,910**	213,834,555
Deferred output VAT	**140,635,304**	120,150,560
Customer's deposits - net of current portion (Note 11)	**3,314,955**	4,021,614
	₱551,478,767	₱510,315,629

Deferred credits pertain to advance payments from customers to cover various processing fees in relation to the sale of real estate inventories including, but not limited to, fees related to transfer of title and water and electricity connection fees. These are reversed upon payment of the said fees on behalf of the customers. Any shortage is collectible from the customers while any excess is recognized as other income in the statements of comprehensive income.

Security deposits mainly consist of the five-month deposits paid by mall tenants and three-month deposit by office tenants at the beginning of the lease term, to be applied against outstanding rent receivable at the end of the contract. Additional security deposit is billed if there are any increase on rental rate upon renewal of the contract.

Deferred output VAT pertains to VAT on collectible portion of total selling price of real estate installment sales which are payable to the BIR upon collection from customers.

15. **Pension Liability**

The Company has an unfunded, noncontributory defined benefit pension plan covering substantially all of its regular officers and employees. The Company accrues for pension cost in compliance with R.A. No. 7641, *The Retirement Pay Law*.

The Company recognized retirement costs amounting to ₱0.7 million and ₱0.5 million in 2021 and 2020, respectively (see Note 21).

The actuarial valuation involves making assumptions. The principal assumptions, used in determining pension obligation for the defined benefit plans include 4.95% and 3.75% as discount rate in 2021 and 2020, respectively. The salary increase rate in 2021 and 2020 is 7.0% and 6.0%, respectively.

Changes in pension liability in 2021 and 2020 are as follow:

	2021	2020
At January 1	**₱3,206,554**	₱2,272,873
Net benefit cost in profit or loss:		
Current service cost	**552,700**	403,742
Interest cost	**120,246**	112,053
	3,879,500	2,788,668
Actuarial loss recognized in OCI due to:		
Changes in financial assumptions	**(679,575)**	475,200
Experience adjustments	**–**	(57,314)
At December 31	**₱3,199,925**	₱3,206,554

The re-measurement gain (loss) recognized in other comprehensive income in 2021 and 2020 are as follows:

	2021	2020
Present value of defined benefit obligation	**₱679,575**	(₱417,886)
Income tax effect	**(169,894)**	125,366
Net remeasurement gain (loss)	**509,681**	(292,520)
Effect of change in tax rate (Note 22)	**(21,925)**	–
	₱487,756	(₱292,520)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2021 and 2020:

		Increase (decrease) in defined benefit obligation	
		2021	2020
Discount rates	+1.00%	**(₱638,301)**	(₱654,697)
	-1.00%	**839,210**	861,865
Future salary increases	+1.00%	**795,631**	813,685
	-1.00%	**(621,662)**	(635,726)

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2021 and 2020:

	2021	2020
Less than 1 year	**₱ –**	₱ –
More than 1 year to 5 years	**612,718**	621,550
More than 5 years to 20 years	**–**	4,634,419
More than 20 years	**95,651,347**	74,393,120
	₱96,264,065	₱79,649,089

The average duration of the defined benefit obligation as of December 31, 2021 and 2020 is 23 years each year.

16. Related Party Transactions

The Company, in the normal course of business, has entered into transactions with related parties consisting primarily of development, management and marketing agreements. Services rendered to and received from related parties are made at normal market prices. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. The transactions are made at terms and prices agreed upon by the parties. The outstanding balances with related parties are settled in cash.

As of December 31, 2021 and 2020, the effects of the foregoing principally consist of the following:

	Amount		Receivables from related parties (Note 5)			
	2021	2020	**2021**	2020	Terms	Conditions
Parent:						
ALI						
Fees and other charges	**₱113,389**	₱7,020	**₱5,364,238**	₱5,250,849	On demand, Noninterest- bearing	Unsecured, not impaired
Fellow subsidiaries:						
Northgate Hotel Ventures, Inc.						
Land lease and other charges	**4,335,953**	2,600,547	**5,548,328**	5,212,845	On demand, Noninterest-bearing	Unsecured, not impaired
Alveo Land Corporation						
Rent and other charges	**7,105,891**	5,779,491	**1,033,554**	679,801	On demand, Noninterest-bearing	Unsecured, not impaired
Philippine Integrated Energy Solutions Inc.						
Fees and other charges	**8,546,706**	5,645,578	**637,030**	432,299	On demand, Noninterest-bearing	Unsecured, not impaired

(Forward)

	Amount		Receivables from related parties (Note 5)			
	2021	2020	**2021**	2020	Terms	Conditions
Eco North Resort Ventures Inc.					On demand,	Unsecured,
Short-term loan	**₱–**	₱–	**₱69,018**	₱69,018	Noninterest-bearing	not impaired
Avida Land Corporation					On demand,	Unsecured,
Fees and other charges	**1,334,963**	2,011,727	**30,000**	79,826	Noninterest-bearing	not impaired
Amaia Land Corporation					On demand,	Unsecured,
Fees and other charges	**20,000**	–	**22,000**	2,000	Noninterest-bearing	not impaired
Ayala Land Metro North, Inc.					On demand,	Unsecured,
Fees and other charges	**–**	–	**200**	200	Noninterest-bearing	not impaired
Cebu Holdings, Inc.					On demand,	Unsecured,
Fees and other charges	**–**	81,889	**–**	93,389	Noninterest-bearing	not impaired
Others						
Rent and other charges	**35,550,611**	35,619,888	**4,782,149**	60,948	On demand,	Unsecured,
Fees and other charges	**18,965,548**	9,706,333	**1,200,600**	755,035	Noninterest-bearing	not impaired
			₱18,687,117	₱12,636,210		

	Amount		Payable to related parties (Note 12)			
	2021	2020	**2021**	2020	Terms	Conditions
Parent:						
ALI					On demand,	Unsecured,
Management fees and other charges	**₱42,444,349**	₱43,657,143	**₱75,329,916**	₱58,391,781	Noninterest-bearing	no collateral
Short-term loan	**–**	317,750,000	**–**	317,750,000	Due in January of the following year, subject to 6.25% interest	Unsecured, no collateral
Fellow subsidiaries:						
Avida Land Corporation						
Management fees, commission and other charges	**43,141,118**	25,087,491	**433,364,583**	392,863,441	On demand, Noninterest-bearing	Unsecured, no collateral
Makati Development Corporation					On demand,	Unsecured,
Project cost	**₱231,100,561**	₱343,092,653	**₱242,808,821**	₱266,300,917	Noninterest-bearing	no collateral
Short-term loan	**95,400,000**	141,250,000	**95,400,000**	141,250,000	Due in January and March of the following year, subject to 2% interest	Unsecured, no collateral
Fees and other charges	**3,114,224**	4,561,366	**–**	–	On demand, Noninterest-bearing	Unsecured, no collateral
Ayala Hotels, Inc.						
Short-term loan	**–**	265,550,000	**–**	265,550,000	Due in March of the following year, subject to 2.57% interest	Unsecured, no collateral
Fees and other charges	**3,734,396**	7,536,086	**6,490,429**	9,031,637	On demand, non-interest bearing	Unsecured, no collateral
North Eastern Commercial Corp.						
Short-term loan	**–**	80,420,000	**–**	80,420,000	Due in January of the following year, subject to 2.75% interest	Unsecured, no collateral
Fees and other charges	**1,491,977**	1,395,548	**3,081,362**	1,642,939	On demand, Noninterest-bearing	Unsecured, no collateral
OLC Development Corporation						
Short-term loan	**–**	63,000,000	**–**	63,000,000	Due in April of the following year, subject to 2.75% interest	Unsecured, no collateral
Fees and other charges	**913,969**	1,061,688	**984,580**	340,455	On demand, Noninterest-bearing	Unsecured, no collateral

(Forward)

	Amount		Payable to related parties (Note 12)			
	2021	2020	**2021**	2020	Terms	Conditions
Ayala Property Management Corporation						
Short-term loan	**₱–**	₱57,500,000	**₱–**	₱57,500,000	Due in March of the following year, 2.75% interest	Unsecured, no collateral
Fees and other charges	**1,506,962**	4,130,972	**1,383,503**	1,242,380	On demand, Noninterest-bearing	Unsecured, no collateral
MDBI Construction Corp.						
Short-term loan	–	50,000,000	–	50,000,000	Due in January of the following year, subject to 2.96% interest	Unsecured, no collateral
Fees and other charges	**107,751**	1,798,264	**436,340**	945,929	On demand, Noninterest-bearing	Unsecured, no collateral
Lagdigan Land Corp.						
Short-term loan	–	46,500,000	–	46,500,000	Due in March of the following year, 2.75% interest	Unsecured, no collateral
Fees and other charges	**595,428**	2,139,234	**1,996,449**	1,617,295	On demand, Noninterest-bearing	Unsecured, no collateral
Ayala Land Metro North,Inc.						
Short-term loan	–	35,500,000	–	35,500,000	Due in March following year, subject to 2.63% interest	Unsecured, no collateral
Fees and other charges	**392,762**	624,601	**804,940**	554,294	On demand, Noninterest-bearing	Unsecured, no collateral
Station Square East Commercial Corp.						
Short-term loan	**20,000,000**	22,000,000	**20,000,000**	22,000,000	Due on February and March of the following year, subject to 1.96% and 2.83% interest	Unsecured, no collateral
Fees and other charges	**334,501**	341,289	**699,437**	379,019	On demand, Noninterest-bearing	Unsecured, no collateral
North Beacon Commercial Corporation						
Short-term loan	–	20,000,000	–	20,000,000	Due in April of the following year, subject to 2.75% interest	Unsecured, no collateral
Fees and other charges	**290,149**	397,423	**427,854**	397,715	On demand, Noninterest-bearing	Unsecured, no collateral
UP North Property Holdings, Inc.						
Short-term loan	–	20,000,000	–	20,000,000	Due in March of the following year, subject to 2.63% interest	Unsecured, no collateral
Fees and other charges	**759,080**	325,811	**724,295**	213,493	On demand, Noninterest-bearing	Unsecured, no collateral
Asian I-Office Properties, Inc.						
Short-term loan	–	20,000,000	–	20,000,000	Due in March of the following year, subject to 2.75% interest	Unsecured, no collateral
Fees and other charges	**98,682**	331,410	–	161,810	On demand, Noninterest-bearing	Unsecured, no collateral
Aurora Properties, Inc.						
Short-term loan	–	17,700,000	–	17,700,000	Due in April of the following year, subject to 2.75% interest	Unsecured, no collateral
Fees and other charges	**256,782**	707,508	**893,836**	712,867	On demand, Noninterest-bearing	Unsecured, no collateral
Orion Land, Inc.						
Short-term loan	–	15,000,000	–	15,000,000	Due in March of the following year, 2.63% interest	Unsecured, no collateral
Fees and other charges	**216,308**	264,122	**417,495**	336,897	On demand, Noninterest-bearing	Unsecured, no collateral

(Forward)

	Amount		Payable to related parties (Note 12)			
	2021	2020	**2021**	2020	Terms	Conditions
Philippine Integrated Energy Solutions, Inc.						
Fees and other charges	**₱75,579,981**	₱73,318,920	**₱19,240,379**	₱11,674,762	On demand, Noninterest-bearing	Unsecured, no collateral
Avida Sales Corp.						
Short-term loan	**–**	11,000,000	**–**	11,000,000	Due in March of the following year, 2.63% interest	Unsecured, no collateral
Fees and other charges	**158,460**	176,353	**205,868**	105,298	On demand, Noninterest-bearing	Unsecured, no collateral
MDC Subic Inc.						
Short-term loan	**–**	7,000,000	**–**	7,000,000	Due in February of the following year, subject to 2.08% interest	Unsecured, no collateral
Fees and other charges	**111,091**	128,830	**123,667**	27,423	On demand, Noninterest-bearing	Unsecured, no collateral
Glensworth Development, Inc.						
Short-term loan	**–**	6,730,000	**–**	6,730,000	Due in March of the following year, 2.63% interest	Unsecured, no collateral
Fees and other charges	**96,242**	224,879	**110,853**	17,822	On demand, Noninterest-bearing	Unsecured, no collateral
Aprisa Business Process Solutions						
Short-term loan	**–**	5,000,000	**–**	5,000,000	Due in March of the following year, subject to 3% interest	Unsecured, no collateral
Fees and other charges	**1,246,997**	1,415,589	**862,597**	782,961	On demand, Noninterest-bearing	Unsecured, no collateral
Amicassa Process Solutions, Inc.						
Short-term loan	**–**	5,000,000	**–**	5,000,000	Due in January of the following year, subject to 3.89% interest	Unsecured, no collateral
Fees and other charges	**4,756**	74,636	**54,804**	59,925	On demand, Noninterest-bearing	Unsecured, no collateral
Makati Cornerstone Leasing Corp.						
Short-term loan	**–**	5,000,000	**–**	5,000,000	Due in January of the following year, subject to 2.63% interest	Unsecured, no collateral
Fees and other charges	**6,585**	17,987	**3,415**	21,027	On demand, Noninterest-bearing	Unsecured, no collateral
Vesta Property Holdings, Inc.						
Short-term loan	**–**	4,500,000	**–**	4,500,000	Due in March of the following year, subject to 2.83% interest	Unsecured, no collateral
Fees and other charges	**64,592**	9,552	**58,258**	12,364	On demand, Noninterest-bearing	Unsecured, no collateral
Alabang Commercial Corp.						
Short-term loan	**–**	3,500,000	**–**	3,500,000	Due in March of the following year, subject to 2.75% interest	Unsecured, no collateral
Fees and other charges	**49,896**	5,347	**45,287**	5,615	On demand, Noninterest-bearing	Unsecured, no collateral
ALI Commercial Center, Inc.						
Fees and other charges	**107,911**	377,304	**2,700,684**	2,592,773	On demand, Noninterest-bearing	Unsecured, no collateral
Taft Punta Engaño Property, Inc.						
Short-term loan	**–**	2,500,000	**–**	2,500,000	Due in March of the following year, subject to 3% interest	Unsecured, no collateral
Fees and other charges	**64,937**	147,209	**–**	20,161	On demand, Noninterest-bearing	Unsecured, no collateral

(Forward)

	Amount 2021	Amount 2020	Payable to related parties (Note 12) 2021	Payable to related parties (Note 12) 2020	Terms	Conditions
ALI-CII Development Corp.						
Short-term loan	**₱ –**	₱1,500,000	**₱ –**	₱1,500,000	Due in April of the following year, subject to 3.05% interest	Unsecured, no collateral
Fees and other charges	**21,446**	24,299	**34,954**	14,346	On demand, Noninterest-bearing	Unsecured, no collateral
MDC BuildPlus, Inc.						
Fees and other charges	**–**	–	**67,132**	80,065	On demand,	Unsecured,
Project cost	**1,800,565**	1,961,677	**739,720**	1,164,619	Noninterest-bearing	no collateral
Ayalaland Malls, Inc						
Fees and other charges	**3,074,142**	2,601,803	**954,589**	881,213	On demand, Noninterest-bearing	Unsecured, no collateral
AyalaLand Offices, Inc.						
Fees and other charges	**–**	3,228,092	**651,065**	651,065	On demand, Noninterest-bearing	Unsecured, no collateral
North Triangle Depot Commercial Corp.					On demand, Noninterest-bearing	Unsecured, no collateral
Fees and other charges	**–**	179,588	**103,944**	296,968		
Ayala Land Malls VISMIN, Inc.						
Fees and other charges	**342,904**	401,742	**192,287**	206,051	On demand, Noninterest-bearing	Unsecured, no collateral
Ayalaland Malls Northeast, Inc.						
Fees and other charges	**387,518**	624,645	**213,160**	179,606	On demand, Noninterest-bearing	Unsecured, no collateral
Accendo Commercial Corporation						
Fees and other charges	**–**	–	**159,681**	159,681	On demand, Noninterest-bearing	Unsecured, no collateral
Southportal Properties, Inc.						
Fees and other charges	**24,772**	173,386	**150,538**	126,509	On demand, Noninterest-bearing	Unsecured, no collateral
Cebu Leisure Company, Inc.						
Fees and other charges	**–**	67,022	**–**	66,562	On demand, Noninterest-bearing	Unsecured, no collateral
AyalaLand Estates, Inc.						
Fees and other charges	**305,291**	747,568	**353,514**	57,381	On demand, Noninterest-bearing	Unsecured, no collateral
Direct Power Services Inc.						
Fees and other charges	**–**	12,697	**30,070**	30,070	On demand, Noninterest-bearing	Unsecured, no collateral
Alveo Land Corporation						
Fees and other charges	**118,046**	–	**134,420**	16,374	On demand, Noninterest-bearing	Unsecured, no collateral
Bay City Commercial Ventures Corp.						
Fees and other charges	**–**	35,778	**17,889**	17,889	On demand, Noninterest-bearing	Unsecured, no collateral
AREIT, Inc. (formerly One Dela Rosa Property Development Inc.)						
Short-term loan	**–**	26,000,000	**–**	26,000,000	Due in January of the following year, subject to 2.75% interest	Unsecured, no collateral
Fees and other charges	**154,412**	386,910	**537,083**	479,453	On demand, Noninterest-bearing	Unsecured, no collateral
BPI/MS Insurance Corp.						
Fees and other charges	**–**	–	**69,345**	69,345	On demand, Noninterest-bearing	Unsecured, no collateral
AyalaLand Commercial REIT, Inc.						
Short-term loan	**–**	10,800,000	**–**	10,800,000	Due in January of the following year, subject to 4.83% interest	Unsecured, no collateral
Fees and other charges	**–**	340,982	**103,293**	103,293	On demand, Noninterest-bearing	Unsecured, no collateral

(Forward)

	Amount		Payable to related parties (Note 12)			
	2021	2020	**2021**	2020	Terms	Conditions
Buklod Bahayan Realty Development						
Short-term loan	**₱–**	₱6,000,000	**₱–**	₱6,000,000	Due in February of the following year, subject to 2.75% interest	Unsecured, no collateral
Fees and other charges	**87,045**	–	**56,685**	–	On demand, Noninterest-bearing	Unsecured, no collateral
Others						
Fees and other charges	**933,640**	736,988	**393,289**	2,548,492	On demand, Noninterest-bearing	Unsecured, no collateral
			₱913,612,310	₱2,024,301,982		

Interest and other financing charges related to short-term loans with related parties amounted to ₱27.1 million and ₱40.1 million in 2021 and 2020, respectively.

Terms and Conditions of Transactions with Related Parties
The outstanding accounts with related parties shall be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. These accounts are generally unsecured.

The key management personnel are also the same key management personnel from the Parent Company. Hence, the compensation is paid by the latter.

17. Equity

Preferred shares
The preferred shares have the following features:

(a) Voting Rights
The holders of the redeemable preferred shares outstanding from time to time (the "preferred shareholders") shall have voting rights in accordance with Section 6 of the Corporation Code of the Philippines.

(b) Dividends
The preferred shareholders shall be entitled to participate in any regular dividend declaration for the common shares of stocks to be paid out of unrestricted retained earnings at the same rate and upon the same terms as declared and paid to holders of the common shares ("the common shareholders"). The preferred shareholders shall also be entitled to such other dividends as may be determined and approved by the BOD.

Unless dividends on all outstanding shares of redeemable preferred shares shall have been paid or declared, (i) no dividends shall be paid or declared with respect to the common shares; (ii) no distribution shall be made with respect to the common shares as to distribution upon liquidation, dissolution, or winding-up; (iii) nor shall any common shares (upon liquidation, dissolution, or winding-up of the Company) be redeemed, purchased, or otherwise acquired for any consideration by the Company.

(c) Liquidation Rights
In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the redeemable preferred shares shall be entitled to receive out of the assets of the Company available for distribution to the shareholders, before any distribution of assets is made to holders of common shares, distributions in the amount of the issue value per

outstanding redeemable preferred shares, plus declared and unpaid dividends to the date of distribution.

(d) Redemption
The redeemable preferred shares may be redeemed at the option of the Company. Any redeemable preferred shares to be redeemed at the price and under such terms and conditions and procedures as shall be determined by the BOD, provided, that in no case shall the redemption price of the actual number of the redeemable preferred shares be less than the cost of such shares as recorded in the books of the Company at the time of redemption.

Retained earnings
The Company did not declare any dividends in the year 2021 and 2020.

Capital management
The primary objective of the Company's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value.

The Company is subject to externally imposed capital requirements due to loan covenants (see Note 13). The Company monitors capital using a debt to tangible net worth ratio, which is total debt divided by total capital less intangible assets, maintained within 3:1 ratio. The Company considers borrowed money from financial institutions as debt. The Company considers as capital its retained earnings and both common and preferred shares which are entitled to receive dividends, but preferred shares enjoy a preference in the distribution of dividends. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2021 and 2020.

The Company considers the following as its core economic capital:

	2021	2020
Paid-in capital	**₱1,239,590,000**	₱1,239,590,000
Retained earnings	**707,717,070**	765,896,410
	₱1,947,307,070	₱2,005,486,410

18. Leases

The Company enters into lease agreements with third parties on its investment property portfolio, covering the Company's retail and office spaces. These leases have terms ranging from one to 25 years and generally provide for either: (a) fixed monthly rent; or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals receivable under noncancelable operating leases of the Company are as follows:

	2021	2020
Within one year	**₱148,199,736**	₱91,885,903
After one year but not more than 5 years	**434,686,319**	273,561,467
More than 5 years	**89,744,181**	192,587,787
	₱672,630,236	₱558,035,157

The rent concessions granted by the Company for the year ended December 31, 2021 and 2020 amounted to ₱274.6 million and ₱239.0 million, respectively.

19. Cost of Real Estate Sold

	2021	2020
Cost of real estate inventories (Note 6)	**₱193,082,729**	₱87,381,607
Direct operating expenses:		
Management and sales documentation fees (Note 16)	**25,049,681**	14,566,930
Commission (Notes 11 and 16)	**18,091,437**	10,520,561
Advertising and promotion	**966,702**	4,830,638
	₱237,190,549	₱117,299,736

20. Direct Operating Expenses

	2021	2020
Depreciation (Notes 8 and 9)	**₱102,517,345**	₱102,679,058
Utilities	**87,354,584**	90,130,863
Taxes and licenses	**41,682,208**	48,263,196
Outside services	**37,524,443**	39,344,805
Management fees (Note 16)	**37,522,908**	39,764,525
Repairs and maintenance	**17,737,696**	14,289,667
Dues and fees	**12,772,178**	14,450,929
Beverage and ice	**1,811,767**	2,837,634
Marketing	**1,501,093**	8,362,313
Insurance	**1,336,749**	1,092,501
Film producer's share	**246,269**	2,900,908
Others	**4,489,428**	7,738,922
	₱346,496,668	₱371,855,321

21. General and Administrative Expenses

	2021	2020
Salaries and employee benefits	**₱10,470,806**	₱9,577,363
Outside services	**3,766,065**	2,384,218
Repairs and maintenance	**1,374,810**	1,334,767
Depreciation (Notes 8 and 9)	**720,188**	703,184
Retirement costs (Note 15)	**672,946**	515,795
Professional fees	**381,750**	335,000
Communication	**332,400**	447,135
Travel and transportation	**67,393**	282,810
Supplies	**55,935**	117,733
Entertainment, amusement and recreation	**24,000**	57,861
Taxes and licenses	**8,500**	14,812
Provision for impairment of receivables (Note 5)	**–**	7,478,172
Others	**1,794,675**	1,917,512
	₱19,669,468	₱25,166,362

Breakdown of personnel costs is as follows:

	2021	2020
Salaries, wages and allowances	**₱8,594,476**	₱7,781,119
Employee's benefits	**1,876,330**	1,796,244
Retirement costs (Note 15)	**672,946**	515,795
	₱11,143,752	₱10,093,158

22. **Income Tax**

The current provision for income tax of the Company represents 1% and 2% minimum corporate income tax (MCIT) in 2021 and 2020, respectively.

The components of the Company's net deferred tax assets are as follow:

	2021	2020
Deferred tax assets:		
Difference between tax and book basis of accounting for real estate transactions	**₱39,848,127**	₱52,792,971
Net operating loss carry-over (NOLCO)	**36,726,193**	17,955,757
Allowance for impairment of receivables	**2,132,715**	2,982,465
MCIT	**1,148,878**	1,091,765
Unearned income	**952,015**	1,279,768
Retirement cost recognized in profit or loss	**860,248**	830,414
Accrued compensation and benefits	**778,042**	253,427
Remeasurement loss on pension liability recognized in other comprehensive income	**–**	131,552
	81,668,176	77,318,119
Deferred tax liability:		
Straight-line adjustment on rent income	**16,424,716**	20,423,993
Deferred financing cost - net of amortization	**2,176,836**	–
Remeasurement gain on pension liability recognized in other comprehensive income	**60,267**	–
	18,661,819	20,423,993
Deferred tax assets - net	**₱63,784,399**	₱56,894,126

The Company has incurred NOLCO in taxable years 2021 and 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover as One Act, as follows:

NOLCO Year Incurred	Expiry Date	At January 1, 2021	Addition	**At December 31, 2021**
2020	December 31, 2025	₱59,852,522	₱ –	**₱59,852,522**
2021	December 31, 2026	–	87,052,250	**87,052,250**
		₱59,852,522	₱87,052,250	**₱146,904,772**

The details of the Company's MCIT are as follows:

MCIT Year Incurred	Expiry Date	At January 1, 2021	Effect of change in tax rate	Additions	**At December 31, 2021**
2020	December 31, 2023	₱1,091,766	(₱272,942)	₱ −	**₱818,824**
2021	December 31, 2024	−	−	330,054	**330,054**
		₱1,091,766	(₱(272,942)	₱330,054	**₱1,148,878**

The reconciliation between the current benefit from income tax computed at the statutory income tax rate to actual benefit from income tax follows:

	2021	2020
Loss before income tax	**(₱65,204,320)**	(₱72,419,489)
At statutory income tax rate 25%	**(₱16,301,080)**	₱ −
At statutory income tax rate 30%	−	(21,725,847)
Addition to (reduction in) income taxes resulting from:		
Effect on opening deferred taxes and current taxes resulting from reduction in tax rates	**9,278,468**	−
Interest income already subjected to final tax at a lower tax rate	**(3,273)**	(11,156)
Limitation on deductibility of interest expense	**656**	4,601
Other	**249**	−
	(₱7,024,980)	(₱21,732,402)

The components of provision for income tax are as follows:

	2021	2020
Current tax		
Current tax expense on current period's profit	**₱330,054**	₱1,091,765
Adjustment recognized in the period for current tax of prior period	**(272,942)**	–
	57,112	1,091,765
Deferred tax		
Deferred tax benefit relating to origination and reversal of temporary differences	**(16,633,502)**	(22,824,167)
Deferred tax expenses relating to changes in tax rates	**9,551,410**	–
	(7,082,092)	(22,824,167)
Provision for income tax	**(₱7,024,980)**	(₱21,732,402)

Enactment of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
On March 26, 2021, the President of the Philippines signed into law the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

Applying the provisions of the CREATE Act to the Philippine-based entities, the applicable new income tax rates (i.e., 25% RCIT / 1% MCIT) were used to calculate for the current and deferred income taxes as at and for the year ended December 31, 2021.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020, even though some of the provisions have retroactive effect to July 1, 2020, thus considered as a non-adjusting subsequent event on the December 31, 2020 balances. Accordingly, current and deferred income taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of and for the year then ended (i.e., 30% RCIT / 2% minimum corporate income tax (MCIT) for financial reporting purposes).

The Company reflected the changes in the current and deferred income taxes in its financial statements as of and for the year ended December 31, 2021, including the retroactive effect of the change in tax rates arising from the CREATE Act. Details of the impact are as follows:

<u>Statement of Financial Position</u>

	Increase (Decrease)
Net deferred income tax liabilities	
Attributable to profit or loss	(₱9,551,410)
Attributable to OCI	21,925
Prepaid income tax	(272,942)

<u>Statement of Comprehensive Income</u>

	Increase (Decrease)
Provision for income tax - current	(₱272,942)
Provision for income tax - deferred	9,551,410
Net income	(9,278,468)
Other comprehensive loss	(21,925)
Total comprehensive loss	(₱9,300,393)

23. **Interest and Other Income**

	2021	2020
Interest income:		
Accretion of trade receivables (Note 5)	**₱24,373,783**	₱24,692,289
Cash (Note 4)	**13,091**	46,484
Other income	**2,222,824**	794,548
	₱26,609,698	₱25,533,321

Other income includes penalties and other charges to tenants.

24. **Performance Obligations**

Real estate sales
The Company entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of real estate unit covers the contract for condominium unit and the Company concluded that there is one performance obligation in this contract. The Company recognizes revenue from the sale of real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% of the contract price spread over a certain period (e.g., one to two years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two to five years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either an unbilled receivable or customers' deposit.

After the delivery of the completed real estate unit, the Company provides one-year warranty to repair minor defects on the condominium unit. This is assessed by the Company as a quality assurance warranty and not treated as a separate performance obligation.

Revenue from real estate sales amounted to ₱247.3 million and ₱142.0 million in 2021 and 2020, respectively.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) in 2021 and 2020 are as follows:

	2021	2020
Within one year	**₱107,329,384**	₱82,782,467
More than one year	**41,843,814**	252,640,820
	₱149,173,198	₱335,423,287

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Company's real estate projects. The

Company’s condominium units are completed within three years to five years from start of construction.

CUSA and aircon charges
Revenue from CUSA and aircon charges amounted to ₱126.6 million and ₱116.2 million in 2021 and 2020, respectively. This includes recovery of common area charges recoveries and aircon capital expenditure recoveries.

25. Financial Instruments

The methods and assumptions used by the Company in estimating the fair value of the financial instruments follow:

- *Cash and other receivables.* Carrying amounts approximate fair values due to the relatively short-term maturities of these investments.

- *Trade receivables*. The fair values of trade receivables approximate the carrying amounts since these are measured at amortized cost.

- *Other financial liabilities.* The fair values of accounts and other payables (excluding statutory payables and customers’ deposits) approximate the carrying amounts due to the short-term nature of these accounts.

- *Long-term debt.* The fair value of borrowings with fixed interest rates is based on the discounted net present value of future cash flows using PH BVAL. The Company classifies the fair value of its long-term debt under Level 3. Discount rates used range from 1.0148% to 5.0840% in 2021 and 1.12% to 2.81% in 2020. The carrying value and corresponding fair value of the long-term debt are as follows:

2021		2020	
Carrying Value	**Fair Value**	Carrying Value	Fair Value
₱1,838,167,655	**₱2,512,929,160**	₱733,125,000	₱926,872,591

As of December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

<u>Financial Risk Management Objectives and Policies</u>
Exposures to credit and liquidity risks arise in the normal course of the Company’s business activities. The main objectives of the Company’s financial risk management are as follows:
- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and,
- to provide a degree of certainty about costs.

Credit risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The investment of the Company’s cash resources is managed so as to minimize risk while seeking to enhance yield. To manage credit risks, the Company maintains defined credit policies and monitors on a continuous basis the exposure to credit risks.

The Company has credit management policies in place to ensure that rental contracts are entered into with customers who have sufficient financial capacity and good credit history. Credit risk arising from real estate sales from selling condominium units and rental income from leasing properties is primarily managed through a buyer and tenant selection process. Prospective buyers and tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which help reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Given the Company's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

The credit quality of the financial assets was determined as follows:

Cash in banks and deposits in escrow- based on the nature of the counterparty and the Company's internal rating system. The Company's cash is of high quality as the amounts are deposited in reputable banks.

Accounts receivable - high grade pertains to receivable with no default in payment; medium grade pertains to receivables with up to three defaults in payment; and low grade pertains to receivables with more than three defaults in payment

Liquidity risk
Liquidity risk is the risk arising from the shortage of funds due to unexpected events or transactions. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The Company monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Company's policy is to maintain a level of cash deemed sufficient to fund its monthly cash requirements, at least for the next two months. Capital expenditures are funded through long-term debt, while operating expenses and working capital requirements are sufficiently funded through cash collections.

The extent and nature of exposures to liquidity risk and how they arise as well as the Company's objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for 2021 and 2020.

The table summarizes the maturity profile of the Company's financial assets and financial liabilities as of December 31, 2021 and 2020 based on contractual undiscounted payments. The table also provides analysis on the maturity profile of the financial assets and liabilities in order to provide a complete view of the Company's contractual commitments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

2021

	Less than one year	One to five years	More than five years	Total
Financial liabilities				
Amortized Cost				
Accounts and other payables				
Payable to related parties	**₱913,612,310**	**₱–**	**₱–**	**₱913,612,310**
Accounts payable	**196,729,428**	**–**	**–**	**196,729,428**
Retention payable	**45,303,508**	**–**	**–**	**45,303,508**
Accrued expenses	**40,595,244**	**–**	**–**	**40,595,244**
Interest payable	**18,835,925**	**–**	**–**	**18,835,925**
Others*	**9,665,917**	**–**	**–**	**9,665,917**
Long-term debt	**43,125,000**	**652,875,000**	**1,194,000,000**	**1,890,000,000**
Future interest payments	**78,999,701**	**363,552,135**	**166,383,848**	**608,935,684**
Total financial liabilities	**₱1,346,867,033**	**₱1,016,427,135**	**₱1,360,383,848**	**₱3,723,678,016**

** Others excludes nontrade payables - SSS/Philhealth amounting to ₱684,962.*

2020

	Less than one year	One to five years	More than five years	Total
Financial liabilities				
Amortized Cost				
Accounts and other payables				
Payable to related parties	₱2,024,301,982	₱–	₱–	₱2,024,301,982
Accounts payable	225,084,005	–	–	225,084,005
Retention payable	33,058,228	–	–	33,058,228
Accrued expenses	371,862,440	–	–	371,862,440
Accrued project cost	6,859,045	–	–	6,859,045
Interest payable	471,820	–	–	471,820
Others*	23,075,741	–	–	23,075,741
Long-term debt	43,125,000	215,625,000	474,375,000	733,125,000
Future interest payments	34,580,914	141,766,208	21,922,580	198,269,702
Total financial liabilities	₱2,762,419,175	₱357,391,208	₱496,297,580	₱3,616,107,963

** Others excludes nontrade payables - SSS/Philhealth amounting to ₱215,630.*

26. Supplementary Information Required Under Revenue Regulation (R.R.) No. 15-2010

The Company reported and paid the following taxes as of and for the year ended December 31, 2021:

Details of the Company’s net sales/receipts, output VAT and input VAT in 2021 follow:

a. Net Sales/Receipts and Output VAT declared in the Company’s VAT returns filed for the period follow:

	VAT Gross Receipts	Output VAT
Vatable sales/receipts	₱479,284,389	₱57,514,127

Gross receipts derived from admission tickets in showing motion pictures, films or movies are not subject to VAT under Section 108 of the National Internal Revenue Code.

The Company’s VATable sales derived from real estate sales were computed using either the installment method (i.e., when initial payments made by the buyer in the year of sale do not exceed 25% of the gross selling price) or deferred payment method (i.e., when initial payments made by the buyer in the year of sale exceed 25% of the gross selling price), whichever is applicable.

VATable sales under the installment method are recognized based on actual collections received while VATable sales recognized under the deferred payment method are based on the entire gross selling price. Meanwhile, the Company's sales of services are based on actual collections received.

Moreover, for income tax purposes, taxable income from sale of properties on installment method is recognized based on collections received multiplied by the gross profit rate while taxable income from sale of properties on a deferred payment basis is recognized based on the entire gross selling price of properties sold. Thus, the VATable sales and the sales subjected to income tax may not be the same as the amounts accrued in the statements of comprehensive income.

Exempt sales consist of non-vatable sales which are pursuant to Revenue Regulations No. 8-2021 Section 2, the amount of threshold to determine whether the sale of residential house and lot is subject to VAT has increased from ₱2.5 million to ₱3.2 million.

b. Input VAT

At beginning of year	₱231,249,858
Current year's domestic purchases of:	
Services	41,051,600
Goods	2,301,541
Other adjustments	1,500,421
Total available input VAT	276,103,420
Applied against output VAT	(57,514,127)
Input VAT allocable to exempt sales	(8,032,961)
Deferred input VAT	(809,302)
At end of year	₱209,747,030

Other Taxes, Duties and License Fees

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees included under the "Direct operating expenses" and "General and administrative expenses" accounts in the Company's statement of comprehensive income. Details of taxes and licenses in 2021 follow:

Under direct operating expenses	
Real property tax	₱36,293,183
Business and municipal sales taxes	4,828,903
Amusement tax	29,398
Other fees	530,724
	41,682,208
Under general and administrative expenses	
Business and municipal sales taxes	8,500
	₱41,690,708

Withholding Taxes

Details of withholding taxes in 2021 are as follow:

Expanded withholding taxes	₱18,143,907
Withholding taxes on compensation and benefits	537,003
	₱18,680,910

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Cagayan de Oro Gateway Corp.
(A Subsidiary of Ayala Land, Inc.)
C.M. Recto Avenue and Corrales Street
Cagayan de Oro City.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cagayan de Oro Gateway Corp. (a subsidiary of Ayala Land, Inc.; the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company as at December 31, 2022 and 2021, and for the years then ended are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the financial statements which indicates that the financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the 2022 financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Cagayan de Oro Gateway Corp. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jose Rao'ul J. Balisalisa
Partner
CPA Certificate No. 109542
Tax Identification No. 931-743-705
BOA/PRC Reg. No 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109542-SEC (Group A)
Valid to cover audit of 2022 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-113-2022
January 25, 2022, valid until January 24, 2025
PTR No. 9369776, January 3, 2023, Makati City

April 14, 2023

CAGAYAN DE ORO GATEWAY CORP.
(A Subsidiary of Ayala Land, Inc.)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash (Note 4)	**₱41,128,450**	₱25,028,285
Accounts and other receivables (Note 5)	**374,262,288**	319,637,342
Real estate inventories (Note 6)	**1,466,021,622**	1,440,309,020
Other current assets (Note 7)	**446,915,837**	334,317,762
Total Current Assets	**2,328,328,197**	2,119,292,409
Noncurrent Assets		
Noncurrent portion of trade receivables (Note 5)	**516,644,756**	199,778,868
Investment properties (Note 8)	**2,919,305,227**	3,008,286,941
Property and equipment (Note 9)	**26,974,814**	28,012,487
Deferred tax assets - net (Note 22)	**27,982,597**	63,784,399
Other noncurrent assets (Note 10)	**376,656,240**	228,172,298
Total Noncurrent Assets	**3,867,563,634**	3,528,034,993
TOTAL ASSETS	**₱6,195,891,831**	₱5,647,327,402
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 12)	**₱1,809,996,963**	₱1,263,868,183
Current portion of long-term debt (Note 13)	**43,125,000**	43,125,000
Total Current Liabilities	**1,853,121,963**	1,306,993,183
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 13)	**1,795,798,701**	1,838,167,655
Pension liability (Note 15)	**2,734,297**	3,199,925
Other noncurrent liabilities (Note 14)	**477,547,688**	551,478,767
Total Noncurrent Liabilities	**2,276,080,686**	2,392,846,347
Total Liabilities	**4,129,202,649**	3,699,839,530
Equity		
Paid-in capital (Note 17)	**1,239,590,000**	1,239,590,000
Retained earnings (Note 17)	**826,103,483**	707,717,070
Remeasurement gain on pension liability, net of tax	**995,699**	180,802
Total Equity	**2,066,689,182**	1,947,487,872
TOTAL LIABILITIES AND EQUITY	**₱6,195,891,831**	₱5,647,327,402

See accompanying Notes to Financial Statements.

CAGAYAN DE ORO GATEWAY CORP.
(A Subsidiary of Ayala Land, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
REVENUE		
Real estate sales (Note 24)	**₱449,477,248**	₱247,321,847
Rental (Note 8)	**363,829,655**	229,502,795
CUSA and aircon charges (Note 24)	**134,112,225**	126,581,617
Interest and other income (Note 24)	**38,442,453**	26,609,698
Cinema and other mall revenue	**45,237,927**	2,761,194
	1,031,099,508	632,777,151
COSTS AND EXPENSES		
Cost of real estate sold (Note 19)	**315,342,730**	237,190,549
Direct operating expenses (Note 20)	**422,693,460**	346,496,668
General and administrative expenses (Note 21)	**22,268,775**	19,669,468
Interest and other financing charges (Notes 5, 13 and 16)	**112,949,733**	94,624,786
	873,254,698	697,981,471
INCOME (LOSS) BEFORE INCOME TAX	**157,844,810**	(65,204,320)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 22)		
Current	**5,077,105**	57,112
Deferred	**34,381,292**	(7,082,092)
	39,458,397	(7,024,980)
NET INCOME (LOSS)	**118,386,413**	(58,179,340)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gain on pension liability (Note 15)	**1,086,529**	679,575
Income tax effect	**(271,632)**	(169,894)
Effect of changes in tax rate (Note 22)	**–**	(21,925)
	814,897	487,756
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱119,201,310**	(₱57,691,584)

See accompanying Notes to Financial Statements.

CAGAYAN DE ORO GATEWAY CORP.
(A Subsidiary of Ayala Land, Inc.)

STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31	
	2022	2021
PAID-IN CAPITAL STOCK - ₱1 par value (Note 17)		
AUTHORIZED CAPITAL STOCK		
Preferred - 1,116,000,000 shares		
Common - Class A - 86,800,000 shares		
Common - Class B - 37,200,000 shares		
ISSUED CAPITAL STOCK		
Preferred - 1,115,631,000 shares	**₱1,115,631,000**	₱1,115,631,000
Common - Class A - 86,768,000 shares	**86,768,000**	86,768,000
Common - Class B - 37,191,000 shares	**37,191,000**	37,191,000
PAID-IN CAPITAL	**1,239,590,000**	1,239,590,000
REMEASUREMENT GAIN ON PENSION LIABILITY, NET OF TAX (Note 15)		
At beginning of year	**180,802**	(306,954)
Remeasurement gain on pension liability, net of income tax effect (Note 15)	**814,897**	509,681
Effect of changes in tax rate (Note 22)	**–**	(21,925)
At end of year	**995,699**	180,802
RETAINED EARNINGS (Note 17)		
At beginning of year	**707,717,070**	765,896,410
Net income (loss)	**118,386,413**	(58,179,340)
At end of year	**826,103,483**	707,717,070
	₱2,066,689,182	₱1,947,487,872

See accompanying Notes to Financial Statements.

CAGAYAN DE ORO GATEWAY CORP.
(A Subsidiary of Ayala Land, Inc.)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	**₱157,844,810**	(₱65,204,320)
Adjustments for:		
Depreciation (Notes 8 and 9)	**104,763,947**	103,237,533
Interest and other financing charges (Notes 5, 13 and 16)	**112,949,733**	94,624,786
Interest income (Note 23)	**(36,903,638)**	(24,386,874)
Change in pension liability (Note 15)	**620,901**	672,946
Operating income before working capital changes	**339,275,753**	108,944,071
Decrease (increase) in:		
Accounts and other receivables	**(334,603,760)**	406,669,151
Real estate inventories	**(25,712,602)**	(189,441,258)
Other current assets	**(116,526,302)**	(2,153,995)
Increase (decrease) in:		
Accounts and other payables	**518,017,173**	(1,489,876,653)
Other noncurrent liabilities	**(73,931,079)**	41,163,138
Net cash generated from (used in) operations	**306,519,183**	(1,124,695,546)
Interest received	**16,564**	13,091
Interest and other financing charges paid	**(84,082,080)**	(53,923,922)
Net cash flows from (used in) operating activities	**222,453,667**	(1,178,606,377)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in other noncurrent assets	**(148,483,942)**	38,724,009
Additions to:		
Investment properties (Note 8)	**(1,899,987)**	(230,091)
Property and equipment (Note 9)	**(12,844,573)**	(11,597,890)
Net cash flows from (used in) investing activities	**(163,228,502)**	26,896,028
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of:		
Long-term debt (Note 13)	**(43,125,000)**	(43,125,000)
Debt-issue costs (Note 13)	–	(9,000,000)
Proceeds from loans	–	1,200,000,000
Net cash flows from (used in) financing activities	**(43,125,000)**	1,147,875,000
NET INCREASE (DECREASE) IN CASH	**16,100,165**	(3,835,349)
CASH AT BEGINNING OF YEAR	**25,028,285**	28,863,634
CASH AT END OF YEAR (Note 4)	**₱41,128,450**	₱25,028,285

See accompanying Notes to Financial Statements.

CAGAYAN DE ORO GATEWAY CORP.
(A Subsidiary of Ayala Land, Inc.)
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Cagayan de Oro Gateway Corp. (the Company) is domiciled in the Philippines and was registered with the Securities and Exchange Commission (SEC) on March 3, 2010. The primary purpose of the Company is to develop, invest, own, acquire, lease, hold, mortgage, administer or otherwise deal with commercial, residential, industrial or agricultural lands, buildings, structures or apertures, or in any other profitable business enterprise, venture or establishment, alone or jointly with other persons, natural or artificial. The Company's registered office address and principal place of business is C.M. Recto Avenue and Corrales Street, Cagayan de Oro City.

The Company is 70% owned by Ayala Land, Inc. (ALI). ALI's parent company is Ayala Corporation (AC). AC is a publicly-listed company, 47.91% owned by Mermac Inc. and the rest by the public as of December 31, 2022.

The Company is operating the Centrio Mall located at C.M. Recto Ave. and Corrales St., Cagayan de Oro City, which started commercial operations on November 9, 2012. The Company is also developing and selling two residential condominium projects, namely, Centrio Towers located at Corrales Avenue, Cagayan de Oro City (launched in 2012) and Avida Towers Aspira located at Chavez Street, Cagayan de Oro City (Towers 1 and 2 launched in 2013 and 2018, respectively). The Company started operating its office space with four (4) floors on August 1, 2016.

On February 11, 2016, the Company was registered with the Philippine Economic Zone Authority (PEZA) as the developer/operator of Centrio Corporate Center pursuant to Republic Act (R.A.) No. 7916, as amended, its Implementing Rules and Regulations and PEZA Board Resolution Nos. 00-411 dated December 29, 2000 and 14-431 dated August 13, 2014. The Company, however, is not entitled to PEZA incentives under R.A. 7916, as amended.

The financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 14, 2023.

2. Summary of Significant Accounting Policies

Basis for Preparation

The financial statements of the Company have been prepared on a historical cost basis. The financial statements are presented in Philippine Peso (₱), which is the Company's functional and presentation currency. All amounts have been rounded off to the nearest peso unless otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting relief on the accounting for significant financing components as issued and approved by the SEC in response to the COVID-19 pandemic.

The Company has availed of the relief granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of PIC Q&A 2018-12-D (assessment if the transaction price includes a significant financing component) until December 31, 2023.

SEC MC No. 4-2020 deferring the adoption of IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, *Borrowing Cost* (the IFRIC Agenda Decision on Borrowing Cost) is not applicable to the Company as is it is already in full compliance with the requirements of the IFRIC Agenda Decision.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the Adoption of New and Amended Accounting Standards and Interpretations section below.

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

Adoption of New and Amended Accounting Standards and Interpretations
The accounting policies adopted in the preparation of the Company's financial statements are consistent with those of the previous financial year except for the adoption of the following new accounting pronouncements which became effective January 1, 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  These amendments have no material impact on the financial statements of the Company.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Company applies these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements* to PFRSs 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 percent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are 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 lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Standards Issued But Not Yet Effective

Pronouncements issues but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, Classification of Liabilities as Current or Non-current
- Amendments to PFRS 16, *Lease liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- Amendments to PFRS 17, *Insurance Contracts*

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*

The Company is currently assessing the impact of adopting these amendments.

- Deferral of Certain Provision of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. The PIC Q&A provisions covered by the SEC deferral that the Group availed in 2021 follows:

	Deferral Period
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)	Until December 31, 2023

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

a. The accounting policies applied.
b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.
The Group availed of the SEC relief on the accounting for significant financing component of PIC Q&A No. 2018-12. Had this provision been adopted, the Group assessed that the impact would have been as follows:

The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable, provision for deferred income tax, deferred tax asset or liability for all years presented, and the opening balance of retained earnings. These would have impacted the cash flows from operations and cash flows from financing activities for all years presented. While there maybe instances that the performance obligation differs from the buyer's amortization schedule, initial calculation showed SFC but the consolidated impact is expected to be not material to the Group. Assumptions are still under assessment and evaluation, and the refinement to the calculation to determine the SFC is ongoing.

Current versus Noncurrent Classification
The Company presents assets and liabilities in the statements of financial position based on current or noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in its normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participants' 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.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

An external valuer is involved for valuation of investment properties. Involvement of external valuer is decided upon annually by corporate finance after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The Company, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash

Cash includes cash on hand and in banks. Cash in banks earn interest at the prevailing bank deposit rates.

Financial Instruments

Date of recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets

Initial recognition of financial instruments

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15, *Revenue from contract with customers*. Refer to the accounting policies on Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through

OCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective 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 SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash, and accounts and other receivables (excluding advances to employees).

Financial assets at fair value through OCI (debt instruments)
The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized OCI is recycled to profit or loss.

The Company does not have debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have equity instruments at fair value through OCI.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognized in profit or loss.

The Company does not have financial assets at fair value through profit or loss.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's statements of financial position) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liabilities are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of Financial Assets
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix for trade receivables and a vintage analysis for sales contract receivables that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For receivable from related parties and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such 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. The Company uses the ratings from Standard and Poor's (S&P),

Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

The key inputs in the model include the Company's definition of default and historical data of three years for the origination, maturity date and default date. The Company considers trade receivables in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

Determining the stage for impairment
At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Company considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

b. Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value.
The Company's financial liabilities include long-term debt, accounts and other payables (excluding statutory payables and customers' deposits).

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

This category generally applies to accounts and other payables (excluding statutory payables and customers' deposits) and long-term debt.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

c. Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

<u>Real Estate Inventories</u>
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 real estate inventories. These are carried at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

Cost includes:
- Land cost
- Land improvement cost
- Amounts paid to contractors for construction
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other directly related costs

Prepayments
Prepayments are carried at cost less the amortized portion. These typically comprise prepayments for commissions, taxes and licenses, and insurance.

Value-Added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Investment Properties
Investment properties consist of land and building and improvements which are held with the intention for capital appreciation or rental to others. Property held for long-term rental yields is also classified as an investment property. Investment properties, except for land are carried at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment in value. Cost includes those costs incurred for development, improvement and construction of the properties.

Expenditures incurred after the investment properties have been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are obtained.

Depreciation of investment property commences once the property is available for use. Depreciation of the building and improvements is computed using the straight-line method over its estimated useful life of 40 years.

Investment property is derecognized when either it has been disposed of or is permanently withdrawn from use or no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal are recognized in the statement of comprehensive income in the year of retirement or disposal.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by: (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property; (b) commencement of development with a view to sale, for a transfer from investment property to inventories; (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or (d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

Constructions-in-progress are carried at cost (including borrowing cost) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

The Company disclosed the fair value of investment properties in accordance with PAS 40.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

Expenditures incurred after the property and equipment have been put into operation, such as maintenance and repairs, are normally charged to expense in the period in which 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 an additional cost of property and equipment.

Depreciation of property and equipment commences once the property and equipment are available for use.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Category	Number of Years
Furniture, fixtures and equipment	5
Service equipment	5 – 10

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

When property and equipment are sold or retired, its cost, accumulated depreciation and any impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit or loss.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value 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 are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Deferred Credits

Deferred credits pertain to advance payments by the customers to cover various processing fees in relation to the sale of real estate inventories including, but not limited to, fees related to transfer of title and water and electricity connection fees. These are payable in the month preceding the last installment month. These are initially measured at cost of the various processing fees. Deferred credits are reversed upon payment of the Company for various processing fees in relation to the sale of real estate inventories on behalf of the customers. Any shortage is collectible from the customers while any excess is recognized as other income in the statement of comprehensive income upon full project close out.

Equity

Capital stock

The Company records common and preferred shares at par value.

Preferred shares that provide for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date, or give the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount are classified as liability. Otherwise, they are classified as equity.

Retained earnings

Retained earnings include accumulated profits attributable to the Company's equity holders and reduced by dividends on capital stock. Dividends on capital stock, if any, are recognized as a liability and deducted from equity when they are approved by the Company's BOD, except for stock dividends which require the approval by the Company's stockholders. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue and Cost Recognition

Revenue from Contract with Customers

The Company derives its real estate revenue from sale of condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date. The Company has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, electricity, air-conditioning and common use service area in its mall retail spaces, wherein it is acting as agent.

In measuring the progress of its performance obligation over time, the Company uses the output method. The Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third-party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized as trade receivables under accounts and other receivables account. Any excess of collections over the total of recognized trade receivables is included in the "accounts and other payables" account in the liabilities section of the statements of financial position. The impact of the significant financing component on the transaction price has not been considered since the Company availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry. Under the SEC Memorandum Circular No. 34, the relief has been extended until December 31, 2023.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Cost recognition
The Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation and permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Customers' deposit
A customers' deposit is a contract liability which is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a customers' deposit is recognized when the payment is made, or the payment is due (whichever is earlier). Customers' deposits are recognized as revenue when the Company performs under the contract.

Customers' deposit also include payments received by the Company from the customers for which revenue recognition has not yet commenced.

Costs to obtain contract
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. The Company has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Cost of real estate sold" account in the statement of comprehensive income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization, derecognition and impairment of capitalized costs to obtain a contract
The Company amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of real estate sold.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Company determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Rental Income
Rental income under non-cancellable and cancellable leases on investment properties is recognized in the statement of comprehensive income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Common usage service area (CUSA) and aircon charges
The contract for the commercial spaces leased out by the Company to its tenants includes the right to charge for the electricity usage, water usage, air-conditioning charges and CUSA like maintenance, janitorial and security services.

For the electricity and water usage, the Company determined that it is acting as an agent because the promise of the Company to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Company, are primarily responsible for the provisioning of the utilities while the Company administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air-conditioning of the buildings, the Company acts as a principal because it retains the right to direct the service provider of air-conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Company has the discretion on how to price the CUSA and air-conditioning charges.

Cinema and Other Mall Revenue
Cinema and other mall revenue is recognized when services are rendered and goods are delivered.

Interest Income
Interest income is recognized as it accrues using the effective interest rate, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets.

Other Income
Other income is recognized when earned.

Expense Recognition
Expenses are recognized in profit or loss when a decrease in future economic benefit related to decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in profit or loss:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or,
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Direct operating expenses and general and administrative expenses are recognized as they are incurred.

Leases
The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as Lessee
Except for short-term leases and leases of low-value assets, the Company applies a single recognition and measurement approach for all leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Company applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Company as Lessor
Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted on a straight-line basis over the lease term and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Pension Liability
The Company has unfunded, noncontributory retirement benefit plans covering all their eligible regular employees. Pension cost is actuarially determined using the projected unit credit method. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Taxes
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, 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 with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized.

Deferred tax assets and deferred liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

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

Deferred tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

Creditable withholding taxes (CWT).
CWT pertains to taxes withheld on income payments and may be applied against income tax due. The balance of taxes withheld is recovered in future periods. The balance as of end of each reporting period represents the unutilized amount after deducting any income tax payable. Creditable withholding tax is stated at its realizable value.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) 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.

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

Events after the Reporting Period
Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Company's position at each reporting date (adjusting events) are reflected in the financial statements. Significant post year-end events that are not adjusting events are disclosed in the notes to the financial statements, when material.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRSs requires management to make judgments, assumptions and estimates that affect the amounts reported in the financial statements and accompanying notes. The judgments, assumptions and estimates used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such as estimates.

Management believes the following represent a summary of these significant judgments, assumptions and estimates:

Judgments

Operating lease

The Company has entered into commercial property leases on its investment property portfolio as a lessor. The Company has determined that it retains all significant risks and rewards of ownership of the property as the Company considered, among others, the length of the lease term as compared with the estimated life of the investment property.

Some of the Company's operating lease contracts are accounted for as noncancelable operating leases and the rest are cancellable. In determining whether a lease contract is cancellable or not, the Company considers among others, the significance of the penalty, including the economic consequence to the lessee.

Assessment on whether lease concessions granted constitute a lease modification

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Company waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

The Company applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, the Company determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Company assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

The rent concessions granted by the Company for the year ended December 31, 2022 and 2021 amounted to ₱20.7 million and ₱274.6 million, respectively (see Note 18).

Existence of a contract

The Company's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell is not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress

The Company concluded that revenue for real estate sales is to be recognized over time because: (a) the Company's performance does not create an asset with an alternative use and; (b) the Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Company. The Company considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

The Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development to the customers.

Distinction of land between real estate inventories and investment properties
The Company determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, the Company whether the property will be sold in the normal operating cycle (real estate inventories). All other properties that are not yet determined to be sold in the normal operating cycle are classified as investment properties.

Definition of default and credit-impaired financial assets
The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:
Quantitative criteria - for sales contracts receivable, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria
The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:
a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financial covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. Concessions have been granted by the Company, for economic or contractual reasons relating to the customer's financial difficulty
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Company's expected loss calculation.

Incorporation of forward-looking information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Company considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Company's evaluation and assessment and after taking into consideration external actual and forecast information, the Company formulates a “base case” view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Management’s Use of Estimates and Assumptions

Revenue recognition on real estate projects

The Company’s revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues. The Company’s revenue from real estate is recognized based on the percentage of completion and this is measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management’s specialists (project engineers). Prior to 2021, the Company includes land in the calculation of POC since the Company availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry. In 2021, the Company did not avail of the relief provided by the SEC and adopted the provision on the treatment of land in the determination of POC.

Provision for expected credit losses of trade and other receivables

The Company uses a provision matrix to calculate ECLs for trade receivables other than sales contract receivables. The provision rates are based on days past due for companies of various customer segments that have similar loss patterns.

The Company uses vintage analysis approach to calculate ECLs for trade receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

For other receivables such as accrued receivable, receivable from related parties and advances to other companies, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Company has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables from sale of real estate during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

The information about the ECLs on trade receivables is disclosed in Notes 5 and 25.

Evaluation of net realizable value (NRV) of real estate inventories
The Company adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Company in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete 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. In line with the impact of COVID-19, the Company experienced limited selling activities that resulted to lower sales in 2020. In evaluating NRV, recent market conditions and current market prices have been considered. As of December 31, 2022 and 2021, the net realizable value of real estate inventories amounted to ₱1.5 billion and ₱1.4 billion, respectively (see Note 6).

Useful lives of investment properties and property and equipment
The Company estimates the useful lives of investment properties (excluding land) and property and equipment based on the economic lives of investment properties and property and equipment. The estimated useful lives of these assets are reviewed periodically and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the investment properties and property and equipment. However, it is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the investment properties and property and equipment would increase the recorded expenses and decrease noncurrent assets.

As of December 31, 2022 and 2021, the aggregate carrying values of investment properties (excluding land) is ₱2.6 billion and ₱2.7 billion, respectively and property and equipment amounted to ₱27.0 million and ₱28.0 million, and respectively (see Notes 8 and 9).

Impairment of nonfinancial assets
The Company assesses at each reporting period whether there is an indication that other current assets, investment property, property and equipment and other noncurrent assets may be impaired. Determining the value in use of these assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of these assets, requires the Company to make estimates and assumptions that can materially affect the financial statements.

Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and results of operations. The preparation of the estimated future cash flows involves significant judgments and estimates. While the Company believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.

As of December 31, 2022 and 2021, the aggregate carrying values of advances to employees (presented under "accounts and other receivables"), amounted to ₱0.4 million and ₱0.6 million, respectively (see Note 5). No provision for impairment losses was recognized in 2022 and 2021.

Estimating pension liability
The determination of the Company's obligation and cost for pension is dependent on selection of certain assumptions used by actuaries in calculating such amounts. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Significant assumptions are disclosed in Note 15 and include among others, discount rate and salary increase rate.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

As of December 31, 2022 and 2021, the Company has an outstanding balance of pension liability amounting to ₱2.7 million and ₱3.2 million, respectively (see Note 15).

Deferred tax assets
The Company reviews the carrying amounts of deferred tax asset at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income.

The Company recorded deferred tax assets amounting to ₱48.1 million and ₱82.4 million as of December 31, 2022 and 2021, respectively (see Note 22).

4. **Cash**

	2022	2021
Cash in banks	**₱40,876,250**	₱24,776,085
Cash on hand	**252,200**	252,200
	₱41,128,450	₱25,028,285

Cash in banks earn interest at prevailing bank deposit rates. Interest income from cash in banks amounted to ₱16,564 and ₱13,091 in 2021 and 2022, respectively (see Note 23).

5. Accounts and Other Receivables

	2022	2021
Trade		
Condominium units	**₱431,034,311**	₱101,008,702
Commercial spaces	**343,484,665**	313,411,128
Accrued rent receivable	**71,101,576**	65,698,862
Related parties (Note 16)	**23,238,695**	18,687,117
Advances to employees	**402,263**	643,676
Others	**30,176,393**	28,497,584
	899,437,903	527,947,069
Less allowance for impairment	**8,530,859**	8,530,859
	890,907,044	519,416,210
Less noncurrent portion	**516,644,756**	199,778,868
	₱374,262,288	₱319,637,342

The classes of trade receivables of the Company are as follow:

- Condominium units - pertain to sales contracts receivable of condominium units.
- Commercial spaces - pertain to receivables from rentals of mall commercial and office spaces.

The sales contracts receivable, included under trade receivables, are collectible in monthly installments over a period of two to five years. Titles to condominium units are not transferred to the buyers until full payment has been made.

Trade receivables from commercial spaces are non-interest bearing and are generally collectible on a 30-day term. Accrued rent receivable pertains to additional expected rent for the period as a result of the PFRS 16 adjustment which was determined using the straight-line basis and expected rent from rentals of commercial spaces and office spaces.

Advances to employees are non-interest bearing and are due and demandable.

Others pertain mainly to other receivables that are non-interest bearing and are due and demandable such as creditable withholding taxes.

Allowance for impairment losses arose from trade receivables from commercial spaces. Trade receivables amounting to ₱8.5 million were impaired and fully provided as of December 31, 2022, and 2021. In 2021, a reversal of the allowance for impairment losses amounting to ₱1.4 million was recorded as part of “Other income”.

Movements in the allowance for impairment of trade receivables are as follows:

	2022	2021
At beginning of the year	**₱8,530,859**	₱9,941,550
Reversal	**–**	(1,410,691)
At end of the year	**₱8,530,859**	₱8,530,859

Trade receivables from condominium units with a nominal amount of ₱516.7 million and ₱199.8 million were recorded as of December 31, 2022 and 2021, respectively, at fair value. The fair values of the receivables were obtained by discounting future cash flows using the applicable rates for similar types of instruments

Movements in the unamortized discount in trade receivables are as follows:

	2022	2021
At January 1	**₱98,770,166**	₱83,977,585
Additions	**23,727,353**	39,166,364
Accretion for the year (Note 23)	**(36,887,074)**	(24,373,783)
At December 31	**₱85,610,445**	₱98,770,166

In 2022, the Company sold residential receivables on a without recourse basis to Security Bank Corporation, amounting to ₱182.3 million. These were sold at a discount, with total proceeds of ₱156.0 million. In 2021, Company also sold residential receivables on a without recourse basis to Bank of the Philippine Islands - Family Savings Bank Inc., a related party, and Banco de Oro, amounting to ₱62.5 million and ₱67.3 million, respectively. The Company recognized loss on sale under "Interest and other financing charges" in the statement of comprehensive income in 2022 and 2021 amounting to ₱26.4 million and ₱14.5 million, respectively.

6. Real Estate Inventories

The real estate inventories are stated at cost amounting to ₱1.5 billion and ₱1.4 billion as of December 31, 2022 and 2021, respectively.

A summary of the movements in real estate inventories is set out below:

	2022	2021
At January 1	**₱1,440,309,020**	₱1,250,867,762
Additions	**275,606,595**	382,523,987
Cost of real estate inventories sold (Note 19)	**(249,893,993)**	(193,082,729)
At December 31	**₱1,466,021,622**	₱1,440,309,020

Real estate inventories are carried at cost as of December 31, 2022 and 2021 as the NRV of all real estate inventories is substantially in excess of cost.

Inventories recognized as cost of real estate sales amounted to ₱249.9 million and ₱193.1 million in 2022 and 2021, respectively, and were included under "Cost of real estate sold" in the statement of comprehensive income (see Note 19).

The Company has no purchase commitments pertaining to its inventories as of December 31, 2022 and 2021.

There are no liens and encumbrances on the Company's real estate inventories.

7. **Other Current Assets**

	2022	2021
Prepayments	**₱217,356,628**	₱216,584,977
Creditable withholding tax	**106,274,175**	31,771,496
Materials and supplies	**40,068,079**	37,162,065
Prepaid real property tax	**30,452,463**	3,358,207
Current portion of net input VAT (Note 10)	**28,692,132**	40,942,620
Advances to contractors	**13,910,291**	–
Current portion of prepaid commission (Notes 10 and 11)	**8,845,475**	3,123,656
Other prepayments	**1,316,594**	1,374,741
	₱446,915,837	₱334,317,762

Prepayments include prepaid management fee and storage fees which are to be recognized as expense based on the percentage of completion of project.

Creditable withholding taxes are applied against income tax payable.

Materials and supplies pertain to stocks from the food and beverage operations of the Company.

Prepaid real property tax pertains to the payment made to avail 10% discount for early payment and an additional 10% for one-time payment of taxes applicable to year 2023.

Net input VAT pertains to the 12% indirect tax passed on to the Company in the course of its business on local purchases of goods and services, including lease or use of property from VAT-registered entities. Input VAT is presented net of output VAT on the Company's income subjected to VAT.

Net input VAT represents VAT due or paid on purchases of goods and services subjected to VAT that the Company can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT received from sale of goods and services subjected to VAT.

Advances to contractors pertain to the Company's down payments for the construction works of Aspira Tower 2 in Cagayan de Oro City. This is realized upon receipt of progress billing depending on the percentage of the contractor's accomplishment.

Prepaid commission pertains to commissions to real estate brokers.

Other prepayments include other prepaid taxes and licenses, prepaid insurance and other expenses which are expected to be applied or incurred within the normal operating cycle of the Company.

8. Investment Properties

2022

	Land	**Building and Improvements**	**Total**
Cost			
Balance at beginning of year	**₱332,540,001**	**₱3,401,542,701**	**₱3,734,082,702**
Additions	**–**	**1,899,987**	**1,899,987**
Balance at end of year	**332,540,001**	**3,403,442,688**	**3,735,982,689**
Accumulated Depreciation			
Balance at beginning of year	**–**	**725,795,761**	**725,795,761**
Depreciation (Notes 20 and 21)	**–**	**90,881,701**	**90,881,701**
Balance at end of year	**–**	**816,677,462**	**816,677,462**
Net Book Value	**₱332,540,001**	**₱2,586,765,226**	**₱2,919,305,227**

2021

	Land	Building and Improvements	Total
Cost			
Balance at beginning of year	₱332,540,001	₱3,401,312,610	₱3,733,852,611
Additions	–	230,091	230,091
Balance at end of year	332,540,001	3,401,542,701	3,734,082,702
Accumulated Depreciation			
Balance at beginning of year	–	639,815,211	639,815,211
Depreciation (Notes 20 and 21)	–	85,980,550	85,980,550
Balance at end of year	–	725,795,761	725,795,761
Net Book Value	₱332,540,001	₱2,675,746,940	₱3,008,286,941

The Company’s investment properties pertain to mall and office spaces rented by tenants. Total rental income arising from investment properties amounted to ₱363.8 million and ₱229.5 million in 2022 and 2021, respectively. Total income derived from CUSA and aircon charges recoveries from investment properties amounted to ₱134.1 million and ₱126.6 million in 2022 and 2021, respectively. Depreciation expense arising from the investment properties amounted to ₱90.9 million and ₱86.0 million in 2022 and 2021, respectively. These are recognized under “Direct operating expenses” in the statements of comprehensive income.

The market value of the investment properties as determined by an independent real estate appraiser amounted to ₱4.8 billion each year as of December 31, 2022 and 2021. This value was based on market value approach (Level 3 hierarchy) which considers the estimated amount for which a property should exchange on the date of valuation assuming that market participants act in their best economic interest. Market value is understood as the value of an asset estimated without regard to cost of sale or purchase and without offset for any associated taxes.

The value of the land was arrived at using the Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. This valuation approach is categorized as Level 3 in the fair value hierarchy as at December 31, 2022 and 2021. The significant unobservable input to the valuation is the price per square meter.

For land, significant increases or decreases in estimated price per square meter in isolation would result in a significantly higher or lower fair value on a linear basis.

The fair value of the building was arrived at using the Income Approach. This is an approach in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value.

For buildings, significant increases or decreases in the replacement and reproduction costs, in isolation, would result in a significantly higher or lower fair value of the properties.

9. Property and Equipment

2022

	Furniture, Fixtures and Equipment	**Service Equipment**	**Total**
Cost			
Balance at beginning of year	**₱61,137,377**	**₱107,261,360**	**₱168,398,737**
Additions	**12,844,573**	**–**	**12,844,573**
Balance at end of year	**73,981,950**	**107,261,360**	**181,243,310**
Accumulated Depreciation			
Balance at beginning of year	**36,962,962**	**103,423,288**	**140,386,250**
Depreciation (Notes 20 and 21)	**10,044,174**	**3,838,072**	**13,882,246**
Balance at end of year	**47,007,136**	**107,261,360**	**154,268,496**
Net Book Value	**₱26,974,814**	**₱–**	**₱26,974,814**

2021

	Furniture, Fixtures and Equipment	Service Equipment	Total
Cost			
Balance at beginning of year	₱49,539,487	₱107,261,360	₱156,800,847
Additions	11,597,890	–	11,597,890
Balance at end of year	61,137,377	107,261,360	168,398,737
Accumulated Depreciation			
Balance at beginning of year	31,304,354	91,824,913	123,129,267
Depreciation (Notes 20 and 21)	5,658,608	11,598,375	17,256,983
Balance at end of year	36,962,962	103,423,288	140,386,250
Net Book Value	₱24,174,415	₱3,838,072	₱28,012,487

As of December 31, 2022 and 2021, fully depreciated property and equipment still used in the Company’s operations amounted to ₱8.3 million and ₱4.5 million, respectively.

10. Other Noncurrent Assets

	2022	2021
Project costs	**₱218,295,919**	₱–
Net input VAT - net of current portion (Note 7)	**158,046,828**	168,804,411
Deferred input VAT	**313,493**	36,800,139
Advances to contractors	–	13,176,202
Prepaid commission - net of current portion (Notes 7 and 11)	–	9,391,546
	₱376,656,240	₱228,172,298

Project costs pertains to payment for master planning fees and construction expenditures necessary for the development of the residential properties.

Deferred input VAT as of December 31, 2022 and 2021 pertains to VAT on capital goods or properties that are recoverable in future periods.

11. Customer's Deposits and Cost to Obtain a Contract

Customer's deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion.

As of December 31, 2022 and 2021, customers' deposits amounted to ₱21.1 million and ₱36.9 million, respectively (see Notes 12 and 14).

The amount of revenue recognized from amounts included in contract liabilities at the beginning of the year amounted to ₱3.3 million and ₱4.0 million in 2022 and 2021, respectively.

Cost to obtain a contract
Commission directly related to signed contract to sell agreements are deferred and amortized using the POC method.

The balances below pertain to the cost to obtain contracts included in the other current and noncurrent assets (see Notes 7 and 10):

	2022	2021
At beginning of the year	**₱12,515,202**	₱9,722,801
Additions	**22,715,379**	20,883,838
Amortization (see Note 19)	**(26,385,106)**	(18,091,437)
At end of the year	**₱8,845,475**	₱12,515,202

12. Accounts and Other Payables

	2022	2021
Payable to related parties (Note 16)	**₱914,696,820**	₱913,612,310
Accounts payable	**728,201,793**	196,729,428
Retention payable	**58,845,832**	45,303,508
Accrued expenses	**54,354,699**	41,506,436
Current portion of customers' deposits (Note 11)	**21,065,356**	33,560,700
Interest payable (Note 13)	**19,402,381**	18,835,925
Taxes payable	**4,962,168**	4,880,189
Others	**8,467,914**	9,439,687
	₱1,809,996,963	₱1,263,868,183

Payables to related parties are non-interest bearing and are mostly due and demandable (see Note 16).

Accounts payable and accrued expenses arise from regular transactions with suppliers and service providers. These are non-interest bearing and are normally settled on 15 to 60-day terms.

Retention payable represents a certain percentage of the total project costs that is withheld for payment to the contractor until the end of the construction of the project.

Accrued expenses comprise of professional fees, management fees and other expenses already incurred but not yet paid.

Interest payable represents accrued interest from loans payable.

Taxes payable pertains to expanded withholding taxes and other taxes payable. Expanded withholding taxes are settled on a monthly basis. Other taxes payable are normally settled within one year.

Other payables pertain to other statutory payables, unearned income and other non-trade payables. These are normally settled within one year.

13. Long-term Debt

	2022	2021
8-year Loan Maturing December 28, 2027	**₱646,875,000**	₱690,000,000
10-year Loan Maturing August 11, 2031	**1,200,000,000**	1,200,000,000
	1,846,875,000	1,890,000,000
Unamortized debt issue cost	**(7,951,299)**	(8,707,345)
	1,838,923,701	1,881,292,655
Current portion of long-term debt	**(43,125,000)**	(43,125,000)
Long-term debt - net of current portion	**₱1,795,798,701**	₱1,838,167,655

Long-term debt represents various unsecured loans obtained from local banks to finance the Company's various mall redevelopment projects.

8-year Loan Maturing December 28, 2027
On November 7, 2019, the Company entered into an unsecured ₱787.0 million peso-denominated long-term debt with a local government-owned universal bank to refinance its maturing obligation with another local universal bank. The loan commitment includes the following:

Fixed rated portion - shall pay interest at a rate equivalent to the Base Rate-Fixed plus a spread of 70 basis points per annum.

The foregoing shall be deemed inclusive of gross receipts tax. The long-term debt shall be for a maximum of ten years from the initial drawdown date.

10-year Loan Maturing August 11, 2031
On August 5, 2021, the Company entered into a ten-year unsecured ₱1.2 billion peso-denominated long-term debt with local bank to partially finance capital expenditures and/or for general corporate funding requirements, including refinancing of existing debt. The loans were subject to prevailing borrower's rate of 4% per annum, subject to repricing beginning on 6th year. The loan is payable semi-annually starting at the end of the fifth (5th) year from the initial drawdown date equivalent to one eight percent (0.125%) of the original loan amount with the last amortization sufficient to fully pay the loan equivalent to ninety-eight and three fourth percent (98.75%) of the original amount.

The Company incurred debt issue cost amounting to ₱9.0 million which was being amortized over the loan term of 10 years using effective interest method. The amortized debt issue cost amounting to ₱0.7 million ₱0.3 million in 2022 and 2021 respectively were lodged under "Interest and other financing charges" in the statement of comprehensive income.

The movements of the unamortized debt issue costs as at December 31, 2022 and 2021 follow:

	2022	2021
At January 1	**₱8,707,345**	₱ –
Additions	**–**	9,000,000
Amortization	**(756,046)**	(292,655)
At December 31	**₱7,951,299**	₱8,707,345

Interest expense, including amortization of debt issue cost, amounted to ₱80.5 million and ₱53.0 million in 2022 and 2021, respectively.

The loans are covered by an arrangement which provides certain restrictions and requirements for the Company to maintain a debt to tangible net worth ratio of not greater than 3:1. As of December 31, 2022 and 2021, debt to tangible net worth ratio is 2.01:1 and 1.90:1, respectively. Given the ratios, the Company is compliant with the loan covenants in both 2022 and 2021.

As of December 31, 2022 and 2021, the accrued interest payable on the loans amounted to ₱19.4 million and ₱18.8 million, respectively (see Note 12).

The repayment schedule of the long-term debt is as follows:

Year	**2022**	2021
2022	**₱ –**	₱ 43,125,000
2023	**43,125,000**	43,125,000
2024	**43,125,000**	43,125,000
2025	**43,125,000**	43,125,000
2026 to 2031	**1,717,500,000**	1,717,500,000
	₱1,846,875,000	₱1,890,000,000

14. Other Noncurrent Liabilities

	2022	2021
Security deposits	**₱327,019,712**	₱189,347,910
Deferred credits	**109,272,045**	218,180,598
Deferred output VAT	**41,255,931**	140,635,304
Customer's deposits - net of current portion (Note 11)	**–**	3,314,955
	₱477,547,688	₱551,478,767

Security deposits mainly consist of the five-month deposits paid by mall tenants and three-month deposit by office tenants at the beginning of the lease term, to be applied against outstanding rent receivable at the end of the contract. Additional security deposit is billed if there are any increase on rental rate upon renewal of the contract.

Deferred credits pertain to advance payments from customers to cover various processing fees in relation to the sale of real estate inventories including, but not limited to, fees related to transfer of title and water and electricity connection fees. These are reversed upon payment of the said fees on behalf of the customers. Any shortage is collectible from the customers while any excess is recognized as other income in the statements of comprehensive income.

Deferred output VAT pertains to VAT on collectible portion of total selling price of real estate installment sales which are payable to the BIR upon collection from customers.

15. **Pension Liability**

The Company has an unfunded, noncontributory defined benefit pension plan covering substantially all of its regular officers and employees. The Company accrues for pension cost in compliance with R.A. No. 7641, *The Retirement Pay Law*.

The Company recognized retirement costs amounting to ₱0.6 million and ₱0.7 million in 2022 and 2021, respectively (see Note 21).

The actuarial valuation involves making assumptions. The principal assumptions, used in determining pension obligation for the defined benefit plans include 7.5% and 4.95% as discount rate in 2022 and 2021, respectively. The salary increase rate in 2022 and 2021 is 8.0% and 7.0%, respectively.

Changes in pension liability in 2022 and 2021 are as follow:

	2022	2021
At January 1	**₱3,199,925**	₱3,206,554
Net benefit cost in profit or loss:		
Current service cost	**462,505**	552,700
Interest cost	**158,396**	120,246
	3,820,826	3,879,500
Actuarial loss recognized in OCI due to:		
Changes in financial assumptions	**(1,005,488)**	(679,575)
Experience adjustments	**(81,041)**	–
At December 31	**₱2,734,297**	₱3,199,925

The re-measurement gain recognized in other comprehensive income in 2022 and 2021 are as follows:

	2022	2021
Present value of defined benefit obligation	**₱1,086,529**	₱679,575
Income tax effect	**(271,632)**	(169,894)
Net remeasurement gain	**814,897**	509,681
Effect of change in tax rate (Note 22)	–	(21,925)
	₱814,897	₱487,756

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2022 and 2021:

		Increase (decrease) in defined benefit obligation	
		2022	2021
Discount rates	+1.00%	**(₱454,730)**	(₱638,301)
	-1.00%	**583,175**	839,210
Future salary increases	+1.00%	**557,992**	795,631
	-1.00%	**(445,754)**	(621,662)

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2022 and 2021:

	2022	2021
Less than 1 year	**₱ –**	₱ –
More than 1 year to 5 years	**586,262**	612,718
More than 6 years to 15 years	**–**	–
More than 15 years	**71,065,067**	95,651,347
	₱71,651,329	₱96,264,065

The average duration of the defined benefit obligation as of December 31, 2022 and 2021 are 19 years and 23 years respectively.

16. Related Party Transactions

The Company, in the normal course of business, has entered into transactions with related parties consisting primarily of development, management and marketing agreements. Services rendered to and received from related parties are made at normal market prices. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. The transactions are made at terms and prices agreed upon by the parties. The outstanding balances with related parties are settled in cash.

As of December 31, 2022 and 2021, the effects of the foregoing principally consist of the following:

	Amount		Receivables from related parties (Note 5)			
	2022	2021	**2022**	2021	Terms	Conditions
Parent:						
ALI						
Fees and other charges	**₱ –**	₱113,389	**₱5,211,326**	₱5,364,238	On demand, Noninterest- bearing	Unsecured, not impaired
Fellow subsidiaries:						
Northgate Hotel Ventures, Inc.						
Land lease and other charges	**3,301,439**	4,335,953	**7,513,579**	5,548,328	On demand, Noninterest-bearing	Unsecured, not impaired
Bank of the Philippine Islands and Subsidiaries						
Fees and other charges	**10,258,762**	–	**4,472,463**	–	On demand, Noninterest-bearing	Unsecured, not impaired
Philippine Integrated Energy Solutions Inc.						
Fees and other charges	**15,049,689**	8,546,706	**2,611,178**	637,030	On demand, Noninterest-bearing	Unsecured, not impaired

(Forward)

	Amount		Receivables from related parties (Note 5)			
	2022	2021	**2022**	2021	Terms	Conditions
Lagdigan Land Corporation					On demand,	Unsecured,
Fees and other charges	**₱1,397,734**	₱ –	**₱1,361,437**	₱ –	Noninterest-bearing	not impaired
Avida Land Corporation					On demand,	Unsecured,
Fees and other charges	**2,855,353**	1,334,963	**860,859**	30,000	Noninterest-bearing	not impaired
Alveo Land Corporation					On demand,	Unsecured,
Rent and other charges	**2,635,454**	7,105,891	**350,432**	1,033,554	Noninterest-bearing	not impaired
Manila Water Philippine Ventures, Inc					On demand,	Unsecured,
Fees and other charges	**1,952,854**	–	**310,927**	–	Noninterest-bearing	not impaired
Globe Telecom Inc					On demand,	Unsecured,
Fees and other charges	**5,445,467**	–	**71,499**	–	Noninterest-bearing	not impaired
Eco North Resort Ventures Inc.					On demand,	Unsecured,
Short-term loan	**–**	–	**69,018**	₱69,018	Noninterest-bearing	not impaired
Leisure and Allied Industries Phils. Inc					On demand,	Unsecured,
Fees and other charges	**6,183,768**	–	**59,794**	–	Noninterest-bearing	not impaired
Ayalaland Malls Northeast, Inc.					On demand,	Unsecured,
Fees and other charges	**57,886**	–	**57,886**	–	Noninterest-bearing	not impaired
Accendo Commercial Corp.					On demand,	Unsecured,
Fees and other charges	**48,112**	–	**48,112**	–	Noninterest-bearing	not impaired
ALI Commercial Center, Inc.					On demand,	Unsecured,
Fees and other charges	**41,505**	–	**41,505**	–	Noninterest-bearing	not impaired
Makati Development Corporation					On demand,	Unsecured,
Fees and other charges	**24,000**	–	**24,000**	–	Noninterest-bearing	not impaired
Amaia Land Corporation					On demand,	Unsecured,
Fees and other charges	**–**	20,000	**22,000**	22,000	Noninterest-bearing	not impaired
BellaVita Land Corp.					On demand,	Unsecured,
Fees and other charges	**20,000**	–	**20,000**	–	Noninterest-bearing	not impaired
AyalaLand Malls, Inc.					On demand,	Unsecured,
Fees and other charges	**18,142**	–	**18,142**	–	Noninterest-bearing	not impaired
North Triangle Depot Commercial Corp					On demand,	Unsecured,
Fees and other charges	**11,520**	–	**11,520**	–	Noninterest-bearing	not impaired
Ayala Property Management Corporation					On demand, Noninterest-bearing	Unsecured, not impaired
Fees and other charges	**6,000**	–	**6,000**	–		
Buklod Bahayan Realty Development					On demand,	Unsecured,
Fees and other charges	**5,430**	–	**5,430**	–	Noninterest-bearing	not impaired
Cebu Leisure Company, Inc.					On demand,	Unsecured,
Fees and other charges	**1,143**		**1,143**		Noninterest-bearing	no collateral
North Eastern Commercial Corp.					On demand,	Unsecured,
Fees and other charges	**600**	–	**600**	–	Noninterest-bearing	not impaired
Soltea Commercial Corp					On demand,	Unsecured,
Fees and other charges	**200**	–	**200**	–	Noninterest-bearing	not impaired
Ayala Land Metro North, Inc.					On demand,	Unsecured,
Fees and other charges	**–**	–	**200**	200	Noninterest-bearing	not impaired
Arvo Commercial Corporation					On demand,	Unsecured,
Fees and other charges	**180**	–	**180**	–	Noninterest-bearing	not impaired

(Forward)

	Amount 2022	Amount 2021	Receivables from related parties (Note 5) 2022	Receivables from related parties (Note 5) 2021	Terms	Conditions
North Ventures Commercial Corp.					On demand,	Unsecured,
Fees and other charges	**₱50**	₱ –	**₱50**	₱ –	Noninterest-bearing	not impaired
Others					On demand,	Unsecured,
Rent and other charges	–	35,550,611	–	4,782,149	Noninterest-bearing	not impaired
Fees and other charges		18,965,548	**89,215**	1,200,600		
			₱23,238,695	₱18,687,117		

	Amount 2022	Amount 2021	Payable to related parties (Note 12) 2022	Payable to related parties (Note 12) 2021	Terms	Conditions
Parent:						
ALI						
Management fees and other charges	**₱48,002,158**	₱42,444,349	**₱71,871,933**	₱75,329,916	On demand, Noninterest-bearing	Unsecured, no collateral
Short-term loan	**95,000,000**	–	**95,000,000**	–	Due on March of the following year, subject to 5.68% interest	Unsecured, no collateral
Fellow subsidiaries:						
Avida Land Corporation						
Management fees, commission and other charges	**107,633,509**	43,141,118	**454,871,343**	433,364,583	On demand, Noninterest-bearing	Unsecured, no collateral
Makati Development Corporation						
Project cost	**295,444,231**	231,100,561	**175,672,071**	242,808,821	On demand, Noninterest-bearing	Unsecured, no collateral
Short-term loan	**17,000,000**	95,400,000	**17,000,000**	95,400,000	Due in January of the following year, subject to 5.81% interest	Unsecured, no collateral
Fees and other charges	–	3,114,224	–	–	On demand, Noninterest-bearing	Unsecured, no collateral
Station Square East Commercial Corp.						
Fees and other charges	**30,507,178**	334,501	**31,195,523**	699,437	On demand, Noninterest-bearing	Unsecured, no collateral
Short-term loan	**8,400,000**	20,000,000	**8,400,000**	20,000,000	Due on March of the following year, subject to 5.50% interest	Unsecured, no collateral
Glensworth Development, Inc.						
Short-term loan	**30,000,000**	–	**30,000,000**	–	Due in March of the following year, 5.50% interest	Unsecured, no collateral
Fees and other charges	**361,726**	96,242	**463,742**	110,853	On demand, Noninterest-bearing	Unsecured, no collateral
Philippine Integrated Energy Solutions, Inc.						
Fees and other charges	**83,498,989**	75,579,981	**13,725,554**	19,240,379	On demand, Noninterest-bearing	Unsecured, no collateral
North Eastern Commercial Corp.						
Fees and other charges	–	1,491,977	**2,970,533**	3,081,362	On demand, Noninterest-bearing	Unsecured, no collateral
ALI Commercial Center, Inc.						
Fees and other charges	**163,337**	107,911	**2,864,021**	2,700,684	On demand, Noninterest-bearing	Unsecured, no collateral
Ayala Hotels, Inc.						
Fees and other charges	–	3,734,396	**2,753,681**	6,490,429	On demand, non-interest bearing	Unsecured, no collateral
Ayalaland Malls, Inc						
Fees and other charges	**3,953,569**	3,074,142	**1,015,541**	954,589	On demand, Noninterest-bearing	Unsecured, no collateral
Lagdigan Land Corp.						
Fees and other charges	**6,000**	595,428	**1,044,854**	1,996,449	On demand, Noninterest-bearing	Unsecured, no collateral

(Forward)

	Amount		Payable to related parties (Note 12)			
	2022	2021	**2022**	2021	Terms	Conditions
Ayala Land Offices, Inc.					On demand,	Unsecured,
Fees and other charges	**₱–**	₱–	**₱651,065**	₱651,065	Noninterest-bearing	no collateral
Aurora Properties, Inc.					On demand,	Unsecured,
Fees and other charges	**–**	256,782	**631,906**	893,836	Noninterest-bearing	no collateral
Ayala Property Management Corporation					On demand,	Unsecured,
Fees and other charges	**558,661**	1,506,962	**574,409**	1,383,503	Noninterest-bearing	no collateral
AREIT, Inc.						
(formerly One Dela Rosa Property Development Inc.)					On demand,	Unsecured,
Fees and other charges	–	154,412	**537,083**	537,083	Noninterest-bearing	no collateral
Aprisa Business Process Solutions					On demand,	Unsecured,
Fees and other charges	**1,429,934**	1,246,997	**524,958**	862,597	Noninterest-bearing	no collateral
MDBI Construction Corp.					On demand,	Unsecured,
Fees and other charges	–	107,751	**436,340**	436,340	Noninterest-bearing	no collateral
Ayala Land Malls VISMIN, Inc.		–			On demand,	Unsecured,
Fees and other charges	**334,889**	342,904	**291,526**	192,287	Noninterest-bearing	no collateral
AyalaLand Estates, Inc.					On demand,	Unsecured,
Fees and other charges	**–**	305,291	**276,823**	353,514	Noninterest-bearing	no collateral
UP North Property Holdings, Inc.					On demand,	Unsecured,
Fees and other charges	**–**	759,080	**237,329**	724,295	Noninterest-bearing	no collateral
Bay City Commercial Ventures Corp.					On demand,	Unsecured,
Fees and other charges	**203,141**	–	**221,030**	17,889	Noninterest-bearing	no collateral
Accendo Commercial Corporation					On demand,	Unsecured,
Fees and other charges	**17,812**	–	**177,493**	159,681	Noninterest-bearing	no collateral
Avida Sales Corp.					On demand,	Unsecured,
Fees and other charges	**–**	158,460	**166,065**	205,868	Noninterest-bearing	no collateral
Northgate Hotel Ventures, Inc.					On demand,	Unsecured,
Fees and other charges	**161,605**	–	**161,605**	–	Noninterest-bearing	no collateral
Southportal Properties, Inc.					On demand,	Unsecured,
Fees and other charges	**–**	24,772	**150,538**	150,538	Noninterest-bearing	no collateral
Orion Land, Inc.					On demand,	Unsecured,
Fees and other charges	**–**	216,308	**124,430**	417,495	Noninterest-bearing	no collateral
North Triangle Depot Commercial Corp.					On demand,	Unsecured,
Fees and other charges	**1,400**	–	**105,344**	103,944	Noninterest-bearing	no collateral
AREIT Fund Manager, Inc.						
(formerly AyalaLand Commercial REIT, Inc.)					On demand,	Unsecured,
Fees and other charges	**–**	–	**103,293**	103,293	Noninterest-bearing	no collateral
MDC BuildPlus, Inc.						
					On demand,	Unsecured,
Fees and other charges	**12,933**	–	**80,065**	67,132	Noninterest-bearing	no collateral
					On demand,	Unsecured,
Project cost	**–**	1,800,565	–	739,720	Noninterest-bearing	no collateral
BPI/MS Insurance Corp.					On demand,	Unsecured,
Fees and other charges	**–**	–	**69,345**	69,345	Noninterest-bearing	no collateral
OLC Development Corporation					On demand,	Unsecured,
Fees and other charges	**–**	913,969	**52,289**	984,580	Noninterest-bearing	no collateral
Ayala Land Metro North,Inc.					On demand,	Unsecured,
Fees and other charges	–	392,762	**47,954**	804,940	Noninterest-bearing	no collateral

(Forward)

	Amount		Payable to related parties (Note 12)			
	2022	2021	**2022**	2021	Terms	Conditions
Lio Resort Ventures Inc					On demand,	Unsecured,
Fees and other charges	**₱32,393**	₱–	**₱32,393**	₱–	Noninterest-bearing	no collateral
Direct Power Services Inc.					On demand,	Unsecured,
Fees and other charges	–	–	**30,070**	30,070	Noninterest-bearing	no collateral
ALI-CII Development Corp.					On demand,	Unsecured,
Fees and other charges	–	21,446	**29,389**	34,954	Noninterest-bearing	no collateral
North Beacon Commercial Corporation					On demand,	Unsecured,
Fees and other charges	–	290,149	**27,852**	427,854	Noninterest-bearing	no collateral
Alveo Land Corporation					On demand,	Unsecured,
Fees and other charges	**576, 646**	118,046	**26,297**	134,420	Noninterest-bearing	no collateral
Soltea Commercial Corp.					On demand,	Unsecured,
Fees and other charges	**15,294**	–	**15,294**	–	Noninterest-bearing	no collateral
Summerhill Commercial Ventures Corp.					On demand,	Unsecured,
Fees and other charges	**11,435**	–	**11,435**	–	Noninterest-bearing	no collateral
Vesta Property Holdings, Inc.					On demand,	Unsecured,
Fees and other charges	–	64,592	**10,639**	58,258	Noninterest-bearing	no collateral
Alabang Commercial Corp.					On demand,	Unsecured,
Fees and other charges	–	49,896	**10,006**	45,287	Noninterest-bearing	no collateral
CECI Realty Corp.					On demand,	Unsecured,
Fees and other charges	**8,697**	–	**8,697**	–	Noninterest-bearing	no collateral
North Ventures Commercial Corp.					On demand,	Unsecured,
Fees and other charges	**5,800**	–	**5,800**	–	Noninterest-bearing	no collateral
Orion Property Development, Inc.					On demand,	Unsecured,
Fees and other charges	**5,718**	–	**5,718**	–	Noninterest-bearing	no collateral
Unity Realty & Development Corporation					On demand,	Unsecured,
Fees and other charges	**4,806**	–	**4,806**	–	Noninterest-bearing	no collateral
Globe Telecom Inc					On demand,	Unsecured,
Fees and other charges	**60,674**	–	**4,127**	–	Noninterest-bearing	no collateral
Makati Cornerstone Leasing Corp.					On demand,	Unsecured,
Fees and other charges	–	6,585	**3,411**	3,415	Noninterest-bearing	no collateral
South Innovative Theater Management Inc.					On demand,	Unsecured,
Fees and other charges	**900**	–	**900**	–	Noninterest-bearing	no collateral
Amicassa Process Solutions, Inc.					On demand,	Unsecured,
Fees and other charges	–	4,756	**300**	54,804	Noninterest-bearing	no collateral
MDC Subic Inc.					On demand,	Unsecured,
Fees and other charges	–	111,091	–	123,667	Noninterest-bearing	no collateral
Taft Punta Engaño Property, Inc.					On demand,	Unsecured,
Fees and other charges	–	64,937	–	–	Noninterest-bearing	no collateral
Ayalaland Malls Northeast, Inc.					On demand,	Unsecured,
Fees and other charges	–	387,518	–	213,160	Noninterest-bearing	no collateral
Buklod Bahayan Realty Development					On demand,	Unsecured,
Fees and other charges	–	87,045	–	56,685	Noninterest-bearing	no collateral
Asian I-Office Properties, Inc.					On demand,	Unsecured,
Fees and other charges	–	98,682	–	–	Noninterest-bearing	no collateral
Others					On demand,	Unsecured,
Fees and other charges	–	933,640	–	393,289	Noninterest-bearing	no collateral
			₱914,696,820	₱913,612,310		

Interest and other financing charges related to short-term loans with related parties amounted to ₱6.1 million and ₱27.1 million in 2022 and 2021, respectively.

Terms and Conditions of Transactions with Related Parties
The outstanding accounts with related parties shall be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. These accounts are generally unsecured.

The key management personnel are also the same key management personnel from the Parent Company. Hence, the compensation is paid by the latter.

17. **Equity**

Preferred shares
The preferred shares have the following features:

(a) Voting Rights
The holders of the redeemable preferred shares outstanding from time to time (the "preferred shareholders") shall have voting rights in accordance with Section 6 of the Corporation Code of the Philippines.

(b) Dividends
The preferred shareholders shall be entitled to participate in any regular dividend declaration for the common shares of stocks to be paid out of unrestricted retained earnings at the same rate and upon the same terms as declared and paid to holders of the common shares ("the common shareholders"). The preferred shareholders shall also be entitled to such other dividends as may be determined and approved by the BOD.

Unless dividends on all outstanding shares of redeemable preferred shares shall have been paid or declared, (i) no dividends shall be paid or declared with respect to the common shares; (ii) no distribution shall be made with respect to the common shares as to distribution upon liquidation, dissolution, or winding-up; (iii) nor shall any common shares (upon liquidation, dissolution, or winding-up of the Company) be redeemed, purchased, or otherwise acquired for any consideration by the Company.

(c) Liquidation Rights
In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the redeemable preferred shares shall be entitled to receive out of the assets of the Company available for distribution to the shareholders, before any distribution of assets is made to holders of common shares, distributions in the amount of the issue value per outstanding redeemable preferred shares, plus declared and unpaid dividends to the date of distribution.

(d) Redemption
The redeemable preferred shares may be redeemed at the option of the Company. Any redeemable preferred shares to be redeemed at the price and under such terms and conditions and procedures as shall be determined by the BOD, provided, that in no case shall the redemption price of the actual number of the redeemable preferred shares be less than the cost of such shares as recorded in the books of the Company at the time of redemption.

Retained earnings
The Company did not declare any dividends in the year 2022 and 2021.

Capital management
The primary objective of the Company's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value.

The Company is subject to externally imposed capital requirements due to loan covenants (see Note 13). The Company monitors capital using a debt to tangible net worth ratio, which is total debt divided by total capital less intangible assets, maintained within 3:1 ratio. The Company considers borrowed money from financial institutions as debt. The Company considers as capital its retained earnings and both common and preferred shares which are entitled to receive dividends, but preferred shares enjoy a preference in the distribution of dividends. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2022 and 2021.

The Company considers the following as its core economic capital:

	2022	2021
Paid-in capital	**₱1,239,590,000**	₱1,239,590,000
Retained earnings	**826,103,438**	707,717,070
	₱2,065,693,438	₱1,947,307,070

18. Leases

The Company enters into lease agreements with third parties on its investment property portfolio, covering the Company's retail and office spaces. These leases have terms ranging from one to 25 years and generally provide for either: (a) fixed monthly rent; or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

The rental income for operating leases amounted to ₱449.7 million and ₱229.5 million in 2022 and 2021, inclusive of straight-line adjustment amounting to ₱5.4 million and ₱2.4 million in 2022 and 2021, respectively. Rental income recorded in the books is ₱129.1 million and ₱112.0 million in 2022 and 2021, respectively, while the rental income billed to customers amounted ₱58.0 million and ₱46.3 million in 2022 and 2021, respectively. The difference between the rental income recorded and billed resulted to accrued rent receivable.

Future minimum rentals receivable under noncancelable operating leases of the Company are as follows:

	2022	2021
Within one year	**₱143,702,997**	₱148,199,736
After one year but not more than 5 years	**446,807,387**	434,686,319
More than 5 years	–	89,744,181
	₱590,510,384	₱672,630,236

The rent concessions granted by the Company for the year ended December 31, 2022 and 2021 amounted to ₱20.7 million and ₱274.6 million, respectively.

19. **Cost of Real Estate Sold**

	2022	2021
Cost of real estate inventories (Note 6)	**₱249,893,993**	₱193,082,729
Direct operating expenses:		
Management and sales documentation fees (Note 16)	**36,533,224**	25,049,681
Commission (Notes 11 and 16)	**26,385,106**	18,091,437
Advertising and promotion	**2,530,407**	966,702
	₱315,342,730	₱237,190,549

20. **Direct Operating Expenses**

	2022	2021
Utilities	**₱105,368,731**	₱87,354,584
Depreciation (Notes 8 and 9)	**103,598,220**	102,517,345
Outside services	**49,430,868**	37,524,443
Management fees (Note 16)	**47,358,579**	37,522,908
Taxes and licenses	**44,798,550**	41,682,208
Film producer’s share	**22,116,989**	246,269
Repairs and maintenance	**19,005,812**	17,737,696
Dues and fees	**11,446,843**	12,772,178
Marketing	**9,351,876**	1,501,093
Others	**5,478,555**	4,489,428
Beverage and ice	**3,004,303**	1,811,767
Insurance	**1,734,134**	1,336,749
	₱422,693,460	₱346,496,668

21. **General and Administrative Expenses**

	2022	2021
Salaries and employee benefits	**₱11,521,694**	₱10,470,806
Outside services	**3,413,158**	3,766,065
Repairs and maintenance	**1,987,487**	1,374,810
Depreciation (Notes 8 and 9)	**1,165,727**	720,188
Communication	**627,970**	332,400
Retirement costs (Note 15)	**620,901**	672,946
Professional fees	**370,402**	381,750
Travel and transportation	**276,001**	67,393
Supplies	**180,783**	55,935
Others	**2,104,652**	1,827,175
	₱22,268,775	₱19,669,468

Breakdown of personnel costs is as follows:

	2022	2021
Salaries, wages and allowances	**₱9,004,479**	₱8,594,476
Employee's benefits	**2,517,215**	1,876,330
Retirement costs (Notes 15 and 21)	**620,901**	672,946
	₱12,142,595	₱11,143,752

22. Income Tax

The current provision for income tax of the Company represents the 25% regular corporate income tax (RCIT) and 1% minimum corporate income tax (MCIT) in 2022 and 2021, respectively.

The components of the Company's net deferred tax assets are as follow:

	2022	2021
Deferred tax assets:		
Difference between tax and book basis of accounting for real estate transactions	**₱43,067,407**	₱39,848,127
Allowance for impairment of receivables	**2,132,715**	2,132,715
Accrued compensation and benefits	**1,166,398**	778,042
Retirement cost recognized in profit or loss	**1,015,474**	860,248
Unearned income	**695,722**	952,015
Net operating loss carry-over (NOLCO)	**–**	36,726,193
MCIT	**–**	1,148,878
	48,077,716	82,446,218
Deferred tax liabilities:		
Straight-line adjustment on rent income	**17,775,394**	16,424,716
Deferred financing cost - net of amortization	**1,987,825**	2,176,836
Remeasurement gain on pension liability recognized in other comprehensive income	**331,900**	60,267
	20,095,119	18,661,819
Deferred tax assets - net	**₱27,982,597**	₱63,784,399

The Company has incurred NOLCO in taxable years 2021 and 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover as One Act, as follows:

NOLCO Year Incurred	Expiry Date	At January 1, 2022	Addition	Application	**At December 31, 2022**
2020	December 31, 2025	₱59,852,522	₱ –	(₱59,852,522)	**₱ –**
2021	December 31, 2026	87,052,250	–	(87,052,250)	**–**
		₱146,904,772	₱ –	(₱146,904,772)	**₱ –**

The details of the Company's MCIT are as follows:

MCIT Year Incurred	Expiry Date	At January 1, 2022	Additions	Application	**At December 31, 2022**
2020	December 31, 2023	₱818,824	₱ –	(₱818,824)	**₱ –**
2021	December 31, 2024	330,054	–	(330,054)	**–**
		₱1,148,878	₱ –	(₱1,148,878)	**₱ –**

The reconciliation between the current benefit from income tax computed at the statutory income tax rate to actual benefit from income tax follows:

	2022	2021
Income (loss) before income tax	**₱157,844,810**	(₱65,204,320)
At statutory income tax rate	**39,461,203**	(₱16,301,080)
Addition to (reduction in) income taxes resulting from:		
Interest income already subjected to final tax at a lower tax rate	**(4,141)**	(3,273)
Limitation on deductibility of interest expense	**828**	656
Effect on opening deferred taxes and current taxes resulting from reduction in tax rates	**–**	9,278,468
Other	**507**	249
	₱39,458,397	(₱7,024,980)

The components of provision for income tax are as follows:

	2022	2021
Current tax		
Current tax expense on current period's profit	**₱5,077,105**	₱330,054
Adjustment recognized in the period for current tax of prior period	**–**	(272,942)
	5,077,105	57,112
Deferred tax		
Deferred tax provision (benefit) relating to origination and reversal of temporary differences	**34,381,292**	(16,633,502)
Deferred tax expenses relating to changes in tax rates	**–**	9,551,410
	₱34,381,292	(7,082,092)
Provision for income tax	**₱39,458,397**	(₱7,024,980)

Enactment of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, the President of the Philippines signed into law the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

Applying the provisions of the CREATE Act to the Philippine-based entities, the applicable new income tax rates (i.e., 25% RCIT / 1% MCIT) were used to calculate for the current and deferred income taxes as at and for the year ended December 31, 2021.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020, even though some of the provisions have retroactive effect to July 1, 2020, thus considered as a non-adjusting subsequent event on the December 31, 2020 balances. Accordingly, current and deferred income taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of and for the year then ended (i.e., 30% RCIT / 2% minimum corporate income tax (MCIT) for financial reporting purposes).

The Company reflected the changes in the current and deferred income taxes in its financial statements as of and for the year ended December 31, 2021, including the retroactive effect of the change in tax rates arising from the CREATE Act. Details of the impact are as follows:

Statement of Financial Position

	Increase (Decrease)
Net deferred income tax liabilities	
Attributable to profit or loss	(₱9,551,410)
Attributable to OCI	21,925
Prepaid income tax	(272,941)

Statement of Comprehensive Loss

	Increase (Decrease)
Provision for income tax - current	(₱272,941)
Provision for income tax - deferred	9,551,410
Net income	(9,278,469)
Other comprehensive income	(21,925)
Total comprehensive income	(₱9,300,394)

23. Interest and Other Income

	2022	2021
Interest income:		
Accretion of trade receivables (Note 5)	**₱36,887,074**	₱24,373,783
Cash (Note 4)	**16,564**	13,091
Other income	**1,538,815**	2,222,824
	₱38,442,453	₱26,609,698

Other income includes penalties and other charges to tenants.

24. Performance Obligations

Real estate sales

The Company entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of real estate unit covers the contract for condominium unit and the Company concluded that there is one performance obligation in this contract. The Company recognizes revenue from the sale of real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% of the contract price spread over a certain period (e.g., one to two years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two to five years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either an unbilled receivable or customers' deposit.

After the delivery of the completed real estate unit, the Company provides one-year warranty to repair minor defects on the condominium unit. This is assessed by the Company as a quality assurance warranty and not treated as a separate performance obligation.

Revenue from real estate sales amounted to ₱363.8 million and ₱247.3 million in 2022 and 2021, respectively.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) in 2022 and 2021 are as follows:

	2022	2021
Within one year	**₱56,457,352**	₱107,329,384
More than one year	–	41,843,814
	₱56,459,374	₱149,173,198

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Company's real estate projects. The

Company's condominium units are completed within three years to five years from start of construction.

CUSA and aircon charges
Revenue from CUSA and aircon charges amounted to ₱134.1 million and ₱126.6 million in 2022 and 2021, respectively. This includes recovery of common area charges recoveries and aircon capital expenditure recoveries.

25. Financial Instruments

The methods and assumptions used by the Company in estimating the fair value of the financial instruments follow:

- *Cash and other receivables.* Carrying amounts approximate fair values due to the relatively short-term maturities of these investments.

- *Trade receivables*. The fair values of trade receivables approximate the carrying amounts since these are measured at amortized cost.

- *Other financial liabilities*. The fair values of accounts and other payables (excluding statutory payables and customers' deposits) approximate the carrying amounts due to the short-term nature of these accounts.

- *Long-term debt*. The fair value of borrowings with fixed interest rates is based on the discounted net present value of future cash flows using PH BVAL. The Company classifies the fair value of its long-term debt under Level 3. Discount rates used range from 3.9190% to 7.2205% in 2022 and 1.0148% to 5.0840% in 2021. The carrying value and corresponding fair value of the long-term debt are as follows:

2022		2021	
Carrying Value	**Fair Value**	Carrying Value	Fair Value
₱1,795,798,701	**₱2,380,682,255**	₱1,838,167,655	₱2,512,929,160

As of December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Financial Risk Management Objectives and Policies
Exposures to credit and liquidity risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management are as follows:
- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and,
- to provide a degree of certainty about costs.

Credit risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The investment of the Company's cash resources is managed so as to minimize risk while seeking to enhance yield. To manage credit risks, the Company maintains defined credit policies and monitors on a continuous basis the exposure to credit risks.

The Company has credit management policies in place to ensure that rental contracts are entered into with customers who have sufficient financial capacity and good credit history. Credit risk arising from real estate sales from selling condominium units and rental income from leasing properties is primarily managed through a buyer and tenant selection process. Prospective buyers and tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which help reduce the Company’s credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Given the Company’s diverse base of counterparties, it is not exposed to large concentrations of credit risk.

The credit quality of the financial assets was determined as follows:

Cash in banks - based on the nature of the counterparty and the Company’s internal rating system. The Company’s cash is of high quality as the amounts are deposited in reputable banks.

Trade receivables and receivables from related parties and other receivables - high grade pertains to receivable with no default in payment; medium grade pertains to receivables with up to three defaults in payment; and low grade pertains to receivables with more than three defaults in payment

Liquidity risk
Liquidity risk is the risk arising from the shortage of funds due to unexpected events or transactions. The Company’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The Company monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Company’s policy is to maintain a level of cash deemed sufficient to fund its monthly cash requirements, at least for the next two months. Capital expenditures are funded through long-term debt, while operating expenses and working capital requirements are sufficiently funded through cash collections.

The extent and nature of exposures to liquidity risk and how they arise as well as the Company’s objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for 2022 and 2021.

The table summarizes the maturity profile of the Company’s financial assets and financial liabilities as of December 31, 2022 and 2021 based on contractual undiscounted payments. The table also provides analysis on the maturity profile of the financial assets and liabilities in order to provide a complete view of the Company’s contractual commitments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

2022

	Less than one year	**One to five years**	**More than five years**	**Total**
Financial liabilities				
Amortized Cost				
Accounts and other payables				
Payable to related parties	**₱914,696,820**	**₱ –**	**₱ –**	**₱914,696,820**
Accounts payable	**728,201,793**	**–**	**–**	**728,201,793**
Retention payable	**58,845,832**	**–**	**–**	**58,845,832**
Accrued expenses	**54,354,699**	**–**	**–**	**54,354,699**
Interest payable	**19,402,381**	**–**	**–**	**19,402,381**
Others*	**8,467,914**	**–**	**–**	**8,467,914**
Long-term debt	**43,125,000**	**652,875,000**	**1,150,875,000**	**1,846,875,000**
Future interest payments	**58,744,707**	**303,054,824**	**161,059,916**	**522,859,447**
Total financial liabilities	**₱1,885,839,146**	**₱955,929,824**	**₱1,311,934,916**	**₱4,153,703,886**

**** Others excludes nontrade payables - SSS/Philhealth amounting to ₱738,365.***

2021

	Less than one year	One to five years	More than five years	Total
Financial liabilities				
Amortized Cost				
Accounts and other payables				
Payable to related parties	₱913,612,310	₱–	₱–	₱913,612,310
Accounts payable	196,729,428	–	–	196,729,428
Retention payable	45,303,508	–	–	45,303,508
Accrued expenses	41,506,436	–	–	41,506,436
Interest payable	18,835,925	–	–	18,835,925
Others*	9,439,687	–	–	9,439,687
Long-term debt	43,125,000	652,875,000	1,194,000,000	1,890,000,000
Future interest payments	78,945,236	357,756,101	166,383,848	603,085,185
Total financial liabilities	₱1,347,497,530	₱1,010,631,101	₱1,360,383,848	₱3,718,512,479

** Others excludes nontrade payables - SSS/Philhealth amounting to ₱684,962.*

26. Supplementary Information Required Under Revenue Regulation (R.R.) No. 15-2010

The Company reported and paid the following taxes as of and for the year ended December 31, 2022:

Details of the Company's net sales/receipts, output VAT and input VAT in 2022 follow:

a. Net Sales/Receipts and Output VAT declared in the Company's VAT returns filed for the period follow:

	VAT Gross Receipts	Output VAT
Vatable sales/receipts	₱780,218,684	₱93,626,242

Gross receipts derived from admission tickets in showing motion pictures, films or movies are not subject to VAT under Section 108 of the National Internal Revenue Code.

The Company's VATable sales derived from real estate sales were computed using either the installment method (i.e., when initial payments made by the buyer in the year of sale do not exceed 25% of the gross selling price) or deferred payment method (i.e., when initial payments made by the buyer in the year of sale exceed 25% of the gross selling price), whichever is applicable.

VATable sales under the installment method are recognized based on actual collections received while VATable sales recognized under the deferred payment method are based on the entire gross selling price. Meanwhile, the Company's sales of services are based on actual collections received.

Moreover, for income tax purposes, taxable income from sale of properties on installment method is recognized based on collections received multiplied by the gross profit rate while taxable income from sale of properties on a deferred payment basis is recognized based on the entire gross selling price of properties sold. Thus, the VATable sales and the sales subjected to income tax may not be the same as the amounts accrued in the statements of comprehensive income.

Exempt sales consist of non-vatable sales which are pursuant to Revenue Regulations No. 8-2021 Section 2, the amount of threshold to determine whether the sale of residential house and lot is subject to VAT has decreased from ₱3.2 million to ₱2.0 million.

b. Input VAT

At beginning of year	₱205,599,719
Current year's domestic purchases of:	
Services	77,513,058
Goods	3,640,679
Other adjustments	698,570
Total available input VAT	287,452,026
Applied against output VAT	(84,328,258)
Input VAT allocable to exempt sales	(15,945,125)
Deferred input VAT	(439,682)
At end of year	₱186,738,961

Other Taxes, Duties and License Fees

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees included under the "Direct operating expenses" and "General and administrative expenses" accounts in the Company's statement of comprehensive income. Details of taxes and licenses in 2022 follow:

Under direct operating expenses	
Real property tax	32,599,450
Business and municipal sales taxes	6,767,822
Amusement tax	3,719,895
Other fees	1,711,383
	44,798,550
Under general and administrative expenses	
Final Tax	2,028
Business and municipal sales taxes	500
	44,801,078

Withholding Taxes

Details of withholding taxes in 2022 are as follow:

Expanded withholding taxes	₱27,844,309
Withholding taxes on compensation and benefits	807,602
	₱28,651,911

Tax Assessments and Cases

The Company did not receive any tax assessment for the year ended December 31, 2022 nor has tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.

Cagayan de Oro Gateway Corp.

(A Subsidiary of Ayala Land, Inc.)

Financial Statements
As at and for the year ended December 31, 2023
(With comparative figures as at and for the year ended December 31, 2022)

pwc

Independent Auditor's Report

The Board of Directors and Stockholder
Cagayan de Oro Gateway Corp.
(A Subsidiary of Ayala Land, Inc.)
C.M. Recto Avenue and Corrales Street
Cagayan de Oro City

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Cagayan de Oro Gateway Corp. (a Subsidiary of Ayala Land, Inc.) (the "Company") as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The financial statements of the Company comprise:

- the statement of financial position as at December 31, 2023;
- the statement of total comprehensive income for the year ended December 31, 2023;
- the statement of changes in equity for the year ended December 31, 2023;
- the statement of cash flows for the year ended December 31, 2023; and
- the notes to the financial statements, including material accounting policy information.

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Emphasis of Matter

We draw attention to Note 25 to the financial statements, which indicates that the financial statements have been prepared in accordance with PFRS, as modified by the application of the financial reporting relief issued and approved by the SEC in response to the COVID-19 pandemic. The details of the financial reporting relief availed by the Company and the impact of the application on the 2023 financial statements are discussed in Note 25.1. Our opinion is not modified in respect to this matter. Our opinion remains to be unqualified on the financial statements taken as a whole.

Other Matter

The financial statements of the Company as at and for the year ended December 31, 2022 were audited by another auditor who expressed an unqualified opinion on those statements on April 14, 2023.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on the Bureau of Internal Revenue (BIR) Requirement

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information under Revenue Regulations Nos. 15-2010 in the Note 26 to the financial statements is presented for purposes of filing with the BIR and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Justo Jesus S. Namuco
Partner
CPA Cert. No. 126048
P.T.R. No. 0080036, issued on January 12, 2024, Makati City
TIN 268-147-608-000
BIR A.N. 08-000745-239-2023, issued on January 30,2023; effective until January 29, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 15, 2024

Statements Required by Rule 68
Securities Regulation Code (SRC)

The Board of Directors and Stockholder
Cagayan de Oro Gateway Corp.
(A Subsidiary of Ayala Land, Inc.)
C.M. Recto Avenue and Corrales Street
Cagayan de Oro City

We have audited the financial statements of Cagayan de Oro Gateway Corp. (the “Company”) as at and for the year ended December 31, 2023 on which we have rendered the attached report dated April 15, 2024.

In compliance with SRC rule 68 and based on the certification received from the Company’s corporate secretary and the results of our work done, the Company has three (3) shareholders owning one hundred (100) or more shares each as at December 31, 2023.

Isla Lipana & Co.

Justo Jesus S. Namuco
Partner
CPA Cert. No. 126048
P.T.R. No. 0080036, issued on January 12, 2024, Makati City
TIN 268-147-608-000
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BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 15, 2024

Statement Required by Section 8-A
Revenue Regulations No. V-1

The Board of Directors and Stockholder
Cagayan de Oro Gateway Corp.
(A Subsidiary of Ayala Land, Inc.)
C.M. Recto Avenue and Corrales Street
Cagayan de Oro City

None of the partners of the firm have any financial interest in Cagayan de Oro Gateway Corp. or any family relationships with its president, manager, or principal members.

The supplementary information on taxes and licenses as at and for the year ended December 31, 2023 is presented in Note 26 to the financial statements.

Isla Lipana & Co.

Justo Jesus S. Namuco
Partner
CPA Cert. No. 126048
P.T.R. No. 0080036, issued on January 12, 2024, Makati City
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Makati City
April 15, 2024

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Cagayan de Oro Gateway Corp.
(A Subsidiary of Ayala Land, Inc.)

Statements of Financial Position
As at December 31, 2023
(With comparative figures as at December 31, 2022)
(All amounts in Philippine Peso)

	Notes	2023	2022
Assets			
Current assets			
Cash	2	32,685,236	41,128,450
Accounts and other receivables	3	727,843,098	374,262,288
Real estate inventories	4	1,251,736,072	1,466,021,622
Other current assets	5	287,541,052	446,915,837
Total current assets		2,299,805,458	2,328,328,197
Non- current assets			
Non-current portion of trade receivables	3	316,815,825	516,644,756
Investment properties	6	2,823,507,906	2,919,305,227
Property and equipment	7	63,559,974	26,974,814
Deferred tax assets, net	20	56,684,947	27,982,597
Other non-current assets	8	47,613,589	376,656,240
Total non-current assets		3,308,182,241	3,867,563,634
Total assets		5,607,987,699	6,195,891,831
Liabilities and Equity			
Current liabilities			
Accounts and other payables	10	1,014,105,655	1,809,996,963
Long-term debt, current portion	11	43,125,000	43,125,000
Total current liabilities		1,057,230,655	1,853,121,963
Non-current liabilities			
Long-term debt, net of current portion	11	1,753,465,582	1,795,798,701
Pension liability, net	13	3,000,106	2,734,297
Other non-current liabilities	12	548,733,078	477,547,688
Total non-current liabilities		2,305,198,766	2,276,080,686
Total liabilities		3,362,429,421	4,129,202,649
Equity			
Paid-in capital	15	1,239,590,000	1,239,590,000
Retained earnings	15	1,004,765,572	826,103,483
Remeasurement gain on pension liability, net of tax		1,202,706	995,699
Total equity		2,245,558,278	2,066,689,182
Total liabilities and equity		5,607,987,699	6,195,891,831

(The notes on pages 1 to 34 are an integral part of these financial statements.)

Cagayan de Oro Gateway Corp.
(A Subsidiary of Ayala Land, Inc.)

Statements of Total Comprehensive Income
For the year ended December 31, 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

	Notes	2023	2022
Revenue			
Real estate sales	22	572,234,420	363,829,655
Rental	16	552,289,203	449,477,248
CUSA and aircon charges	22	140,635,961	134,112,225
Interest and other income	21	24,008,475	38,442,453
Cinema and other mall revenue		58,233,604	45,237,927
		1,347,401,663	1,031,099,508
Cost and expenses			
Cost of real estate sold	17	445,213,781	315,342,730
Direct operating expenses	18	478,240,733	422,693,460
General and administrative expenses	19	30,249,390	22,268,775
Interest and other financing charges	3, 11, 14	102,152,682	112,949,733
		1,055,856,586	873,254,698
Income before income tax		291,545,077	157,844,810
Provision for income tax expense	20	(72,882,988)	(39,458,397)
Net income for the year		218,662,089	118,386,413
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain on pension liability	12	276,010	1,086,529
Income tax effect		(69,003)	(271,632)
		207,007	814,897
Total comprehensive income for the year		218,869,096	119,201,310

(The notes on pages 1 to 34 are an integral part of these financial statements.)

Cagayan de Oro Gateway Corp.
(A Subsidiary of Ayala Land, Inc.)

Statements of Changes in Equity
For the year ended December 31, 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

	Capital stock (Note 15)						
	Preferred	Common Class A	Common Class B	Subtotal	Retained earnings (Note 15)	Remeasurement gain on pension liability	Total
Balances at January 1, 2022	1,115,631,000	86,768,000	37,191,000	1,239,590,000	707,717,070	180,802	1,947,487,872
Comprehensive income							
Net income for the year	-	-	-	-	118,386,413	-	118,386,413
Other comprehensive income	-	-	-	-	-	814,897	814,897
Total comprehensive income	-	-	-	-	118,386,413	814,897	119,201,310
Balances at December 31, 2022	1,115,631,000	86,768,000	37,191,000	1,239,590,000	826,103,483	995,699	2,066,689,182
Transaction with owners							
Cash dividends declared	-	-	-	-	(40,000,000)	-	(40,000,000)
Comprehensive income							
Net income for the year	-	-	-	-	218,662,089	-	218,662,089
Other comprehensive income	-		-	-	-	207,007	207,007
Total comprehensive income	-	-	-	-	218,662,089	207,007	218,869,096
Balances at December 31, 2023	1,115,631,000	86,768,000	37,191,000	1,239,590,000	1,004,765,572	1,202,706	2,245,558,278

(The notes on pages 1 to 34 are an integral part of these financial statements.)

Cagayan de Oro Gateway Corp.
(A Subsidiary of Ayala Land, Inc.)

Statements of Cash Flows
For the year ended December 31, 2023
(With comparative figures for the year ended December 31, 2022)
(All amounts in Philippine Peso)

	Notes	2023	2022
Cash flows from operating activities			
Income before income tax		291,545,077	157,844,810
Adjustments for:			
Depreciation	6,7	106,681,287	104,763,947
Reversal of provision for allowance of doubtful accounts	3	(2,012,954)	-
Interest and other financing charges	3,11,14	102,152,682	112,949,733
Interest income	21	(19,201,733)	(36,903,638)
Unrealized forex gain		(595,917)	-
Retirement expense	13	1,541,819	620,901
Operating income before working capital changes		480,110,261	339,275,753
Changes in:			
Accounts and other receivables		(149,781,480)	(334,603,760)
Real estate inventories		214,285,550	(25,712,602)
Other current assets		57,720,444	(116,526,302)
Other non-current assets		329,042,651	(148,483,942)
Accounts and other payables		(801,588,630)	518,017,173
Other non-current liabilities		71,185,390	(73,931,079)
Net cash generated from operations		200,974,186	158,035,241
Interest received		16,404	16,564
Contributions to retirement plan	13	(1,000,000)	-
Interest and other financing charges paid		-	(4,148,835)
Net cash flows generated from operating activities		199,990,590	153,902,970
Cash flows from investing activities			
Additions to:			
Investment properties	6	(4,342,619)	(1,899,987)
Property and equipment	7	(43,126,507)	(12,844,573)
Net cash flows used in investing activities		(47,469,126)	(14,744,560)
Cash flows from financing activities			
Payment of:			
Long-term debt	11	(43,125,000)	(43,125,000)
Interest expense	11	(78,435,595)	(79,933,245)
Cash dividends paid	15	(40,000,000)	-
Net cash used in financing activities		(161,560,595)	(123,058,245)
Net (decrease) increase cash and cash equivalents		(9,039,131)	16,100,165
Cash at January 1		41,128,450	25,028,285
Effect of foreign exchange rate changes		595,917	-
Cash at December 31	2	32,685,236	41,128,450

(The notes on pages 1 to 34 are an integral part of these financial statements.)

Cagayan de Oro Gateway Corp.
(A Subsidiary of Ayala Land, Inc.)

Notes to the Financial Statements
As at and for the years ended December 31, 2023
(With comparative figures as at and for the year ended December 31, 2022)
(In the notes, all amounts are in Philippine Peso unless otherwise stated)

1 Corporate Information

Cagayan de Oro Gateway Corp. (the Company) is domiciled in the Philippines and was registered with the Securities and Exchange Commission (SEC) on March 3, 2010. The primary purpose of the Company is to develop, invest, own, acquire, lease, hold, mortgage, administer or otherwise deal with commercial, residential, industrial, or agricultural lands, buildings, structures, or apertures, or in any other profitable business enterprise, venture or establishment, alone or jointly with other persons, natural or artificial. The Company's registered office address and principal place of business is C.M. Recto Avenue and Corrales Street, Cagayan de Oro City.

The Company is 70% owned by Ayala Land, Inc. (ALI). ALI's parent company is Ayala Corporation (AC). AC is a publicly listed company, 47.86% owned by Mermac Inc. and the rest by the public as at December 31, 2023.

The Company is operating the Centrio Mall located at C.M. Recto Ave. and Corrales St., Cagayan de Oro City, which started commercial operations on November 9, 2012. The Company is also developing and selling two residential condominium projects, namely, Centrio Towers located at Corrales Avenue, Cagayan de Oro City (launched in 2012) and Avida Towers Aspira located at Chavez Street, Cagayan de Oro City (Towers 1 and 2 launched in 2013 and 2018, respectively). The Company started operating its office space with four (4) floors on August 1, 2016.

On February 11, 2016, the Company was registered with the Philippine Economic Zone Authority (PEZA) as the developer/operator of Centrio Corporate Center pursuant to Republic Act (R.A.) No. 7916, as amended, its Implementing Rules and Regulations and PEZA Board Resolution Nos. 00-411 dated December 29, 2000, and 14-431 dated August 13, 2014. The Company, however, is not entitled to PEZA incentives under R.A. 7916, as amended.

The financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 18, 2024.

2 Cash

	2023	2022
Cash in banks	32,510,036	40,876,250
Cash on hand	175,200	252,200
	32,685,236	41,128,450

Cash in bank earns interest at prevailing bank deposit rates. Interest income from cash in banks amounted to P16,404 for the year ended December 31, 2023 (2022 - P16,564) (Note 21).

3 Accounts and other receivables

	Note	2023	2022
Trade			
Condominium units		584,528,488	431,034,311
Commercial spaces		255,648,828	343,484,665
Accrued rent receivable		74,351,615	71,101,576
Related parties	14	40,205,911	23,238,695
Advances to employees		901,940	402,263
Others		95,540,046	30,176,393
		1,051,176,828	899,437,903
Less: Allowance for impairment		6,517,905	8,530,859
		1,044,658,923	890,907,044
Less: Non-current portion		316,815,825	516,644,756
		727,843,098	374,262,288

The classes of trade receivables of the Company are as follow:

- Condominium units – pertain to sales contracts receivable of condominium units.
- Commercial spaces – pertain to receivables from rentals of mall commercial and office spaces.

The sales contracts receivable, included under trade receivables, are collectible in monthly installments over a period of two to five years. Titles to condominium units are not transferred to the buyers until full payment has been made.

Trade receivables from commercial spaces are noninterest-bearing and are generally collectible on a 30-day term. Accrued rent receivable pertains to additional expected rent for the period as a result of the PFRS 16 adjustment which was determined using the straight-line basis and expected rent from rentals of commercial spaces and office spaces.

Advances to employees are non-interest bearing and are due and demandable.

Others pertain mainly to other receivables that are noninterest-bearing and are due and demandable such as accruals of marketing revenue from mall tenants.

Allowance for impairment losses arose from trade receivables from commercial spaces. Trade receivables amounting to P6.5 million were impaired and fully provided as at December 31, 2023 (2022 - P8.5 million). In 2023, a reversal of the allowance for impairment losses amounting to P2.0 million was recorded as part of “Other income”.

Movements in the allowance for impairment of trade receivables are as follows:

	2023	2022
At beginning of the year	8,530,859	8,530,859
Reversal	(2,012,954)	-
At end of the year	6,517,905	8,530,859

Trade receivables from condominium units with a nominal amount of P672.7 million (2022 - P516.7 million) were recorded at fair value during initial recognition in 2023 resulting to recognition of unamortized discounts. The fair values of the receivables were obtained by discounting future cash flows using the applicable rates for similar types of instruments.

Movements in the unamortized discount in trade receivables are as follows:

	Note	2023	2022
At January 1		85,610,445	98,770,166
Additions		21,703,415	23,727,353
Accretion for the year	21	(19,185,329)	(36,887,074)
At December 31		88,128,531	85,610,445

In 2023, the Company sold residential receivables on a without recourse basis to Bank of the Philippine Islands - Family Savings Bank Inc., a related party, amounting to P163 million. These were sold at a discount, with total proceeds of P146 million. In 2022, the Company also sold residential receivables on a without recourse basis to Security Bank Corporation, amounting to P182.3 million. These were sold at a discount, with total proceeds of P156.0 million. The Company recognized loss on sale (presented under "Interest and other financing charges") amounting to P17.2 million in 2023 (2022 - P26.4 million).

4 Real estate inventories

A summary of the movements in real estate inventories is set out below:

	Note	2023	2022
At January 1		1,466,021,622	1,440,309,020
Additions		135,645,621	275,606,595
Cost of real estate inventories sold	17	(349,931,171)	(249,893,993)
At December 31		1,251,736,072	1,466,021,622

Real estate inventories are carried at cost as at December 31, 2023 and 2022 as the NRV of all real estate inventories is substantially in excess of cost.

The Company has no purchase commitments pertaining to its inventories as at December 31, 2023 and 2022.

There are no liens and encumbrances on the Company's real estate inventories.

5 Other current assets

	Note	2023	2022
Input VAT, net		151,185,124	28,692,132
Creditable withholding tax		64,622,327	106,274,175
Prepaid real property tax		30,993,263	30,452,463
Prepayments		25,471,923	217,356,628
Advances to contractors		14,081,656	13,910,291
Materials and supplies		1,165,254	40,068,079
Cost to obtain contract	9	-	8,845,475
Other prepayments		21,505	1,316,594
		287,541,052	446,915,837

Net input VAT pertains to the 12% indirect tax passed on to the Company in the course of its business on local purchases of goods and services, including lease or use of property from VAT-registered entities. Input VAT is presented net of output VAT on the Company's income subjected to VAT.

Prepaid real property tax pertains to the payment made to avail 10% discount for early payment and an additional 10% for one-time payment of taxes applicable to year 2023.

Prepayments include prepaid management fee and storage fees which are to be recognized as expense based on the percentage of completion of project.

Advances to contractors pertain to the Company’s down payments for the construction works of Aspira Tower 2 in Cagayan de Oro City. This is realized upon receipt of progress billing depending on the percentage of the contractor’s accomplishment.

Other prepayments include other prepaid taxes and licenses, prepaid insurance and other expenses which are expected to be applied or incurred within the normal operating cycle of the Company.

6 Investment properties

	Notes	Land	Building and improvements	Total
Cost				
Balances at January 1, 2022		332,540,001	3,401,542,701	3,734,082,702
Additions		-	1,899,987	1,899,987
Balances at December 31, 2022		332,540,001	3,403,442,688	3,735,982,689
Additions		-	4,342,619	4,342,619
Adjustment		-	(7,095,290)	(7,095,290)
Balances at December 31, 2023		332,540,001	3,400,690,017	3,733,230,018
Accumulated depreciation				
Balances at January 1, 2022		-	725,795,761	725,795,761
Depreciation	18	-	90,881,701	90,881,701
Balances at December 31, 2022		-	816,677,462	816,677,462
Depreciation	18	-	100,139,940	100,139,940
Adjustment		-	(7,095,290)	(7,095,290)
Balances at December 31, 2023		-	909,722,112	909,722,112
Net book value				
2023		332,540,001	2,490,967,905	2,823,507,906
2022		332,540,001	2,586,765,226	2,919,305,227

The Company’s investment properties pertain to mall and office spaces rented by tenants. Total rental income arising from investment properties amounted to P552.3 million in 2023 (2022 - P449.5) (Note 16). Total income derived from CUSA and aircon charges recoveries from investment properties amounted to P140.6 million in 2023 (2022 - P134.1 million) (Note 22). Depreciation expense arising from the investment properties amounted to P100.1 million in 2023 (2022 - P90.9 million). These are recognized under “Direct operating expenses” in the statements of comprehensive income.

The market value of the investment properties as determined by an independent real estate appraiser amounted to P4.8 billion each year as at December 31, 2023 and 2022. This value was based on market value approach (Level 2 hierarchy) which considers the estimated amount for which a property should exchange on the date of valuation assuming that market participants act in their best economic interest. Market value is understood as the value of an asset estimated without regard to cost of sale or purchase and without offset for any associated taxes.

The value of the land was arrived at using the market data approach. In this approach, the value of the land is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. This valuation approach is categorized as Level 2 in the fair value hierarchy as at December 31, 2023 and 2022. The significant unobservable input to the valuation is the price per square meter.

For land, significant increases or decreases in estimated price per square meter in isolation would result in a significantly higher or lower fair value on a linear basis.

The fair value of the building was arrived at using the income approach (Level 3). This is an approach in which the appraiser derives an indication of value for income producing property by converting anticipated future benefits into current property value.

For buildings, significant increases or decreases in the replacement and reproduction costs, in isolation, would result in a significantly higher or lower fair value of the properties.

7 Property and equipment

	Notes	Furniture, fixtures and equipment	Service Equipment	Total
Cost				
Balances at January 1, 2022		61,137,377	107,261,360	168,398,737
Additions		12,844,573	-	12,844,573
Balances at December 31, 2022		73,981,950	107,261,360	181,243,310
Additions		43,126,507	-	43,126,507
Balances at December 31, 2023		117,108,457	107,261,360	224,369,817
Accumulated depreciation				
Balances at January 1, 2022		36,962,962	103,423,288	140,386,250
Depreciation	18,19	10,044,174	3,838,072	13,882,246
Balances at December 31, 2022		47,007,136	107,261,360	154,268,496
Depreciation	18,19	(1,088,294)	7,629,641	6,541,347
Reclassification		8,874,188	(8,874,188)	-
Balances at December 31, 2023		54,793,030	106,016,813	160,809,843
Net book value				
2023		62,315,427	1,244,547	63,559,974
2022		26,974,814	-	26,974,814

As at December 31, 2023, fully depreciated property and equipment still used in the Company’s operations amounted to P10.7 million (2022 - P8.3 million).

Depreciation is charged to expenses as follows:

	Notes	2023	2022
Direct operating expenses	18	4,346,864	12,716,519
General and administrative expense	19	2,194,483	1,165,727
		6,541,347	13,882,246

8 Other non-current assets

	2023	2022
Net input VAT, net of current portion	40,518,300	158,046,828
Project costs	7,095,289	218,295,919
Deferred input VAT	-	313,493
	47,613,589	376,656,240

Project costs pertains to payment for master planning fees and construction expenditures necessary for the development of the residential properties.

9 Customers’ deposits and cost to obtain a contract

Customer’s deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition and excess of collections over the recognized receivables based on percentage of completion.

As at December 31, 2023, customers’ deposits amounted to P0.2 million (2022 - P21.1 million) (Note 10).

The amount of revenue recognized from amounts included in contract liabilities at the beginning of the year amounted to nil in 2023 (2022 - P3.3 million).

9.1 Cost to obtain a contract

Cost to obtain contract includes commissions directly related to signed contract to sell agreements that are deferred and amortized using the POC method.

The balances below pertain to the cost to obtain contracts included in the other current (Note 5).

	Note	2023	2022
At beginning of the year		8,845,475	12,515,202
Additions		30,800,269	22,715,379
Amortization	17	(39,645,744)	(26,385,106)
At end of the year		-	8,845,475

10 Accounts and other payables

	Notes	2023	2022
Payable to related parties	14	616,080,603	914,696,820
Accounts payable		300,287,897	728,201,793
Retention payable		66,463,360	58,845,832
Interest payable	11	19,385,275	19,402,381
Taxes payable		8,610,428	4,962,168
Accrued expenses		646,833	54,354,699
Customers’ deposit	9	159,999	21,065,356
Others		2,471,260	8,467,914
		1,014,105,655	1,809,996,963

Payables to related parties are noninterest-bearing and are mostly due and demandable (Note 14).

Accounts payable and accrued expenses arise from regular transactions with suppliers and service providers. These are noninterest-bearing and are normally settled on 15 to 60-day terms.

Retention payable represents a certain percentage of the total project costs that is withheld for payment to the contractor until the end of the construction of the project.

Interest payable represents accrued interest from loans payable.

Accrued expenses comprise of professional fees, management fees and other expenses already incurred but not yet paid.

Taxes payable pertains to expanded withholding taxes and other taxes payable. Expanded withholding taxes are settled on a monthly basis. Other taxes payable are normally settled within one year.

Other payables pertain to other statutory payables, unearned income and other nontrade payables. These are normally settled within one year.

11 Long-term debt

Long-term debt, representing loans obtained from local banks to finance the Company's various mall redevelopment projects, consists of the following:

	2023	2022
8-year loan maturing December 28, 2027	603,750,000	646,875,000
10-year loan maturing August 11, 2031	1,200,000,000	1,200,000,000
	1,803,750,000	1,846,875,000
Unamortized debt issue cost	(7,159,418)	(7,951,299)
	1,796,590,582	1,838,923,701
Current portion of long-term debt	(43,125,000)	(43,125,000)
Long-term debt, net of current portion	1,753,465,582	1,795,798,701

8-year loan maturing December 28, 2027

On November 7, 2019, the Company entered into an unsecured P787.0 million peso-denominated long-term debt with a local government-owned universal bank to refinance its maturing obligation with another local universal bank. The loan commitment includes the following:

Fixed rated portion shall pay interest at a rate equivalent to the base rate-fixed plus a spread of 70 basis points per annum.

The foregoing shall be deemed inclusive of gross receipts tax. The long-term debt shall be for a maximum of ten years from the initial drawdown date.

10-year loan maturing August 11, 2031

On August 5, 2021, the Company entered into a ten-year unsecured P1.2 billion peso-denominated long-term debt with local bank to partially finance capital expenditures and/or for general corporate funding requirements, including refinancing of existing debt. The loans were subject to prevailing borrower's rate of 4% per annum, subject to repricing beginning on 6^{th} year. The loan is payable semi-annually starting at the end of the fifth (5^{th}) year from the initial drawdown date equivalent to one eight percent (0.125%) of the original loan amount with the last amortization sufficient to fully pay the loan equivalent to ninety-eight and three fourth percent (98.75%) of the original amount.

The table below details the changes in the Company's loans payable arising from financing activities:

	2023	2022
Balances at beginning of year	1,838,923,701	1,881,292,655
Payments	(43,125,000)	(43,125,000)
Amortization of debt issue cost	791,881	756,046
Balances at end of year	1,796,590,582	1,838,923,701

The Company incurred debt issue cost amounting to P9.0 million which was being amortized over the loan term of 10 years using effective interest method. The amortized debt issue cost amounting to P0.8 million in 2023 (2022 - P0.8 million) were lodged under "Interest and other financing charges" in the statement of total comprehensive income.

The movements of the unamortized debt issue costs as at December 31, 2023 and 2022 follow:

	2023	2022
At January 1	7,951,299	8,707,345
Amortization	(791,881)	(756,046)
At December 31	7,159,418	7,951,299

Details in movements in interest payable for the year ended December 31 are as follows:

	2023	2022
At January 1	19,402,381	18,835,925
Interest expense	78,418,489	80,499,701
Payments	(78,435,595)	(79,933,245)
At December 31	19,385,275	19,402,381

The loans are covered by an arrangement which provides certain restrictions and requirements for the Company to maintain a debt to tangible net worth ratio of not greater than 3:1. As at December 31, 2023 debt to tangible net worth ratio is 0.80:1 (2022 - 2.01:1). Given the ratios, the Company is compliant with the loan covenants in both 2023 and 2022.

The repayment schedule of the long-term debt is as follows:

Year	2023	2022
2023	-	43,125,000
2024	43,125,000	43,125,000
2025	43,125,000	43,125,000
2026 to 2031	1,717,500,000	1,717,500,000
	1,803,750,000	1,846,875,000

12 Pension liability, net

The Company has an unfunded, noncontributory defined benefit pension plan covering substantially all of its regular officers and employees. The Company accrues for pension cost in compliance with R.A. No. 7641, *The Retirement Pay Law*.

The Company recognized retirement costs amounting to P1.5 million in 2023 (2022 - P0.6 million) (Note 19).

The actuarial valuation involves making assumptions. The principal assumptions, used in determining pension obligation for the defined benefit plans include 6.08% as discount rate in 2023 (2022 - 7.5%). The salary increase rate in 2023 is 6% (2022 - 8.0%).

Changes in the present value of defined benefit obligation (DBO) for the years ended December 31 are as follows:

	2023	2022
At January 1	2,734,297	3,199,925
Net benefit cost in profit or loss:		
Past service cost	527,777	-
Current service cost	736,959	462,505
Interest cost	277,083	158,396
	1,541,819	620,901
Actuarial (gain) loss recognized in OCI due to:		
Changes in financial assumptions	(423,894)	(1,005,488)
Experience adjustments	147,507	(81,041)
	(276,387)	(1,086,529)
At December 31	3,999,729	2,734,297

Changes in fair value of plan asset for the years ended December 31 are as follows:

	2023	2022
At January 1	-	-
Contributions	1,000,000	-
Remeasurement loss	(377)	-
At December 31	999,623	-

Net pension liability as at December 31 follows:

	2023	2022
Present value of DBO	3,999,729	2,734,297
Fair value of plan asset	(999,623)	-
Net pension liability	3,000,106	2,734,297

The remeasurement gain recognized in other comprehensive income for the years ended December 31 are as follows:

	2023	2022
Actuarial (gain) loss	(276,010)	(1,086,529)
Income tax effect	69,003	271,632
Net remeasurement (gain) loss	(207,007)	(814,897)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2023 and 2022.

		Increase (decrease) in defined benefit obligation	
		2023	2022
Discount rates	+1.00%	(655,738)	(454,730)
	-1.00%	839,457	583,175
Future salary increases	+1.00%	814,944	557,992
	-1.00%	(651,141)	(445,754)

The average duration of the defined benefit obligation as at December 31, 2023 and 2022 are 23 years and 19 years respectively.

13 Other non-current liabilities

	2023	2022
Security deposits	364,655,411	327,019,712
Deferred credits	126,707,672	109,272,045
Deferred output VAT	57,369,995	41,255,931
	548,733,078	477,547,688

Security deposits mainly consist of the five-month deposits paid by mall tenants and three-month deposit by office tenants at the beginning of the lease term, to be applied against outstanding rent receivable at the end of the contract. Additional security deposit is billed if there are any increase on rental rate upon renewal of the contract.

Deferred credits pertain to advance payments from customers to cover various processing fees in relation to the sale of real estate inventories including, but not limited to, fees related to transfer of title and water and electricity connection fees. These are reversed upon payment of the said fees on behalf of the customers. Any shortage is collectible from the customers while any excess is recognized as other income in the statements of total comprehensive income.

Deferred output VAT pertains to VAT on collectible portion of total selling price of real estate installment sales which are payable to the BIR upon collection from customers.

14 Related party transactions

The Company, in the normal course of business, has entered into transactions with related parties consisting primarily of development, management and marketing agreements. Services rendered to and received from related parties are made at normal market prices. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. The transactions are made at terms and prices agreed upon by the parties. The outstanding balances with related parties are settled in cash.

As at December 31, the effects of the foregoing principally consist of the following:

Receivables from related parties

	2023		2022	
	Transactions	Outstanding balance	Transactions	Outstanding balance
Parent (a)	250,538	5,461,864	-	5,211,326
Entities under common control I	16,716,678	34,744,047	49,309,334	18,027,369
	16,967,216	40,205,911	49,309,334	23,238,695

Payable to related parties

	2023		2022	
	Transactions	Outstanding balance	Transactions	Outstanding balance
Parent (b)	115,073,077	51,798,856	143,002,158	166,871,933
Entities under common control (d)	183,543,140	564,281,747	583,075,022	747,824,887
	298,616,217	616,080,603	726,077,180	914,696,820

In the ordinary course of business, the Company transacts with its related parties. The transactions and balances of accounts with related parties follow:

a. Receivable from parent company pertains to short-term loans made for varying periods of up to three months depending on immediate cash requirements. The amount is collectible in cash, interest bearing, unsecured, and not impaired.

b. Payable to parent company pertains to accrual of management fee and corporate costs allocation amounting to P115.1 million in 2023 (2022 - P143.0 million). The amount is noninterest-bearing, unsecured and unguaranteed. The key management personnel are also the same key management personnel from the Parent Company. Hence, the compensation is paid by the latter.

c. Receivable from affiliates includes fees and other charges that are collectible in cash, noninterest-bearing, unsecured and not impaired.

d. Portion of payable to affiliates includes short-term loans made for varying periods of up to three months depending on immediate cash requirements with interest ranging from 5.50% - 5.81% amounting to nil in 2023 (2022 - P150.4 million) interest-bearing, unsecured and unguaranteed. The other portion included fees and other charges that are noninterest-bearing, unsecured and unguaranteed.

Interest expense related to short-term loans with related parties amounted to P6.5 million in 2023 (2022 - P6.1 million).

In the cash flows statement, short-term advances with related parties are deemed operating activities as such are intended for working capital management.

15 Equity

The details of the number of shares as at December 31, 2023 and 2022 follow:

	Preferred	Common A	Common B	Total
Authorized shares	1,116,000,000	86,800,000	37,200,000	1,240,000,000
Issued and outstanding	1,115,631,000	86,768,000	37,191,000	1,239,590,000
Par value per share	P1.00	P1.00	P1.00	P1.00

Preferred shares

The preferred shares have the following features:

(a) Voting rights

The holders of the redeemable preferred shares outstanding from time to time (the "preferred shareholders") shall have voting rights in accordance with Section 6 of the Corporation Code of the Philippines.

(b) Dividends

The preferred shareholders shall be entitled to participate in any regular dividend declaration for the common shares of stocks to be paid out of unrestricted retained earnings at the same rate and upon the same terms as declared and paid to holders of the common shares ("the common shareholders"). The preferred shareholders shall also be entitled to such other dividends as may be determined and approved by the BOD.

Unless dividends on all outstanding shares of redeemable preferred shares shall have been paid or declared, (i) no dividends shall be paid or declared with respect to the common shares; (ii) no distribution shall be made with respect to the common shares as to distribution upon liquidation, dissolution, or winding-up; (iii) nor shall any common shares (upon liquidation, dissolution, or winding-up of the Company) be redeemed, purchased, or otherwise acquired for any consideration by the Company.

(c) Liquidation rights

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the redeemable preferred shares shall be entitled to receive out of the assets of the Company available for distribution to the shareholders, before any distribution of assets is made to holders of common shares, distributions in the amount of the issue value per outstanding redeemable preferred shares, plus declared and unpaid dividends to the date of distribution.

(d) Redemption

The redeemable preferred shares may be redeemed at the option of the Company. Any redeemable preferred shares to be redeemed at the price and under such terms and conditions and procedures as shall be determined by the BOD, provided, that in no case shall the redemption price of the actual number of the redeemable preferred shares be less than the cost of such shares as recorded in the books of the Company at the time of redemption.

Retained earnings

On October 18, 2023, the Company declared and paid cash dividends of P40 million or P0.03 per share for 2023 (2022 – nil) payable on or before November 20, 2023 to all stockholders of record as of October 19, 2023.

Capital management

The primary objective of the Company's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value.

The Company is subject to externally imposed capital requirements due to loan covenants (Note 11). The Company monitors capital using a debt to tangible net worth ratio, which is total debt divided by total capital less intangible assets, maintained within 3:1 ratio. The Company considers borrowed money from financial institutions as debt. The Company considers as capital its retained earnings and both common and preferred shares which are entitled to receive dividends, but preferred shares enjoy a preference in the distribution of dividends. No changes were made in the objectives, policies or processes for managing capital for the years ended December 31, 2023 and 2022.

The Company considers the following as its core economic capital:

	2023	2022
Paid-in capital	1,239,590,000	1,239,590,000
Retained earnings	1,004,765,572	826,103,483
	2,244,355,572	2,065,693,483

16 Leases

The Company, as a lessor, enters into lease agreements with third parties on its investment property portfolio, covering the Company's retail and office spaces. These leases have terms ranging from one to 25 years and generally provide for either: (a) fixed monthly rent; or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals receivable under noncancelable operating leases of the Company are as follows:

	2023	2022
Within one year	121,511,839	143,702,997
After one year but not more than 5 years	375,012,397	446,807,387
	496,524,236	590,510,384

The rent concessions granted by the Company for the year ended December 31, 2023 amounted to P5.9 million (2022 - P20.7 million).

Total rental income for the year ended December 31, 2023 amounted to P552.3 million (2022 - P449.5 million) (Note 6).

17 Cost of real estate sold

This account consists of:

	Note	2023	2022
Cost of real estate inventories	4	349,931,171	249,893,993
Management and sales documentation fees		54,894,106	36,533,224
Cost to obtain contract	9	39,645,744	26,385,106
Advertising and promotion		742,760	2,530,407
		445,213,781	315,342,730

18 Direct operating expenses

This account consists of:

	Note	2023	2022
Utilities		112,618,638	105,368,731
Depreciation	6,7	104,486,804	103,598,220
Outside services		62,918,393	49,430,868
Management fees		51,788,609	47,358,579
Taxes and licenses		43,442,835	44,798,550
Film producer’s share		30,956,295	22,116,989
Repairs and maintenance		23,722,786	19,005,812
Marketing		18,924,638	9,351,876
Dues and fees		11,056,379	11,446,843
Beverage and ice		6,689,569	3,004,303
Insurance		4,639,447	1,734,134
Others		6,996,340	5,478,555
		478,240,733	422,693,460

19 General and administrative expenses

This account consists of:

	Note	2023	2022
Salaries and employee benefits		15,880,956	11,521,694
Outside services		4,210,632	3,413,158
Repairs and maintenance		2,626,392	1,987,487
Depreciation	7	2,194,483	1,165,727
Retirement costs	13	1,541,819	620,901
Communication		1,452,923	627,970
Travel and transportation		892,131	276,001
Supplies		203,033	180,783
Professional fees		185,678	370,402
Others		1,061,343	2,104,652
		30,249,390	22,268,775

Breakdown of personnel costs is as follows:

	2023	2022
Salaries, wages, and allowances	13,359,869	9,004,479
Employee's benefits	2,521,087	2,517,215
	15,880,956	11,521,694

20 Income tax

The current provision for income tax of the Company represents the 25% regular corporate income tax (RCIT) and 1.5% minimum corporate income tax (MCIT) in 2023 (2022 – 1%).

The components of provision for income tax are as follows:

	2023	2022
Current tax	101,654,341	5,077,105
Deferred tax	(28,771,353)	34,381,292
	72,882,988	39,458,397

The components of the Company's net deferred tax assets are as follow:

	2023	2022
Deferred tax assets:		
Difference between tax and book basis of accounting for real estate transactions	72,732,643	43,067,407
Accrued compensation and benefits	2,234,483	1,166,398
Allowance for impairment of receivables	1,629,476	2,132,715
Retirement cost recognized in profit or loss	1,400,929	1,015,474
Unearned income	(384,944)	695,722
Unrealized forex gain	(148,979)	-
	77,463,608	48,077,716
Deferred tax liabilities:		
Straight-line adjustment on rent income	18,587,904	17,775,394
Deferred financing cost - net of amortization	1,789,855	1,987,825
Remeasurement gain on pension liability recognized in other comprehensive income	400,902	331,900
	20,778,661	20,095,119
	56,684,947	27,982,597

The reconciliation between the income tax expense computed at the statutory income tax rate to the actual income tax expense follows:

	2023	2022
Income before income tax	291,545,077	157,844,810
Income tax expense at statutory income tax rate (25%)	72,886,269	39,461,203
Addition to (reduction in) income taxes resulting from:		
Interest income already subjected to final tax	(4,101)	(4,141)
Limitation on deductibility of interest expense	820	828
Other	-	507
	72,882,988	39,458,397

21 Interest and other income

This account consists of:

	Notes	2023	2022
Interest income			
Accretion of trade receivables	3	19,185,329	36,887,074
Cash	2	16,404	16,564
		19,201,733	36,903,638
Other income		4,806,742	1,538,815
		24,008,475	38,442,453

Other income includes penalties and other charges to tenants.

22 Performance obligations

Real estate sales

The Company entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of real estate unit covers the contract for condominium unit and the Company concluded that there is one performance obligation in this contract. The Company recognizes revenue from the sale of real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% of the contract price spread over a certain period (e.g., one to two years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two to five years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either an unbilled receivable or customers' deposit.

After the delivery of the completed real estate unit, the Company provides one-year warranty to repair minor defects on the condominium unit. This is assessed by the Company as a quality assurance warranty and not treated as a separate performance obligation.

Revenue from real estate sales amounted to P572.2 million for the year ended December 31, 2023 (2022 - P363.8 million).

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) in 2023 and 2022 are as follows:

	2023	2022
Within one year	-	56,457,352
More than 1 year	-	-
	-	56,457,352

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Company's real estate projects. The Company's condominium units are completed within three to five years from start of construction. As at December 31, 2023, all towers have reached 100% (2022 - 93.6%) percentage of completion (POC).

CUSA and aircon charges

Revenue from CUSA and aircon charges amounted to P140.6 million for the year ended December 31, 2023 (2022 - P134.1 million). This includes recovery of common area charges recoveries and aircon capital expenditure recoveries.

23 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in compliance with PFRSs requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from such as estimates.

Management believes the following represent a summary of these significant judgments, assumptions and estimates:

23.1 Judgments

Operating lease

The Company has entered into commercial property leases on its investment property portfolio as a lessor. The Company has determined that it retains all significant risks and rewards of ownership of the property as the Company considered, among others, the length of the lease term as compared with the estimated life of the investment property.

Some of the Company's operating lease contracts are accounted for as noncancelable operating leases and the rest are cancellable. In determining whether a lease contract is cancellable or not, the Company considers among others, the significance of the penalty, including the economic consequence to the lessee.

Assessment on whether lease concessions granted constitute a lease modification

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Company waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

The Company applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, the Company determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Company assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

The rent concessions granted by the Company for the year ended December 31, 2023, amounted to P5.9 million (2022 - P20.7 million) (Note 16).

Existence of a contract

The Company's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell is not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Revenue recognition method and measure of progress

The Company concluded that revenue for real estate sales is to be recognized over time because: (a) the Company's performance does not create an asset with an alternative use and; (b) the Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Company. The Company considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

The Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development to the customers.

Distinction of land between real estate inventories and investment properties

The Company determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, the Company whether the property will be sold in the normal operating cycle (real estate inventories). All other properties that are not yet determined to be sold in the normal operating cycle are classified as investment properties.

Definition of default and credit-impaired financial assets

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria – for sales contracts receivable, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria

The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financial covenant(s)
c. An active market for that financial asset has disappeared because of financial difficulties
d. Concessions have been granted by the Company, for economic or contractual reasons relating to the customer's financial difficulty
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization.

The criteria above have been applied to the financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Company's expected loss calculation.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Company considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Company's evaluation and assessment and after taking into consideration external actual and forecast information, the Company formulates a "base case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

23.2 Estimates and assumptions

Revenue recognition on real estate projects

The Company's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues. The Company's revenue from real estate is recognized based on the percentage of completion and this is measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists (project engineers).

Provision for expected credit losses of trade and other receivables

The Company uses a provision matrix to calculate ECLs for trade receivables other than sales contract receivables. The provision rates are based on days past due for companies of various customer segments that have similar loss patterns.

The Company uses vintage analysis approach to calculate ECLs for trade receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

For other receivables such as accrued receivable, receivable from related parties and advances to other companies, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on trade receivables is disclosed in Notes 3 and 24.

Evaluation of net realizable value (NRV) of real estate inventories

The Company adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Company in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete 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. In evaluating NRV, recent market conditions and current market prices have been considered. As at December 31, 2023, the cost is lower than the NRV of real estate inventories amounted to P1.3 billion (2022 - P1.5 billion) (Note 4).

Useful lives of investment properties and property and equipment

The Company estimates the useful lives of investment properties (excluding land) and property and equipment based on the economic lives of investment properties and property and equipment. The estimated useful lives of these assets are reviewed periodically and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the investment properties and property and equipment. However, it is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the investment properties and property and equipment would increase the recorded expenses and decrease non-current assets.

As at December 31, 2023 the aggregate carrying values of investment properties (excluding land) is P2.5 billion (2022 - P2.6 billion) and property and equipment amounted to P64.0 million (2022 - P27.0 million) (Notes 6 and 7).

Impairment of nonfinancial assets

The Company assesses at each reporting period whether there is an indication that other current assets, investment property, property and equipment and other non-current assets may be impaired. Determining the value in use of these assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of these assets, requires the Company to make estimates and assumptions that can materially affect the financial statements.

Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and results of operations. The preparation of the estimated future cash flows involves significant judgments and estimates. While the Company believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.

As at December 31, 2023, the aggregate carrying values of advances to employees (presented under "Accounts and other receivables"), amounted to P0.9 million (2022 - P0.4 million) (Note 3). No provision for impairment losses was recognized in 2023 and 2022.

Estimating pension liability

The determination of the Company's obligation and cost for pension is dependent on selection of certain assumptions used by actuaries in calculating such amounts. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Significant assumptions are disclosed in Note 13 and include among others, discount rate and salary increase rate.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

As at December 31, 2023, the Company has an outstanding balance of pension liability amounting to P3.0 million (2022 - P2.7 million) (Note 12).

Deferred tax assets

The Company reviews the carrying amounts of deferred tax asset at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Company looks at its projected performance in assessing the sufficiency of future taxable income.

The Company recorded deferred tax assets on as at December 31, 2023 amounted to P56.7 million (2022 - P 28 million) (Note 20).

24 Financial instruments

The methods and assumptions used by the Company in estimating the fair value of the financial instruments follow:

- Cash and other receivables. Carrying amounts approximate fair values due to the relatively short-term maturities of these investments.
- Trade receivables. The fair values of trade receivables approximate the carrying amounts since these are measured at amortized cost.
- Other financial liabilities. The fair values of accounts and other payables (excluding statutory payables and customers' deposits) approximate the carrying amounts due to the short-term nature of these accounts.
- Long-term debt. The fair value of borrowings with fixed interest rates is based on the discounted net present value of future cash flows using PH BVAL. The Company classifies the fair value of its long-term debt under Level 3. Discount rates used range from 5.8743% to 7.0372% in 2023 and 3.9190% to 7.2205% in 2022. The carrying value and corresponding fair value of the long-term debt are as follows:

2023		2022	
Carrying value	Fair value	Carrying value	Fair value
1,753,465,582	2,294,349,318	1,795,798,701	2,380,682,255

As at December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

24.1 Financial risk management objectives and policies

Exposures to credit and liquidity risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and,
- to provide a degree of certainty about costs.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The investment of the Company's cash resources is managed so as to minimize risk while seeking to enhance yield. To manage credit risks, the Company maintains defined credit policies and monitors on a continuous basis the exposure to credit risks.

The Company has credit management policies in place to ensure that rental contracts are entered into with customers who have sufficient financial capacity and good credit history. Credit risk arising from real estate sales from selling condominium units and rental income from leasing properties is primarily managed through a buyer and tenant selection process. Prospective buyers and tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Company security deposits and advance rentals which help reduce the Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Given the Company's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

Financial assets classified into credit quality are presented below:

2023	High grade	Standard grade	Substandard grade	Total
Cash in banks	32,685,236	-	-	32,685,236
Receivables, gross	1,044,658,923	-	6,517,905	1,051,176,828
	1,077,344,159	-	6,517,905	1,083,862,064

2022	High grade	Standard grade	Substandard grade	Total
Cash in banks	41,128,450	-	-	41,128,450
Receivables, gross	890,907,044	-	8,530,859	899,437,903
	932,035,494	-	8,530,859	940,566,353

The credit grades used by the Company in evaluating the credit quality of its financial assets are the following:

a. *High grade* - represents bank deposits, investment in equity securities and receivables which have a high probability of collection. The counterparty has the apparent ability to satisfy its obligation. These also include deposits with reputable institutions from where the deposits may be withdrawn and recovered with certainty.
b. *Standard grade* - represents receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay.
c. *Substandard grade* - include impaired receivables. Substandard grade receivables are those where the counterparties are, most likely, not capable of honoring their financial obligations.

Liquidity risk

Liquidity risk is the risk arising from the shortage of funds due to unexpected events or transactions. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The Company monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Company's policy is to maintain a level of cash deemed sufficient to fund its monthly cash requirements, at least for the next two months. Capital expenditures are funded through long-term debt, while operating expenses and working capital requirements are sufficiently funded through cash collections.

The extent and nature of exposures to liquidity risk and how they arise as well as the Company's objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for 2023 and 2022.

The table summarizes the maturity profile of the Company's financial liabilities as at December 31, 2023 and 2022 based on contractual undiscounted payments. The table also provides analysis on the maturity profile of the financial liabilities in order to provide a complete view of the Company's contractual commitments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

2023	Less than one year	One to five years	More than five years	Total
Financial liabilities				
Amortized cost				
Accounts and other payables				
Payable to related parties	616,080,603	-	-	616,080,603
Accounts payable	300,287,897	-	-	300,287,897
Retention payable	66,463,360	-	-	66,463,360
Interest payable	19,385,275	-	-	19,385,275
Accrued expenses	646,833	-	-	646,833
Others*	1,740,680	-	-	1,740,680
Security deposits	-	-	364,655,411	364,655,411
Long-term debt	43,125,000	572,625,000	1,188,000,000	1,803,750,000
Future interest payments	77,379,960	364,953,838	48,432,257	490,766,055
Total financial liabilities	1,125,109,608	937,578,838	1,601,087,668	3,663,776,114

**Others excludes nontrade payables - SSS/PhilHealth amounting to P730,580.*

2022	Less than one year	One to five years	More than five years	Total
Financial liabilities				
Amortized cost				
Accounts and other payables				
Payable to related parties	914,696,820	-	-	914,696,820
Accounts payable	728,201,793	-	-	728,201,793
Retention payable	58,845,832	-	-	58,845,832
Accrued expenses	54,354,699	-	-	54,354,699
Interest payable	19,402,381	-	-	19,402,381
Others*	7,729,549	-	-	7,729,549
Security deposits	-	-	327,019,712	327,019,712
Long-term debt	43,125,000	652,875,000	1,150,875,000	1,846,875,000
Future interest payments	58,744,707	303,054,824	161,059,916	522,859,447
Total financial liabilities	1,885,100,781	955,929,824	1,638,954,628	4,479,985,233

**Others excludes nontrade payables - SSS/PhilHealth amounting to P738,365.*

25 Summary of material accounting policies

25.1 Basis of preparation

The financial statements of the Company have been prepared on a historical cost basis. The financial statements are presented in Philippine Peso (P), which is the Company's functional and presentation currency. All amounts have been rounded off to the nearest peso unless otherwise indicated.

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

25.1.1 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the amounts presented in Company's financial position or performance.
- PFRS 17 *Insurance Contracts*
- *Definition of Accounting Estimates* – amendments to PAS 8
- *International Tax Reform – Pillar Two Model Rules* – amendments to PAS 12.
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* – amendments to PAS 12
- *Disclosure of Accounting Policies* – Amendments to PAS 1 and PFRS Practice Statement 2.

The Company also elected to adopt the following amendments early:
- Amendments to PAS 1 – *Classification of Liabilities as Current or Non-current* and Amendments to PAS 1 – *Non-current Liabilities with Covenants*.

Standards issued but not yet effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024
- Amendments to PFRS 16, *Lease liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025
- Amendments to PFRS 17, *Insurance Contracts*

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*
- Certain Provision of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine Securities and Exchange Commission (SEC) issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry' by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of the PIC Q&A until December 31, 2023. The PIC Q&A provisions covered by the SEC deferral that the Company availed pertain to '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)' with allowed deferral period until December 31, 2023.

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

The Company availed the SEC relief on the accounting for significant financing component in its 2023 consolidated financial statements. Had this provision been adopted, the Company would follow the allowed modified retrospective approach allowing it to only adjust the beginning balance of retained earnings in 2023. The net income for the current period is not expected to materially change as it would only require allocation of transaction price from one revenue line item to another.

The Company assessed that the overall impact of the adoption of the requirement of PIC Q&A No. 2018-12 pertaining to significant financing component is not material to the 2023 financial statements.

25.2 Financial instruments

Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income [OCI] or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

The Company does not have financial assets measured at fair value as at December 31, 2023 and 2022.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets are subsequently measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains or losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Impairment

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For other financial assets such as trade receivables and receivable from related parties, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such 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.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

The key inputs in the model include the Company's definition of default and historical data of three years for the origination, maturity date and default date. In certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

Determining the stage for impairment

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to a 12-month ECL.

Financial liabilities

Excluding statutory payables, the Company's financial liabilities include accounts and other payables, long-term debt and other non-current liabilities.

Financial liabilities are subsequently measured at amortized cost, except those that are held for trading or designated upon initial recognition as fair value through profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statements of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

25.3 Real estate inventories

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 real estate inventories. These are carried at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

Cost includes:

- Land cost
- Land improvement cost
- Amounts paid to contractors for construction
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other directly related costs

25.4 Value-added tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

25.5 Investment properties

Investment properties consist of land and building and improvements which are held with the intention for capital appreciation or rental to others. Property held for long-term rental yields is also classified as an investment property. Investment properties, except for land are carried at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment in value. Cost includes those costs incurred for development, improvement and construction of the properties.

Expenditures incurred after the investment properties have been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are obtained.

Depreciation of investment property commences once the property is available for use. Depreciation of the building and improvements is computed using the straight-line method over its estimated useful life of 40 years.

Investment property is derecognized when either it has been disposed of or is permanently withdrawn from use or no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal are recognized in the statement of total comprehensive income in the year of retirement or disposal.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by: (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property; (b) commencement of development with a view to sale, for a transfer from investment property to inventories; (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or (d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

Constructions-in-progress are carried at cost (including borrowing cost) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

The Company disclosed the fair value of investment properties in accordance with PAS 40.

25.6 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

Expenditures incurred after the property and equipment have been put into operation, such as maintenance and repairs, are normally charged to expense in the period in which 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 an additional cost of property and equipment.

Depreciation of property and equipment commences once the property and equipment are available for use.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Category	Number of Years
Furniture, fixtures and equipment	5
Service equipment	5-10

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

When property and equipment are sold or retired, its cost, accumulated depreciation and any impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is included in profit or loss.

Impairment of nonfinancial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value 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 are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

25.7 Equity

25.7.1 Capital stock

The Company records common and preferred shares at par value.

Preferred shares that provide for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date or give the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount are classified as liability. Otherwise, they are classified as equity.

25.7.2 Retained earnings

Retained earnings include accumulated profits attributable to the Company's equity holders and reduced by dividends on capital stock. Dividends on capital stock, if any, are recognized as a liability and deducted from equity when they are approved by the Company's BOD, except for stock dividends which require the approval by the Company's stockholders. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

25.8 Revenue and cost recognition

25.8.1 Revenue from contract with customers

The Company derives its real estate revenue from sale of condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date. The Company has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, electricity, air-conditioning and common use service area in its mall retail spaces, wherein it is acting as agent.

In measuring the progress of its performance obligation over time, the Company uses the output method. The Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third-party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized as trade receivables under accounts and other receivables account. Any excess of collections over the total of recognized trade receivables is included in the "accounts and other payables" account in the liabilities section of the statements of financial position. The impact of the significant financing component on the transaction price has not been considered since the Company availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry. Under the SEC Memorandum Circular No. 34, the relief has been extended until December 31, 2023.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 23.

Cost recognition

The Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation and permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Customers' deposit

A customers' deposit is a contract liability which is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a customers' deposit is recognized when the payment is made, or the payment is due (whichever is earlier). Customers' deposits are recognized as revenue when the Company performs under the contract.

Customers' deposit also include payments received by the Company from the customers for which revenue recognition has not yet commenced.

Costs to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. The Company has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Cost of real estate sold" account in the statement of total comprehensive income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization, derecognition and impairment of capitalized costs to obtain a contract

The Company amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of real estate sold.
A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Company determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

25.8.2 *Rental income*

Rental income under non-cancellable and cancellable leases on investment properties is recognized in the statement of total comprehensive income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Common usage service area (CUSA) and aircon charges

The contract for the commercial spaces leased out by the Company to its tenants includes the right to charge for the electricity usage, water usage, air-conditioning charges and CUSA like maintenance, janitorial and security services.

For the electricity and water usage, the Company determined that it is acting as an agent because the promise of the Company to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Company, are primarily responsible for the provisioning of the utilities while the Company administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air-conditioning of the buildings, the Company acts as a principal because it retains the right to direct the service provider of air-conditioning, maintenance, janitorial and security to the leased premises. The right to the services mentioned never transfers to the tenant and the Company has the discretion on how to price the CUSA and air-conditioning charges.

Cinema and other mall revenue

Cinema and other mall revenue is recognized when services are rendered and goods are delivered.

Interest income

Interest income is recognized as it accrues using the effective interest rate, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets.

Other income

Other income is recognized when earned.

25.9 Expense recognition

Expenses are recognized in profit or loss when a decrease in future economic benefit related to decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in profit or loss:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Direct operating expenses and general and administrative expenses are recognized as they are incurred.

25.10 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as lessee

Except for short-term leases and leases of low-value assets, the Company applies a single recognition and measurement approach for all leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Company applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Company as lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted on a straight-line basis over the lease term and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

25.11 Pension liability

The Company has unfunded, noncontributory retirement benefit plans covering all their eligible regular employees. Pension cost is actuarially determined using the projected unit credit method. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

25.12 Income taxes

25.12.1 Current tax

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

25.12.2 Deferred tax

Deferred tax is provided, using the liability method, 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, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized.

Deferred tax assets and deferred liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

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

Deferred tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

25.12.3 Creditable withholding taxes (CWT)

CWT pertains to taxes withheld on income payments and may be applied against income tax due. The balance of taxes withheld is recovered in future periods. The balance as at end of each reporting period represents the unutilized amount after deducting any income tax payable. Creditable withholding tax is stated at its realizable value.

25.13 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) 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.

25.14 Contingencies

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

25.15 Events after the reporting period

Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Company’s position at each reporting date (adjusting events) are reflected in the financial statements. Significant post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

26 Supplementary information required under Revenue Regulation (R.R.) No. 15-2010

The Company reported and paid the following taxes as at and for the year ended December 31, 2023:

Details of the Company's net sales/receipts, output VAT and input VAT in 2023 follow:

a. Net Sales/Receipts and Output VAT declared in the Company's VAT returns filed for the period follow:

	VAT gross receipts	Output VAT
Vatable sales/receipts	877,616,257	105,313,951

Gross receipts derived from admission tickets in showing motion pictures, films or movies are not subject to VAT under Section 108 of the National Internal Revenue Code.

The Company's vatable sales derived from real estate sales were computed using either the installment method (i.e., when initial payments made by the buyer in the year of sale do not exceed 25% of the gross selling price) or deferred payment method (i.e., when initial payments made by the buyer in the year of sale exceed 25% of the gross selling price), whichever is applicable.

Vatable sales under the installment method are recognized based on actual collections received while vatable sales recognized under the deferred payment method are based on the entire gross selling price. Meanwhile, the Company's sales of services are based on actual collections received.

Moreover, for income tax purposes, taxable income from sale of properties on installment method is recognized based on collections received multiplied by the gross profit rate while taxable income from sale of properties on a deferred payment basis is recognized based on the entire gross selling price of properties sold. Thus, the vatable sales and the sales subjected to income tax may not be the same as the amounts accrued in the statements of total comprehensive income.

Exempt sales consist of non-vatable sales which are pursuant to Revenue Regulations No. 8-2021 Section 2, the amount of threshold to determine whether the sale of residential house and lot is subject to VAT has decreased from P3.2 million to P2.0 million.
Input VAT

At beginning of the year	177,377,356
Current year's domestic purchases of:	
Services	103,891,291
Goods	5,816,288
Other adjustments	439,682
Total available input VAT	287,524,617
Applied against output VAT	(105,313,951)
Input VAT allocable to exempt sales	(40,708,253)
Deferred input VAT	(290,510)
At end of the year	141,211,903

b. Other taxes, duties and license fees

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees included under the "Direct operating expenses" and "General and administrative expenses" accounts in the Company's statement of total comprehensive income. Details of taxes and licenses in 2023 follow:

Under direct operating expenses	
Real property tax	29,131,680
Business and municipal sales taxes	8,536,852
Amusement tax	4,510,413
Other fees	1,263,890
	43,442,835
Under general and administrative expenses "Others"	
Final tax	4,082
Business and municipal sales taxes	500
	43,447,417

c. Withholding taxes

Details of withholding taxes in 2023 are as follows:

Expanded withholding taxes	58,233,932
Withholding taxes on compensation and benefits	1,258,916
	59,492,848

d. Tax assessments and cases

The Company did not receive any tax assessment for the year ended December 31, 2023, nor has tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.