

COVER SHEET

for
AUDITED CONSOLIDATED
FINANCIAL STATEMENTS

SEC Registration Number

A S 9 4 0 0 7 1 6 0

COMPANY NAME

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

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

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

Form Type

A A C F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Group's Email Address

-

Group's Telephone Number/s

(+632) 8403-6910

Mobile Number

-

No. of Stockholders

1,939

Annual Meeting (Month / Day)

Last Friday of June

Calendar Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Ferdinand A. Constantino

Email Address

faconstantino@arthaland.com

Telephone Number/s

(+632) 8403-6910

Mobile Number

-

CONTACT PERSON'S ADDRESS

Lot 20 B5 P5 Almaciga Street, Greenwoods Executive Village, Pasig City

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

NOTE 2: All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.

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

Management of **ARTHALAND CORPORATION** (the “Parent Company”) and its **Subsidiaries** (collectively, the “Group”) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **31 December 2020, 2019 and 2018**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

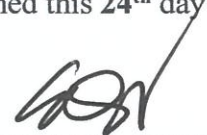
In preparing the financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to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

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

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

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

Signed this 24th day of **March 2021, Taguig City, Philippines.**


ERNEST K. CUYEGKENG
Chairman of the Board
JAIME C. GONZALEZ
Vice Chairman and President
FERDINAND A. CONSTANTINO
Chief Finance Officer

OATH

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY) SS.

I certify that on this **24 MAR 2021** before me, a notary public duly authorized in the city named above to take acknowledgments, personally appeared the following whom I identified through competent evidence of identity to be the same persons described in the foregoing instrument, who acknowledged before me that they voluntarily affixed their signatures on the instrument for the purpose stated therein, and who declared to me that they executed the instrument as their free and voluntary act and deed and that they have the authority to sign on behalf of their principal:

Name	Type of ID	Date/Place of Issue
Ernest K. Cuyegkeng	Passport No. P7236847A	19 May 2018/NCR South
Jaime C. Gonzalez	Passport No. P5521740A	05 January 2018/Manila
Ferdinand A. Constantino	TIN 118-626-881	N/A

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

Doc No. 221
Page No. 46
Book No. 14
Series of **2021**.

GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2022
PTR NO. A-5063681/1-4-2021/ TAGUIG CITY
IBP NO. 231041/10-22-2020 RSM(FOR YR. 2021
ROLL NO. 41969
MCLE COMP. VI No. 0021812
MARCH 29, 2019
APP No. 38(2021-2022)

INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Arthaland Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2020, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2020, 2019 and 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Opinion

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

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.



Fair Value Measurement of Investment Properties

The Group's investment properties which are accounted for using the fair value model amounted to ₱8,315.2 million as at December 31, 2020. The fair value measurement is significant to our audit as the investment properties account for 30.2% of the Group's total assets as at December 31, 2020 (see Notes 3 and 10 to the consolidated financial statements).

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

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

Revenue from Real Estate Sales

For the year ended December 31, 2020, the Group recognized revenue of ₱2,919.1 million from real estate sales using the percentage of completion (POC) method. This is significant to our audit as the amount of revenue from real estate sales for the year ended December 31, 2020 is material to the consolidated financial statements (see Notes 3 and 17 to the consolidated financial statements).

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

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

Valuation of Real Estate for Sale

The Group's real estate properties amounted to ₱6,894.9 million as at December 31, 2020, which accounts for 25.0% of the total assets (see Note 9 to the consolidated financial statements). Valuation of real estate for sale is significant to our audit because it involves determination and estimation of project costs at the end of reporting period.

We have obtained understanding of the Group's processes and controls relating to the inventory cost accumulation and allocation. We also assessed the assumptions used by management in estimating the incurred project costs and costs to complete of the projects. We corroborated the management's estimate through ocular inspection of the projects and examination of contractors' billings and progress reports.



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, 2020, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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



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

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

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

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



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

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

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1499-AR-1 Group A

Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8534279

Issued January 5, 2021, Makati City

March 24, 2021

Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2020	2019
ASSETS			
Cash and cash equivalents	6	₱941,079,474	₱407,214,384
Financial assets at fair value through profit or loss (FVPL)	7	3,257,288,870	772,186,717
Receivables	8	539,079,767	389,687,736
Contract assets	5	5,341,881,039	3,250,482,689
Real estate for sale	9	6,894,906,539	5,410,062,969
Investment properties	10	8,315,168,841	7,280,000,267
Property and equipment	11	280,192,479	282,549,715
Other assets	12	1,977,606,060	1,683,647,515
		₱27,547,203,069	₱19,475,831,992
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	13	₱9,305,693,323	₱6,925,381,746
Bonds payable	14	2,958,526,698	–
Accounts payable and other liabilities	15	2,792,943,961	2,488,916,877
Contract liabilities	5	27,423,392	32,179,674
Advances from non-controlling interests	4	1,367,586,297	1,144,586,297
Net retirement liability	21	101,496,418	99,880,460
Net deferred tax liabilities	23	1,763,428,524	1,309,495,052
Total Liabilities		18,317,098,613	12,000,440,106
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	16	999,757,136	999,757,136
Additional paid-in capital	16	3,008,959,878	3,008,959,878
Retained earnings	16	3,779,054,629	3,161,789,766
Other equity reserves	16	230,363,146	(207,724)
Parent Company's preferred shares held by a subsidiary - at cost	16	(12,500,000)	(12,500,000)
		8,005,634,789	7,157,799,056
Non-controlling Interests	4	1,224,469,667	317,592,830
Total Equity		9,230,104,456	7,475,391,886
		₱27,547,203,069	₱19,475,831,992

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2020	2019	2018
REVENUES				
Real estate sales	17	₱2,919,123,898	₱3,515,804,028	₱992,593,844
Leasing operations	17	371,576,866	321,918,256	132,436,268
Property management fees	17	10,852,292	10,135,140	7,439,974
		3,301,553,056	3,847,857,424	1,132,470,086
COST AND EXPENSES				
Cost of real estate sales	9	1,549,173,465	2,037,976,792	599,734,444
Cost of leasing operations	10	124,447,609	100,539,773	15,260,471
Cost of services		9,360,207	7,222,892	3,804,324
		1,682,981,281	2,145,739,457	618,799,239
GROSS INCOME		1,618,571,775	1,702,117,967	513,670,847
OPERATING EXPENSES	18	680,222,431	665,816,942	397,610,494
INCOME FROM OPERATIONS		938,349,344	1,036,301,025	116,060,353
NET GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	10	959,989,140	1,180,724,811	172,819,094
FINANCE COSTS	19	(281,183,960)	(124,839,604)	(73,647,288)
OTHER INCOME - Net	20	42,240,203	31,106,679	339,120,693
INCOME BEFORE INCOME TAX		1,659,394,727	2,123,292,911	554,352,852
PROVISION FOR INCOME TAX	23	490,270,422	636,145,034	165,735,606
NET INCOME		1,169,124,305	1,487,147,877	388,617,246
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Not to be reclassified to profit or loss -</i>				
Remeasurement gains (losses) on net retirement liability	21	(7,735,261)	(26,253,170)	15,315,863
Income tax benefit (expense) on remeasurement gains or losses	23	2,320,578	7,875,951	(4,594,759)
		(5,414,683)	(18,377,219)	10,721,104
TOTAL COMPREHENSIVE INCOME		₱1,163,709,622	₱1,468,770,658	₱399,338,350

(Forward)

		Years Ended December 31		
	Note	2020	2019	2018
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱887,295,539	₱1,187,016,033	₱333,479,516
Non-controlling interests	4	281,828,766	300,131,844	55,137,730
		₱1,169,124,305	₱1,487,147,877	₱388,617,246
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱881,880,856	₱1,168,638,814	₱344,200,620
Non-controlling interests	4	281,828,766	300,131,844	55,137,730
		₱1,163,709,622	₱1,468,770,658	₱399,338,350
EARNINGS PER SHARE				
	26			
Basic		₱0.1273	₱0.1902	₱0.0362
Diluted		₱0.1260	₱0.1902	₱0.0362

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	2020	2019	2018
CAPITAL STOCK	16			
Common - at ₱0.18 par value - issued and outstanding		₱957,257,136	₱957,257,136	₱957,257,136
Preferred - at ₱1.00 par value - issued and outstanding				
Balance at beginning of year		42,500,000	32,500,000	32,500,000
Issuance of preferred shares		—	10,000,000	—
Balance at end of year		42,500,000	42,500,000	32,500,000
		999,757,136	999,757,136	989,757,136
ADDITIONAL PAID-IN CAPITAL	16			
Balance at beginning of year		3,008,959,878	2,031,441,541	2,031,441,541
Issuance of preferred shares		—	990,000,000	—
Stock issuance costs		—	(12,481,663)	—
Balance at end of year		3,008,959,878	3,008,959,878	2,031,441,541
RETAINED EARNINGS	16			
Balance at beginning of year		3,161,789,766	2,214,144,875	2,085,398,501
Net income for the year		887,295,539	1,187,016,033	333,479,516
Dividends declared during the year		(274,009,142)	(239,371,142)	(204,733,142)
Change in non-controlling interest		3,978,466	—	—
Balance at end of year		3,779,054,629	3,161,789,766	2,214,144,875
OTHER EQUITY RESERVES	16			
Balance at beginning of year		(207,724)	18,169,495	7,448,391
Additions (disposals)		230,570,870	(18,377,219)	10,721,104
Balance at end of year		230,363,146	(207,724)	18,169,495
PARENT COMPANY'S PREFERRED SHARES HELD BY A SUBSIDIARY - at cost	16	(12,500,000)	(12,500,000)	(12,500,000)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		8,005,634,789	7,157,799,056	5,241,013,047

(Forward)

		Years Ended December 31		
	Note	2020	2019	2018
NON-CONTROLLING INTERESTS	4			
Balance at beginning of year		₱317,592,830	₱17,265,039	(₱37,926,744)
Share in net income during the year		281,828,766	300,131,844	55,137,730
Deposit for future stock subscription		624,026,537	—	—
Subscription to a subsidiary		5,000,000	250,000	—
Change in non-controlling interest		(3,978,466)	—	—
Effect of consolidation of Arcosouth Development Inc.		—	(54,053)	54,053
Balance at end of year		1,224,469,667	317,592,830	17,265,039
		₱9,230,104,456	₱7,475,391,886	₱5,258,278,086

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱1,659,394,727	₱2,123,292,911	₱554,352,852
Adjustments for:				
Net gain on change in fair value of investment properties	10	(959,989,140)	(1,180,724,811)	(172,819,094)
Interest expense	13	278,898,562	124,339,961	72,872,660
Depreciation and amortization	11	45,172,717	26,722,029	15,449,610
Retirement expense	21	23,880,697	22,541,961	35,736,315
Realized gain on disposals of financial assets at FVPL	7	(19,071,132)	(16,784,004)	(14,190,431)
Unrealized holding losses (gains) on financial assets at FVPL	7	(12,217,775)	617,582	6,385,529
Interest income	6	(9,379,745)	(13,489,356)	(6,088,906)
Amortization of initial direct leasing costs	10	6,838,645	5,410,930	1,126,823
Loss on disposal of investment properties		461,752	–	8,334,033
Loss (gain) on sale of property and equipment	11	73,601	(322,744)	–
Foreign exchange losses (gains)	20	8,393	605,121	(906,754)
Gain on settlement of loans payable	20	–	–	(319,553,431)
Operating income before working capital changes		1,014,071,302	1,092,209,580	180,699,206
Increase in:				
Receivables		(149,392,031)	(151,911,398)	(556,576,406)
Contract assets		(2,091,398,350)	(2,465,284,745)	(785,197,944)
Real estate for sale		(1,064,077,407)	(1,859,170,852)	(423,556,692)
Other assets		(248,918,859)	(339,944,340)	(6,456,540)
Increase (decrease) in:				
Accounts payable and other liabilities		283,259,791	788,245,948	240,318,176
Contract liabilities		(4,756,282)	11,794,394	(101,327,181)
Net cash used in operations		(2,261,211,836)	(2,924,061,413)	(1,452,097,381)
Interest paid		(640,147,052)	(285,688,190)	(174,354,580)
Income taxes paid		(100,194,522)	(137,401,701)	(103,536,471)
Contribution to retirement plan assets	21	(30,000,000)	(15,003,669)	(5,000,000)
Interest received		9,379,745	12,176,797	6,006,812
Net cash used in operating activities		(₱3,022,173,665)	(₱3,349,978,176)	(₱1,728,981,620)

(Forward)

Years Ended December 31				
	Note	2020	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Financial assets at FVPL	7	(P5,114,756,389)	(P4,542,390,465)	(P1,176,084,250)
Investment properties	10	(83,779,831)	(154,046,731)	(486,818,962)
Property and equipment	11	(43,849,201)	(71,949,144)	(36,917,708)
Proceeds from disposal of:				
Financial assets at FVPL		2,660,943,143	3,982,464,489	1,507,648,191
Investment properties		1,300,000	–	20,462,000
Property and equipment		960,119	453,099	623,878
Net cash used in investing activities		(2,579,182,159)	(785,468,752)	(171,086,851)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Loans payable	13	5,342,426,370	3,486,252,129	1,846,036,912
Bonds payable	14	3,000,000,000	–	–
Deposit for future stock subscription from non-controlling interest	3	624,026,537	–	–
Sale of interest in a subsidiary and transfer of receivables	4	429,500,000	–	–
Advances from non-controlling interests		28,000,000	757,919,606	100,000,000
Issuance of preferred shares		–	987,518,337	–
Payments of:				
Loans payable	13	(2,958,344,266)	(728,331,864)	(152,000,000)
Dividends	16	(274,393,696)	(238,484,518)	(204,273,545)
Debt issue cost		(55,985,638)	(6,168,013)	–
Net cash provided by financing activities		6,135,229,307	4,258,705,677	1,589,763,367
EFFECT OF CONSOLIDATION	4	–	(852,576)	4,990,173
NET EFFECT OF EXCHANGE RATE CHANGES TO CASH AND CASH EQUIVALENTS		(8,393)	(605,121)	906,754
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		533,865,090	121,801,052	(304,408,177)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		407,214,384	285,413,332	589,821,509
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	P941,079,474	P407,214,384	P285,413,332

(Forward)

Years Ended December 31				
	Note	2020	2019	2018
COMPONENTS OF CASH AND CASH EQUIVALENTS				
	6			
Cash on hand		₱155,000	₱80,000	₱80,000
Cash in banks		581,633,212	344,377,842	46,526,688
Cash equivalents		359,291,262	62,756,542	238,806,644
		₱941,079,474	₱407,214,384	₱285,413,332
NONCASH FINANCIAL INFORMATION:				
Capitalized borrowing costs	13	₱420,766,163	₱186,255,249	₱172,826,857
Transfer of raw land and asset under construction from “Real estate for sale” account to “Investment properties” account	9	—	22,456,601	216,890,959
Settlement of loans payable through dacion en pago	13	—	—	1,847,539,634
Recognition of property of Arcosouth	3	—	—	490,983,477
Transfer of construction in progress from “Investment properties” account to “Property and equipment” account	10	—	—	176,865,569

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information

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

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

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

In January 2020, the SEC approved the registration of ALCO's ASEAN Green Bonds and the initial tranche of ₱2.0 billion bonds with an offer subscription of ₱1.0 billion (see Note 14).

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

Composition of the Group

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

Subsidiary	Place of Incorporation	Effective % of Ownership		
		2020	2019	2018
Cazneau, Inc. (Cazneau)	Philippines	100%	100%	100%
Emera Property Management, Inc. (EPMI)	Philippines	100%	100%	100%
Manchesterland Properties, Inc. (MPI)	Philippines	100%	100%	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	100%	100%	100%
Zileya Land Development Corporation (ZLDC)	Philippines	100%	100%	100%
Bhavana Properties, Inc. (Bhavana)	Philippines	100%	100%	—
Bhavya Properties, Inc. (Bhavya)	Philippines	100%	100%	—
Pradhana Land, Inc. (PLI)	Philippines	100%	100%	—
Kashtha Holdings, Inc. (KHI)	Philippines	60%	100%	—
Cebu Lavana Land Corp. (CLLC)	Philippines	60%	60%	60%
Savya Land Development Corporation (SLDC)	Philippines	59%*	98%	100%

**indirectly owned through KHI*

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

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

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

In 2020, ALCO transferred all of its shares in SLDC, representing 98.5% ownership over SLDC, to KHI. Then in June 2020, ALCO sold 5 million common shares in KHI with total par value of ₱5.0 million, representing 40% ownership over KHI, to MEC for ₱275.0 million (see Note 16). The transfer of KHI's shares decreased the effective ownership of ALCO over SLDC from 98% to 59%.

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

Major Projects

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

In 2014, the Parent Company started the construction of Arthaland Century Pacific Tower (ACPT) in BGC, ALCO's flagship office project. ACPT is a 30-storey AAA-grade office building designed by SOM New York, the same group that penned the One World Trade Center and Burj Khalifa in Dubai. ACPT secured the LEED Platinum and BERDE 5-star certification in 2018. ACPT became the first office building in the Philippines to secure the dual certification of the highest rating from USGBC LEED as Platinum and PHILGBC's BERDE as 5-star rated. It is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise (see Note 23) and was completed in the 1st quarter of 2019.

In 2016, CLLC commenced the development of Cebu Exchange Project (Cebu Exchange), a 38-storey office building in Barangay Lahug, Cebu City. The Cebu Exchange was awarded the LEED Program Gold certification. Similarly, the project was also awarded a 5-star certification from the BERDE rating system of the PHILGBC. Besides being designed to be a world-class workplace, Cebu Exchange is envisioned to be a complete ecosystem, with four retail floors for the convenience of its occupants. With a gross floor area of 108,564 sqm, Cebu Exchange boasts of being the largest green building in the country. The construction of Cebu Exchange commenced in the second quarter of 2018 and is expected to be completed in 2021.

In 2018, Cazneau started the construction of the first phase of Sevina Park, an integrated community project in an eight-hectare property in Laguna. The initial development called Courtyard Hall, covering the first 4,000 sqm of the property, is a campus-type or dormitory-type residential community (see Note 10). This was completed in June 2019. Also, in June 2019, Cazneau launched the Garden Villas at Sevina Park which cater to students and faculty population, and starter families within the area. The entire project, which will include retail spaces, is expected to be completed in phases within 2021 to 2024.

In December 2018, ZLDC acquired about 47.4% of a 2,018-sqm property located along Antonio Arnaiz Avenue within the Makati Central Business District. On this site, ZLDC, together with the party that has acquired the remaining 52.6% of the property, plans to develop a high-rise luxury residential property subject to the finalization of the terms of the joint venture.

In February 2019, SLDC launched the development of Savya Financial Center. This project is composed of two office towers with a gross floor area of 59,763 sqm and located in Arca South, Taguig City. The North Tower (of the Savya Financial Tower) is expected to be completed in 2021 while the South Tower is expected to be completed in 2022.

In August 2019, Bhavya started acquiring a prime property located inside the Makati Central Business District. Bhavya intends to develop the property into a high-end residential condominium. The property is approximately 1,000 sqm and is expected to be developed into approximately 15,000 sqm of GFA and approximately 11,000 sqm of NSA.

Also in August 2019, Bhavana purchased a prime property with a total area of 2,245 sqm, located in Cebu Business Park at the Corner Samar Loop Road and Ayala, Hipodromo, Cebu City. The property will be developed into the first premier, dual certified, sustainable residential condominium in Cebu City. The project is expected to be launched in the 1st half of 2021.

Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 were approved and authorized for issue by the BOD on March 24, 2021.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Measurement Bases

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

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

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

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

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

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

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

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

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

- Note 3 - Significant Judgments, Accounting Estimates and Assumptions
- Note 7 - Financial Assets at FVPL
- Note 10 - Investment Properties
- Note 28 - Fair Value Measurement

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

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

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

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

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.
- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a “business” which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, ‘an integrated set of activities and assets’ must now include ‘an input and a substantive process that together significantly contribute to the ability to create an output’. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.
- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS which are not yet effective as at December 31, 2020 and have not been applied in preparing the consolidated financial statements are summarized below.

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

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

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

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

Deferred effectivity:

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.
- SEC Memorandum Circular No. 34, Series of 2020 - *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods PAS 23 - Borrowing Cost for Real Estate Industry* – The circular provides relief to the real estate industry by deferring the application of the provisions of the PIC Q&A No. 2018-12 with respect to the accounting for significant financing component and the exclusion of land in the calculation of percentage of completion (POC) and IFRIC agenda decision on over time transfer of constructed goods under PAS 23 - borrowing cost with respect to the accounting of capitalized borrowing cost, for another period of three (3) years or until 2023. Effective January 1, 2024, real estate companies will adopt PIC Q&A No. 2018-12, IFRIC agenda decision on over time transfer of constructed goods and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Group opted to defer the application guidelines of the provisions of the PIC Q&A No. 2018-12. Accordingly, revenue from real estate sales is not adjusted for the effect of the time value of money, and the total cost incurred and total estimated cost to complete including the cost of land.

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

Moreover, the Group opted to defer the application guidelines of the provisions of the IFRIC agenda decision on over time transfer of constructed goods. Accordingly, borrowing costs on real estate for sale under construction are capitalized.

Had the Group opted to adopt in full the guidance provided in the IFRIC agenda decision on over time transfer of constructed goods, borrowing costs will be recognized as an expense when incurred.

- SEC Memorandum Circular No. 3, Series of 2018, *PIC Q&A No. 2018-14: PFRS 15 - Accounting for Cancellation of Real Estate Sales* – Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The adoption of the foregoing amended PFRS, except for SEC Memorandum Circular (MC) No. 34, Series of 2020, is not expected to have any material effect on the consolidated financial statements. The Group is still assessing the potential impact of SEC MC No. 34. Additional disclosures will be included in the notes to consolidated financial statements, as applicable.

Basis of Consolidation

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

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

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

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

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

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

Financial Assets and Liabilities

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

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

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

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

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

As at December 31, 2020 and 2019, the Group does not have financial assets at FVOCI and financial liabilities at FVPL.

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

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

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

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

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

As at December 31, 2020 and 2019, the Group classified its investments in money market fund under this category (see Note 7).

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

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

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

As at December 31, 2020 and 2019, the Group's contract assets, cash in banks, cash equivalents, receivables (excluding accrued rent under straight-line basis of accounting), amounts held in escrow, and deposits are classified under this category (see Notes 5, 6, 8, and 12).

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

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

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

As at December 31, 2020 and 2019, the Group's loans and bonds payable, accounts payable and other liabilities (excluding statutory payables, payable to buyers and advance rent), contract liabilities and due related parties are classified under this category (see Notes 13, 14, 15 and 24).

Reclassification

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

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

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

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

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

Impairment of Financial Assets at Amortized Cost

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

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

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

Offsetting of Financial Assets and Liabilities

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

Classification of Financial Instrument between Liability and Equity

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

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

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

Classification of Assets and Liabilities between Current and Noncurrent

The Group presents current and noncurrent assets, and current and noncurrent liabilities, as separate classifications in the notes to consolidated financial statements (see Note 29).

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

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

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

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

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

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

Cost to Obtain a Contract with a Customer

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

Contract Balances

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

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

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

Debt Issue Costs

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

Real Estate for Sale

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

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

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

Borrowing Costs

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

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

Investment Properties

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

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

Other Assets

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

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

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

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

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

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

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

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

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

Amounts held in escrow and deposits qualify as financial assets.

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

Impairment of Nonfinancial Assets

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

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

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

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

Payable to Customers

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

Advance Rent

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

Capital Stock

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

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

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

Additional Paid-in Capital

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

Retained Earnings

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

Other Comprehensive Income

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

Parent Company's Shares Held by a Subsidiary

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

Non-controlling Interests

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

Basic and Diluted Earnings per Share (EPS)

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

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

Revenue Recognition

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

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

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

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

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

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

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

The Group opted to defer the application guidelines of the provisions of the PIC Q&A No. 2019-12 with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the computation of POC for a period of three (3) years.

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

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

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

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

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

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

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

Cost and Expenses Recognition

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

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

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

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

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

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

Leases

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

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

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

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

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

Employee Benefits

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

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

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

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

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

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

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

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

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

Foreign Currency - Denominated Transactions

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

Income Taxes

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

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

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

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

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

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

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

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

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

Related Party Transactions

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

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

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

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

Segment Reporting

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

Provisions and Contingencies

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

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

Events After the Reporting Period

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

3. Significant Judgments, Accounting Estimates and Assumptions

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

Judgments

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

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

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

Determining Control or Joint Control over an Investee Company. Control is presumed to exist when an investor has power over an investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group has determined that by virtue of the Parent Company's majority ownership of voting rights in its subsidiaries as at December 31, 2020, 2019 and 2018, it has the ability to exercise control over these investees.

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

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

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

The Group concluded that revenue from real estate sale of office units of Cebu Exchange and Savva Financial Center and sale of residential units in Sevina Park is recognized over time. The Group also determined that input method is the appropriate method in measuring the POC of Cebu Exchange, Savva Financial Center and Sevina Park. Under POC, the Group satisfies its performance obligation to deliver a portion of the property to the customer over time. The input method is based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred. Changes in estimates may affect the reported amounts of revenue, cost of real estate sales, contract assets and contract liabilities. On the other hand, revenue from sale of condominium units of Arya Residences is recognized at a point in time, when control is transferred.

Revenue from real estate sales of Cebu Exchange, Savva Financial Center and Sevina Park recognized based on POC amounted to ₱2,919.1 million in 2020, ₱3,515.8 million in 2019 and ₱845.0 million in 2018. Revenue from sale of real estate inventories of Arya Residences amounted to nil in 2020 and 2019 and ₱147.6 million in 2018 (see Note 17). Related cost of real estate sales amounted to ₱1,549.2 million in 2020, ₱2,038.0 million in 2019 and ₱599.7 million in 2018 (see Note 9).

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

Real estate for sale amounted to ₱6,894.9 million and ₱5,410.1 million as at December 31, 2020 and 2019, respectively (see Note 9). Investment properties amounted to ₱8,315.2 million and ₱7,280.0 million as at December 31, 2020 and 2019, respectively (see Note 10). Property and equipment amounted to ₱280.2 million and ₱282.5 million as at December 31, 2020 and 2019, respectively (see Note 11).

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

Investment properties amounted to ₱8,315.2 million and ₱7,280.0 million as at December 31, 2020 and 2019, respectively (see Note 10).

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

Revenue from leasing operations recognized from these operating leases amounted to ₱371.6 million in 2020, ₱321.9 million in 2019 and ₱132.4 million in 2018 (see Note 22).

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

Rent expense amounted to ₱3.0 million in 2020, ₱1.7 million in 2019 and ₱14.5 million in 2018 (see Note 22).

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

Accounting Estimates and Assumptions

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

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

Revenue from real estate sales recognized based on POC amounted to ₱2,919.1 million in 2020, ₱3,515.8 million in 2019 and ₱845.0 million in 2018. Related cost of real estate sales amounted to ₱1,549.2 million in 2020, ₱2,038.0 million in 2019 and ₱553.2 million in 2018.

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

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

Investment properties amounted to ₱8,315.2 million and ₱7,280.0 million as at December 31, 2020 and 2019, respectively (see Note 10).

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

No provision for inventory obsolescence was recognized in 2020, 2019 and 2018. The carrying amount of real estate for sale amounted to ₱6,894.9 million and ₱5,410.1 million as at December 31, 2020 and 2019, respectively (see Note 9).

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

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

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

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

No provision for ECL was recognized in 2020, 2019 and 2018. The Group's trade receivables and contract assets aggregated ₱5,684.6 million and ₱3,463.5 million as at December 31, 2020 and 2019, respectively (see Notes 5 and 8).

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

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

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

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

No provision for ECL was recognized in 2020, 2019 and 2018.

The carrying amounts of financial assets are as follows:

Asset Type	Note	2020	2019
Cash and cash equivalents*	6	₱940,924,474	₱407,134,384
Due from related parties	8	58,112,709	53,841,382
Receivable from non-affiliated entity	8	11,534,432	12,172,935
Advances to employees	8	10,532,725	7,971,657
Interest receivables	8	22,733,591	3,430,504
Other receivables	8	4,230,664	632,682
Amounts held in escrow	12	85,052,814	85,402,876
Deposits	12	56,072,105	62,270,945

*excluding Cash on Hand

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

The fair value and carrying amount of investment in money market fund amounted to ₱3,257.3 million and ₱772.2 million as at December 31, 2020 and 2019, respectively (see Note 7).

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

There were no changes in the estimated useful lives of property and equipment during 2020, 2019 and 2018. The carrying amount of property and equipment amounted to ₱280.2 million and ₱282.5 million as at December 31, 2020 and 2019, respectively (see Note 11).

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

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

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

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

No provision for impairment loss on nonfinancial assets was recognized in 2020, 2019 and 2018.

The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	2020	2019
Accrued rent receivable*	8	₱89,557,339	₱99,004,111
Property and equipment	11	280,192,479	282,549,715
Other assets**	12	1,836,481,141	1,535,973,694

*presented under "Receivables" account.

**excluding deposits and amounts held for escrow aggregating ₱141.1 million and ₱147.7 million as at December 31, 2020 and 2019, respectively.

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

Net retirement liability amounted to ₱101.5 million and ₱99.9 million as at December 31, 2020 and 2019 (see Note 21).

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

The carrying amount of recognized deferred tax assets amounted to ₱241.5 million and ₱110.2 million as at December 31, 2020 and 2019, respectively. Unrecognized deferred tax assets amounted to ₱8.1 million and ₱5.7 million as at December 31, 2020 and 2019, respectively, as management assessed that these may not be realized in the future (see Note 23).

4. Material Non-controlling Interests

The Group's non-controlling interests amounting to ₱1,224.5 million, ₱317.6 million, ₱17.3 million as at December 31, 2020, 2019 and 2018, respectively, pertains to interests in CLLC, KHI and SLDC.

CLLC

The non-controlling interest in CLLC is 40%. The net income of CLLC allocated to non-controlling interests amounting to ₱228.4 million in 2020, ₱296.1 million in 2019 and ₱55.1 million in 2018 is calculated based on the profit sharing agreement of 50:50.

The summarized financial information of CLLC, before intercompany eliminations, as at and for the year ended December 31, 2020, 2019 and 2018 follows:

	2020	2019	2018
Current assets	₱8,214,470,597	₱5,937,595,017	₱2,865,334,534
Noncurrent assets	10,873,955	19,325,977	40,704,383
Current liabilities	(5,602,523,973)	(3,562,434,070)	(1,568,748,542)
Noncurrent liabilities	(1,524,515,987)	(1,753,020,892)	(1,287,620,000)
Net asset	₱1,098,304,592	₱641,466,032	₱49,670,375

	2020	2019	2018
Revenue	₱2,126,330,822	₱2,870,054,489	₱844,954,725
Expenses	(1,474,349,597)	(2,028,066,337)	(693,371,617)
Income before income tax	651,981,225	841,988,152	151,583,108
Other income - net	1,312,137	3,851,740	5,007,751
Provision for income tax	(196,454,802)	(254,044,235)	(46,315,400)
Net income	456,838,560	591,795,657	110,275,459
Other comprehensive income	—	—	—
Total comprehensive income	₱456,838,560	₱591,795,657	₱110,275,459

	2020	2019	2018
Cash flows from (used in):			
Operating activities	(₱1,238,655,164)	(₱1,028,862,911)	(₱946,673,203)
Investing activities	(2,342,993)	(332,083,162)	(15,266,432)
Financing activities	1,428,498,442	1,367,901,683	862,479,332
Net increase (decrease) in cash	187,500,285	6,955,610	(99,460,303)
Cash at beginning of year	58,925,834	51,970,224	151,430,527
Cash at end of year	₱246,426,119	₱58,925,834	₱51,970,224

SLDC

As at December 31, 2020 and 2019, non-controlling interests is 41% and 2%, respectively over SLDC.

In 2020, the SLDC received deposit for future stock subscription of ₱624.0 million from the non-controlling interest.

Net income of SLDC allocated to non-controlling interests amounted to ₱53.4 million in 2020, nil in 2019 and nil in 2018 which is determined based on the joint venture agreement between ALCO and MEC.

The summarized financial information of SLDC, before intercompany eliminations, as at and for the years ended December 31, 2020 2019 and 2018 is as follows:

	2020	2019	2018
Current assets	₱4,069,922,386	₱2,709,664,451	₱1,656,459,873
Noncurrent assets	31,730,462	31,282,631	31,437,443
Current liabilities	(1,732,357,568)	(1,323,561,747)	(994,118,135)
Noncurrent liabilities	(1,333,945,153)	(1,112,145,671)	(684,874,091)
Net asset	₱1,035,350,127	₱305,239,664	₱8,905,090

	2020	2019	2018
Revenue	₱713,085,853	₱645,749,539	₱—
Expenses	(371,034,794)	(423,250,761)	(2,782,927)
Income (loss) before income tax	342,051,059	222,498,778	(2,782,927)
Other income - net	4,265,753	4,222,207	473,610
Benefit on (provision for) income tax	(103,232,886)	(67,582,358)	1,206,221
Total comprehensive income (loss)	₱243,083,926	₱159,138,627	(₱1,103,096)

	2020	2019	2018
Cash flows from (used in):			
Operating activities	(₱645,449,472)	(₱325,638,441)	(₱104,503,427)
Investing activities	(61,053,563)	(50,999,648)	—
Financing activities	670,735,028	528,558,251	138,430,255
Net increase (decrease) in cash	(35,768,007)	151,920,162	33,926,828
Cash at beginning of year	186,562,253	34,642,091	715,263
Cash at end of year	₱150,794,246	₱186,562,253	₱34,642,091

KHI

The Group has 40% non-controlling interests in KHI. The net loss of KHI allocated to non-controlling interests amounting to ₱0.1 million in 2020 is distributed based on the capital contribution. The total assets of KHI amounted to ₱554.2 million. Net loss is ₱0.2 million and net cash outflows amounted to ₱11.8 million in 2020.

Advances from Non-controlling Interests

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

	Amount of Transactions		Outstanding Balance	
	2020	2019	2020	2019
Advances for Project Development				
Rock & Salt B.V.	₱165,000,000	₱125,000,009	₱676,666,700	₱511,666,700
HHI	427,947,235	632,919,597	495,919,597	632,919,597
MEC	195,000,000	—	195,000,000	—
			₱1,367,586,297	₱1,144,586,297
Interest Expense				
Rock & Salt B.V.	₱18,646,823	₱19,562,783	₱66,959,585	₱48,312,763
MEC	3,990,574	—	3,591,516	—
			₱70,551,101	₱48,312,763

CLLC obtained from Rock & Salt B.V. 3.5% interest-bearing loans for its real estate projects with outstanding balance of ₱676.7 million and ₱511.7 million and recognized interest expense of ₱12.9 million in 2020, ₱17.1 million in 2019 and ₱11.8 million in 2018, respectively. These are unsecured, unguaranteed, and payable on demand and in cash.

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

On June 1, 2020, the Parent Company assigned 40% of its advances to KHI amounting to ₱195.0 million, in favor of MEC, and bear interest of 3.5% per annum. Interest expense incurred amounted to ₱4.0 million in 2020. These are unsecured, unguaranteed, and payable on demand and in cash.

5. Contract Assets and Contract Liabilities

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

	2020	2019
Contract assets	₱5,341,881,039	₱3,250,482,689
Contract liabilities	27,423,392	32,179,674
Net contract assets	₱5,314,457,647	₱3,218,303,015

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

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

6. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	₱155,000	₱80,000
Cash in banks	581,633,212	344,377,842
Cash equivalents	359,291,262	62,756,542
	₱941,079,474	₱407,214,384

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

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

	2020	2019	2018
Cash equivalents	₱5,946,867	₱8,340,308	₱4,898,195
Cash in banks	3,432,878	4,678,550	1,070,232
Investment in time deposits	—	470,498	120,479
	₱9,379,745	₱13,489,356	₱6,088,906

7. Financial Assets at FVPL

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

	Note	2020	2019
Balance at beginning of year		₱772,186,717	₱196,094,319
Additions		5,114,756,389	4,542,390,465
Disposals		(2,641,872,011)	(3,965,680,485)
Unrealized holding gains (losses)	20	12,217,775	(617,582)
Balance at end of year		₱3,257,288,870	₱772,186,717

Realized gain on disposals of financial assets at FVPL amounted to ₱19.1 million in 2020, ₱16.8 million in 2019 and ₱14.2 million in 2018 (see Note 20).

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

8. Receivables

This account consists of:

	Note	2020	2019
Trade receivables from:			
Sale of real estate		₱253,834,678	₱167,966,505
Leasing	22	88,911,921	45,036,252
Accrued rent receivable	22	89,557,339	99,004,111
Due from related parties	24	58,112,709	53,841,382
Interest receivable		22,733,591	3,430,504
Receivable from non-affiliated entity		11,534,432	12,172,935
Advances to employees		10,532,725	7,971,657
Other receivables		4,230,664	632,682
		539,448,059	390,056,028
Allowance for ECL		(368,292)	(368,292)
		₱539,079,767	₱389,687,736

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

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

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

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

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

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

9. Real Estate for Sale

This account consists of:

	2020	2019
Raw land	₱947,034,368	₱914,882,768
Assets under construction	4,820,316,598	3,510,260,784
Condominium units for development	1,127,555,573	984,919,417
	₱6,894,906,539	₱5,410,062,969

Movements of this account follow:

	Note	2020	2019	2018
Balance at beginning of year		₱5,410,062,969	₱3,412,713,425	₱2,646,731,618
Construction costs incurred		2,442,340,208	2,533,671,949	764,212,815
Cost of real estate sold		(1,549,173,465)	(2,037,976,792)	(599,734,444)
Capitalized borrowing costs	13	420,766,163	159,586,770	68,332,597
Acquisition of:				
Condominium units for development		138,759,064	648,371,094	259,078,321
Raw land		32,151,600	715,104,601	—
Transfers to investment properties	10	—	(22,456,601)	(216,890,959)
Effect of consolidation of Arcosouth		—	1,048,523	490,983,477
Balance at end of year		₱6,894,906,539	₱5,410,062,969	₱3,412,713,425

Raw Land

Raw land pertains to parcels of land acquired by the Group for future development projects that are intended for sale.

In 2019, the Group purchased a parcel of land with a total area of 2,245 sqm., located in Hipodromo, Cebu City, for ₱673.5 million, excluding transaction costs. The property will be developed into a residential building with condominium units for sale.

In 2019, the Group transferred portion of a parcel of land from “Real estate for sale” account to “Investment properties” account aggregating ₱22.5 million because of the change in the intended use of the property as approved by the BOD (see Note 10).

Assets under Construction

Assets under construction consist of land and development costs of ongoing real estate projects of the Group. As at December 31, 2020 and 2019, this account includes the land and development costs of Cebu Exchange, Savya Financial Center and Sevina Park (see Note 1).

The land and development costs of Cebu Exchange with carrying amount of ₱2,371.6 million and ₱1,951.0 million December 31, 2020 and 2019, respectively, are used as security for the bank loan of CLLC with outstanding balance of ₱2,014.0 million and ₱2,166.7 million as at December 31, 2020 and 2019, respectively (see Note 13).

As at December 31, 2020 and 2019, the carrying amount of land of SLDC amounting to ₱1,434.8 million is used as security for SLDC’s bank loans with outstanding balance of ₱1,268.8 million and ₱1,082.7 million as at December 31, 2020 and 2019, respectively (see Note 13).

Condominium Units for Development

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

Borrowing Costs

General and specific borrowings were used to partially finance the Group’s ongoing real estate projects. The related borrowing costs amounting to ₱420.8 million in 2020 and ₱159.6 million in 2019 were capitalized as part of real estate for sale. The capitalization rates used to determine general borrowing costs eligible for capitalization ranges from 3.0% to 8.0% in 2020 and 3.0% to 8.58% in 2019 (see Note 13).

NRV of Real Estate for Sale

As at December 31, 2020 and 2019, real estate for sale is stated at cost which is lower than its NRV. There is no allowance for inventory obsolescence as at December 31, 2020 and 2019.

10. Investment Properties

This account is consist of the following completed projects, except for raw land:

	2020	2019
ACPT	₱5,586,840,650	₱4,676,027,598
Arya Residences:		
Commercial units	1,194,379,000	1,194,379,000
Parking slots	183,222,248	184,984,000
Raw land:		
UPHI's Laguna and Tagaytay properties	646,948,931	603,819,003
Cazneau's retail spaces	361,039,841	291,822,498
ALCO's Batangas and Tagaytay properties	155,885,388	147,761,482
Courtyard Hall	186,852,783	181,206,686
	₱8,315,168,841	₱7,280,000,267

Movements of this account follow:

	Note	2020	2019	2018
Balance at beginning of year, at cost		₱3,497,815,338	₱3,300,506,608	₱3,984,127,753
Development costs incurred		80,800,413	148,183,650	474,788,616
Disposals		(990,000)	—	(17,822,000)
Capitalized borrowing costs	13	—	26,668,479	104,494,260
Transfers from real estate for sale	9	—	22,456,601	216,890,959
Investment property used as settlement of loans payable	20	—	—	(1,330,035,528)
Transfer to property and equipment		—	—	(131,937,452)
Balance at end of year, at cost		3,577,625,751	3,497,815,338	3,300,506,608
Cumulative gain on change in fair value		4,717,017,509	3,757,800,121	2,577,075,310
		8,294,643,260	7,255,615,459	5,877,581,918
Unamortized initial direct leasing costs		20,525,581	24,384,808	23,932,657
Balance at end of year, at fair value		₱8,315,168,841	₱7,280,000,267	₱5,901,514,575

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

	2020	2019	2018
Balance at beginning of year	₱3,757,800,121	₱2,577,075,310	₱2,460,158,366
Net gain on change in fair value	959,989,140	1,180,724,811	172,819,094
Disposals	(771,752)	—	(10,974,033)
Transfers to property and equipment	—	—	(44,928,117)
Balance at end of year	₱4,717,017,509	₱3,757,800,121	₱2,577,075,310

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

	2020	2019
Balance at beginning of year	₱24,384,808	₱23,932,657
Additions	2,979,418	5,863,081
Amortization	(6,838,645)	(5,410,930)
Balance at end of year	₱20,525,581	₱24,384,808

ACPT

Carrying amount of ACPT includes offices units and parking slots for lease. ACPT is used as collateral for loans payable amounting to ₱1,858.7 million and ₱1,955.6 million as at December 31, 2020 and 2019, respectively (see Note 13).

Arya Residences

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

In 2020, the Group sold parking slots with carrying amount of ₱1.8 million and cost of ₱1.0 million for a total consideration of ₱1.3 million which resulted to a loss on disposal of ₱0.5 million (see Note 20). The Parent Company and MPI sold parking slots with carrying amount of ₱ 28.8 million (₱17.8 million cost) for a total consideration of ₱20.5 million in 2018. This resulted to a loss on disposal amounting to ₱8.3 million in 2018 (see Note 19).

Raw Land

UPHI's raw land, with fair value amounting to ₱646.9 million and ₱603.8 million as at December 31, 2020 and 2019, respectively, has a total area of 33 hectares and are located at Barangay Gonzalo Bontog, Calamba City and Barangay Calabuso, Tagaytay City. Portion of the UPHI's raw land was the subject of an expropriation proceedings filed by the National Power Corporation (NAPOCOR) with the Regional Trial Court of Calamba City, Laguna. The other parties to the case filed their respective appeals with the Court of Appeals (CA) assailing the amount of just compensation determined by the trial court. The appeal remains pending with the CA. Moreover, a complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property located in Calamba City, Laguna. In June 2020, the case was decided by the trial court in favor of UPHI. The losing defendants in the case filed their respective appeals with the CA and UPHI filed its appellee's brief defending the decision of the trial court. The case remains pending with the CA. As at December 31, 2020 and 2019, the case with NAPOCOR is still ongoing and yet to be resolved by the CA. UPHI intends to amicably settle with the National Transmission Commission (NTC, successor-in-interest of NAPOCOR), since UPHI had already been deprived of effective use and enjoyment of the property. Management assessed that although the potential effect of this case on the Group's consolidated financial statements would not be significant, an amicable settlement with the NTC could allow the UPHI to recoup the cost of the property.

Raw land of the Parent Company has a total area of 10.3 hectares located in Batangas and Tagaytay with fair value aggregating ₱155.9 million and ₱147.8 million as at December 31, 2020 and 2019, respectively.

Courtyard Hall

In 2019, Cazneau transferred portion of its land of ₱22.5 million from "Real estate for sale" account to "Investment properties" account due to change of intention in the use of the property as approved by the BOD (see Note 9).

Courtyard Hall of Cazneau used for leasing operations was recognized at fair value amounting to ₱186.9 million and ₱181.2 million as at December 31, 2020 and 2019, respectively.

Leasing Operations

The Group recognized revenue from leasing operations amounting to ₱371.6 million in 2020, ₱321.9 million in 2019 and ₱132.4 million in 2018 (see Note 22) and incurred direct cost of leasing amounting to ₱124.5 million in 2020, ₱100.5 million in 2019 and ₱15.3 million in 2018.

Fair Value Measurement

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

Class of Property	Valuation Technique	Significant Inputs	Range	
			2020	2019
ACPT	Discounted cash flow (DCF) approach	Discount rate	8.76%	8.25%
		Rental rate for an office unit per sqm	₱1,500	₱1,500
		Rental rate per slot	₱6,000	₱6,500
		Calculated no. of net leasable area (total sqm)	18,059	18,059
		Vacancy rate	0% - 10%	5% - 10%
Arya Residences:				
Commercial units	DCF approach	Rental rate per sqm	₱3,000	₱3,000
		Rent escalation rate per annum (p.a.)	7%	7%
		Discount rate	8.74%	8.74%
		Vacancy rate	2%	2%
Parking slots	DCF approach	Rental rate per slot	₱6,500	₱6,500
		Rent escalation rate p.a.	7%	7%
		Discount rate	8.74%	8.74%
		Vacancy rate	2%	2%
Raw land:				
UPHI's Laguna and Tagaytay properties	Market data approach	Price per sqm	₱1,950	₱1,820
		Value adjustments	10% - 15%	5% - 10%
Cazneau's Laguna properties	Market data approach	Price per sqm	₱11,300	₱11,300
		Value adjustments	0% - 10%	0% - 10%
ALCO's Batangas and Tagaytay properties	Market data approach	Price per sqm	₱1,420	₱1,350
		Value adjustments	5% - 10%	5% - 15%
Courtyard Hall	Depreciated replacement cost method	Estimated replacement cost	₱143,117,000	₱143,117,000
		Remaining economic life	38 years	38 years

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

Discounted Cash Flow Approach

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

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

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

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

Market Data Approach

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

The inputs to fair valuation are as follows:

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

Depreciated Replacement Cost Method

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

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

	Note	2020		Total
		Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Balance at beginning of year		₱1,224,609,670	₱6,055,390,597	₱7,280,000,267
Net gain on change in fair value		51,253,834	908,735,306	959,989,140
Construction costs incurred		—	80,800,413	80,800,413
Initial direct leasing costs		—	(3,859,227)	(3,859,227)
Disposals		—	(1,761,752)	(1,761,752)
Balance at end of year		₱1,275,863,504	₱7,039,305,337	₱8,315,168,841

	Note	2019		Total
		Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Balance at beginning of year		₱1,083,731,309	₱4,817,783,266	₱5,901,514,575
Net gain on change in fair value		140,878,361	1,039,846,450	1,180,724,811
Construction costs incurred		—	148,183,650	148,183,650
Capitalized borrowing costs	13	—	26,668,479	26,668,479
Transfers		—	22,456,601	22,456,601
Initial direct leasing costs		—	452,151	452,151
Balance at end of year		₱1,224,609,670	₱6,055,390,597	₱7,280,000,267

There are no transfers between the levels of fair value hierarchy in 2020 and 2019.

11. Property and Equipment

The balances and movements of this account consist of:

	2020						Total
	Building and Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements		
Cost							
Balance at beginning of year	₱236,920,371	₱66,811,178	₱57,040,879	₱15,255,826	₱78,500		₱376,106,754
Additions	8,633,055	20,376,945	4,822,243	10,016,958	—		43,849,201
Disposals	—	(5,303,543)	—	—	—		(5,303,543)
Balance at end of year	245,553,426	81,884,580	61,863,122	25,272,784	78,500		414,652,412
Accumulated Depreciation and Amortization							
Balance at beginning of year	7,367,916	27,905,539	43,469,345	14,785,891	28,348		93,557,039
Depreciation and amortization	23,633,570	14,829,025	4,765,601	1,918,354	26,167		45,172,717
Disposals	—	(4,269,823)	—	—	—		(4,269,823)
Balance at end of year	31,001,486	38,464,741	48,234,946	16,704,245	54,515		134,459,933
Carrying Amount	₱214,551,940	₱43,419,839	₱13,628,176	₱8,568,539	₱23,985		₱280,192,479

	2019							Total
	Building and Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress		
Cost								
Balance at beginning of year	₱26,917,349	₱54,833,018	₱49,932,812	₱8,790,764	₱78,500	₱177,062,444		₱317,614,887
Additions	32,940,578	25,382,624	7,160,880	6,465,062	—	—		71,949,144
Disposals	—	(13,404,464)	(52,813)	—	—	—		(13,457,277)
Reclassification	177,062,444	—	—	—	—	(177,062,444)		—
Balance at end of year	236,920,371	66,811,178	57,040,879	15,255,826	78,500	—		376,106,754
Accumulated Depreciation and Amortization								
Balance at beginning of year	4,256,821	28,199,886	39,820,930	7,882,114	2,181	—		80,161,932
Depreciation and amortization	3,111,095	13,017,905	3,663,085	6,903,777	26,167	—		26,722,029
Disposals	—	(13,312,252)	(14,670)	—	—	—		(13,326,922)
Balance at end of year	7,367,916	27,905,539	43,469,345	14,785,891	28,348	—		93,557,039
Carrying Amount	₱229,552,455	₱38,905,639	₱13,571,534	₱469,935	₱50,152	₱—		₱282,549,715

As at December 31, 2020 and 2019, fully depreciated property and equipment that are still being used by the Group amounted to ₱16.2 million and ₱14.5 million, respectively.

The Parent Company sold property and equipment with carrying amount of ₱1.0 million in 2020, ₱0.1 million in 2019 and ₱0.6 million in 2018 which resulted to loss on disposal of ₱73,601 in 2020 and gain on disposal of ₱0.3 million in 2019 (see Note 20).

Depreciation expense was charged to:

	Note	2020	2019	2018
Operating expenses	18	₱42,966,008	₱26,722,029	₱15,449,610
Cost of services		2,206,709	—	—
		₱45,172,717	₱26,722,029	₱15,449,610

12. Other Assets

This account consists of:

	2020	2019
Input VAT	₱588,339,255	₱401,576,866
Advances for project development	560,825,051	630,789,051
CWT	383,145,049	338,105,363
Prepaid:		
Commissions	96,577,893	79,836,952
Interest	48,929,943	—
Taxes	48,626,196	55,663,293
Insurance	3,867,239	3,106,123
Debt issuance cost	1,338,813	5,625,000
Others	2,933,199	15,622,152
Advances for asset purchase	90,000,000	—
Amounts held in escrow	85,052,814	85,402,876
Deposits	56,072,105	62,270,945
Deferred input VAT	10,556,594	4,129,087
Materials and supplies	1,341,909	1,519,807
	₱1,977,606,060	₱1,683,647,515

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

Prepaid commissions pertain to the commission costs incurred to obtain contracts with customer. Amortization of commissions amounted to ₱176.5 million in 2020 and ₱126.5 million in 2019.

Advances for asset purchase pertain to advance payment made to a seller of land to be acquired by the Group.

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

	2020	2019
OLSA	₱54,468,483	₱55,266,376
MTL	30,584,331	30,136,500
	₱85,052,814	₱85,402,876

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

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

13. Loans Payable

This account consists of outstanding loans with:

	2020	2019
Local banks	₱9,220,969,353	₱6,840,657,776
Private funders	84,723,970	84,723,970
	₱9,305,693,323	₱6,925,381,746

Movements of this account follow:

	2020	2019
Balance at beginning of year	₱6,955,178,236	₱4,197,257,971
Availments	5,342,426,370	3,486,252,129
Payments	(2,958,344,266)	(728,331,864)
Balance at end of year	9,339,260,340	6,955,178,236
Unamortized debt issue cost	(33,567,017)	(29,796,490)
	9,305,693,323	6,925,381,746
Less current portion of loans payable	4,225,205,340	2,448,042,005
Long term portion of loans payable	₱5,080,487,983	₱4,477,339,741

Movements in debt issue cost are as follows:

	2020	2019
Balance at beginning of year	₱29,796,490	₱27,281,869
Additions	14,512,336	6,168,013
Amortization	(10,741,809)	(3,653,392)
Balance at end of year	₱33,567,017	₱29,796,490

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

	2020	2019
Within one year	₱4,225,205,340	₱2,448,042,005
After one year but not more than three years	2,247,939,200	2,493,169,370
More than three years	2,866,115,800	2,013,966,861
	₱9,339,260,340	₱6,955,178,236

Local Bank Loans

These are loans from local banks which are interest-bearing and secured loans obtained to finance the Group's working capital requirements, project development and acquisition of properties. These loans have interest rates ranging from 5.00% to 8.00% p.a. in 2020 and 5.12% to 8.58% p.a. in 2019.

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

Purpose	Terms and Security	Effective interest rate (p.a.)	2020	2019
Construction of Cebu Exchange	Payable on a quarterly basis after two years from the date of initial drawdown until April 14, 2022; secured by the Cebu Exchange property with carrying amount of ₱2,371.6 million and ₱1,951.0 million as at December 31, 2020 and 2019, respectively (see Note 9).	5.77%	₱2,014,000,000	₱2,166,666,000
Short-term loans for construction of Cebu Exchange	Unsecured and payable in full within one year	5.00% to 8.00%	1,865,481,370	385,728,189
Construction of ACPT	Payable on a quarterly basis starting 4 th quarter of 2020 until July 2025; secured by ACPT building with carrying amount of ₱5,586.8 million and ₱4,676.0 million as at December 31, 2020 and 2019, respectively (see Note 10), and an escrow account amounting to ₱54.5 million and ₱55.3 million as at December 31, 2020 and 2019, respectively (see Note 12).	5.50%	1,858,666,538	1,955,607,089
Acquisition of land and construction of Savya Financial Center	Payable on a quarterly basis within three years from the date of initial drawdown until August 29, 2023; secured by unregistered real estate mortgage over raw land of SLDC with carrying amount of ₱1,434.8 million as at December 31, 2020 and 2019 (see Note 9) and an escrow account of ₱30.6 million and ₱30.1 million as at December 31, 2020 and 2019, respectively (see Note 12).	7.15%	1,268,778,150	1,082,656,498
Short-term loans for working fund requirements	Unsecured and payable in full within one year	5.00% to 7.00%	1,225,000,000	1,250,000,000
Development of Green Projects	Unsecured and payable in full on February 6, 2025	6.35%	989,043,295	—
			₱9,220,969,353	₱6,840,657,776

Construction of Cebu Exchange

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

Construction of ACPT

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

- Debt service coverage ratio of not more than 1.20x starting 2020 which is one year after the completion of ACPT
- Debt to equity ratio of:

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

The debt to equity ratio of ALCO as at December 31, 2019 based on its separate financial statements is 1.12x which is compliant with the requirements of the OLSA.

As at December 31, 2020, the local bank amended the financial covenants of the OLSA, removing the DSCR requirement and changing it to be current ratio of at least 1.50x and a debt to equity ratio of not more than 2.00x based on the consolidated financial statements of the Group. ALCO has current ratio of 2.24x and debt to equity ratio of 1.33x, based on its consolidated financial statements, which is compliant with the amended financial covenants.

Acquisition of land and construction of Savya Financial Center

In 2018, SLDC entered into a MTL for a credit line of ₱1,440.0 million with a local bank, to partially finance the acquisition and development of its land in Taguig City and to repay advances from shareholders. This loan facility is secured by an unregistered real estate mortgage over a parcel of raw land of SLDC, corporate continuing suretyship of ALCO until the completion of construction of Savya Financial Tower 1 and 100% sale of units therein, and deposits in an escrow account (see Note 12).

Development of Green Projects

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

Private Funders

Outstanding balances of the loans from private funders amounting to ₱84.7 million as at December 31, 2020 and 2019 have interest rate of 3.50% p.a., are unsecured and are for working capital requirements of the Group.

Capitalized Borrowing Costs

Borrowing costs capitalized are as follows:

	Note	2020	2019	2018
Loans payable		₱347,998,404	₱186,255,249	₱172,826,857
Bonds payable	14	72,767,759	—	—
		₱420,766,163	₱186,255,249	₱172,826,857

The above is distributed as follows:

	Note	2020	2019	2018
Real estate for sale	9	₱420,766,163	₱159,586,770	₱68,332,597
Investment properties	10	—	26,668,479	104,494,260
		₱420,766,163	₱186,255,249	₱172,826,857

The capitalization rates used to determine general borrowing costs eligible for capitalization ranges from 3.0% to 8.0% in 2020 and 3.0% to 8.58% in 2019.

Interest Expense

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

	Note	2020	2019	2018
Interest expense on:				
Loans payable and advances from non-controlling interests		₱169,908,411	₱124,339,961	₱21,785,948
Bonds payable	14	108,990,151	—	—
Amortization of “Day 1” gain on loan discounting		—	—	51,086,712
		₱278,898,562	₱124,339,961	₱72,872,660

14. Bonds Payable

As at December 31, 2020, this account consists of:

Bonds payable	₱3,000,000,000
Unamortized debt issue cost	(41,473,302)
	₱2,958,526,698

Movement in debt issue cost in 2020 is as follows:

Balance at beginning of year	₱—
Additions	50,676,693
Amortization	(9,203,391)
Balance at end of year	₱41,473,302

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

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

The Group is required to maintain debt to equity ratio of not more than 2.00x and current ratio of at least 1.50x based on the consolidated financial statements. As at December 31, 2020, the Group is compliant with these financial ratios.

Capitalized borrowing costs and interest expense incurred on the Bonds amounted to ₱72.8 million and ₱109.0 million, respectively, in 2020 (see Note 13).

15. Accounts Payable and Other Liabilities

This account consists of:

	Note	2020	2019
Accounts payable:			
Third parties		₱208,485,207	₱402,260,832
Related party	24	3,458,920	3,044,200
Deferred output VAT		885,587,128	743,384,411
Accrued:			
Construction costs		821,587,745	348,197,534
Interest		147,587,776	88,149,254
Personnel costs		24,234,892	24,200,544
Others		42,619,260	124,232,308
Retention payable		392,975,986	405,458,152
Payable to customers		77,783,371	113,447,252
Security deposits	22	81,124,014	66,001,748
Advance rent	22	36,183,597	73,792,077
Construction bonds		29,108,948	35,492,392
Withholding taxes payable		26,663,745	21,507,169
Income tax payable		3,240,094	24,888,011
Dividend payable		5,559,031	5,943,585
Others		6,744,247	8,917,408
		₱2,792,943,961	₱2,488,916,877

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

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

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

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

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

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

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

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

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

16. Equity

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

	2020		2019		2018	
	Preferred	Common	Preferred	Common	Preferred	Common
Authorized	50,000,000	16,368,095,199	50,000,000	16,368,095,199	50,000,000	16,368,095,199
Par value per share	₱1.00	₱0.18	₱1.00	₱0.18	₱1.00	₱0.18
Issued and outstanding	42,500,000	5,318,095,199	42,500,000	5,318,095,199	32,500,000	5,318,095,199

Preferred Shares

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

	2020		2019		2018	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Issued and outstanding						
Balance at beginning of year	42,500,000	₱42,500,000	32,500,000	₱32,500,000	32,500,000	₱32,500,000
Issuance during the year	–	–	10,000,000	10,000,000	–	–
Balance at end of year	42,500,000	42,500,000	42,500,000	42,500,000	32,500,000	32,500,000
Parent Company's shares held by a subsidiary	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)
	30,000,000	₱30,000,000	30,000,000	₱30,000,000	20,000,000	₱20,000,000

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

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

Common Shares

As at December 31, 2020 and 2019, the Parent Company has issued and outstanding common shares of 5,318,095,199 with par value of ₱0.18 amounting to ₱957.3 million.

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

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

The Parent Company has 1,939 and 1,943 stockholders as at December 31, 2020 and 2019, respectively.

Dividend Declaration

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

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
October 21, 2020	December 4, 2020	December 27, 2020	Series C preferred shares	₱17,319,000	₱1.732
October 21, 2020	November 13, 2020	December 6, 2020	Series B preferred shares	35,229,000	1.761
August 5, 2020	September 4, 2020	September 27, 2020	Series C preferred shares	17,319,000	1.732
August 5, 2020	August 19, 2020	September 6, 2020	Series B preferred shares	35,229,000	1.761
June 26, 2020	July 10, 2020	July 31, 2020	Common shares	63,817,142	0.012
May 6, 2020	June 4, 2020	June 27, 2020	Series C preferred shares	17,319,000	1.732
May 6, 2020	May 21, 2020	June 6, 2020	Series B preferred shares	35,229,000	1.761
January 29, 2020	March 6, 2020	March 27, 2020	Series C preferred shares	17,319,000	1.732
January 29, 2020	February 14, 2020	March 6, 2020	Series B preferred shares	35,229,000	1.761
				₱274,009,142	

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
October 23, 2019	November 29, 2019	December 27, 2019	Series C preferred shares	₱17,319,000	₱1.732
October 23, 2019	November 15, 2019	December 6, 2019	Series B preferred shares	35,229,000	1.761
August 7, 2019	September 6, 2019	September 27, 2019	Series C preferred shares	17,319,000	1.732
August 7, 2019	August 22, 2019	September 6, 2019	Series B preferred shares	35,229,000	1.761
June 21, 2019	July 8, 2019	July 31, 2019	Common shares	63,817,142	0.012
May 8, 2019	May 22, 2019	June 6, 2019	Series B preferred shares	35,229,000	1.761
February 21, 2019	March 1, 2019	March 6, 2019	Series B preferred shares	35,229,000	1.761
				₱239,371,142	

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
October 25, 2018	November 12, 2018	December 6, 2018	Series B preferred shares	₱35,229,000	₱1.761
August 1, 2018	August 16, 2018	September 6, 2018	Series B preferred shares	35,229,000	1.761
May 9, 2018	May 23, 2018	June 6, 2018	Series B preferred shares	35,229,000	1.761
March 21, 2018	April 6, 2018	May 2, 2018	Common shares	63,817,142	0.012
January 10, 2018	February 9, 2018	March 6, 2018	Series B preferred shares	35,229,000	1.761
				₱204,733,142	

Other Equity Reserves

This account consists of:

	Note	2020	2019	2018
Effect of change in the Parent Company's ownership interest in a subsidiary		₱229,500,000	₱—	₱—
Stock options outstanding		6,485,553	—	—
Cumulative remeasurement gain (losses) on net retirement liability - net of tax	21	(5,622,407)	(207,724)	18,169,495
		₱230,363,146	(₱207,724)	₱18,169,495

Movements of this account is as follows:

	Note	2020	2019	2018
Balance at beginning of year		(₱207,724)	₱18,169,495	₱7,448,391
Excess of proceeds over the cost of disposed interest in a subsidiary		229,500,000	—	—
Stock options granted	18	6,485,553	—	—
Remeasurement gain (loss) on net retirement liability - net of tax	21	(5,414,683)	(18,377,219)	10,721,104
		₱230,363,146	(₱207,724)	₱18,169,495

Effect of Change in the Parent Company's Ownership Interest in a Subsidiary

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

Stock Options Outstanding

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

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

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

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

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

As at December 31, 2020, none of the qualified employees have exercised their options.

Use of Proceeds

Preferred Shares Series B

The estimated gross proceeds from the offer of Series B preferred shares amounted to ₱1,971.8 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱1,972.9 million. The following table shows the breakdown of the use of the proceeds (amounts in millions):

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at 12/31/2020	Balance for Disbursement as at December 31, 2020
South of Metro Manila Project	₱822.4	₱822.4	₱822.4	₱—
Makati CBD Residential Project	371.6	371.6	371.6	—
Binan Laguna Project	331.9	331.9	314.1	17.8
Partial repayment of loans	330.0	330.0	330.0	—
General corporate purposes	62.3	63.4	63.4	—
Cebu Exchange Project	53.6	53.6	53.6	—
	₱1,971.8	₱1,972.9	₱1,955.1	₱17.8

Preferred Shares Series C

The estimated net proceeds from the offer of Series C preferred shares amounted to ₱984.1 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱985.3 million.

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

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at 12/31/2020	Balance for Disbursement as at December 31, 2020
Cebu Residential Project	₱300.0	₱300.0	₱300.0	₱—
Makati CBD Residential Project 2	530.0	530.0	530.0	—
General corporate purpose	154.1	155.3	155.3	—
	₱984.1	₱985.3	₱985.3	₱—

17. Revenues

The Group's revenues are as follows:

	Note	2020	2019	2018
Real estate sales of:				
Cebu Exchange		₱2,126,330,823	₱2,870,054,489	₱844,954,726
Savya Financial Center		713,085,853	645,749,539	–
Sevina Park		79,707,222	–	–
Arya Residences		–	–	147,639,118
		2,919,123,898	3,515,804,028	992,593,844
Leasing revenue	22	371,576,866	321,918,256	132,436,268
Property management fees		10,852,292	10,135,140	7,439,974
		₱3,301,553,056	₱3,847,857,424	₱1,132,470,086

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

Property management fees pertain to services rendered by EPMI to the Arya Residences Condominium Corporation. The service contract has a term of seven (7) years commencing on December 1, 2014 for the management and maintenance of all common areas of Arya Residences.

18. Operating Expenses

Operating expenses are classified as follows:

	2020	2019	2018
Administrative	₱417,716,339	₱409,806,713	₱325,187,083
Selling and marketing	262,506,092	256,010,229	72,423,411
	₱680,222,431	₱665,816,942	₱397,610,494

Details of operating expenses by nature are as follows:

	Note	2020	2019	2018
Personnel costs		₱198,294,314	₱191,303,427	₱176,647,311
Commissions		183,356,373	131,899,678	27,157,093
Advertising		79,149,719	124,110,551	45,266,318
Management and professional fees		46,042,592	64,516,070	31,867,665
Depreciation and amortization	11	42,966,008	26,722,029	15,449,610
Taxes and licenses		41,876,882	30,047,582	17,671,357
Communication and office expenses		24,899,585	29,116,455	20,057,547
Transportation and travel		17,880,159	24,498,653	18,787,861
Insurance		15,268,232	15,788,365	12,886,192
Utilities		4,038,002	5,002,052	8,315,942
Repairs and maintenance		3,550,213	12,799,877	2,792,489
Rent	22	2,976,306	1,659,167	14,498,091
Representation		2,910,588	1,377,793	672,727
Others		17,013,458	6,975,243	5,540,291
		₱680,222,431	₱665,816,942	₱397,610,494

Personnel costs consist of:

	Note	2020	2019	2018
Salaries and other employee benefits		₱167,928,064	₱168,761,466	₱140,910,996
Retirement expense	21	23,880,697	22,541,961	35,736,315
Stock options granted	16	6,485,553	—	—
		₱198,294,314	₱191,303,427	₱176,647,311

19. Finance Costs

This account consists of:

	Note	2020	2019	2018
Interest expense	13, 14	₱278,898,562	₱124,339,961	₱72,872,660
Bank charges		2,285,398	499,643	774,628
		₱281,183,960	₱124,839,604	₱73,647,288

20. Other Income - Net

This account consists of:

	Note	2020	2019	2018
Realized gain on disposals of financial assets at FVPL	7	₱19,071,132	₱16,784,004	₱14,190,431
Unrealized holding gains (losses) on financial assets at FVPL	7	12,217,775	(617,582)	(6,385,529)
Interest income	6	9,379,745	13,489,356	6,088,906
Loss on sale of investment properties		(461,752)	—	(8,334,033)
Gain (loss) on disposal of property and equipment	11	(73,601)	322,744	—
Foreign exchange gains (losses)		(8,843)	(605,121)	906,754
Gain on settlement of loans payable		—	—	319,553,431
Others		2,115,747	1,733,278	13,100,733
		₱42,240,203	₱31,106,679	₱339,120,693

In 2018, loans payable to Centrobless and SOPI with carrying amounts aggregating ₱1,847.5 million were settled in exchange for ACPT office units and parking slots with cost aggregating ₱1,330.0 million. Accordingly, the cumulative gain on change in fair value on these ACPT office units and parking slots amounting to ₱402.7 million was reversed. This resulted in a gain on settlement of loans payable aggregating ₱319.6 million in 2018.

21. Net Retirement Liability

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

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

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

The following tables summarize the components of retirement benefit costs recognized in the consolidated statements of comprehensive income (based on the report of an independent actuary dated January 8, 2021):

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

	2020	2019	2018
Current service cost	₱18,666,937	₱18,130,347	₱7,879,934
Net interest cost	5,213,760	4,411,614	2,033,107
Past service cost	—	—	25,823,274
	₱23,880,697	₱22,541,961	₱35,736,315

In 2018, the new retirement plan provides a retirement benefit ranging from 100% to 150% of salary for every year of credit service. Accordingly, this plan amendment changed the benefits payable under the plan, which resulted in the recognition of past service cost.

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

	2020	2019	2018
Balance at beginning of year	₱99,880,460	₱66,088,998	₱50,668,546
Current service cost	18,666,937	18,130,347	7,879,934
Net interest cost	5,213,760	4,411,614	2,033,107
Past service cost	—	—	25,823,274
Contribution to retirement plan assets	(30,000,000)	(15,003,669)	(5,000,000)
Remeasurement loss (gains) on:			
Change in financial assumptions	4,427,055	30,887,077	(9,240,813)
Experience adjustments	2,813,918	(5,262,217)	(6,066,417)
Return on plan assets	494,288	628,310	(8,633)
Balance at end of year	₱101,496,418	₱99,880,460	₱66,088,998

The funded status and amounts recognized in the consolidated statements of financial position for the net retirement liability as at December 31, 2020 and 2019 are as follows:

	2020	2019
Present value of retirement liability	₱152,389,179	₱120,206,490
Fair value of plan assets	(50,892,761)	(20,326,030)
	₱101,496,418	₱99,880,460

As of December 31, 2020, the plan is underfunded by ₱101.5 million based on the latest actuarial valuation. While there are no minimum funding requirements in the country, the size of underfunding may pose a cash flow risk in about ten years' time when a significant number of employees is expected to retire.

The Parent Company expects to make contribution of ₱30 million to the plan in the next financial year.

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

	2020	2019	2018
Balance at beginning of year	₱120,206,490	₱71,097,631	₱50,668,546
Current service cost	18,666,937	18,130,347	7,879,934
Interest cost	6,274,779	5,353,652	2,033,107
Past service cost	—	—	25,823,274
Remeasurement gains on:			
Change in financial assumptions	4,427,055	30,887,077	(9,240,813)
Experience adjustments	2,813,918	(5,262,217)	(6,066,417)
Balance at end of year	₱152,389,179	₱120,206,490	₱71,097,631

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

	2020	2019	2018
Balance at beginning of year	₱20,326,030	₱5,008,633	₱—
Contribution to retirement plan assets	30,000,000	15,003,669	5,000,000
Interest income	1,061,019	942,038	—
Remeasurement gain (loss) on return on plan assets	(494,288)	(628,310)	8,633
Balance at end of year	₱50,892,761	₱20,326,030	₱5,008,633

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

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

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

2019			
	Cumulative Remeasurement Gains (Losses)	Deferred Tax (see Note 23)	Net
Balance at beginning of year	₱25,956,422	₱7,786,927	₱18,169,495
Remeasurement loss	(26,253,170)	(7,875,951)	(18,377,219)
Balance at end of year	(₱296,748)	(₱89,024)	(₱207,724)

2018			
	Cumulative Remeasurement Gains	Deferred Tax (see Note 23)	Net
Balance at beginning of year	₱10,640,559	₱3,192,168	₱7,448,391
Remeasurement gain	15,315,863	4,594,759	10,721,104
Balance at end of year	₱25,956,422	₱7,786,927	₱18,169,495

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

	2020	2019
Discount rate	3.95%	5.22%
Salary projection rate	5.00%	6.00%
Average remaining service years	24.2	24.8

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2020 and 2019 are presented below.

		Effect on Present Value of Retirement Liability	
	Change in Assumption	Discount Rate	Salary Projection Rate
December 31, 2020	+1%	(₱14,901,329)	₱17,761,066
	-1%	18,147,808	(14,894,844)
December 31, 2019	+1%	(₱11,366,089)	₱13,583,980
	-1%	13,837,647	(11,387,681)

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

Financial Year	Amount
2020	₱59,147,252
2021	3,042,802
2022-2029	52,682,563

The weighted average duration of the retirement benefit obligation as at December 31, 2020 is 10.8 years.

22. Commitments

Operating Lease Commitments - Group as Lessor

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

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

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

Leasing revenue recognized from these operating leases amounted to ₱371.6 million in 2020, ₱321.9 million in 2019 and ₱132.4 million in 2018 (see Note 17). Lease receivables amounted to ₱88.9 million and ₱45.0 million as at December 31, 2020 and 2019, respectively (see Note 8). Accrued rent receivable amounted to ₱89.6 million and ₱99.0 million as at December 31, 2020 and 2019, respectively (see Note 8). Advance rent from tenants amounted to ₱36.2 million and ₱73.8 million as at December 31, 2020 and 2019, respectively. Security deposits, which may be applied to unsettled balances or refunded at the end of the lease term, amounted to ₱81.1 million and ₱66.0 million as at December 31 2020 and 2019, respectively (see Note 15).

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

	2020	2019
Within one year	₱256,810,411	₱253,368,521
After one year but not more than five years	617,893,681	835,221,094
More than five years	24,261,443	43,670,598
	₱898,965,535	₱1,132,260,213

Operating Lease Commitment - Group as Lessee

The Parent Company is a lessee under non-cancellable operating lease where its office space is situated. In 2018, the Parent Company transferred its office to ACPT. This resulted to the termination of its non-cancellable operating lease. For short-term and low value leases, rent expense recognized amounted to ₱3.0 million in 2020, ₱1.7 million in 2019 and ₱14.5 million in 2018 (see Note 18).

23. Income Taxes

The components of income tax expense are as follows:

	Note	2020	2019	2018
Reported in Profit or Loss				
Current:				
Final taxes		₱6,065,051	₱5,533,420	₱5,436,777
RCIT		11,650,910	66,966,595	91,047,356
MCIT		9,901,241	5,619,419	186,560
Gross income tax (GIT)		2,399,074	3,678,373	1,970,310
		30,016,276	81,797,807	98,641,003
Deferred		460,254,146	554,347,227	67,094,603
		₱490,270,422	₱636,145,034	₱165,735,606
Reported in OCI				
Deferred tax related to remeasurement gains (losses) on net retirement liability				
	21	₱2,320,578	₱7,875,951	(₱4,594,759)

Deferred Tax Assets and Deferred Tax Liabilities

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

	2020	2019
Deferred tax assets:		
NOLCO	₱186,618,977	₱62,261,706
Retirement liability	30,448,926	29,964,138
Advance rent	8,608,314	11,841,153
Excess MCIT over RCIT	15,706,900	5,805,659
Allowance for impairment losses	110,488	110,488
Unrealized foreign exchange loss	2,654	181,536
	₱241,496,259	₱110,164,680
Deferred tax liabilities:		
Cumulative gain on change in fair value of investment properties	₱1,415,105,254	₱1,127,340,036
Excess of financial over taxable gross profit	523,413,731	237,134,847
Depreciation of investment properties	26,332,554	14,624,431
Accrued rent receivable	17,144,444	17,155,013
Transfer of fair value to property and equipment	12,939,297	13,208,866
Capitalized debt issue costs	9,989,503	10,196,539
	2,004,924,783	1,419,659,732
Net deferred tax liabilities	₱1,763,428,524	₱1,309,495,052

As at December 31, 2020 and 2019, the Group did not recognize deferred tax assets relating to the following:

	2020	2019
NOLCO	₱8,073,179	₱5,660,266
Excess MCIT over RCIT	320	320
	₱8,073,499	₱5,660,586

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

NOLCO and Excess MCIT over RCIT

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

NOLCO

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2020	₱—	₱441,070,429	₱—	₱—	₱441,070,429	2025
2019	201,505,549	—	—	—	201,505,549	2022
2018	6,397,876	—	—	—	6,397,876	2021
2017	18,503,148	—	—	18,503,148	—	2020
	₱226,406,573	₱441,070,429	₱—	₱18,503,148	₱648,973,854	

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 to implement Section 4 (4444) of Republic Act No. 11494 (Bayanihan Act to Recover as One Act), allowing the Group's net operating losses for taxable years 2020 and 2021 to be carried over for the next five consecutive taxable years immediately following the year of such loss.

Excess MCIT over RCIT

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2020	₱—	₱9,901,241	₱—	₱—	₱9,901,241	2023
2019	5,619,419	—	—	—	5,619,419	2022
2018	186,560	—	—	—	186,560	2021
	₱5,805,979	₱9,901,241	₱—	₱—	₱15,707,220	

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

	2020	2019	2018
Income tax computed at statutory tax rate	₱497,818,418	₱636,987,873	₱166,305,856
Add (deduct) tax effect of:			
Income subject to GIT	(11,721,196)	(28,497,641)	(7,573,344)
Expired NOLCO	5,550,944	1,579,881	248,551
Unrealized holding loss (gains) on financial assets at FVPL	(3,665,333)	185,275	1,915,659
Nondeductible expenses and nontaxable income	2,923,947	30,197,169	7,426,287
Change in unrecognized deferred tax assets	2,412,913	1,998,894	29,931
Realized gain on disposals of financial assets at FVPL subjected to final tax	(1,845,302)	(1,552,143)	(1,866,346)
Interest income subjected to final tax	(1,203,969)	(1,151,433)	(750,988)
Stock issuance costs	—	(3,744,499)	—
Expired MCIT	—	141,658	—
	₱490,270,422	₱636,145,034	₱165,735,606

PEZA Registration

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

Under the PEZA Registration Agreement, ACPT is entitled to:

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

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

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

On November 26, 2020, the CREATE Bill was approved by the Senate of the Philippines. Under the CREATE Bill, domestic corporations will be subject to 25% or 20% regular corporate income tax (RCIT) depending on the amount of total assets or total amount of taxable income. In addition, MCIT shall be computed at 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

On February 3, 2021, the Senate and the Congress of the Philippines ratified the bill through a bicameral conference. As of March 24, 2021, the CREATE Bill is pending approval of the President.

Accordingly, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

24. Related Party Transactions

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

	Nature of Relationship	Note	Nature of Transaction	Amount of Transactions		Outstanding Balance	
				2020	2019	2020	2019
Due from Related Parties							
		8					
CPG	Principal stockholder		Share purchase agreement	₱—	₱—	₱36,052,873	₱36,052,873
	Entity under common management						
Centrobless			Advances for working capital	3,635,968	12,856,017	16,491,985	12,856,017
	Entity under common management						
SOPi			Advances for working capital	635,359	4,932,492	5,567,851	4,932,492
						₱58,112,709	₱53,841,382
Accounts Payable							
	Principal stockholder						
CPG		15	Management fee	₱12,577,891	₱11,069,818	₱3,458,920	₱3,044,200

Share Purchase Agreement

The Parent Company has an outstanding receivable from CPG amounting to ₱36.1 million as at December 31, 2020 and 2019 arising from a share purchase agreement between the Parent Company, CPG and AOCH1. Under the claw-back provision of the share purchase agreement, the Parent Company warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by UPHI, which includes, among others, removing all doubt on the ownership of UPHI over the property. In the event the satisfactory evidence is submitted by the Parent Company to CPG, the latter shall pay to the Parent Company the entire claw-back amount or a portion thereof plus interest earned in which the claw-back amount was held in escrow.

Advances for Working Capital

This pertains to expenses advanced by the Group to the related parties. Outstanding balances of advances for working capital are unsecured, unguaranteed, collectible or payable on demand and to be settled in cash. The Group's allowance for ECL on due from related parties amounted to nil as at December 31, 2020 and 2019.

Management Fee

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

Compensation of Key Management Personnel

The compensation of key management personnel are as follows:

	2020	2019	2018
Salaries and other employee benefits	₱89,599,050	₱83,779,871	₱77,960,692
Retirement expense	24,095,262	24,095,262	24,095,262
	₱113,694,312	₱107,875,133	₱102,055,954

Transactions with the Retirement Plan

The Parent Company's retirement fund is administered and managed by a trustee bank. The fair value of plan assets, which are primarily composed of unit investment trust funds, amount to ₱50.9 million and ₱20.3 million as of December 31, 2020 and 2019 (see Note 21).

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

25. Reconciliation of Liabilities Arising from Financing Activities

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

	Financing Cash Flows			Noncash Transactions			December 31, 2020
	January 1, 2020	Availments/ Declaration	Payments	Assignment of advances	Conversion to deposit for future stock subscription	Movement in Debt Issue Cost	
Loans payable	₱6,925,381,746	₱5,342,426,370	(₱2,958,344,266)	₱—	₱—	(₱3,770,527)	₱9,305,693,323
Bonds payable	—	3,000,000,000	—	—	—	(41,473,302)	2,958,526,698
Advances from non- controlling interests	1,144,586,297	165,000,000	—	195,000,000	(137,000,000)	—	1,367,586,297
Dividends payable	5,943,585	274,009,142	(274,393,696)	—	—	—	5,559,031
	₱8,075,911,628	₱8,781,435,512	(₱3,232,737,962)	₱195,000,000	(₱137,000,000)	(₱45,243,829)	₱13,637,365,349

	Financing Cash Flows			Noncash Transaction		December 31, 2019
	January 1, 2019	Availments/ Declaration	Payments	Movement in Debt Issue Cost		
Loans payable	₱4,169,976,102	₱3,486,252,129	(₱728,331,864)	(₱2,514,621)		₱6,925,381,746
Advances from non- controlling interests	386,666,691	757,919,606	—	—		1,144,586,297
Dividends payable	5,056,961	239,371,142	(238,484,518)	—		5,943,585
	₱4,561,699,754	₱4,483,542,877	(₱966,816,382)	(₱2,514,621)		₱8,075,911,628

26. Earnings Per Share

Basic and diluted earnings per share are computed as follows:

	2020	2019	2018
Net income attributable to equity holders of the Parent Company	₱887,295,539	₱1,187,016,033	₱333,479,516
Less share of Series B and C Preferred Shares	(210,192,000)	(175,554,000)	(140,916,000)
Net income attributable to equity holders of the Parent Company for basic and diluted earnings per share	₱677,103,539	₱1,011,462,033	₱192,563,516
Weighted average number of outstanding common shares for basic EPS	5,318,095,199	5,318,095,199	5,318,095,199
Add dilutive shares arising from stock options	55,400,000	—	—
Adjusted weighted average number of common shares for diluted EPS	5,373,495,199	5,318,095,199	5,318,095,199
Basic EPS	₱0.1273	₱0.1902	₱0.0362
Diluted EPS	₱0.1260	₱0.1902	₱0.0362

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

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

27. Financial Risk Management Objectives and Policies

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

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

Foreign Currency Risk

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

Credit Risk

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

Trade Receivables and Contract Assets

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms, and conditions are offered. The Group's credit policy includes available external ratings, financial statements, credit agency information, industry information and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from upper level of management. The Group limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. Historically, trade receivables are substantially collected within one (1) year and it has no experience of writing-off or impairing its trade receivables due to the effectiveness of its collection. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. Trade receivables from lease are closely monitored on aging of the account. As at December 31, 2020 and 2019, there were no significant credit concentrations. The maximum exposure at the end of the reporting period is the carrying amount of trade receivables and contract assets.

Other Financial Assets at Amortized Cost

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

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

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

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

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

Financial Assets at FVPL

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

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

Assets that are credit-impaired are separately presented.

	2020				
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	₱940,924,474	₱—	₱—	₱—	₱940,924,474
Financial assets at FVPL	—	—	—	3,257,288,870	3,257,288,870
Receivables**	—	449,522,428	368,292	—	449,890,720
Contract assets	—	5,341,881,039	—	—	5,341,881,039
Deposits	56,072,105	—	—	—	56,072,105
Amounts held in escrow	85,052,814	—	—	—	85,052,814
	₱1,082,049,393	₱5,791,403,467	₱368,292	₱3,257,288,870	₱10,131,110,022

*Excludes cash on hand amounting to ₱155,000.

**Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱89.6 million as at December 31, 2020.

2019					
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	₱407,134,384	₱—	₱—	₱—	₱407,134,384
Financial assets at FVPL	—	—	—	772,186,717	772,186,717
Receivables**	—	290,315,333	368,292	—	290,683,625
Contract assets	—	3,250,482,689	—	—	3,250,482,689
Deposits	62,270,945	—	—	—	62,270,945
Amounts held in escrow	85,402,876	—	—	—	85,402,876
	₱554,808,205	₱3,540,798,022	₱368,292	₱772,186,717	₱4,868,161,236

*Excludes cash on hand amounting to ₱80,000.

**Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱99.1 million as at December 31, 2019.

Liquidity Risk

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

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31, 2020 and 2019:

2020						
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	₱—	₱4,225,205,340	₱1,414,000,000	₱833,939,200	₱2,866,115,800	₱9,339,260,340
Bonds payable	—	—	—	—	3,000,000,000	3,000,000,000
Accounts payable and other liabilities*	392,975,986	1,370,510,040	—	—	—	1,763,486,026
Advances from non-controlling interest	1,367,586,297	—	—	—	—	1,367,586,297
	₱1,760,562,283	₱5,595,715,380	₱1,414,000,000	₱833,939,200	₱5,866,115,800	₱15,470,332,663

*Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱1,049.0 million as at December 31, 2020.

2019						
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	₱—	₱2,448,042,005	₱1,683,854,057	₱809,315,313	₱2,013,966,861	₱6,955,178,236
Accounts payable and other liabilities*	405,458,152	1,106,439,805	—	—	—	1,511,897,957
Advances from non-controlling interest	1,144,586,297	—	—	—	—	1,144,586,297
	₱1,550,044,449	₱3,554,481,810	₱1,683,854,057	₱809,315,313	₱2,013,966,861	₱9,611,662,490

*Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱977.0 million as at December 31, 2019.

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

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

Interest Rate Risk

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

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

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

Capital Management

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

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

	2020	2019
Total liabilities	₱18,317,098,613	₱12,000,440,106
Total equity	9,230,104,456	7,475,391,886
Debt-to-equity ratio	1.98:1.00	1.61:1.00

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

28. Fair Value Measurement

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

	Note	Carrying Amount	2020 Fair Value		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	7	₱3,257,288,870	₱3,257,288,870	₱—	₱—
Investment properties	10	8,315,168,841	—	1,275,863,504	7,039,305,337
Asset for which fair value is disclosed -					
Financial assets at amortized cost - Deposits	12	56,072,105	—	—	56,072,105
		₱11,628,529,816	₱3,257,288,870	₱1,275,863,504	₱7,095,377,442
Liability for which fair value is disclosed -					
Loans payable	13	₱9,305,693,323	₱—	₱—	₱9,220,969,353
Bonds payable	14	2,958,526,698	—	—	3,540,814,710
		₱12,264,220,021	₱—	₱—	₱12,761,784,063

	Note	Carrying Amount	2019		
			Fair Value		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	7	₱772,186,717	₱772,186,717	₱—	₱—
Investment properties	10	7,280,000,267	—	1,224,609,670	6,055,390,597
Asset for which fair value is disclosed -					
Financial assets at amortized cost - Deposits	12	62,270,945	—	—	62,400,650
		₱8,114,457,929	₱772,186,717	₱1,224,609,670	₱6,117,791,247
Liability for which fair value is disclosed -					
Loans payable	13	₱6,925,381,746	₱—	₱—	₱7,248,318,862

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

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

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

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

The table below presents the financial assets and liabilities of the Group whose carrying amounts approximate fair values as at December 31, 2020 and 2019:

	2020	2019
Financial assets:		
Cash and cash equivalents	₱941,079,474	₱407,214,384
Receivables*	449,522,428	290,683,625
Contract assets	5,341,881,039	3,250,482,689
Amounts held in escrow	85,052,814	85,402,876
	₱6,817,535,755	₱4,033,783,574
Financial liabilities:		
Accounts payable and other liabilities**	₱1,763,486,026	₱1,511,897,957
Advances from non-controlling interests	1,367,586,297	1,144,586,297
	₱3,131,072,323	₱2,656,484,254

*Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱89.6 million and ₱99.0 million as at December 31, 2020 and 2019, respectively.

**Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱1,029.5 million and ₱977.0 million as at December 31, 2020 and 2019, respectively.

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

29. Classification of Consolidated Statements of Financial Position Accounts

The Group's current portions of its assets and liabilities as at December 31, 2020 and 2019 are as follows:

	Note	2020	2019
Current Assets			
Cash and cash equivalents	6	₱941,079,474	₱407,214,384
Financial asset at FVPL	7	3,257,288,870	772,186,717
Receivables	8	539,079,767	389,687,736
Contract assets	5	5,341,881,039	3,250,482,689
Real estate for sale	9	6,894,906,539	5,410,062,969
Other assets*	12	1,910,977,361	1,617,247,483
		₱18,885,213,050	₱11,846,881,978

*Excludes non-current portion of deposits and deferred input VAT amounting to ₱66.6 million and ₱66.4 million as at December 31, 2020 and 2019, respectively.

	Note	2020	2019
Current Liabilities			
Current portion of loans payable***	13	₱4,225,205,340	₱2,448,042,005
Accounts payable and other liabilities	14	2,792,943,961	2,488,916,877
Contract liabilities	5	27,423,392	32,179,674
Advances from non-controlling interests	24	1,367,586,297	1,144,586,297
		₱8,413,158,990	₱6,113,724,853

***Excludes long term portion of loans payable aggregating to ₱5,080.5 million and ₱5,454.9 million and as at December 31, 2020 and 2019, respectively.

30. Operating Segment Information

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

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

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

The following tables present revenue and expense information and certain assets and liabilities information regarding the different business segments as at and for the years ended December 31, 2020, 2019 and 2018:

2020						
	Sale of Real Estate	Leasing	Property Management Services	Corporate	Eliminations	Total
Segment revenue	₱2,919,123,898	₱371,576,866	₱222,815,561	₱-	(₱211,963,269)	₱3,301,553,056
Segment expenses	(1,591,033,907)	(130,770,623)	(86,221,097)	(767,141,354)	211,963,269	(2,363,203,712)
Segment profit	1,328,089,991	240,806,243	136,594,464	(767,141,354)	-	938,349,344
Net gain on change in fair value of investment properties	-	959,989,140	-	-	-	959,989,140
Finance cost	(447,211)	(430,024,418)	-	(14,088,400)	163,376,069	(281,183,960)
Other income - net	-	-	-	42,240,203	-	42,240,203
Income before income tax	1,327,642,780	770,770,965	136,594,464	(738,989,551)	163,376,069	1,659,394,727
Provision for income tax						(490,270,422)
Net income						1,169,124,305
Other comprehensive income						(5,414,683)
Total comprehensive income						₱1,163,709,622
Assets	₱6,894,906,539	₱8,315,168,841	₱17,028,899	₱18,548,524,200	(₱6,228,425,410)	₱27,547,203,069
Liabilities	(₱5,148,259,520)	(₱4,157,433,803)	₱-	(₱14,634,896,280)	₱5,623,490,990	(₱18,317,098,613)

2019						
	Sale of Real Estate	Leasing	Property Management Services	Corporate	Eliminations	Total
Segment revenue	₱3,515,804,028	₱321,918,256	₱263,259,201	₱-	(₱253,124,061)	₱3,847,857,424
Segment expenses	(2,138,904,072)	(103,619,113)	(77,076,988)	(745,080,287)	253,124,061	(2,811,556,399)
Segment profit	1,376,899,956	218,299,143	186,182,213	(745,080,287)	-	1,036,301,025
Net gain on change in fair value of investment properties	-	1,180,724,811	-	-	-	1,180,724,811
Finance cost	-	(124,552,506)	-	(69,947)	-	(124,622,453)
Other income - net	-	-	-	31,106,679	-	31,106,679
Income before income tax	1,376,899,956	1,274,471,448	186,182,213	(714,043,555)	-	2,123,510,062
Provision for income tax						(636,145,034)
Net income						1,487,147,877
Other comprehensive income						(18,377,219)
Total comprehensive income						₱1,468,770,658
Assets	₱5,410,062,969	₱7,280,000,267	₱9,661,932	₱11,865,432,294	(₱5,089,325,470)	₱19,475,831,992
Liabilities	(₱3,635,050,687)	(₱3,290,331,059)	₱-	(₱8,971,130,820)	₱3,896,072,460	(₱12,000,440,106)

	2018					
	Sale of Real Estate	Leasing	Property Management Services	Corporate	Eliminations	Total
Segment revenue	₱992,593,843	₱132,436,269	₱112,014,081	₱-	(₱104,574,107)	₱1,132,470,086
Segment expenses	(599,734,444)	(15,260,471)	(108,378,431)	(397,610,494)	104,574,107	(1,016,409,733)
Segment profit	392,859,399	117,175,798	3,635,650	(397,610,494)	-	116,060,353
Net gain on change in fair value of investment properties	-	172,819,094	-	-	-	172,819,094
Finance cost	(5,301,623)	(51,086,712)	-	(20,319,692)	3,060,739	(73,647,288)
Other income – Net	-	-	-	339,120,693	-	339,120,693
Income before income tax	387,557,776	238,908,180	3,635,650	(78,809,493)	3,060,739	554,352,852
Provision for income tax						(165,735,606)
Net income						388,617,246
Other comprehensive income						10,721,104
Total comprehensive income						₱399,338,350
Assets	₱3,811,409,604	₱5,965,653,424	₱-	₱5,507,701,512	(₱2,948,298,777)	₱12,336,465,763
Liabilities	(₱1,994,647,533)	(₱2,197,482,011)	₱-	(₱7,078,187,677)	₱1,901,563,866	(₱9,368,753,355)

31. Events After Reporting Period

Declaration of Cash Dividends

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

Class of shares	Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share
Series C preferred shares	January 27, 2021	March 8, 2021	March 27, 2021	₱17,319,000	₱1.73
Series B preferred shares	January 27, 2021	February 15, 2021	March 6, 2021	35,229,000	1.76

The dividends shall be taken out of the unrestricted earnings of the Parent Company as at December 31, 2020.



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

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

We have audited the accompanying consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, on which we have rendered our report dated March 24, 2021.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 1,925 stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ
Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1499-AR-1 Group A

Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8534279

Issued January 5, 2021, Makati City

March 24, 2021
Makati City, Metro Manila



INDEPENDENT AUDITORS REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years ended December 31, 2020, 2019, and 2018, and have issued our report thereon dated March 24, 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 purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years ended December 31, 2020, 2019, and 2018 and no material exceptions were noted.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1499-AR-1 Group A

Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8534279

Issued January 5, 2021, Makati City

March 24, 2021

Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES

FINANCIAL RATIOS

DECEMBER 31, 2020

Below is a schedule showing financial soundness indicators in the years 2020, 2019 and 2018.

	2020	2019	2018
Current/Liquidity Ratio	2.24	1.94	2.45
Current assets	₱18,885,213,050	₱11,846,881,978	₱6,077,365,868
Current liabilities	8,413,158,990	6,113,724,853	2,480,623,954
Solvency Ratio	0.07	0.13	0.06
Net income before depreciation	1,214,297,022	1,513,869,906	404,066,856
Total liabilities	18,317,098,613	12,000,440,106	7,078,187,677
Debt-to-Equity Ratio	1.98	1.61	1.35
Total liabilities	18,317,098,613	12,000,440,106	7,078,187,677
Total equity	9,230,104,456	7,475,391,886	5,258,278,086
Debt-to-Equity Ratio	1.33	0.93	0.79
Interest-bearing liabilities	12,264,220,021	6,925,381,746	4,169,976,102
Total equity	9,230,104,456	7,475,391,886	5,258,278,086
Asset-to-Equity Ratio	2.98	2.61	2.35
Total assets	27,547,203,069	19,475,831,992	12,336,465,763
Total equity	9,230,104,456	7,475,391,886	5,258,278,086
Interest Rate Coverage Ratio	6.95	18.08	8.61
Pretax income before interest	1,938,293,289	2,247,632,872	627,225,512
Interest expense	278,898,562	124,339,961	72,872,660
Profitability Ratio	0.13	0.20	0.07
Net income	1,169,124,305	1,487,147,877	388,617,246
Total equity	9,230,104,456	7,475,391,886	5,258,278,086



**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 included in this Form 17-A and have issued our report thereon dated March 24, 2021. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedule of Use of Proceeds
- Conglomerate Map

These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, as amended, and are not part of the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1499-AR-1 Group A

Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2020

Valid until January 1, 2023

PTR No. 8534279

Issued January 5, 2021, Makati City

March 24, 2021
Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II
OF SRC RULE 68, AS AMENDED
DECEMBER 31, 2020

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ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2020

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
Cash on hand	₱155,000	₱155,000	₱—	₱—
Cash in Banks:				
Banco De Oro	193,291,185	193,291,185	—	
Philippine National Bank	97,406,514	97,406,514	—	
Bank of the Philippines	99,024,256	99,024,256	—	
Unionbank of the Philippines	131,387,691	131,387,691	—	
Asia United Bank	51,514,525	51,514,525		
Others	9,009,041	9,009,041	—	
	581,633,212	581,633,212	—	3,432,878
Short-term Placements:				
Bank of the Philippines	1,445,522	1,445,522	1,445,522	
Allied Bank	154,000,000	154,000,000	154,000,000	
Asia United Bank	100,476,496	100,476,496	100,476,496	
Unionbank	100,350,195	100,350,195	100,350,195	
Banco De Oro	2,806,979	2,806,979	2,806,979	
Security Bank	212,070	212,070	212,070	
	359,291,262	359,291,262	359,291,262	5,946,867
Deposits	56,072,105	56,072,105	—	—
Unit Investment Trust Fund	3,257,288,870	3,257,288,870	3,257,288,870	—
Amounts Held in Escrow	85,052,814	85,052,814	—	—
	₱4,339,493,263	₱4,339,493,263	₱3,616,561,165	₱9,379,745

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2020

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Deductions		Ending Balance	
				Amounts written off	Current	Not current	Balance at end of year
Due from a Related Party -							
CPG Holdings, Inc.	₱36,052,873	₱—	₱—	₱—	₱36,052,873	₱—	₱36,052,873
Centrobless	12,856,017	3,635,968	—	—	16,491,985	—	16,491,985
Signature Office Property, Inc.	4,932,492	635,359	—	—	5,567,851	—	5,567,851
	₱53,841,382	₱4,271,327	₱—	₱—	₱58,112,709	₱—	₱58,112,709

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2020

				Deductions		Ending Balance	
	Balance at beginning of year		Amounts collected	Amounts written off			Balance at end of year
Name and designation of debtor		Additions			Current	Not current	
Advances to subsidiaries:							
Bhavya Properties Inc.	₱665,020,644	₱142,108,233	₱—	₱—	₱807,128,877	₱—	₱807,128,877
Cebu Lavana Land Corp.	495,000,000	340,783,982	(151,469,315)	—	684,314,667	—	684,314,667
Cazneau, Inc.	607,322,258	486,272,575	(299,000,000)	—	794,594,833	—	794,594,833
Bhavana Properties Inc.	534,038,896	307,022,366	(75,000,000)	—	766,061,262	—	766,061,262
Zileya Land Development, Inc.	389,473,444	7,300,410	—	—	396,773,854	—	396,773,854
Kashtha Holdings Inc.	125,000	502,433,406	(208,110,665)	—	294,447,741	—	294,447,741
Urban Property Holdings, Inc.				—		—	
(net of allowance for impairment amounting to ₱3,261,249)	65,304,320	3,900,000	—		69,204,320		69,204,320
Emera Property Management, Inc.	1,560,155	133,726	(110,300)	—	1,583,581	—	1,583,581
Pradhana Land Inc.	300,000	2,009,296	(1,495,532)	—	813,764	—	813,764
Savya Land Development Corporation	487,500,000	642,387	(488,049,253)	—	93,134	—	93,134
	₱3,245,644,717	₱1,792,606,381	(₱1,223,235,065)	₱—	₱3,815,016,033	₱—	₱3,815,016,033
Nontrade Receivables from a subsidiary -							
Cebu Lavana Land Corp.	₱—	₱—	₱—	₱—	₱—	₱—	₱—
Advances from subsidiaries:							
Manchesterland Properties, Inc.	₱282,158,275	₱—	(₱2,525,976)	₱—	₱279,632,299	₱—	₱279,632,299
Cebu Lavana Land Corp.	267,122	112,654,424	—	—	112,921,546	—	112,921,546
	₱282,425,397	₱112,654,424	(₱2,525,976)	₱—	₱392,553,845	₱—	₱392,553,845

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2020

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" related balance sheet	Amount shown under caption "Long-Term Debt" in related statement of financial position			
			Carrying amount	Interest Rate(s)	Payment Terms	Maturity Dates
Bank Loans:						
Bank 1	₱2,350,000,000	₱900,000,000	₱1,114,000,000	5.77%	Quarterly	April 14, 2022
Bank 2	2,000,000,000	150,000,000	1,708,666,538	5.50%	Quarterly	June 30, 2025
Bank 3	1,440,000,000	—	1,268,778,150	7.15%	Quarterly	August 29, 2023
Bank 4	1,000,000,000	—	989,043,295	6.35%	At end of term	February 6, 2025
Bank 5	439,769,017	439,769,017	—	7.50%	At end of term	April 29, 2021
Bank 6	400,000,000	400,000,000	—	5.00%	At end of term	March 1, 2021
Bank 7	350,000,000	350,000,000	—	6.22%	At end of term	April 13, 2021
Bank 8	416,542,022	416,542,022	—	7.50%	At end of term	November 20, 23, 27, 2021
Bank 9	300,000,000	300,000,000	—	5.50%	At end of term	June 15, 2021
Bank 10	250,000,000	250,000,000	—	5.00%	At end of term	May 28, 2021
Bank 11	224,450,914	224,450,914	—	7.50%	At end of term	May 22, 2021
Bank 12	151,572,601	151,572,601	—	7.50%	At end of term	November 9, 2021
Bank 13	133,146,816	133,146,816	—	7.50%	At end of term	November 3, 2021
Bank 14	100,000,000	100,000,000	—	6.25%	At end of term	August 5, 2021
Bank 15	75,000,000	75,000,000	—	5.25%	At end of term	September 20, 2021
Bank 16	100,000,000	100,000,000	—	7.00%	At end of term	March 29, 2021
Bank 17	50,000,000	50,000,000	—	5.00%	At end of term	April 5, 2021
Bank 18	50,000,000	50,000,000	—	5.00%	At end of term	March 16, 2021
Bank 19	50,000,000	50,000,000	—	5.00%	At end of term	March 22, 2021
Various loans from private funders	84,723,970	84,723,970	—	3.50%	Renewable on maturity	January 18, 21, and March 29, June 1, 2021
	₱9,965,205,340	₱4,225,205,340	₱5,080,487,983			

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2020

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common shares - ₱0.18 par value per share	16,368,095,199	5,318,095,199	—	3,401,349,910	9	1,916,745,280
Preferred shares - ₱1.00 par value per share	50,000,000	42,500,000	—	12,500,000	—	30,000,000

ARTHALAND CORPORATION

**SCHEDULE OF RECONCILIATION OF PARENT COMPANY'S RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
DECEMBER 31, 2020**

Unappropriated Retained Earnings, beginning		P1,913,015,380
Adjustments:		
Cumulative gain on change in fair value of investment properties	(1,516,332,851)	
Unrealized holding loss on financial assets at FVPL	(778,461)	
Depreciation of fair value of property plant and equipment	628,994	
Accumulated depreciation and amortization of investment properties	(28,657,453)	(1,545,139,771)
Unappropriated Retained Earnings, as adjusted, beginning		367,875,609
Add: Net income actually earned/realized during the period		
Net income during the year closed to retained earnings	729,891,997	
Realized holding gains on financial assets at FVPL	778,461	
Less: Non-actual/unrealized income and realized loss, net of tax		
Gain on change in fair value of investment properties	(641,801,448)	
Depreciation of fair value of property and equipment	628,993	
Unrealized holding gains on financial assets at FVPL	10,193,586	
Depreciation and amortization of investment properties	(37,233,686)	62,457,903
Cash dividends		(274,009,142)
Unappropriated Retained Earnings, <i>as adjusted to available for dividend distribution, ending</i>		P156,324,370

ARTHALAND CORPORATION
SCHEDULE OF USE OF PROCEEDS
Series B Preferred Shares
DECEMBER 31, 2020

The estimated gross proceeds from the offer amounted to ₱1,971.8 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱1,972.9 million.

The following table shows the breakdown of the use of the proceeds:

Purpose	Per Offer Supplement	Actual Net Proceeds	As at December 31, 2020	Balance for disbursement as at December 31, 2020
South of Metro Manila Project	₱822.4	₱822.4	₱822.4	₱–
Makati CBD Residential Project	371.6	371.6	371.6	–
Binan Laguna Project	331.9	331.9	314.1	17.8
Partial repayment of loans	330.0	330.0	330.0	–
General corporate purposes	62.3	63.4	63.4	–
Cebu Exchange project	53.6	53.6	53.6	–
Total	₱1,971.8	₱1,972.9	₱1,955.1	₱17.8

CONGLOMERATE MAP

