

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

FERDINAND A. CONSTANTINO

(Contact Person)

(+632) 8403-6910

(Company Telephone Number)

1	2	3	1
<i>Month</i>		<i>Day</i>	
(Fiscal Year)			

1	7	-	Q	
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(Form Type)

0	6	Last	Fri
<i>Month</i>		<i>Day</i>	
(Annual Meeting)			

N.A.

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles
Number/Section

Total Amount of Borrowings

1,935
Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

Document ID

Cashier

ARTHALAND CORPORATION
(Company's Full Name)

7/F ArthaLand Century Pacific Tower, 5th Avenue corner 30th Street
Bonifacio Global City, Taguig City
(Company's Address)

8403-6910
(Telephone Number)

December 31
(Fiscal year ending)
(month & day)

June 25
(Annual Meeting)

SEC FORM 17 – Q QUARTERLY REPORT
(Form Type)

Amendment Designation (If applicable)

September 30, 2021
(Period Ended Date)

(Secondary License Type & File Number)

LCU

(Cashier)

DTU

ASO-94-007160
(SEC Number)

Central Receiving Unit

File Number

Document I.D.

magsorrera@arthaland.com

From: ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
Sent: Monday, November 15, 2021 12:50 PM
To: magsorrera@arthaland.com
Subject: Re: ARTHALAND CORPORATION_SEC Form 17Q_Q3 2021_15Nov2021

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD.

(Subject to Verification and Review of the Quality of the Attached Document)

Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at www.sec.gov.ph

NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, Monthly Reports, Quarterly Reports, Letters, through email at

ictdsubmission@sec.gov.ph

Note: All submissions through this email are no longer required to submit the hard copy thru mail or over- the- counter.

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the **ONLINE SUBMISSION TOOL (OST)** such as:

AFS, GIS, GFFS, LCFS, LCIF, FCFS, FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT, FS-CONSOLIDATED, OPC_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

FOR MC28, please email to:

MC28_S2020@sec.gov.ph

For your information and guidance.

Thank you and keep safe.

From: PDEX Disclosure <pdex.disclosure@pds.com.ph>
Sent: Monday, 15 November 2021 1:36 pm
To: Riva Khristine Maala <rvmaala@arthaland.com>
Subject: Re: [EXTERNAL] Arthaland Disclosure | SEC Form 17Q for the Third Quarter 2021

Gentlemen,

This is to acknowledge receipt of the disclosure.

Regards,

Issuer Compliance & Disclosure Department
Philippine Dealing & Exchange Corp.
29/F, BDO Equitable Tower,
8751 Paseo de Roxas, Makati City
DL: (632) 8884-4415; 4433
E-mail: pdex.disclosure@pds.com.ph

From: Riva Khristine Maala <rvmaala@arthaland.com>
Sent: Monday, November 15, 2021 1:03 PM
To: PDEX Disclosure <pdex.disclosure@pds.com.ph>
Subject: [EXTERNAL] Arthaland Disclosure | SEC Form 17Q for the Third Quarter 2021

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Ladies and Gentlemen:

Please see attached disclosure made to the PSE and the SEC. We trust you find the same in order.

Thank you.

CONFIDENTIALITY INFORMATION AND DISCLAIMER

This transmission from PHILIPPINE DEALING SYSTEM HOLDINGS CORP. and its operating subsidiaries (PDS GROUP) contains information that is confidential and/or legally privileged and is intended for use only by the person to whom it is directed. If this message reaches anyone other than the intended recipient by error, we request the reader not to reproduce, copy, disseminate or in any manner distribute it. We further request such recipient to notify us immediately by return e-mail and delete the original message. PDS GROUP does not guarantee the security of any communication transmitted electronically and is not liable for the proper, timely and complete transmission thereof. Opinions, conclusions and other information in this communication that do not relate to the official business of the PDS GROUP shall be understood as neither given nor endorsed.

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

1. For the quarterly period ended September 30, 2021

2. Commission Identification No. ASO-94-007160

3. BIR TIN 004-450-721-0000

4. Exact name of registrant as specified in its character

ARTHALAND CORPORATION

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

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

7. Address of registrant's principal office Postal Code

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

1634

8. Registrant's Telephone Number : 8403-6910

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

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

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

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

YES [X]

NO []

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

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

12. Indicate by check mark whether the registrant :

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

YES [X]

NO []

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

YES [X]

NO []

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

See attached.

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

See attached.

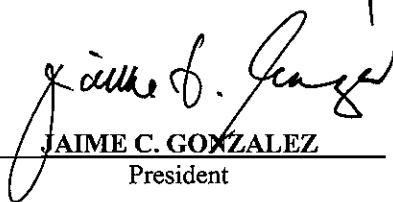
PART II - OTHER INFORMATION

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

SIGNATURES

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

Issuer : ARTHALAND CORPORATION

Signature and Title : 
JAIME C. GONZALEZ
President

Signature and Title : 
FERDINAND A. CONSTANTINO
Chief Finance Officer

Date : November 2, 2021

ITEM 1. Financial Statements Required under SRC RULE 68.1

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

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2021 AND DECEMBER 31, 2020

		SEPTEMBER 30, 2021	DECEMBER 31, 2020
	Notes	(Unaudited)	(Audited)
ASSETS			
Cash and cash equivalents	4	P 1,137,651,285	P 941,079,474
Financial assets at fair value through profit or loss (FVPL)	5	2,727,343,319	3,257,288,870
Receivables	6	714,363,256	539,079,767
Contract Assets	7	6,419,271,243	5,341,881,039
Real estate for sale	8	8,197,675,136	6,894,906,539
Investment properties	9	8,821,992,543	8,315,168,841
Property and equipment	10	276,842,658	280,192,479
Net deferred tax assets	23	12,834,896	-
Other assets	11	2,203,337,725	1,977,606,060
		P 30,511,312,061	P 27,547,203,069
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	12	P 10,849,920,805	P 9,305,693,323
Bonds payable	13	2,964,175,725	2,958,526,698
Accounts payable and other liabilities	14	3,384,992,024	2,792,943,961
Contract liabilities	7	39,235,896	27,423,392
Advances from non-controlling interests	15	1,367,586,297	1,367,586,297
Net retirement liability	22	124,038,402	101,496,418
Net deferred tax liabilities	23	1,654,530,816	1,763,428,524
Total Liabilities		20,384,479,965	18,317,098,613
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		3,960,411,868	3,779,054,629
Other equity reserves	16	230,363,146	230,363,146
Parent Company's preferred shares held by a subsidiary - at cost		(12,500,000)	(12,500,000)
		8,186,992,028	8,005,634,789
Non-controlling interests		1,939,840,068	1,224,469,667
Total Equity		10,126,832,096	9,230,104,456
		P 30,511,312,061	P 27,547,203,069

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2021 AND 2020

		SEPTEMBER 30, 2021	SEPTEMBER 30, 2020
	Notes	(Unaudited)	(As Restated - Unaudited)
ASSETS			
Cash and cash equivalents	4	P 1,137,651,285	P 2,420,533,836
Financial assets at fair value through profit or loss (FVPL)	5	2,727,343,319	2,685,879,690
Receivables	6	714,363,256	688,044,043
Contract Assets	7	6,419,271,243	3,578,639,064
Real estate for sale	8	8,197,675,136	6,666,785,425
Investment properties	9	8,821,992,543	8,192,656,554
Property and equipment	10	276,842,658	282,648,762
Net deferred tax assets	23	12,834,896	-
Other assets	11	2,203,337,725	1,916,816,843
		P 30,511,312,061	P 26,432,004,217
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	12	P 10,849,920,805	P 9,249,328,837
Bonds payable	13	2,964,175,725	2,956,254,606
Accounts payable and other liabilities	14	3,384,992,024	2,347,587,852
Contract liabilities	7	39,235,896	42,853,829
Advances from non-controlling interests	15	1,367,586,297	1,933,534,287
Net retirement liability	22	124,038,402	106,887,426
Net deferred tax liabilities	23	1,654,530,816	1,567,073,591
Total Liabilities		20,384,479,965	18,203,520,428
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		3,960,411,868	3,549,491,163
Other equity reserves	16	230,363,146	229,292,276
Parent Company's preferred shares held by a subsidiary - at cost		(12,500,000)	(12,500,000)
		8,186,992,028	7,775,000,453
Non-controlling interests		1,939,840,068	453,483,336
Total Equity		10,126,832,096	8,228,483,789
		P 30,511,312,061	P 26,432,004,217

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2021
AND FOR THE YEAR ENDED DECEMBER 31, 2020

		SEPTEMBER 30, 2021	DECEMBER 31, 2020
	Notes	(Unaudited)	(Audited)
REVENUES	17	P 1,928,903,576	P 3,301,553,056
COST AND EXPENSES	18	1,066,676,763	1,682,981,281
GROSS INCOME		862,226,813	1,618,571,775
OPERATING EXPENSES	19	540,313,054	680,222,431
INCOME FROM OPERATIONS		321,913,759	938,349,344
NET GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES		507,318,725	959,989,140
FINANCE COSTS	20	(215,248,521)	(281,183,960)
OTHER INCOME - net	21	26,625,592	42,240,203
INCOME BEFORE INCOME TAX		640,609,555	1,659,394,727
PROVISION FOR INCOME TAX	23	(108,026,061)	490,270,422
NET INCOME		748,635,616	1,169,124,305
OTHER COMPREHENSIVE LOSS		-	(5,414,683)
TOTAL COMPREHENSIVE INCOME		P 748,635,616	P 1,163,709,622
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		567,819,131	887,295,539
Non-controlling interests		180,816,485	281,828,766
		748,635,616	1,169,124,305
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		567,819,131	881,880,856
Non-controlling interests		180,816,485	281,828,766
		748,635,616	1,163,709,622
EARNINGS PER SHARE	26		
Basic		P 0.0771	P 0.1273
Dilluted		P 0.0763	P 0.1260

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2021 AND 2020

		SEPTEMBER 30, 2021	SEPTEMBER 30, 2020
	Notes	(Unaudited)	(As Restated - Unaudited)
REVENUES	17	P 1,928,903,576	P 1,463,539,596
COST AND EXPENSES	18	1,066,676,763	786,637,976
GROSS INCOME		862,226,813	676,901,620
OPERATING EXPENSES	19	540,313,054	433,813,140
INCOME FROM OPERATIONS		321,913,759	243,088,480
NET GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES		507,318,725	908,735,306
FINANCE COSTS	20	(215,248,521)	(162,377,191)
OTHER INCOME - net	21	26,625,592	25,905,361
INCOME BEFORE INCOME TAX		640,609,555	1,015,351,956
PROVISION FOR INCOME TAX	23	(108,026,061)	275,298,913
NET INCOME		748,635,616	740,053,043
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		P 748,635,616	P 740,053,043
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		567,819,131	667,034,926
Non-controlling interests		180,816,485	73,018,117
		748,635,616	740,053,043
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company		567,819,131	667,034,926
Non-controlling interests		180,816,485	73,018,117
		748,635,616	740,053,043
EARNINGS PER SHARE	26		
Basic		P 0.0771	P 0.0958
Dilluted		P 0.0763	P 0.0958

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	JULY 1 to SEPTEMBER 30 2021 (Unaudited)	JULY 1 to SEPTEMBER 30 2020 (Unaudited)
REVENUES	P 683,924,747	P 577,668,831
COST AND EXPENSES	361,462,638	315,821,942
GROSS INCOME	322,462,109	261,846,889
OPERATING EXPENSES	193,741,299	166,007,165
INCOME FROM OPERATIONS	128,720,810	95,839,724
FINANCE COSTS	(75,571,928)	(56,327,917)
OTHER INCOME - net	4,105,264	10,674,804
INCOME BEFORE INCOME TAX	57,254,146	50,186,611
PROVISION FOR INCOME TAX	30,078,023	(2,200,348)
NET INCOME	27,176,123	52,386,959
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	P 27,176,123	P 52,386,959
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the Parent Company	(29,028,348)	20,069,429
Non-controlling interests	56,204,471	32,317,530
	27,176,123	52,386,959
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Equity holders of the Parent Company	(29,028,348)	20,069,429
Non-controlling interests	56,204,471	32,317,530
	27,176,123	52,386,959
EARNINGS PER SHARE		
Basic	P 0.0679	P 0.1049
Dilluted	P 0.0679	P 0.1049

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2021 AND 2020

		SEPTEMBER 30, 2021	SEPTEMBER 30, 2020
	Note	(Unaudited)	(As Restated - Unaudited)
CAPITAL STOCK			
Common - ₱0.18 par value			
Issued and outstanding	16	P 957,257,136	P 957,257,136
Preferred - ₱1.00 par value			
Issued and subscribed	16	42,500,000	42,500,000
Balance at end of period		999,757,136	999,757,136
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning and end of period		3,008,959,878	3,008,959,878
RETAINED EARNINGS			
Balance at beginning of period		3,779,054,629	3,161,789,766
Net income for the period		567,819,131	667,034,926
Dividends declared during the period	16	(386,461,892)	(221,461,142)
Change in non-controlling interest		-	(57,872,387)
Balance at end of period		3,960,411,868	3,549,491,163
OTHER EQUITY RESERVES			
Balance at beginning of year		230,363,146	(207,724)
Additions (Disposals)		-	229,500,000
Balance at beginning and end of period	16	230,363,146	229,292,276
PARENT COMPANY'S PREFERRED SHARES			
HELD BY A SUBSIDIARY - at cost		(12,500,000)	(12,500,000)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS			
OF THE PARENT COMPANY		8,186,992,028	7,775,000,453
NON-CONTROLLING INTERESTS			
Balance at beginning of period		1,224,469,667	317,592,830
Increase in non-controlling interest		-	62,872,389
Share in net income for the period		180,816,485	73,018,117
Deposit for future stock subscription		534,553,916	-
Balance at end of period		1,939,840,068	453,483,336
TOTAL EQUITY		P 10,126,832,096	P 8,228,483,789

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED SEPTEMBER 30, 2021 AND 2020

		SEPTEMBER 30, 2021	SEPTEMBER 30, 2020
	Notes	(Unaudited)	(As Restated - Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P 640,609,555	P 1,015,351,956
Adjustments for:			
Gain on change in FV of investment properties		(507,318,725)	(908,735,306)
Interest expense	20	213,547,181	161,553,977
Depreciation and amortization	19	24,889,697	30,575,991
Retirement expense	22	22,541,984	7,006,966
Realized holding gains	21	(16,775,021)	(3,795,749)
Amortization of initial direct leasing costs		4,942,770	-
Interest income	21	(2,366,669)	(4,547,055)
Unrealized holding gains	21	(22,398)	(17,042,750)
Unrealized forex loss (gains)	21	(13,987)	3,735
Gain on sale of property and equipment	21	-	73,601
Operating income before working capital changes		380,034,387	280,445,366
Increases in:			
Receivables		(175,283,489)	(498,356,307)
Contract assets		(1,077,390,204)	(328,156,375)
Real estate for sale		(1,302,768,597)	(1,256,722,456)
Other assets		(225,731,665)	(199,018,865)
Increase (decrease) in:			
Contract liabilities		11,812,504	10,674,155
Accounts payable and other liabilities		420,529,312	(106,391,790)
Net cash used in operations		(1,968,797,752)	(2,097,526,272)
Interest paid		(202,261,650)	(149,442,871)
Interest received		2,366,670	4,547,057
Income tax paid		(13,706,543)	(92,370,837)
Net cash used in operating activities		(2,182,399,275)	(2,334,792,923)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal (acquisitions) of Financial assets at FVPL - net		546,742,970	(1,892,854,474)
Additions to Property and equipment	10	(21,539,876)	(31,782,359)
Additions to Investment properties		(4,447,747)	(3,920,981)
Proceeds from disposal of Property and equipment		-	1,033,720
Net cash generated from (used in) investing activities		520,755,347	(1,927,524,094)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from:			
Loans Payable		2,238,590,977	3,023,652,931
Bonds Payable		-	2,949,579,735
Due to related parties		-	788,947,990
Deposit for future stock subscription from non-controlling interest		534,553,916	-
Sale of interest in a subsidiary and transfer of receivable		-	429,500,000
Payment of loans payable		(700,000,000)	(705,142,075)
Payment of dividends		(214,943,141)	(215,898,377)
Net cash generated from financing activities		1,858,201,752	6,270,640,204
EFFECT OF CONSOLIDATION		-	5,000,000
NET EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		13,987	(3,735)
NET INCREASE IN CASH & CASH EQUIVALENTS		196,571,811	2,013,319,452
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		941,079,474	407,214,384
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P 1,137,651,285	P 2,420,533,836

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 in the Philippines 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 oversubscription option of up to ₱1.0 billion (see Note 13).

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

Composition of the Group

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

Subsidiary	Place of Incorporation	Effective % of Ownership		
		2021	2020	2019
Cazneau, Inc. (Cazneau)	Philippines	100%	100%	100%
Manchesterland Properties, Inc. (MPI)	Philippines	100%	100%	100%
Emera Property Management, Inc. (EPMI)	Philippines	100%	100%	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	100%	100%	100%
Zileya Land Development Corporation (ZLDC)	Philippines	100%	100%	100%
Bhavana Properties, Inc. (Bhavana)	Philippines	100%	100%	100%
Bhavya Properties, Inc. (Bhavya)	Philippines	100%	100%	100%
Pradhana Land, Inc. (Pradhana)	Philippines	100%	100%	100%
Cebu Lavana Land Corp. (CLLC)	Philippines	60%	60%	60%
Kashtha Holdings, Inc. (KHI)	Philippines	60%	60%	100%
Savya Land Development Corporation (SLDC)	Philippines	59%*	59%*	98%

**Indirectly owned thru KHI*

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

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

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

In 2020, ALCO transferred all of its shares in SLDC, representing 98.5% ownership over SLDC, to KHI. Then in June 2020, ALCO sold 5 million common shares in KHI with total par value of ₱5.0 million, representing 40% ownership over KHI, to MEC for ₱275.0 million (see Note 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 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. 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. The project is expected to be launched in the first half of 2023.

In February 2019, SLDC launched the development of Savva Financial Center. This project is composed of two office towers with a gross floor area of 59,763 sqm and located in Arca South, Taguig

City. The North 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 and is expected to be launched in the first quarter of 2022.

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 project was launched on July 5, 2021 and being developed into the first premier, dual certified, sustainable residential condominium in Cebu City and is expected to be completed in the last quarter of 2024.

Approval of the Interim Consolidated Financial Statements

The interim consolidated financial statements of the Group as at and for the nine (9) months ended September 30, 2021 were approved and authorized for issue by the Board of Directors (BOD) on October 20, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The interim consolidated financial statements as of September 30, 2021 and December 31, 2020 and for the nine months ended September 30, 2021 and 2020 have been prepared in compliance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. They do not include all of the information and disclosures required in the annual audited consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended December 31, 2020.

Measurement Bases

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

The interim consolidated financial statements of the Group have been prepared on a historical cost basis, except for fair value through profit or loss (FVPL) and investment properties that are carried at fair values and net retirement liability which is carried at the present value of the defined benefit obligation at the end of the reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for assets and fair value consideration received in exchange for incurring liability.

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants

would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

- Note 3 - Significant Accounting Judgments, Estimates and Assumptions
- Note 5 - Financial Assets at FVPL
- Note 9 - Investment Properties
- Note 27 - Fair Value Measurement

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

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

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

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning 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.

Effective for annual periods beginning on or after January 1, 2021:

- 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).

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 September 30, 2021 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.

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 FVOCI depending on the level of influence retained.

Non-controlling interest represents the portion of net assets and profit or loss 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.

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 September 30, 2021 and December 31, 2020, 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 September 30, 2021 and December 31, 2020, the Group classified its investments in money market fund under this category (see Note 5).

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the

following conditions are met:

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

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

As at September 30, 2021 and December 31, 2020, the Group's cash and cash equivalents, receivables (excluding accrued rent under straight-line basis of accounting), contract assets, amounts held in escrow, deposits and investment in time deposits are classified under this category.

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

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

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

As at September 30, 2021 and December 31, 2020, the Group's loans and bonds payable, accounts payable and other liabilities (excluding statutory payables, payable to customers and advance rent), contract liabilities and due to related parties are classified under this category.

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 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, general economic conditions and an assessment of both the current as well as the forecast direction of the conditions at the reporting date, including time value of money, where appropriate.

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.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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.

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

Offsetting of Financial Assets and Liabilities

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

Classification of Financial Instrument between Liability and Equity

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

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

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

Classification of Assets and Liabilities between Current and Noncurrent

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

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

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

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

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

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

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

Cost to Obtain a Contract with a Customer

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

Contract Balances

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

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

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

Debt Issue Costs

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

Real Estate for Sale

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

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

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

Borrowing Costs

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

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

Investment Properties

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

The Group uses fair value model for the accounting of its investment properties. Under this method, investment properties are initially measured at cost but are subsequently remeasured at fair value at each reporting date, which reflects market conditions at the reporting date. Cost comprises the purchase price and any directly attributable costs in developing and improving the properties. Cost also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. The fair value of investment properties is determined using market data approach, income approach and cost approach by Asian Appraisal Company, Inc., a SEC-accredited 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 is calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

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

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

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

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

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

Other Assets

Other assets include 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 fee for lease or downpayments received from prospective buyers. These are recorded at face amount in the consolidated statements of financial position. These will be applied as security deposits upon execution of the lease contracts or against the total contract price of the real estate sale upon execution of contract to sell.

Advance Rent

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

Capital Stock

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 (OCI)

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

Parent Company's Shares Held by a Subsidiary

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

Non-controlling Interests

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

Basic and Diluted Earnings Per Share (EPS)

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

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

Revenue Recognition

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

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

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

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

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

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

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

The Group opted to defer the application guidelines of the provisions of the PIC Q&A No. 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 income 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.

Project 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. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For the 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. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in 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 assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same tax authority.

Related Party Transactions and Relationships

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

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

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

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

Segment Reporting

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

Provisions and Contingencies

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

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

Events After the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgments

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

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

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

financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

Determining Control or Joint Control over an Investee Company. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group has determined that by virtue of the Parent Company's majority ownership of voting rights in its subsidiaries as at September 30, 2021 and December 31, 2020, 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 Savya 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, Savya Financial Center and Sevina Park. Under POC, the Group satisfies its performance obligation to deliver a portion of the property to the customer over time. The input method is based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred. Changes in estimates may affect the reported amounts of revenue, cost of real estate sales, contract assets and contract liabilities.

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

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

Determining Lease Commitments - Group as Lessor. The Group determines the highest and best use of its investment properties when measuring fair value. In making its judgment, the Group takes into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The Group has determined that the highest and best use of the investment properties is their current use.

Classifying Lease Commitments - Group as a Lessee. The Group has entered into lease agreements as a lessee. For these leases, the Group availed of the exemption for short-term leases with term of 12

months or less. Accordingly, lease payments on short-term leases were recognized as expense on a straight-line basis over the lease term.

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

Accounting Estimates and Assumptions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Estimating Retirement Expense. The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 22 to the consolidated financial statements and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect net retirement liability.

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

4. CASH AND CASH EQUIVALENTS

This account consists of:

	September 2021	December 2020	September 2020
Cash on hand	195,000	155,000	140,000
Cash in bank	597,891,689	581,633,212	1,036,888,585
Cash equivalents	539,564,596	359,291,262	1,383,505,251
	1,137,651,285	941,079,474	2,420,533,836

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

5. FINANCIAL ASSETS AT FVPL

Financial assets at FVPL amounting to ₱2,727.3 million and ₱3,257.3 million as at September 30, 2021 and December 31, 2020, respectively, represent units of participation in money market fund-

Financial assets at FVPL include unrealized gains (loss) amounting to ₱0.02 million and ₱3.80 million for the nine months ended September 30, 2021 and 2020, respectively, and included as part of "Other income" account in the interim consolidated statements of comprehensive income. Realized gain on disposals of financial assets at FVPL amounted to ₱16.78 million and ₱17.04 million for the nine months ended September 30, 2021 and 2020, respectively (see Note 21).

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

6. RECEIVABLES

This account consists of:

	September 2021	December 2020	September 2020
Trade receivables from:			
Sale of real estate	330,100,633	253,834,678	393,356,177
Leasing	156,548,323	88,911,921	70,826,131
Due from related parties	74,817,708	58,112,709	93,873,613
Accrued rent receivables	77,636,104	89,557,339	56,934,566
Interest receivable	52,752,330	22,733,591	23,008,145
Advances to employees	9,619,526	10,532,725	12,834,720
Receivable from non-affiliated entity	-	11,534,432	12,917,857
Other receivables	13,256,924	4,230,664	24,661,126
	714,731,548	539,448,059	688,412,335
Allowance for impairment losses	(368,292)	(368,292)	(368,292)
	714,363,256	539,079,767	688,044,043

The aging analysis of receivables are shown below:

	Neither Past Due nor Impaired	Past Due but Not Impaired			Past due and impaired	TOTAL
		Within 6 months	7 months to 1 year	More than 1 year		
Receivables	245,337,525	205,807,628	112,503,649	150,346,162	368,292	714,363,256

Trade receivables from sale of real estate pertain to receivables from sale of condominium units and residential townhouses that were already billed. These receivables are noninterest-bearing and generally collectible within sixty (60) days. Titles to the units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Trade receivables from leasing operations are noninterest-bearing, unsecured and collectible within thirty (30) days.

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

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

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

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

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

7. CONTRACT ASSETS AND CONTRACT LIABILITIES

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

	September 2021	December 2020	September 2020
Contract assets	6,419,271,243	5,341,881,039	3,578,639,064
Contract liabilities	39,235,896	27,423,392	42,853,829
Net contract assets (liabilities)	6,380,035,347	5,314,457,647	3,535,785,235

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

Contract liabilities pertain to downpayments received from the real estate buyers at the inception of the contracts in which the related revenue is not yet recognized as at September 30, 2021 and December 31, 2020.

8. REAL ESTATE FOR SALE

This account consists of:

	September 2021	December 2020	September 2020
Raw land	947,034,368	947,034,368	947,034,368
Assets under construction	6,117,732,127	4,820,316,598	4,643,140,791
Condominium units for development	1,132,908,641	1,127,555,573	1,076,610,266
	8,197,675,136	6,894,906,539	6,666,785,425

Raw Land

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

Assets under Construction

Assets under construction consist of land and development costs of ongoing real estate projects of the Group. As at September 30, 2021, this account includes the land and development costs of Cebu Exchange, Savya Financial Center and Sevina Park (see Note 1).

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.

9. INVESTMENT PROPERTIES

This account consists of:

	September 2021	December 2020	September 2020
ACPT	5,923,624,013	5,586,840,650	5,588,487,951
Arya Residences:			
Commercial units	1,245,512,502	1,194,379,000	1,194,379,000
Parking slots	181,317,032	183,222,248	184,984,000
Raw Land:			
UPHI's Laguna and Tagaytay properties	663,537,365	646,948,931	603,819,003
Cazneau's property	456,479,841	361,039,841	291,822,499
ALCO's Batangas and Tagaytay properties	164,669,007	155,885,388	147,761,771
Courtyard Hall	186,852,783	186,852,783	181,402,330
	8,821,992,543	8,315,168,841	8,192,656,554

ACPT

Carrying amount of ACPT includes offices units and parking slots for lease. ACPT is used as collateral for loans payable amounting to ₱1,786.4 million and ₱1,858.7 million as at September 30, 2021 and December 31, 2020 (see Note 12).

Arya Residences' Commercial Units and Parking Slots

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

Raw Land

UPHI's raw land, with fair value amounting to ₱663.5 million and ₱646.9 million as at September 30, 2021 and December 31, 2020, 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 September 30, 2021 and December 31, 2020, the case with NAPOCOR is 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 to ₱164.7 million and ₱155.9 million as at September 30, 2021 and December 31, 2020, respectively.

Courtyard Hall

Courtyard Hall of Cazneau used for leasing operations were recognized at fair value amounting to ₱186.9 million as at September 30, 2021 and December 31, 2020.

Fair Value Measurement

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

Class of Property	Valuation Technique	Significant Inputs	September 2021	December 2020
ACPT	Discounted cash flow approach (DCF)	Rental rate for an office unit per square meter (sq.m.)	₱1,500	₱1,500
		Rental rate per parking slot	₱6,000	₱6,000
		Discount rate	8.53%	8.76%
		Vacancy rate	0-5%	0-10%
		Calculated no. of net leasable area (total sq. m.)	18,059	18,059
Arya Residences: Commercial units	Discounted cash flow approach	Rental rate per square meter (sq.m.)	₱3,000	₱3,000
		Rent escalation rate per annum (p.a.)	7%	7%
		Discount rate	8.53%	8.74%
		Vacancy rate	5%	2%
Parking slots		Rental rate per slot	₱6,500	₱6,500

Class of Property	Valuation Technique	Significant Inputs	September 2021	December 2020
Raw Land: UPHI's Laguna and Tagaytay properties Cazneau's Laguna Properties ALCO's Batangas and Tagaytay properties	Discounted cash flow approach	Rent escalation rate p.a.	7%	7%
		Discount rate	8.53%	8.74%
		Vacancy rate	10%	2%
	Market data approach	Price per sq. m.	₱2,000	₱1,950
		Value adjustments	20% - 25%	10% - 15%
	Market data approach	Price per sq. m.	₱14,500	₱11,300
		Value adjustments	5% - 10%	0% - 10%
Courtyard Hall	Depreciated replacement method	Price per sq. m.	₱1,490	₱1,339
		Value adjustments	5% - 20%	5% - 10%
Courtyard Hall	Depreciated replacement method	Estimated replacement cost	₱143,117,000	₱143,117,000
		Remaining economic life	38 years	38 years

Details of the valuation techniques used in measuring fair values of investment properties are as follows:

Discounted Cash Flow Approach

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

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

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

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

Market Data Approach

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

The inputs to fair valuation are as follows:

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

Depreciated Replacement Cost Method

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

10. PROPERTY AND EQUIPMENT

The balances and movements of this account consist of:

	September 2021					
	Building and Building Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost						
Balance at beginning of year	245,553,426	81,884,580	61,863,122	25,272,784	78,500	414,652,412
Additions	-	18,485,084	2,993,674	61,118	-	21,539,876
Disposals	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
Balance at end of year	245,553,426	100,369,664	64,856,796	25,333,902	78,500	436,192,288
Accumulated Depreciation and Amortization						
Balance at beginning of year	31,001,486	38,464,741	48,234,946	16,704,245	54,515	134,459,933
Depreciation and amortization	3,398,399	13,632,743	5,442,489	2,396,441	19,625	24,889,697
Disposals	-	-	-	-	-	-
Balance at end of year	34,399,885	52,097,484	53,677,435	19,100,686	74,140	159,349,630
Carrying Amount	211,153,541	48,272,180	11,179,361	6,233,216	4,360	276,842,658

	December 2020					
	Building and Building Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
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

	September 2020					
	Building and Building Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Total
Cost						
Balance at beginning of year	236,920,371	66,718,966	57,040,879	15,255,826	78,500	376,014,542
Additions	16,525,352	8,925,388	4,572,409	1,759,211	-	31,782,359
Disposals	-	(5,303,543)	-	-	-	(5,303,543)
Reclassification	-	-	-	-	-	-
Balance at end of year	253,445,723	70,340,811	61,613,288	17,015,037	78,500	402,493,359
Accumulated Depreciation and Amortization						
Balance at beginning of year	7,367,916	27,813,327	43,469,345	14,785,891	28,348	93,464,827
Depreciation and amortization	15,891,019	9,965,827	3,007,475	1,692,046	19,625	30,575,991
Disposals	-	(4,196,221)	-	-	-	(4,196,221)
Balance at end of year	23,258,935	33,582,932	46,476,820	16,477,937	47,973	119,844,596
Carrying Amount	230,186,789	36,757,879	15,136,468	537,100	30,527	282,648,762

Depreciation and amortization on property and equipment were included as part of "Operating expenses" account in the interim consolidated statements of comprehensive income.

11. OTHER ASSETS

This account consists of:

	September 2021	December 2020	September 2020
Input VAT	743,803,821	588,339,255	540,498,168
CWT	450,954,729	383,145,049	372,255,826
Advances for project development	396,796,877	560,825,051	602,362,852
Advances for asset purchase	218,784,199	90,000,000	-
Amounts held in escrow	146,235,747	85,052,814	112,703,950
Prepayments	139,909,716	202,273,283	186,496,729
Deposits	82,424,171	56,072,105	75,997,139
Deferred input VAT	23,086,556	10,556,594	25,160,270
Materials and supplies	1,341,909	1,341,909	1,341,909
	2,203,337,725	1,977,606,060	1,916,816,843

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.

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 existing loans with certain banks and the amount of which is equivalent to a quarterly principal and interest amortization.

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

Deposits pertain to utility deposits, deposits for professional services, 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.

12. LOANS PAYABLE

This account consists of:

	September 2021	December 2020	September 2020
Local banks	10,763,196,835	9,220,969,353	9,164,604,867
Private funders	86,723,970	84,723,970	84,723,970
	10,849,920,805	9,305,693,323	9,249,328,837

Local bank loans

Loans from local banks consist of interest-bearing secured and unsecured loans obtained to finance project development and working capital requirements of the Group and carries interest rates ranging from 4.75% to 7.50% per annum (p.a.) in 2021 and 5.50% to 8.58% p.a. in 2020.

Construction of Cebu Exchange

In 2017, CLLC entered into an OLSA for a credit line of ₱2,350.0 million with a local bank, to partially

finance the development and construction of Cebu Exchange. Loan proceeds was received in several drawdowns within a period of three years after initial drawdown. The outstanding loan balance is secured by Cebu Exchange property and pledge of shares of ALCO and a non-controlling interest in CLLC.

Construction of ACPT

In 2015, the Parent Company entered into an OLSA for a credit line of ₱2,000.0 million, to partially finance the cost of construction and development of the ACPT. The outstanding loan balance is secured by the ACPT building and a security trust agreement covering the maintenance of revenue and operating accounts, project receivables and project agreements. As of September 30, 2021 and December 31, 2020, ALCO is required to maintain a current ratio of at least 1.50x and a debt to equity ratio of not more than 2.00x based on the annual consolidated financial statements of the Group. ALCO has current ratio of 2.24x and debt to equity ratio of 1.33x, based on its consolidated financial statements as at December 31, 2020, which is compliant with the financial covenants.

Acquisition of land and construction of Savya Financial Center

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

Development of Green Projects

On February 14, 2020, ALCO entered into a term loan agreement of ₱1,000.0 million with a local bank to obtain financing for the Group' eligible green projects, including land banking, investments and refinancing in relation to eligible green projects. A drawdown of ₱1,000.0 million was made within the same year. ALCO is required to submit a regular disbursement report to the bank soon after the date the proceeds was utilized to confirm that the proceeds has been used for the eligible green projects as may be reasonably practicable. The Group is required to maintain debt to equity ratio of not more than 2.00x and current ratio of at least 1.50x based on the audited consolidated financial statements. As at December 31, 2020, the Group is compliant with these financial ratios.

Acquisition of land and construction of Sevina Park Villas

In August 2021, Cazneau entered into an OLSA for a credit line of ₱1,000.0 million with a local bank, to partially finance the acquisition of land and the cost of construction and development of Sevina Park Villas. This loan facility is secured by real estate mortgage over a parcel of land of Cazneau together with the buildings and improvements existing at the time of loan or which may be erected or constructed thereon. Cazneau is required to maintain a current ratio of at least 1.50x and a debt to equity ratio of not more than 2.0x every April 30 of each year based on the annual audited financial statements of the company.

Private Funders

Outstanding balances of the loans from private funders amounting to ₱86.7 million as at September 30, 2021 and December 31, 2020 have interest rate of 3.50% p.a., are unsecured and are for working capital requirements of the Group.

13. BONDS PAYABLE

Details of this account is as follows:

	September 2021	December 2020	September 2020
Balance at beginning of the year	3,000,000,000	3,000,000,000	3,000,000,000
Unamortized debt issue cost	(35,824,275)	(41,473,302)	(43,745,394)
	2,964,175,725	2,958,526,698	2,956,254,606

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

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

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

14. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	September 2021	December 2020	September 2020
Accounts payable	320,674,707	211,944,127	469,621,621
Accrued expenses	1,108,229,755	1,036,029,673	395,158,606
Deferred output VAT	899,813,808	885,587,128	749,510,576
Retention payable	434,154,410	392,975,986	360,176,344
Payable to customers	260,612,769	77,783,371	161,836,123
Dividends payable	171,518,751	5,559,031	5,562,765
Security deposits	80,910,156	81,124,014	89,001,720
Advance rent	45,148,776	36,183,597	47,945,689
Withholding taxes payable	28,805,587	26,663,745	24,485,236
Construction bonds	20,987,637	29,108,948	29,108,948
Income tax payable	5,628,874	3,240,094	5,774,394
Others	8,506,794	6,744,247	9,405,830
	3,384,992,024	2,792,943,961	2,347,587,852

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

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

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

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

Payable to 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.

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

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

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

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

15. RELATED PARTY TRANSACTIONS

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

Share Purchase Agreement

The Parent Company has an outstanding receivable from CPG amounting to ₱36.1 million as at September 30, 2021 and December 31, 2020 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 September 30, 2021 and December 31, 2020.

Management Fee

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

Compensation of Key Management Personnel

The compensation of key management personnel are as follows:

	September 2021 (Nine Months)	December 2020 (Twelve Months)	September 2020 (Nine Months)
Salaries and other employee benefits	62,399,794	89,599,050	55,525,185

	September 2021 (Nine Months)	December 2020 (Twelve Months)	September 2020 (Nine Months)
Retirement benefits expense	-	24,095,262	-
	62,399,794	113,694,312	55,525,185

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 ₱40.4 million and ₱50.9 million as at September 30, 2021 and December 31, 2020, respectively.

The retirement fund neither provides any guarantee or surety for any obligation of the Parent Company nor its investments covered by any restrictions or liens.

Advances from Non-controlling Interests

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

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

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

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

	Nature of Relationship	Nature of Transaction	Amount of Transactions		Outstanding Balance	
			September 2021	December 2020	September 2021	December 2020
Advances from non-controlling interests						
Help Holdings, Inc.	Non-controlling interest	Advances for project development	-	427,947,235	495,919,597	495,919,597
Rock & Salt B.V.	Non-controlling interest	Advances for project development	-	165,000,000	676,666,700	676,666,700
Mitsubishi Estate Company, Limited	Non-controlling interest	Advances for project development	-	195,000,000	195,000,000	195,000,000
			-	787,947,235	1,367,586,297	1,367,586,297

16. EQUITY

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

	September 2021		December 2020	
	Preferred	Common	Preferred	Common
Authorized	50,000,000	16,368,095,199	50,000,000	16,368,095,199
Par value per share	₱1.00	₱0.18	₱1.00	₱0.18
Issued and outstanding	42,500,000	5,318,095,199	42,500,000	5,318,095,199

Preferred Shares

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

	September 2021		December 2020	
	Number of shares	Amount	Number of shares	Amount
Issued and outstanding				
Balance at beginning of year	42,500,000	₱42,500,000	42,500,000	₱42,500,000
Issuance during the year	-	-	-	-
Balance at end of year	42,500,000	42,500,000	42,500,000	42,500,000
Parent Company's preferred shares held by a subsidiary	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)
	30,000,000	₱30,000,000	30,000,000	₱30,000,000

ALCO issued 12.5 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the “Series A” preferred shares) to MPI and 30.0 million preferred shares (the “Series B” and “Series C” preferred shares) which are likewise cumulative, nonvoting, nonparticipating, and nonconvertible Peso-denominated, among other conditions, to the public at the issuance price of ₱100 a share at ₱1.00 par value a share. MPI acquired the 12.5 million Series A preferred shares at a ₱1.00 par value a share.

In 2019, the Parent Company recognized additional paid-in capital related to the issuance of Series C preferred shares amounting to ₱990.0 million arising from the excess of the proceeds over par value of the shares sold. Total cost incurred in the offering and issuance of Series C preferred shares to the public amounted to ₱14.2 million consisting of ₱1.7 million which was charged to profit or loss and ₱12.5 million which was recognized as reduction to additional paid-in capital.

Dividend Declaration

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

Declaration Date	Stockholders of Record Date	Payment Date	Share	Amount	Dividend per Share
August 4, 2021	September 7, 2021	September 27, 2021	Series C preferred shares	17,319,000	1.73
August 4, 2021	August 20, 2021	September 6, 2021	Series B preferred shares	35,229,000	1.76
June 25, 2021	July 9, 2021	July 30, 2021	Common shares	63,817,142	0.012
May 5, 2021	June 7, 2021	June 27, 2021	Series C preferred shares	17,319,000	1.73
May 5, 2021	May 19, 2021	June 6, 2021	Series B preferred shares	35,229,000	1.76
January 27, 2021	March 8, 2021	March 27, 2021	Series C preferred shares	17,319,000	1.73
January 27, 2021	February 15, 2021	March 6, 2021	Series B preferred shares	35,229,000	1.76
				₱ 221,461,142	

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	₱1.730
October 21, 2020	November 13, 2020	December 6, 2020	Series B preferred shares	35,229,000	1.760
August 5, 2020	September 4, 2020	September 27, 2020	Series C preferred shares	17,319,000	1.730
August 5, 2020	August 19, 2020	September 6, 2020	Series B preferred shares	35,229,000	1.760
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	1.730
May 6, 2020	May 21, 2020	June 6, 2020	Series B preferred shares	35,229,000	1.760
January 29, 2020	March 6, 2020	March 27, 2020	Series C preferred shares	17,319,000	1.730
January 29, 2020	February 14, 2020	March 6, 2020	Series B preferred shares	35,229,000	1.760
				₱274,009,142	

Other Equity Reserves

This account consists of:

	September 2021	December 2020	September 2020
Effect of change in the Parent Company's ownership interest in a subsidiary	229,500,000	229,500,000	229,500,000
Stock options outstanding	6,485,553	6,485,553	-
Cumulative remeasurement gains (losses) on net retirement liability - net of tax	(5,622,407)	(5,622,407)	(207,724)
	230,363,146	230,363,146	229,292,276

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).

The excess of proceeds over cost of disposed interest and the related taxes were previously reflected under the Other Income and Income Tax Expense accounts, respectively, in the Group's interim consolidated financial statements as of and for the period ended September 30, 2020. Under PFRS 10, *Consolidated Financial Statements*, changes in a parent's ownership interest that do not result in the parent losing control are equity transactions. Accordingly, the Group restated its September 30 financial statements to conform with the requirements of the accounting standards and to align with the classification in the Audited Financial Statements as of and for the year ended December 31, 2020. The details of the restatement and its corresponding impact in the Group's interim consolidated financial statements as of and for the period ended September 30, 2020 are as follows:

Profit and Loss:

	For the nine months ended September 30, 2020		
	As Previously Reported	Adjustments	As Restated
Other income - net	295,905,361	(270,000,000)	25,905,361
Provision for Income Tax	315,798,913	(40,500,000)	275,298,913
Decrease in Net income		(229,500,000)	

Financial Position:

	As of September 30, 2020		
	As Previously Reported	Adjustments	As Restated
Retained Earnings	3,778,991,163	(229,500,000)	3,549,491,163
Other Equity Reserves	(207,724)	229,500,000	229,292,276
Effect in Total Equity		-	

Cash Flows:

	As of September 30, 2020		
	As Previously Reported	Adjustments	As Restated
Net cash used in operating activities	(1,905,292,923)	(429,500,000)	(2,334,792,923)
Net cash generated from financing activities	5,841,140,204	429,500,000	6,270,640,204
Effect in Ending Cash balance		-	

Stock Options Outstanding

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

after he or she has rendered the mandatory one year service to the Corporation in accordance with the following schedule:

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

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

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

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

As at September 30, 2021 and December 31, 2020, none of the qualified employees have exercised their options.

Use of Proceeds

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 and will accrue to the Group.

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

In millions

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursements			Balance for Disbursement
			As of 12/31/20	For Q1 2021	As of 03/31/21	
Cebu Exchange Project	53.6	53.6	53.6		53.6	-
Binan Laguna Project	331.9	331.9	314.1	17.8	331.9	-
Makati CBD Residential Project	371.6	371.6	371.6		371.6	-
Partial Repayment of Loans	330.0	330.0	330.0		330.0	-
South of Metro Manila Project	822.4	822.4	822.4		822.4	-
General Corporate Purposes	62.3	63.4	63.4		63.4	-
TOTAL	1,971.8	1,972.9	1,955.1	17.8	1,972.9	-

Series C

The estimated gross 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. All proceeds were fully utilized as at December 31, 2019.

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

In millions

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at 12/31/2019	Balance for Disbursement as at December 31, 2019
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	—
Total	984.1	985.3	985.3	—

17. REVENUES

The account consists of:

	September 2021 (Nine Months)	December 2020 (Twelve Months)	September 2020 (Nine Months)
Real estate sales of:			
Cebu Exchange	977,479,269	2,126,330,823	964,693,897
Savya Financial Center	466,564,127	713,085,853	216,185,397
Sevina Park	226,341,700	79,707,222	-
Leasing revenue	245,215,696	371,576,866	274,533,164
Project Management fees	13,302,784	10,852,292	8,127,138
	1,928,903,576	3,301,553,056	1,463,539,596

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*.

Project management fees pertain to services rendered by EPPI 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. COST AND EXPENSES

The account consists of:

	September 2021 (Nine Months)	December 2020 (Twelve Months)	September 2020 (Nine Months)
Cost of real estate sales	977,454,901	1,549,173,465	695,848,176
Cost of leasing operations	80,512,746	124,447,609	83,514,432
Cost of services	8,709,116	9,360,207	7,275,368
	1,066,676,763	1,682,981,281	786,637,976

19. OPERATING EXPENSES

Details of operating expenses by nature are as follows:

	September 2021 (Nine Months)	December 2020 (Twelve Months)	September 2020 (Nine Months)
Personnel costs	154,574,766	198,294,314	120,759,524
Advertising	121,983,212	79,149,719	62,803,704
Commissions	92,586,246	183,356,373	102,785,382

	September 2021	December 2020	September 2020
	(Nine Months)	(Twelve Months)	(Nine Months)
Communication and office expenses	39,976,084	24,899,585	18,330,950
Management and professional fees	33,318,100	46,042,592	30,321,326
Taxes and licenses	27,579,612	41,876,882	32,879,160
Depreciation and amortization	24,889,697	42,966,008	30,575,991
Insurance	14,211,720	15,268,232	10,838,890
Transportation and travel	8,491,768	17,880,159	5,214,978
Repairs and maintenance	3,460,375	3,550,213	2,372,960
Utilities	1,691,016	4,038,002	2,500,685
Rental	1,485,110	2,976,306	2,550,264
Representation	741,440	2,910,588	1,125,020
Others	15,323,908	17,013,458	10,754,306
	540,313,054	680,222,431	433,813,140

20. FINANCE COSTS

Finance costs relate to the following:

	September 2021	December 2020	September 2020
	(Nine Months)	(Twelve Months)	(Nine Months)
Interest expense	213,547,181	278,898,562	161,553,977
Bank charges	1,701,340	2,285,398	823,214
	215,248,521	281,183,960	162,377,191

21. OTHER INCOME – NET

This account consists of:

	September 2021	December 2020	September 2020
	(Nine Months)	(Twelve Months)	(Nine Months, As Restated)
Realized gain on disposals of financial assets at FVPL	16,775,021	19,071,132	17,042,750
Forfeited collections	5,623,135	89,286	-
Interest income	2,455,955	9,379,745	4,547,055
Unrealized holding gains on financial assets at FVPL	22,398	12,217,775	3,795,749
Foreign exchange gains (losses)	13,987	(8,843)	(3,735)
Loss on disposal of property and equipment	-	(73,601)	(73,601)
Loss on sale of investment properties	-	(461,752)	-
Others	1,735,096	2,026,461	597,143
	26,625,592	42,240,203	25,905,361

22. RETIREMENT LIABILITY

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

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

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

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

	September 2021	December 2020	September 2020
Balance at beginning of period	101,496,418	99,880,460	99,880,460
Retirement expense:			
Current service cost	22,541,984	18,666,937	7,006,966
Interest cost	-	5,213,760	-
Past service cost	-	-	-
Remeasurement loss	-	7,735,261	-
Contribution to retirement plan assets	-	(30,000,000)	-
Balance at end of period	124,038,402	101,496,418	106,887,426

23. INCOME TAXES

The components of income tax expense (benefit) are as follows:

	September 2021	December 2020	September 2020
Reported in Profit or Loss			
Current income tax expense:			
RCIT	4,295,033	11,650,910	6,017,166
MCIT	2,598,056	9,901,241	7,928,170
Final taxes	3,779,198	6,065,051	2,043,056
Gross income tax (GIT)	3,034,251	2,399,074	1,250,139
	13,706,538	30,016,276	17,238,531
Deferred tax expense (benefit)	(121,732,599)	460,254,146	258,060,382
	(108,026,061)	490,270,422	275,298,913
Reported in OCI			
Deferred tax benefit related to remeasurement losses on net retirement liability	-	2,320,578	-

Deferred Tax Assets and Deferred Tax Liabilities

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

	September 2021	December 2020	September 2020
Deferred tax assets:			
NOLCO	211,197,592	186,618,977	140,637,210
Retirement liability	31,009,601	30,448,926	32,066,228
Advance rent	7,715,438	8,608,314	11,376,322
Excess MCIT over RCIT	18,304,956	15,706,900	13,733,828
Unrealized foreign exchange loss (gain)	(2,812)	2,654	181,536
Allowance for impairment losses	92,073	110,488	110,488
	268,316,848	241,496,259	198,105,612
Deferred tax liabilities:			
Cumulative gain on change in fair value of investment properties	1,302,821,399	1,415,105,254	1,399,960,628
Excess of financial over taxable gross profit	545,566,357	523,413,731	300,794,209
Accrued rent receivable	12,957,642	17,144,444	17,805,071
Depreciation of investment properties	29,857,910	26,332,554	23,400,225
Transfer of fair value to property and equipment	10,614,267	12,939,297	13,006,689
Capitalized debt issue costs	8,195,193	9,989,503	10,041,262
Unrealized foreign exchange gain		-	171,119
	1,910,012,768	2,004,924,783	1,765,179,203
Net deferred tax liabilities	1,641,695,920	1,763,428,524	1,567,073,591

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

	September 2021	December 2020	September 2020
Income tax computed at statutory tax rate	240,264,821	497,818,418	345,105,587
Add (deduct) tax effects of:			
Nondeductible expenses and nontaxable income	(39,110,530)	2,923,947	(8,949,092)
Income subject to GIT	(14,398,796)	(11,721,196)	(16,570,896)
Change in unrecognized deferred tax assets	6,951,011	2,412,913	2,418,042
Expired NOLCO	-	5,550,944	-
Income subject to final tax	(1,011,568)	(6,714,604)	(46,704,728)
Benefit from change in tax rates	(300,720,999)	-	-
	(108,026,061)	490,270,422	275,298,913

PEZA Registration

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

Under the PEZA Registration Agreement, ACPT is entitled to:

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

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

Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) 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. On March 26, 2021, the CREATE Bill was signed into law under Republic Act (RA) 11534 or the CREATE Act.

Accordingly, the income tax rates used in preparing the interim consolidated financial statements as at September 30, 2021 are 25% and 1% for RCIT and MCIT, respectively.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign Currency Risk

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

Credit Risk

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

Trade Receivables and Contract Assets

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

As at September 30, 2021 and December 31, 2020, there were no significant credit concentrations. The maximum exposure at the end of the reporting period is the carrying amount of trade receivables and contract assets.

Other Financial Assets at Amortized Cost

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

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

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

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

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

Financial Assets at FVPL

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

Liquidity Risk

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

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

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

Interest Rate Risk

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

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

The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed

as future interest rate changes are not expected to significantly affect the Group's consolidated net income.

Impact of COVID-19

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

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

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

25. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

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

	September 2021	December 2020	September 2020
Total liabilities	20,384,479,965	18,317,098,613	18,203,520,428
Total equity	10,126,832,096	9,230,104,456	8,228,483,789
Debt-to-equity ratio	2.01:1	1.98:1	2.21:1

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

26. EARNINGS PER SHARE (EPS)

Basic and diluted earnings (loss) per share are computed as follows:

	September 2021	December 2020	September 2020
Net income attributable to equity holders of the Parent Company	567,819,131	887,295,539	667,034,926
Less: Dividends declared to Series B and Series C Preferred Shares	(157,644,750)	(210,192,000)	(157,644,000)
	410,174,381	677,103,539	509,390,926
Divided by weighted average number of outstanding common shares	5,318,095,199	5,318,095,199	5,318,095,199
Basic EPS	0.0771	0.1273	0.0958

Add dilutive shares arising from stock options	55,400,000	55,400,000	-
Adjusted weighted average number of common shares for diluted EPS	5,373,495,199	5,373,495,199	5,318,095,199
Dilluted EPS	0.0763	0.1260	0.0958

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

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

27. FAIR VALUE MEASUREMENT

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

	Carrying Amount	September 2021		
		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	2,727,343,319	2,727,343,319	-	-
Investment properties	8,821,992,543	-	1,396,675,557	7,425,316,986
Financial assets at amortized cost -				
Deposits	82,424,171	-	-	82,424,171
	11,631,760,033	2,727,343,319	1,396,675,557	7,507,741,157
Liability for which fair value is disclosed -				
Loans payable	10,849,920,805	-	-	10,763,196,835
Bonds payable	2,964,175,725	-	-	2,964,175,725
	13,814,096,530	-	-	13,727,372,560

	Carrying Amount	December 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	3,257,288,870	3,257,288,870	-	-
Investment properties	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	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	9,305,693,323	-	-	9,220,969,353

		December 2020		
		Fair Value		
	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bonds payable	2,958,526,698	–	–	2,958,526,698
	12,264,220,021	–	–	12,179,496,051

		September 2020		
		Fair Value		
	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:				
Financial assets at FVPL	2,685,879,690	2,685,879,690	–	–
Investment properties	8,192,656,554	–	781,628,027	7,411,028,527
Asset for which fair value is disclosed -				
Financial assets at amortized cost -				
Deposits	75,997,139	–	–	75,997,139
	10,954,533,383	2,685,879,690	781,628,027	7,487,025,666
Liability for which fair value is disclosed -				
Loans payable	9,164,604,867	–	–	9,164,604,867
Bonds payable	2,956,254,606	–	–	2,956,254,606
	12,120,859,473	–	–	12,120,859,473

The table below presents the financial assets and liabilities of the Group whose carrying amounts approximate fair values as at September 30, 2021 and December 31, 2020:

	September 2021	December 2020	September 2020
Financial assets:			
Cash and cash equivalents	1,137,651,285	941,079,474	2,420,533,836
Receivables*	639,545,548	449,522,428	594,170,430
Contract assets	6,419,271,243	5,341,881,039	3,578,639,064
Amounts held in escrow	146,235,747	85,052,814	112,703,950
	8,342,703,823	6,817,535,755	6,706,047,280
Financial liabilities:			
Accounts payable and other liabilities**	2,144,982,210	1,763,486,026	1,358,035,834
Advances from non-controlling interests	1,367,586,297	1,367,586,297	1,933,534,287
	3,512,568,507	3,131,072,323	3,291,570,121

*Excludes accrued rent receivable under straight-line basis of accounting aggregating to ₱74.8 million, ₱89.6 million and ₱93.9 million as at September 30, 2021, December 31, 2020, and September 30, 2020, respectively.

**Excludes payable to customers, advance rent and statutory liabilities aggregating to ₱1,240.0 million, ₱1,029.5 million and ₱989.6 million as at September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

28. CLASSIFICATION OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ACCOUNTS

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

	September 2021	December 2020	September 2020
Current Assets			
Cash and cash equivalents	1,137,651,285	941,079,474	2,420,533,836
Financial asset at fair value through profit or loss	2,727,343,319	3,257,288,870	2,685,879,690
Receivables	714,363,256	539,079,767	688,044,043
Contract assets	6,419,271,243	5,341,881,039	3,578,639,064
Real estate for sale	8,197,675,136	6,894,906,539	6,666,785,425
Other assets*	2,097,826,998	1,910,977,361	1,815,659,434
	21,294,131,237	18,885,213,050	17,855,541,492

*Excludes non-current portion of deposits and deferred input VAT amounting to ₱105.5 million, ₱66.6 million and ₱101.2 million as at September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

Current Liabilities			
Current portion of loans payable	5,808,959,857	4,225,205,340	3,884,672,090
Accounts payable and other liabilities	3,384,992,024	2,792,943,961	2,347,587,852
Contract liabilities	39,235,896	27,423,392	42,853,829
Advances from non-controlling interests	1,367,586,297	1,367,586,297	1,933,534,287
	10,600,774,074	8,413,158,990	8,208,648,058

29. OPERATING SEGMENT INFORMATION

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

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

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

The following tables present revenue and expense information and certain assets and liabilities information regarding the different business segments as at and for the period ended September 30, 2021, December 31, 2020 and September 30, 2020:

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

September 2021						
	Sale of Real Estate	Leasing	Property Management Services	Corporate	Eliminations	Total
Liabilities	(6,536,163,784)	(4,313,757,021)	-	(16,147,359,553)	6,612,800,393	(20,384,479,965)

December 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 (loss)	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 (loss) 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 (loss)						(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)

September 2020						
	Sale of Real Estate	Leasing	Property Management Services	Corporate	Eliminations	Total
Segment revenue	1,180,879,295	274,533,163	168,427,402	-	(160,300,264)	1,463,539,596
Segment expenses	(750,271,869)	(87,938,365)	(61,117,577)	(481,423,569)	160,300,264	(1,220,451,116)
Segment profit (loss)	430,607,426	186,594,798	107,309,825	(481,423,569)	-	243,088,480
Net gain on change in fair value of investment properties	-	908,735,306	-	-	-	908,735,306
Finance cost	(319,667)	(314,607,699)	-	(9,743,340)	162,293,515	(162,377,191)
Other income - net	-	-	-	25,905,361	-	25,905,361
Income (loss) before income tax	430,287,759	780,722,405	107,309,825	(465,261,548)	162,293,515	1,015,351,956
Provision for income tax						275,298,913
Net income						740,053,043
Other comprehensive income						-
Total comprehensive income						740,053,043
Assets	6,666,785,425	8,192,656,554	18,767,298	17,490,836,800	(5,937,041,860)	26,432,004,217
Liabilities	(4,693,475,017)	(4,555,853,820)	-	(13,736,196,032)	4,782,004,441	(18,203,520,428)

30. FINANCIAL RATIOS

Below is a schedule showing financial soundness indicators for the period ended September 30, 2021, December 31, 2020 and September 30, 2020:

RATIO	FORMULA	SEPT 2021	DEC 2020	SEPT 2020
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	2.01:1	2.24:1	2.18:1

RATIO	FORMULA	SEPT 2021	DEC 2020	SEPT 2020
Acid Test Ratio	$\frac{\text{Quick Assets}}{\text{Current Liabilities}}$	1.04:1	1.20:1	1.14:1
Solvency Ratios	$\frac{\text{Net Income before depreciation}}{\text{Total liabilities}}$	0.04:1	0.07:1	0.05:1
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	2.01:1	1.98:1	2.21:1
Interest-Bearing Debt-to-Equity Ratio	$\frac{\text{Total Interest Bearing Liabilities}}{\text{Total Equity}}$	1.36:1	1.33:1	1.48:1
Asset-to-Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	3.01:1	2.98:1	3.21:1
Interest Rate Coverage Ratio	$\frac{\text{Pretax Income before Interest}}{\text{Interest expense}}$	4.00:1	6.95:1	9.16:1
Return on Equity	$\frac{\text{Net Income}}{\text{Average Equity excluding Preferred Shares}}$	12.07%	21.75%	16.20%
Return on Assets	$\frac{\text{Net Income}}{\text{Average Total assets}}$	2.63%	4.97%	3.47%
Net Profit Margin	$\frac{\text{Net Income}}{\text{Revenue}}$	39%	35%	51%
Basic Earnings per Share	$\frac{\text{Net income less dividends declared}}{\text{Outstanding common shares}}$	0.0771	0.1273	0.0958
Price to Earnings Ratio	$\frac{\text{Market Price per share}}{\text{Earnings per share}}$	8.3:1	5.1:1	5.53:1
Dividend Yield	$\frac{\text{Dividends per share}}{\text{Market price per share}}$	1.48%	1.85%	2.26%

December 2020 ratio is based on full year income while September 2021 and September 2020 ratios are based on nine-month income.

31. EVENTS AFTER THE REPORTING PERIOD

Declaration of Cash Dividends

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

Class of shares	Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share
Series C preferred shares	October 20, 2021	December 3, 2021	December 27, 2021	₱17,319,000	₱1.73
Series B preferred shares	October 20, 2021	November 16, 2021	December 6, 2021	35,229,000	1.76

The dividends shall be taken out of the unrestricted earnings of the Parent Company as at September 30, 2021.

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

FINANCIAL POSITION

September 2021 vs December 2020

	SEPT 30, 2021	DEC 31, 2020	% Change
Cash and cash equivalents	P 1,137,651,285	P 941,079,474	21%
Financial assets at fair value through profit or loss (FVPL)	2,727,343,319	3,257,288,870	-16%
Receivables	714,363,256	539,079,767	33%
Contract Assets	6,419,271,243	5,341,881,039	20%

	SEPT 30, 2021	DEC 31, 2020	% Change
Real estate for sale	8,197,675,136	6,894,906,539	19%
Investment properties	8,821,992,543	8,315,168,841	6%
Property and equipment	276,842,658	280,192,479	-1%
Net deferred tax assets	12,834,896	-	100%
Other Assets	2,203,337,725	1,977,606,060	11%
Total Assets	30,511,312,061	27,547,203,069	11%
Loans payable	10,849,920,805	9,305,693,323	17%
Bonds payable	2,964,175,725	2,958,526,698	0%
Accounts payable and other liabilities	3,384,992,024	2,792,943,961	21%
Contract liabilities	39,235,896	27,423,392	43%
Advances from non-controlling interests	1,367,586,297	1,367,586,297	0%
Net retirement liability	124,038,402	101,496,418	22%
Net deferred tax liabilities	1,654,530,816	1,763,428,524	-6%
Total Liabilities	20,384,479,965	18,317,098,613	11%
Equity attributable to equity holders of the Parent Company			
Capital stock	999,757,136	999,757,136	0%
Additional paid-in capital	3,008,959,878	3,008,959,878	0%
Retained earnings	3,960,411,868	3,779,054,629	5%
Other equity reserves	230,363,146	230,363,146	0%
Parent Company's preferred shares held by a subsidiary	(12,500,000)	(12,500,000)	0%
	8,186,992,028	8,005,634,789	2%
Non-controlling interests	1,939,840,068	1,224,469,667	58%
Total Equity	10,126,832,096	9,230,104,456	10%
Total Liabilities and Equity	P 30,511,312,061	P 27,547,203,069	11%

The Company's total resources increased by 11% from ₱27.5 billion on December 31, 2020 to ₱30.5 billion as of September 30, 2021, due to the following:

21% Increase in Cash and Cash Equivalents

The increase in cash is accounted by the proceeds from loan availments and revenue collections, net of normal disbursement for operations and project related costs.

16% Decrease in Financial assets at fair value through profit or loss

The reduction was due to termination of money market placements which were subsequently used to fund the operating requirements of the company including its ongoing projects.

33% Increase in Receivables

The increase is largely due to the revenues recognized from the sale of office units in Cebu Exchange and Savya Financial Center that are already billed to buyers, as well as from receivables from ACPT tenants.

20% Increase in Contract Assets

The increase represents the excess of revenue recognized from the sale of Cebu Exchange, Savya Financial Center, and Sevina Park Villas over the amounts billed to the buyers.

19% Increase in Real Estate for Sale

The increase was mainly due to the additional construction costs incurred during the period for ongoing projects.

6% Increase in Investment Properties

The increase was attributable to the additional fair value gain recognized on investment properties during the first six (6) months of the year.

100% Increase in Net Deferred Tax Assets

The increase was related to the NOLCO recognized from a subsidiary's net loss for the period.

11% Increase in Other Assets

The increase was mainly due to the additional advances for purchase of a property and Input VAT payments.

Total liabilities increased by 11% from ₱18.3 billion on December 31, 2020 to ₱20.4 billion as of September 30, 2021, due to the following:

17% Increase in Loans Payable

The increase was largely attributed to drawdowns from various loan facilities to fund project related disbursements and working capital requirements.

21% Increase in Accounts Payable and other Liabilities

The increase was largely due to additional payables to contractors/suppliers for ongoing projects, payable to customers and dividends payable to shareholder of CLLC.

43% Increase in Contract Liabilities

The increase pertains to collections received from buyers of office units in Savya Financial Center, in which the related revenue is not yet recognized.

22% Increase in Retirement Liability

The increase was due to the additional provisions of retirement expense for the period.

6% Decrease in Net Deferred Tax Liabilities

The decrease was attributable to the reduction of income tax rates due to the implementation of CREATE bill which was approved into law on March 26, 2021.

Total equity increased by 10% from ₱9.2 billion on December 31, 2020 to ₱10.1 billion as at September 30, 2021 due to the following:

5% Increase in Retained Earnings

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

58% Increase in Non-Controlling Interests

The increase represents the non-controlling interests' share in the net income from CLLC and SLDC for the first nine months of 2021 and additional deposit for future stock subscription from a shareholder of SLDC.

FINANCIAL RATIOS

September 2021 vs December 2020

RATIO	FORMULA	SEPT 2021	DEC 2020	% Change
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	2.01:1	2.24:1	-10%
Acid Test Ratio	$\frac{\text{Quick Assets}}{\text{Current Liabilities}}$	1.04:1	1.20:1	-13%

RATIO	FORMULA	SEPT 2021	DEC 2020	% Change
Solvency Ratios	$\frac{\text{Net Income before depreciation}}{\text{Total liabilities}}$	0.04:1	0.07:1	-43%
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	2.01:1	1.98:1	2%
Interest-Bearing Debt-to-Equity Ratio	$\frac{\text{Total Interest Bearing Liabilities}}{\text{Total Equity}}$	1.36:1	1.33:1	2%
Asset-to-Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	3.01:1	2.98:1	1%
Interest Rate Coverage Ratio	$\frac{\text{Pretax Income before Interest}}{\text{Interest expense}}$	4.00:1	6.95:1	-42%
Return on Equity	$\frac{\text{Net Income}}{\text{Average Equity excluding Preferred Shares}}$	12.07%	21.75%	-44%
Return on Assets	$\frac{\text{Net Income}}{\text{Average Total assets}}$	2.63%	4.97%	-47%
Net Profit Margin	$\frac{\text{Net Income}}{\text{Revenue}}$	39%	35%	10%
Basic Earnings per Share	$\frac{\text{Net income less dividends declared}}{\text{Outstanding common shares}}$	0.0771	0.1273	-39%
Price to Earnings Ratio	$\frac{\text{Market Price per share}}{\text{Earnings per share}}$	8.3:1	5.1:1	63%
Dividend Yield	$\frac{\text{Dividends per share}}{\text{Market price per share}}$	1.48%	1.85%	-20%

FINANCIAL RATIOS

September 2021 vs September 2020

Ratio	Formula	SEPT 2021	SEPT 2020	% Change
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	2.01:1	2.18:1	-8%
Acid Test Ratio	$\frac{\text{Quick Assets}}{\text{Current Liabilities}}$	1.04:1	1.14:1	-9%
Solvency Ratios	$\frac{\text{Net Income before depreciation}}{\text{Total liabilities}}$	0.04:1	0.05:1	-20%
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	2.01:1	2.21:1	-9%
Interest-Bearing Debt-to-Equity Ratio	$\frac{\text{Total Interest Bearing Liabilities}}{\text{Total Equity}}$	1.36:1	1.48:1	-8%
Asset-to-Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	3.01:1	3.21:1	-6%
Interest Rate Coverage Ratio	$\frac{\text{Pretax Income before Interest}}{\text{Interest expense}}$	4.00:1	9.16:1	-56%
Return on Equity	$\frac{\text{Net Income}}{\text{Average Equity excluding Preferred Shares}}$	12.07%	16.20%	-25%
Return on Assets	$\frac{\text{Net Income}}{\text{Average Total assets}}$	2.63%	3.47%	-24%
Net Profit Margin	$\frac{\text{Net Income}}{\text{Revenue}}$	39%	51%	-23%
Basic Earnings per Share	$\frac{\text{Net income less dividends declared}}{\text{Outstanding common shares}}$	0.0771	0.0958	-20%
Price to Earnings Ratio	$\frac{\text{Market Price per share}}{\text{Earnings per share}}$	8.30:1	5.53:1	50%
Dividend Yield	$\frac{\text{Dividends per share}}{\text{Market price per share}}$	1.48%	2.26%	-35%

RESULTS OF OPERATIONS

September 2021 vs September 2020

	SEPT 30, 2021	SEPT 30, 2020	% Change
Revenues	P 1,928,903,576	P 1,463,539,596	32%
Cost and Expenses	1,066,676,763	786,637,976	36%
GROSS INCOME	862,226,813	676,901,620	27%
Administrative expenses	325,743,596	268,224,054	21%
Selling and marketing expenses	214,569,458	165,589,086	30%
OPERATING EXPENSES	540,313,054	433,813,140	25%
INCOME FROM OPERATIONS	321,913,759	243,088,480	-32%
OTHER OPERATING INCOME (EXPENSES)			
Finance costs	(215,248,521)	(162,377,191)	33%
Net gain on change in fair value of investment properties	507,318,725	908,735,306	-44%
Other income – net	26,625,592	25,905,361	3%
INCOME BEFORE INCOME TAX	640,609,555	1,015,351,956	-37%
PROVISION FOR INCOME TAX	(108,026,061)	275,298,913	-139%
NET INCOME	P 748,635,616	P 740,053,043	1%
NET INCOME ATTRIBUTABLE TO:			
Equity holders of Parent Company	567,819,131	667,034,926	-15%
Non-controlling interests	180,816,485	73,018,117	148%
	P 748,635,616	P 740,053,043	1%

From a ₱740.1 million reported net income in the third quarter of 2020, the company's bottom line improved by 1% to ₱748.6 million for the same period in 2021.

32% Increase in Revenues

Revenues attributable to percentage of completion rate for the period ended September 2021 were higher than that of the same period last year. In 2021, all construction activities at various project sites were uninterrupted unlike in 2020 when activities at the construction sites were halted for almost the whole of second quarter due to lockdown or community quarantine. In addition, revenue recognition from Sevina Park Villas which started in the last quarter of 2020 have now been continuously recognized.

36% Increase in Cost and Expenses

The increase in cost of sales and services is related to the increase in revenues.

21% Increase in Administrative Expenses

The increase was attributable to personnel costs and other administrative costs including expenses related to securing the safety of employees during the COVID-19 pandemic such as antigen testing, shuttle for employees and others.

30% Increase in Selling and Marketing Expenses

The increase was mainly attributable to advertising expenses for ongoing projects.

33% Increase in Finance Costs

The increase was attributable to interests from additional working capital loans availed by the company.

44% Decrease in Net Gain on Change in Fair Value of Investment Properties

The decrease was due to higher appraisal gain recognized for ACPT property in the second quarter of 2020.

139% Decrease in Provision for Income Tax

The tax benefit recognized for the period was attributable to the reduction of income tax rates due to the implementation of CREATE bill as mentioned under Net Deferred Tax Liabilities.

148% Increase in Net Income Attributable to Non-controlling Interests

The increase represents the non-controlling interests' share in the net income from CLLC and SLDC for the first nine months of 2021.

RESULTS OF OPERATIONS

July - September 2021 vs July – September 2020

	JULY 1 - SEPT 30, 2021	JULY 1 - SEPT 30, 2020	% Change
Revenues	P 683,924,747	P 577,668,831	18%
Cost and Expenses	361,462,638	315,821,942	14%
GROSS INCOME	322,462,109	261,846,889	23%
Administrative expenses	106,954,347	101,040,808	6%
Selling and marketing expenses	86,786,952	64,966,357	34%
OPERATING EXPENSES	193,741,299	166,007,165	17%
INCOME FROM OPERATIONS	128,720,810	95,839,724	34%
OTHER OPERATING INCOME (EXPENSES)			
Finance costs	(75,571,928)	(56,327,917)	34%
Net gain on change in fair value of investment properties	-	-	
Other income – net	4,105,264	10,674,804	-62%
	(71,466,664)	(45,653,113)	57%
INCOME BEFORE INCOME TAX	57,254,146	50,186,611	14%
PROVISION FOR INCOME TAX	30,078,023	(2,200,348)	-1467%
NET INCOME	P 27,176,123	P 52,386,959	-48%
NET INCOME ATTRIBUTABLE TO:			
Equity holders of Parent Company	(29,028,348)	20,069,429	-245%
Non-controlling interests	56,204,471	32,317,530	-74%
	P 27,176,123	P 52,386,959	-48%

Net income for the three-month period July to September 2021 went down by 48% to P27.2 million from P52.4 million in the same three-month period in 2020 due to the following:

18% Increase in Revenues

The increase was largely attributable to revenue recognized from the sale of Savya offices based on additional percentage of completion rate and revenue recognition from Sevina Park Villas which started in the last quarter of 2020.

14% Increase in Cost and Expenses

The increase in cost of sales and services was related to the increase in revenues.

6% Increase in Administrative Expenses

The increase was attributable to personnel costs and other administrative costs including expenses related to securing the safety of employees during the COVID-19 pandemic such as antigen testing, shuttle for employees and others.

34% Increase in Selling and Marketing Expenses

The increase was mainly attributable to advertising expenses for ongoing projects.

34% Increase in Finance Costs

The increase was attributable to interests from additional working capital loans availed by the company.

62% Decrease in Other Income - Net

The decrease was attributable to less gain on disposals of financial assets at FVPL recognized in the third quarter of 2021.

1467% Increase in Provision for Income Tax

The provision for income tax in the third quarter of 2021 was mainly related to higher taxable income of the parent company for the third quarter of 2021 as compared with the same period in 2020.

RESULTS OF OPERATIONS

September 2021 vs December 2020

	SEPT 30, 2021	DEC 31, 2020	% Change
Revenues	P 1,928,903,576	P 3,301,553,056	-42%
Cost and Expenses	1,066,676,763	1,682,981,281	-37%
GROSS INCOME	862,226,813	1,618,571,775	-47%
Administrative expenses	325,743,596	417,716,339	-22%
Selling and marketing expenses	214,569,458	262,506,092	-18%
OPERATING EXPENSES	540,313,054	680,222,431	-21%
INCOME FROM OPERATIONS	321,913,759	938,349,344	-66%
OTHER OPERATING INCOME (EXPENSES)			
Finance costs	(215,248,521)	(281,183,960)	-23%
Net gain on change in fair value of investment properties	507,318,725	959,989,140	-47%
Other income – net	26,625,592	42,240,203	-37%
INCOME BEFORE INCOME TAX	640,609,555	1,659,394,727	-61%
PROVISION FOR INCOME TAX	(108,026,061)	490,270,422	-122%
NET INCOME	P 748,635,616	P 1,169,124,305	-36%

	SEPT 30, 2021	DEC 31, 2020	% Change
NET INCOME ATTRIBUTABLE TO:			
Equity holders of Parent Company	567,819,131	887,295,539	-36%
Non-controlling interests	180,816,485	281,828,766	-36%
	P 748,635,616	P 1,169,124,305	-36%

The Company posted a consolidated net income of ₱748.6 million in the third quarter of 2021 as compared with the 2020 full year net income of ₱1,169.1 million.