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(Company's Full Name)

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

FRANCIS M. MONTOJO

(Contact Person)

8884-1106

(Company Telephone Number)

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Month		Day	
(Fiscal Year)			

SEC Form

1	7	-	Q	
(Form Type)				

Month		Day	
(Annual Meeting)			

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(Thirdary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **30 September 2022**
2. Commission Identification Number **163671**
3. BIR Tax Identification No. **000-804-342-000**
4. Exact name of issuer as specified in its charter **AyalaLand Logistics Holdings Corp.**
5. Province, country or other jurisdiction of incorporation or organization **Metro Manila, Philippines**
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office and postal code
3rd Floor Glorietta 5, Ayala Center, Makati City 1224
8. Issuer's telephone number, including area code **(632) 8884-1106**
9. Former name, former address and former fiscal year, if changed since last report:
N/A
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA
(As of 31 October 2022)

<u>Title of each Class</u>	<u>Number of shares of common stock outstanding</u>
Common shares	6,301,591,987

<u>Amount of Debt Outstanding</u>	
Outstanding Loans (consolidated)	P2.3 billion

11. Are any or all of the securities listed on a Stock Exchange?
Yes No

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

Philippine Stock Exchange	Common
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12. Indicate by check mark whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes No
 - (b) has been subject to such filing requirements for the past ninety (90) days.
Yes No

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

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

Consolidated Results of Operations

For the third quarter ended 30 September 2022, AyalaLand Logistics Holdings Corp. (ALLHC) posted total revenues of P1,012.1 million, 2% higher than the same period last year, while cost and expenses decreased by 2% to P722.8 million versus the previous year. Net income was at P226.3 million which was 45% higher than last year.

For the nine-month period ended 30 September 2022, consolidated revenues registered at P2,749.8 million, 5% higher than last year. Cost and expenses remained relatively flat at P2,010.6 million, or a 1% increase from the previous year. For the first nine months of the year, consolidated net income for the Group was P565.3 million or 40% higher than the previous year.

Driving the growth for the first nine months of the year were the improved warehouse leasing performance and higher industrial lot sales. Commercial leasing showed recovery with increased mobility and customer footfall.

Current year-to-date spending on capital expenditures amounted to P1,944 million.

Earnings per share for the period ended 30 September 2022 was P0.09 which was higher than P0.06 for same period last year.

By Business Segment

Table below shows the revenues per segment for the nine-month period ended 30 September 2022:

Segment	Amount – P' million			Change
	2022	2021	2022 vs 2021	
Real estate sales	1,208.9	1,155.4	53.5	5%
Rental and storage services	1,271.5	642.6	628.9	98%
Sale of electricity	269.4	822.1	(552.70)	(67%)
Total	2,749.8	2,620.1	129.7	5%

a) As of 30 September 2022, landbank was at 277 hectares.

b) Rental revenues were attributed to:

b.1) Warehouse leasing revenues for the quarter posted at P127.4 million, net of P26.9 million recoveries, higher by 33% from P95.8 million in the same period last year.

For the first nine months of 2022, warehousing leasing revenues posted at P442.3 million, net of P75.7 million recoveries, up by 48% from P299.2 million year-on-year.

The improved performance was due to higher occupancy and gross leasable area (GLA).

Total GLA for warehouse leasing was at 309,000 square meters (sqm.) as of 30 September 2022.

- b.2) Commercial leasing revenues for the quarter were at P136.8 million, net of recoveries amounting to P99.0 million, an increase of 49% versus last year's P91.8 million. Improvement in retail operations was seen with the increase in foot traffic.

For the nine-month period, commercial leasing revenues were P388.1 million, net of recoveries of P276.5 million, or 25% higher compared to P311.2 million in 2021 due to gradual recovery in commercial leasing with improved mall foot traffic.

Commercial leasing's GLA was at 94,800 sqm. as of 30 September 2022.

- b.3) Cold storage services contributed revenues of P32.0 million for the quarter versus P20.1 million for the same period last year.

For the nine-month period, cold storage revenue posted at P85.0 million, or 164% higher compared to P32.2 million last year. Other income amounted to P3.9 million.

- c) Sale of electricity was 84% lower at P38.5 million compared to the same quarter last year as the company shifts from retail electricity supply (RES) business to focus on the industrial real estate business. On year-to-date, revenues were P269.4 million or 67% lower than P822.1 million last year.

Laguna Technopark, Inc. & Subsidiary (LTI)

For the quarter, LTI's revenues decreased by 37% to P421.7 million, excluding recoveries of P25.0 million, from last year's P673.5 million mainly due to decrease in lot sales and reduction of revenue from sale of electricity. Accordingly, cost and expenses decreased by 46% to P280.7 million (net of recoveries) from P520.8 million compared to the same period last year.

The revenues attributable to sale of electricity was at P38.5 million or 84% lower compared to last year's P241.4 million due to assignment of RES contracts as the company increases its focus on the industrial real estate business.

Net income decreased by 15% for the third quarter of 2022 to P96.7 million versus P114.0 million last year due to the lower sale of lots cushioned by stronger performance of its warehouse leasing segment given higher gross leasable area and improved occupancy.

For the nine-month period ended 30 September 2022, revenues decreased by 30% to P1,084.7 million, net of recoveries, from last year's P1,541.0 million, on account of lower sale of electricity and lot sales. Cost and expenses decreased by 41% to P737.5 million, excluding recoveries. Net income was P255.8 million or 12% higher than last year.

Unity Realty & Development Corporation (URDC)

For the third quarter of 2022, URDC posted P319.0 million revenues or 57% growth compared to P202.6 million for same period last year. Cost and expenses for the quarter was P127.0 million or a 66% increase versus last year. Net income for this quarter registered at P205.7 million, a 118% increase, from P94.2 million for the same period last year.

For the nine-month period ended 30 September 2022, revenues registered at P873.4 million or a 24% increase over last year's P702.5 million. Cost and expenses amounted to P354.3 million or a 32%

increase compared to last year. Net income was P550.7 million or a 47% increase over last year.

Tutuban Properties, Inc. (TPI)

Revenues for the third quarter stood at P95.1 million, excluding recoveries of P56.6 million, or 92% higher than the P49.4 million revenues last year. Cost and expenses this quarter increased by 4% to P44.5 million, net of recoveries, from P42.8 million last year.

For the quarter ended 30 September 2022, TPI posted a net income of P21.5 million, or 277% higher than the net loss of P12.2 million for the same period last year.

On year-to-date, revenues were at P253.0 million, excluding recoveries of P163.3 million, or 57% higher than the previous year's P161.4 million. Cost and expenses (net of recoveries) posted at P133.2 million or 7% higher than last year's P123.9 million. TPI registered a net income of P28.6 million or 184% improvement from last year's net loss of P33.8 million.

LCI Commercial Ventures, Inc. (LCVI)

Revenues for third quarter registered at P8.2 million, excluding recoveries of P2.0 million, or 62% lower than last year's P21.5 million. This was due to lower occupancy given ongoing warehouse renovation activities. Moreover, cost and expenses posted at P14.3 million, excluding recoveries, which was 19% higher due to incurred operating expenses and depreciation.

Net loss for the quarter posted at P5.9 million or 147% lower than last year due to reduction of revenue and higher cost and expenses.

For the nine-month period ended 30 September 2022, revenues were P48.4 million net of recoveries amounting to P9.7 million or 20% lower than previous year's revenues of P60.5 million. Cost and expenses posted at P41.7 million (excluding recoveries) or 44% higher than last year. Year-to-date net income was P2.2 million or 91% lower than last year.

Orion Land Inc. (OLI)

For the third quarter, total revenues posted at P42.2 million, exclusive of P42.4 million recoveries, or 7% lower than the P45.6 million revenues of last year. Cost and expenses recorded at P52.5 million, excluding recoveries, which was 14% higher than last year's P44.2 million due to higher operating cost. OLI posted a net loss of P5.4 million versus net income of P2.1 million in the same period last year.

On year-to-date, revenues were P138.2 million, net of recoveries amounting to P113.2 million, or an 11% increase than the previous year, while cost and expenses were P155.3 million, excluding recoveries, or a 1% increase compared to last year. Net loss was P8.5 million versus P2.9 million net income of last year.

FLT Prime Insurance Corporation (FPIC)

On year-to-date, net loss posted was P0.4 million or a 26% lower versus net loss last year. FPIC has been declared as officially withdrawn its insurance business in the Philippines.

Financial Condition

Total Assets of the Group registered at P23.9 billion as of 30 September 2022 or a 17% increase from P20.4 billion as of 31 December 2021. This was on account of increase in installment receivable, land and building acquisition, warehouse development and cost of building improvements.

Total Liabilities as of 30 September 2022 was P11.4 billion, which was 35% higher than the P8.4 billion as of 31 December 2021 due to outstanding payables and borrowings in relation to acquisitions and development of land and buildings.

Total Equity registered at P12.5 billion, 5% higher than P12.0 billion as of 31 December 2021. This was attributable to the net income.

Financing Through Loans

As of 30 September 2022, the Group had outstanding loans from a financial institution amounting to P2.3 billion.

The top 6 Key Performance Indicators of the Group were as follows:

Ratio	Formula	30 September 2022	30 September 2021	31-Dec-2021
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.76: 1 8,687,775 / 4,937,661	1.37: 1 7,180,728 / 5,3237,994	1.91: 1 6,944,971 / 3,636,640
Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Equity}}$	0.91: 1 11,366,855 / 12,531,742	0.65: 1 7,866,499 / 12,038,420	0.70: 1 8,417,691 / 11,967,645
Net Debt to Equity Ratio	$\frac{\text{Net Liabilities}}{\text{Equity}}$	0.74 9,216,064 / 12,531,742	0.50: 1 5,858,247 / 12,038,420	0.54: 1 6,457,949 / 11,967,645
Capital Adequacy Ratio	$\frac{\text{Equity}}{\text{Total Assets}}$	0.52: 1 12,531,742 / 23,898,597	0.60: 1 12,038,420 / 19,904,919	0.59: 1 11,967,645 / 20,385,336
Book Value per Share	$\frac{\text{Equity}}{\text{Total \# of Shares}}$	1.99 12,531,742 / 6,301,592	1.91 12,038,420 / 6,301,592	1.90 11,967,645 / 6,301,592
Income per Share	$\frac{\text{Net Income}}{\text{Total \# of Shares}}$	0.09 565,278 / 6,252,148	0.06 400,430 / 6,252,148	0.12 779,966 / 6,252,148

Current ratio shows the Group's ability to meet its short-term financial obligation. As of 30 September 2022, the Group's current assets for every peso of current liabilities was at P1.76 as compared to 31 December 2021. The Group has sufficient current assets to support its current liabilities as of the period.

Debt to Equity ratio indicates the extent of the Group's debt which is covered by shareholders' fund. It reflects the relative position of the equity holders. The higher the ratio, the greater the risk being assumed by the creditors. A lower ratio generally indicates greater long-term financial safety. Compared to 31 December 2021, debt-to-equity ratio was higher due to additional bank loan, intercompany loans and payables.

Net Debt to Equity ratio is a measure of the Group's financial leverage. It is calculated by dividing net liabilities over Equity. Net liabilities is the difference of Total Liabilities less deferred payables, lease liabilities, deferred income tax liabilities and cash and cash equivalents. Compared to 31 December 2021, net debt-to-equity ratio was higher due to additional bank loan, intercompany loans and payables.

Capital Adequacy Ratio is computed by dividing the Total Stockholders' Equity over Total Assets. It measures the financial strength of the Group. As of 30 September 2022, the Group's Capital Adequacy Ratio was lower at 0.52 compared to same period last year.

Book value per share measures the recoverable amount in the event of liquidation if assets are realized at book value. The Group's book value per share as of 30 September 2022 was higher at P1.99 compared to 31 December 2021.

Income per share is calculated by dividing net income attributable to the equity holders of the Parent Company by the weighted average number of shares issued and outstanding. Year-to-date as of 30 September 2022 and 2021, income per share were P0.09 and P0.06, respectively.

(i) Any known trends, demands, commitments, events or uncertainties that will have a material impact on issuer's liability.

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company and its subsidiaries' liquidity increasing or decreasing in any material way.

(ii) Events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation

There are no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

(iii) Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.

There were no known off-balance sheet transactions, arrangements, obligations (including contingent obligations), during the period.

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.

Capital expenditures reached P1.9 billion mainly for land acquisition and development, warehouse construction and facility upgrade as of 30 September 2022. For 2022, the Group's adjusted budgeted total capital expenditures is P4.2 billion. This will be financed through combination of internally generated funds and borrowings.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales or revenues or income from continuing operations should be described.

There are no known trends, events or uncertainties that have material impact on net sales or revenues or income from continuing operations.

(vi) Any significant elements of income or loss that did not arise from the registrant's continuing operations.

The Group did not recognize income or loss during the period that did not come from continuing operations.

(vii) Causes of Any Material Changes from Period to Period of FS which shall include vertical and horizontal analyses of any material item (5%).

Cash and cash equivalents increased to P182.7 million or 124.8% higher, coming from available cash balance from operations.

Receivables-current increased by 38% to P1.6 billion due to collectibles from installment lot sales, commercial and warehouse leasing.

Real estate held for sale and development increased to P4.6 billion or 35.6% higher from P3.4 billion as of 31 December 2021 due to land acquisitions.

Amounts owed by related parties decreased to P1.0 billion or 16.3% lower from P1.2 billion as of 31 December 2021 due to collection of receivables to fund land acquisitions.

Other current assets increased to P1.3 billion or 18.6% higher from P1.1 billion as of 31 December 2021 due to unamortized prepayments.

Receivables-net of current portion increased to P1.6 billion or a 40.1% increase due to lot sales collectible on long term installment basis.

Investment properties posted at P11.1 billion or 13.9% increase over P9.7 billion last year due to the acquisition of land and buildings and improvements.

Property & Equipment-at cost increased by 8.8% to P787.3 million.

Deferred income tax assets increased by 21.6% to P84.9 million due to CREATE impact and additional provision for non-deductible expenses.

Other noncurrent assets decreased by 12.6% to P394.9 million due to the decrease in advances to suppliers and contractor.

Accounts payable & accrued expenses increased by 5.9% to P1.5 billion due to liabilities incurred for land development cost.

Current portion of deferred rent income decreased by 66.9% to P3.5 million due to amortization during the period.

Current portion of rental and other deposits increased to P400.6 million from P370.0 million or an 8.3% increase due to increase in tenants and rental escalation.

Amounts owed to related parties increased to P2.8 billion or 76.8% higher from P1.6 billion as of 31 December 2021 due to intercompany loan to fund capital expenditures.

Income tax payable decreased by 100% to nil due to payment of tax due.

Rental and other deposits-net of current portion increased by 10.9% to P390.3 million due to increase in security deposits from new tenants.

Nontrade payable-noncurrent increased by 421.4% from P260.4 million to P1.4 billion due to acquisition of land and building.

Long-term debt increased to P2.3 billion or an 18.9% increase from P2.1 billion due to additional bank loan availment.

Lease liabilities-net of current portion increased by 6.1% from P1.5 billion to P1.6 billion.

Retention payable increased to P119.6 million or 59.4% increase from P75.0 million as of 31 December 2021 due to acquisition of land in Batangas.

Retained earnings increased by 22.4% to P3.1 billion due to recognized net income during the period.

(viii) Any seasonal aspects that had a material effect on the financial condition or results of operations.

There are no known seasonal aspects that had a material effect on the financial condition or results of operations.

Breakdown on contribution of ALLHC's subsidiaries (on a per type of business basis) to ALLHC's net income as provided below:

Parent company/holding	-	(6%)
Real estate -commercial leasing and industrial lot sales and development and storage services	-	107%
Retail electricity supply	-	0%
Others	-	(1%)
		<u>100%</u>

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report on its behalf by the undersigned thereunto duly authorized.

Issuer:

AYALALAND LOGISTICS HOLDINGS CORP.

By:



FRANCIS M. MONTOJO

Chief Finance Officer/Compliance Officer
and Chief Risk Officer

Date: 14 November 2022

AYALALAND LOGISTICS HOLDINGS CORP.
AND SUBSIDIARIES

Unaudited Consolidated Financial Statements
September 30, 2022 and December 31, 2021

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	UNAUDITED September 30	AUDITED December 31
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 27)	P182,682	P81,253
Receivables - current (Notes 5 and 27)	1,593,664	1,154,576
Real estate held for sale and development (Note 6)	4,606,344	3,398,017
Amounts owed by related parties (Notes 18 and 27)	1,041,952	1,244,921
Financial assets at fair value through profit or loss (Notes 8 and 27)	4,666	4,801
Other current assets (Note 9)	1,258,467	1,061,403
Total Current Assets	8,687,775	6,944,971
Noncurrent Assets		
Receivables - net of current portion (Notes 5 and 27)	1,580,481	1,128,026
Financial assets at fair value through other comprehensive income (Notes 7 and 27)	137,977	144,259
Right-of-use asset (Note 24)	1,151,259	1,200,703
Investment properties (Note 10)	11,062,151	9,710,510
Property and equipment (Note 11)	787,302	723,459
Net pension assets (Note 21)	11,822	11,822
Deferred income tax assets - net	84,913	69,843
Other noncurrent assets (Notes 12 and 27)	394,917	451,743
Total Noncurrent Assets	15,210,822	13,440,365
	P23,898,597	P20,385,336
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 13, 14 and 27)	P1,494,309	P1,411,170
Current portion of:		
Rental and other deposits (Notes 16 and 27)	400,578	370,043
Lease liabilities (Note 24)	221,072	221,072
Deferred rent income (Note 24)	3,524	10,649
Amounts owed to related parties (Notes 18 and 27)	2,818,178	1,594,424
Income tax payable	-	29,282
Total Current Liabilities	4,937,661	3,636,640
Noncurrent Liabilities		
Rental and other deposits - net of current portion (Notes 16 and 27)	390,298	351,907
Nontrade payable - noncurrent (Note 13)	1,357,461	260,371
Long term debt (Note 15)	2,336,647	1,965,297
Lease liabilities - net of current portion (Note 24)	1,644,703	1,549,509
Retention payable - net of current portion	119,600	75,034
Deferred rent income - net of current portion (Note 24)	4,887	4,887
Deferred income tax liabilities - net	93,923	92,371
Subscriptions payable (Notes 19 and 27)	481,675	481,675
Total Noncurrent Liabilities	6,429,194	4,781,051
Total Liabilities	11,366,855	8,417,691

(Forward)

	UNAUDITED	AUDITED
	September 30	December 31
	2022	2021
Equity (Note 17)		
Equity attributable to equity holders of the parent		
Paid-in capital	P6,195,378	P6,195,318
Additional paid-in capital	6,015,773	6,015,733
Shares held by a subsidiary (Note 17)	(144,377)	(144,377)
Equity reserves	(1,693,307)	(1,693,307)
Revaluation increment (Note 10)	189,779	189,779
Unrealized loss on financial assets at fair value through other comprehensive income (Note 7)	(1,090,968)	(1,089,687)
Loss on remeasurement of retirement benefits (Note 21)	(51,492)	(51,492)
Retained earnings	3,091,076	2,525,714
	12,511,862	11,947,681
Non-controlling interests (Notes 1 and 17)	19,880	19,964
Total Equity	12,531,742	11,967,645
	P23,898,597	P20,385,336

See accompanying Notes to Consolidated Financial Statements.

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021	2022	2021
REVENUES				
Real estate sales (Note 23)	551,886	544,663	1,208,922	1,155,426
Rental (Note 10)	263,638	186,737	779,158	567,361
Sale of electricity (Note 23)	38,496	241,351	269,434	822,079
Storage services	30,121	19,892	85,048	32,308
Others (Note 1)	127,972	-	407,294	42,882
	1,012,113	992,643	2,749,856	2,620,056
COST AND EXPENSES				
Cost of real estate sold (Note 6)	342,211	283,776	756,591	596,204
Cost of rental services (Note 10)	281,370	188,604	809,013	485,716
Cost of purchased power and services	36,280	236,388	262,598	796,802
Operating expenses (Note 20)	62,916	30,809	182,384	118,391
	722,777	739,577	2,010,586	1,997,113
OTHER INCOME (CHARGES)				
Interest income and bank charges - net	(9,575)	(11,674)	(23,645)	(23,151)
Interest expense on lease liabilities	(37,789)	(38,152)	(112,485)	(113,269)
Provision for probable losses	-	(3,509)	(3,000)	(7,509)
Interest income on financial assets at FVOCI	-	-	-	981
Discount on sale of financial assets	-	(26,016)	-	(59,702)
Unrealized gain (loss) on financial assets at FVPL	(135)	20	(135)	115
Others - net	10,097	5,927	12,227	22,120
	(37,402)	(73,404)	(127,038)	(180,415)
INCOME BEFORE INCOME TAX	251,934	179,662	612,232	442,528
PROVISION FOR INCOME TAX	25,614	24,114	46,954	40,179
NET INCOME	226,320	155,548	565,278	402,349
ATTRIBUTABLE TO:				
Equity holders of the Parent	226,337	155,578	565,362	400,430
Non-controlling interests	(17)	(30)	(84)	1,919
	226,320	155,548	565,278	402,349
EARNINGS PER SHARE (Note 22)				
Basic, for income for the period attributable to ordinary equity holders of the parent company	0.04	0.01	0.09	0.06

See Accompanying Notes to Consolidated Financial Statements

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021	2022	2021
NET INCOME	226,320	155,548	565,278	402,349
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified to profit or loss in subsequent periods:				
Unrealized valuation gain (loss) on equity financial assets at fair value through other comprehensive income (Note 7)	-	688	(1,281)	545
Items that may be reclassified to profit or loss in subsequent periods:				
Unrealized valuation gain on debt financial assets at fair value through other comprehensive income (Note 7)	-	(2,233)	-	(1,289)
TOTAL COMPREHENSIVE INCOME	226,320	154,003	563,997	401,605
Total comprehensive income (loss) attributable to:				
Equity holders of the parent company	226,337	155,792	564,081	397,682
Noncontrolling interests	(17)	(1,789)	(84)	3,923
	226,320	154,003	563,997	401,605

See Accompanying Notes to Consolidated Financial Statements

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Amounts in Thousands)

	Capital Stock	Additional Paid-in Capital	Shares Held by a Subsidiary	Revaluation Increment (Note 10)	Equity Reserves	Unrealized Valuation Gains (Losses) on Financial Assets at FVOCI (Note 7)	Losses on Remeasurement of Retirement Benefits Plan (Note 21)	Retained Earnings	Total	Non- Controlling Interests	Total
Balances at January 1, 2022	6,195,318	6,015,733	(144,377)	189,779	(1,693,307)	(1,089,687)	(51,492)	2,525,714	11,947,681	19,964	11,967,645
Net income for the period	-	-	-	-	-	-	-	565,362	565,362	(84)	565,278
Other comprehensive income (loss):	-	-	-	-	-	-	-	-	-	-	-
Losses on remeasurement of retirement benefit plan	-	-	-	-	-	(1,281)	-	-	(1,281)	-	(1,281)
Total comprehensive income for the period	-	-	-	-	-	(1,281)	-	565,362	564,081	(84)	563,997
Collection of subscription receivables	60	40	-	-	-	-	-	-	100	-	100
Balances at September 30, 2022	6,195,378	6,015,773	(144,377)	189,779	(1,693,307)	(1,090,968)	(51,492)	3,091,076	12,511,862	19,880	12,531,742
								0			
Balances at January 1, 2021	6,184,835	6,007,133	(144,377)	196,808	(1,601,567)	(626,651)	(51,458)	1,737,718	11,702,441	138,333	11,840,774
Net income for the period	-	-	-	-	-	-	-	400,430	400,430	1,919	402,349
Other comprehensive income (loss):											
Unrealized valuation gain (loss) on financial assets at FVOCI (Note 7)	-	-	-	-	-	(2,748)	-	-	(2,748)	2,004	(744)
Total comprehensive income for the period	-	-	-	-	-	(2,748)	-	400,430	397,682	3,923	401,605
Equity reserves	-	-	-	-	(91,645)	-	-	-	(91,645)	-	(91,645)
Collection of subscription receivables	745	3,532	-	-	-	-	-	-	4,277	-	4,277
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-	-	(115,121)	(115,121)
Losses on remeasurement of retirement benefit plan	-	-	-	-	-	-	(1,470)	-	(1,470)	-	(1,470)
Balances at September 30, 2021	6,185,580	6,010,665	(144,377)	196,808	(1,693,212)	(629,399)	(52,928)	2,138,148	12,011,285	27,135	12,038,420

See accompanying Notes to Consolidated Financial Statements

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	NINE MONTHS ENDED SEPTEMBER 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	612,232	442,528
Adjustments for:		
Unrealized loss (gain) on Financial assets at FVPL (Note 6)	135	(115)
Depreciation of right-of-use asset	49,444	49,444
Provision for impairment losses on:		
Receivables (Note 5)	-	8,680
Provision for probable losses (Note 25)	3,000	7,509
Interest expense on lease liability	112,485	113,269
Movement of retirement liability	-	(2,631)
Depreciation and amortization (Notes 10, 11, 12 and 20)	298,922	255,040
Interest income	(19,321)	(24,227)
Interest expense and bank charges	22,712	106,100
Operating income before working capital changes	1,079,609	955,597
Decrease (increase) in:		
Receivables	(891,543)	588,050
Other noncurrent assets	46,758	(8,682)
Real estate inventories	(1,208,327)	146,228
Right of use assets	49,444	16,486
Other current assets	(197,064)	14,545
Financial Assets at FVOCI	-	-
Increase (decrease) in:		
Accounts payable and accrued expenses	1,356,950	(461,721)
Rental and other deposits	68,926	17,904
Deferred Rent Income	(7,124)	-
Net cash flows generated from (used in) operations	297,629	1,268,407
Interest received	19,321	24,227
Interest paid	(48,058)	(201)
Income tax paid	(46,955)	(40,179)
Net cash flows generated from (used in) operating activities	221,937	1,252,254
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Investment properties (Note 10)	(1,871,000)	(728,709)
Financial assets at FVOCI (Note 7)	-	-
Software cost (Note 12)	-	-
Property and equipment (Note 11)	(73,026)	(19,456)
Financial assets at FVOCI (Note 7)	-	1,189
Other noncurrent assets	-	-
Amounts owed by related parties	202,969	(931,092)
Acquisitions of noncontrolling interest	-	(202,844)
Net cash flows provided by (used in) investing activities	(1,741,057)	(1,880,912)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Availment	373,000	-
Collection of subscriptions receivable	100	4,277
Movement of noncontrolling interest	-	(1,919)
Increase in amounts owed to related parties	1,247,449	570,182
Net cash flows from financing activities	1,620,549	572,540
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	101,429	(56,118)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	81,253	177,370
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 4)	182,682	121,253

See Accompanying Notes to Consolidated Financial Statements

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate and Group Information

Corporate Information

AyalaLand Logistics Holdings Corp. (ALLHC; the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 19, 1989. The Parent Company's registered office address is 3rd Floor Glorietta 5, Ayala Center, Makati City. The Parent Company is a subsidiary of Ayala Land, Inc. (ALI). ALI's parent company is Ayala Corporation (AC). AC is 47.87% owned by Mermac, Inc. and the rest by the public as at September 30, 2022. Both ALI and AC are publicly-listed companies incorporated in the Philippines. The Parent Company is listed in the Philippine Stock Exchange.

ALLHC and its subsidiaries, collectively referred to as "the Group", have principal business interests in holding companies, commercial leasing, industrial lot sales and development, and retail electricity supply (see Note 23).

On November 8, 2022, the Board of Directors approved and authorized the release of the accompanying unaudited interim consolidated financial statements of AyalaLand Logistics Holdings Corp. and Subsidiaries as at September 30, 2022.

Group Information

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries of the Group:

Subsidiaries	Nature of Business	Percentage of Ownership	
		September 30, 2022	December, 2021
Laguna Technopark, Inc. (LTI)	Real Estate Development	100%	100%
Ecozone Power Management, Inc. (EPMI)	Purchase, Supply and Delivery of Electricity and Cold Storage Operations	100%	100%
Unity Realty & Development Corporation (URDC)	Real Estate Development	100%	100%
Orion Land, Inc. (OLI)	Real Estate and Investment Holding Company	100%	100%
Tutuban Properties, Inc. (TPI)	Real Estate, Mall Operations	100%	100%
TPI Holdings Corporation (TPIHC)	Investment Holding Company	100%	100%
Orion Property Developments, Inc. (OPDI)	Real Estate Development	100%	100%
Orion Beverage, Inc. (OBI)*	Manufacturing	100%	100%
LCI Commercial Ventures, Inc. (LCVI)	Real Estate, Warehouse Leasing Operations	100%	100%
Luck Hock Venture Holdings, Inc. (LHVHI)*	Other Business Activities	60%	60%
Orion Maxis, Inc. (OMI)*	Marketing and Administrative Services	100%	100%
Orion I Holdings Philippines, Inc. (OIHPI)*	Financial Holding Company	100%	100%
FLT Prime Insurance Corporation (FPIC)	Non-Life Insurance Company	78.77%	78.77%
Orion Solutions, Inc. (OSI)*	Management Information Technology Consultancy Services	100%	100%

* Inactive companies approved by their respective BOD for liquidation

All of the entities in the Group are incorporated in the Philippines.

The voting rights held by the Parent Company in its investments in subsidiaries are in proportion to its ownership interest.

LTI

LTI was incorporated on November 15, 1990 and is based in Laguna. LTI develops industrial parks and leases ready-built factory units and sells industrial lots to local and company locators.

On June 7, 2010, the BOD of LTI approved the setting up of a wholly owned subsidiary, EPMI, primarily to engage in the purchase, supply and delivery of electricity. EPMI was registered with the SEC on August 20, 2010.

In 2021, LTI infused additional capital to EPMI amounting to ₱314.75 million. The additional capital was used for acquisitions of cold storage facilities (see Note 13). Accordingly, EPMI paid documentary stamp tax amounting to ₱3.15 million on the original issuance of shares offset against retained earnings.

On April 30, 2018, ALLHC entered into a Deed of Exchange with ALI whereby ALI agreed to subscribe to 1,225,370,620 additional shares in ALLHC in exchange for ALI's 30,186 shares in LTI, with a fair market value of ₱3,030.75 million. Accordingly, the Group paid documentary stamp tax amounting to ₱12.25 million on the original issuance of shares offset against additional paid-in capital.

The acquisition resulted to LTI becoming a subsidiary of ALLHC. Both ALLHC and LTI are under the common control of ALI. The acquisition was accounted for using the pooling of interests method.

URDC

URDC owns a property in Pampanga, a prime location for the new industrial park of ALLHC, which caters to light and medium, non-polluting enterprises, from both global and local markets. The development will complement the overall plans of the Group as it envisions Pampanga Technopark to be a world-class industrial township.

On July 19, 2019, the Parent Company acquired from previous individual stockholders their entire outstanding shares of URDC representing 100% ownership.

The Parent Company partially paid the previous individual stockholders amounting to ₱1,184.70 million representing 50% of the total value of the shares. In September 2020, the Parent Company paid the first installment amounting to ₱716.84 million. The Parent Company has settled the remaining balance amounting to ₱477.89 million on September 16, 2021. This is accounted for as acquisition of an asset that does not constitute a business because the Group did not acquire a substantive process that significantly contribute to the ability to create outputs in order to be classified as a business.

The Group allocated the acquisition cost to inventory and investment property based on relative fair values.

OLI

OLI operates commercial building composed of a 5-storey shopping center and a 6-storey business processing outsourcing office with a gross leasable area of 60,000 square meters located along National Road, Alabang, Muntinlupa City.

TPI

TPI operates the Tutuban Center, a commercial complex located in Manila City. The Tutuban Center, which sits on a 20-hectare property, will be the location of the North-South Railway Project (NSRP) Transfer Station which will interconnect with the LRT 2 West Station.

On April 1, 2015, TPI signed a Memorandum of Understanding (MOU) with the Department of Transportation and Communication (DOTC) (now the Department of Transportation or DOTr) and

Philippine National Railways (PNR) to formalize the agreement to cooperate in the finalization and implementation of plans of the North-South Railway Project (NSRP).

LCVI

LCVI was a top manufacturer of ceramic floor and wall tiles in the Philippines and has a manufacturing plant in Laguna. In 2012, LCVI suspended its manufacturing operations and started renting out its warehouses in July 2014.

FPIC

In March 2017, FPIC surrendered its Certificate of Authority as it was no longer compliant with the net worth requirement of P550.00 million of the Insurance Commission (IC) as of December 31, 2016.

On April 20, 2017, the IC issued a Servicing License to FPIC, with authority limited to the following:

- a. accepting contract price payments from the policy holders;
- b. paying or settling claims arising under its non-life coverage; and/or,
- c. such other related services.

On September 7, 2018, the IC approved the Servicing Plan of FPIC. Based on the approved plan, FPIC has until April 19, 2019 to service policies expiring in 2019 and 2020 and to settle outstanding liabilities and obligations of FPIC.

On July 11, 2019, FPIC has submitted to the IC its request for the release of the security deposit. Based on IC Circular Letter No. 2013-35 (Guidelines on the Release of Security Deposit), the following applicability conditions have to be met before such request can be made:

1. The Company has no license to do insurance business; and
2. The Company is not under conservatorship, receivership or liquidation of the IC.

The above two (2) conditions have been met by FPIC.

On November 22, 2019, FPIC has applied for the renewal of its Servicing License with the IC for one year or until December 31, 2020. The said renewal of license was made to conform with one year 'waiting period' for the claimants to file, submit or report to the IC any claim against FPIC. The waiting period will commence from the last publication date of the 'Notice to the Public' regarding FPIC's request for the release of its security deposit.

On January 4, 2021, the Insurance Commission has approved FPIC's request for the termination of the servicing proceedings and withdrawal of the security deposit, subject to the following conditions,

1. FPIC, through its President, shall submit to the Commission a duly Notarized Undertaking and Quit Claim;
2. With respect to FPIC's request for the withdrawal of security deposit, it is worth stressing that though the said fund is exclusively earmarked for the payment of the company's liabilities to its policyholders, as distinguished from its corporate liabilities, the Commission has opined that the same may be applied to the latter, since any excess in the security deposit will in effect convert the same to its corporate assets.
3. The Commission has approved FPIC's withdrawal of security deposit, which shall be less by the value of the company's outstanding liabilities to its policyholders and other creditors, subject to the company's submission of the original or certified true copy of the notarized list of all outstanding liabilities.

FPIC's full compliance to the above conditions will trigger the Commission to proceed in the processing of the said request by publishing the required Notice of Withdrawal, as well as its issuance of the Certificate of Withdrawal, declaring FPIC's insurance business in the Philippines as officially withdrawn.

On May 27, 2021, FPIC received approval from the IC for the release of the security deposit.

Inactive Companies

On September 2, 2016, the BOD of OMI and OSI approved and authorized the dissolution and liquidation of OMI and OSI by shortening their corporate term up to December 31, 2016.

On October 20, 2017, the BOD of OIHPI, OBI, LHVHI and TPIHC approved and authorized the dissolution and liquidation of these companies by shortening their corporate term up to December 31, 2017.

Acquisition of Non-controlling Interest

On March 19, 2021, ALLHC purchased additional 2,013 LTI shares from non-controlling interests of Mitsubishi Corporation. The transaction was accounted as an equity transaction since there was no change in control. The movements within equity are accounted for as follows:

	Consideration Paid	Carrying value of Non- controlling interests	Difference recognized within Equity
	<i>(In Thousands, except for %)</i>		
5% in MC	P200.51	P112.23	P88.28

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for the debt and equity financial assets measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional currency. All amounts are rounded off to the nearest thousand (P1,000), except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting relief on the accounting for significant financing components as issued and approved by the SEC in response to the COVID-19 pandemic.

The Group has availed of the relief granted by the SEC under Memorandum Circular (MC) No. 34-2020 which further extended the deferral of PIC Q&A 2018-12-D (assessment if the transaction price includes a significant financing component) until December 31, 2023.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the Adoption of New and Amended Accounting Standards and Interpretations section of Note 2.

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of September 30, 2022 and December 31, 2021 and for each of the period ended September 30, 2022 and 2021.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the group ceases control over a subsidiary.

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

- a. power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- b. exposure, or rights, to variable returns from its involvement with the investee; and
- c. the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- a. the contractual arrangement with the other vote holders of the investee;
- b. rights arising from other contractual arrangements; and
- c. the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are prepared for the same accounting period as the Parent Company using uniform accounting policies. All significant intercompany transactions and balances between and among the Group, including intercompany profits and unrealized profits, are eliminated in the consolidation.

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity holders of the parent.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity as "Equity reserve" and attributed to the owners of the Parent Company.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while the resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Changes in Accounting Policies

Adoption of PIC Q&A 2018-12-E

In 2021, the Group adopted the provision of PFRS 15 covered by PIC Q&A 2018-12-E on the treatment of land in the calculation of POC. The changes did not have impact on the consolidated financial statements.

Capitalization of borrowing costs in property and equipment and investment properties

The changes did not have impact on the consolidated financial statements.

Adoption of PIC Q&A 2018-12-H Accounting to Common Usage Service Area (CUSA) Charges

In 2021, the Group adopted the treatment of Common Usage Service Area (CUSA) charges based on the PIC Q&A 2018-12-H under the modified retrospective approach. The Group assessed itself as principal for CUSA and air-conditioning charges, and as an agent for electricity and water usage. Accordingly, the Group presented the revenue from recoveries of CUSA and air conditioning services and its related costs on a gross basis as part of "Others" revenue and "Cost of rental and other services", respectively.

The changes above did not have any significant impact on the consolidated statement of cash flows of the Group.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Adoption of PIC Q&A 2020-03, Q&A No. 2018-12-D: STEP 3- On the accounting of the difference when the percentage of completion is ahead of the buyer's payment

PIC Q&A 2020-03 was issued by the PIC on September 30, 2020. The latter aims to provide an additional option to the preparers of financial statements to present as receivables, the difference between the POC and the buyer's payment, with the POC being ahead. This PIC Q&A is consistent with the PIC guidance issued to the real estate industry in September 2019.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.
- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The Group adopted the amendments beginning January 1, 2020. The rent concessions did not have a material impact on the Group as lessees.

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its

requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transactions*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, Definition of Accounting Estimates

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure of Accounting Policies

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, Classification of Liabilities as Current or Non-current

The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after

January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- PFRS 17, Insurance Contracts

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

The amendments are not expected to have a material impact on the Group.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- *Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)*

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the SEC issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	<u>Deferral Period</u>
a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023

As discussed under Changes in Accounting Policies, the Group adopted the provision of PFRS 15 that covered its accounting for CUSA charges as discussed in PIC Q&A 2018-12-H. As allowed under SEC MC No. 34, the Group adopted the change under the modified retrospective approach.

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

- a. The accounting policies applied.
- b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
- c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
- d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

The Group availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12. Had these provisions been adopted, the Group assessed that the impact would have been as follows:

- a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. The Group has yet to assess if the mismatch constitutes a significant financing component for its contracts to sell but does not expect the provision to have a material impact on the consolidated financial statements.

- b. The exclusion of land and uninstalled materials in the determination of POC would have the percentage of completion of real estate projects. The Group does not expect this provision to have any impact on the consolidated financial statements as the lots sold by the Group are 100% developed.

• *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost)*

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of IFRS 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under Philippine Accounting Standards (PAS) 23, *Borrowing Costs*, considering that these inventories are ready for their intended sale in their current condition.

The Group does not expect the IFRIC Agenda Decision to have a material impact on the consolidation financial statements as the Group does not have pre-selling activities.

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4-2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the Real Estate Industry until December 31, 2023. Effective January 1, 2024, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC Agenda Decision.

- *Deferral of PIC Q&A 2018-14, Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*

On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

The Group is still evaluating the approach to be availed among the existing options.

As prescribed by SEC MC No. 34-2020, for financial reporting periods beginning on or after January 1, 2021, the availment of the above deferral will impact the Group's financial reporting during the period of deferral as follows:

- a. The financial statements are not considered to be in accordance with PFRS and should specify in the "*Basis of Preparation of the Financial Statements*" section of the financial statements that the accounting framework is:

PFRS, as modified by the application of the following financial reporting reliefs issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic

- b. The Auditor's report will:
- reflect in the Opinion paragraph that the financial statements are prepared in accordance with the compliance framework described in the notes to the financial statements; and
 - include an Emphasis of Matter paragraph to draw attention to the basis of accounting that has been used in the preparation of the financial statements.

Upon full adoption of the above deferred guidance, the accounting policies will have to be applied using full retrospective approach following the guidance under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Current versus Noncurrent Classification

The Group presents assets and liabilities in its statement of financial position based on a current and noncurrent classification.

An asset is current when it is:

- a. Expected to be realized or intended to be sold or consumed in normal operating cycle;
- b. Held primarily for the purpose of trading;
- c. Expected to be realized within twelve months after the reporting period; or
- d. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- a. It is expected to be settled in normal operating cycle;
- b. It is held primarily for the purpose of trading;
- c. It is due to be settled within twelve months after the reporting period; or
- d. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (i) in the principal market for the asset or liability, or (ii) in the absence of a principal market, the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For financial assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each end of the reporting period.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business at the end of the reporting period. Financial instruments for which the fair value cannot be reasonably determined are carried at cost less any impairment in value.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

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

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of change in value.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)

- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, short-term investments, receivables and amounts owed to related parties.

Disposal of financial assets at amortized cost

When financial assets at amortized cost are disposed, these are assessed whether the Group is consistent with its objective of collecting contractual cash flows until maturity. In the event that disposals have been concluded as infrequent and insignificant, the financial assets continue to be accounted at amortized cost (see Note 5).

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- (a) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and;
- (b) Selling and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes government securities owned by the Group.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group's financial assets at fair value through OCI includes investments in quoted and unquoted equity instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or,
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from other credit enhancements (e.g. lessee's deposit) that are integral to the contractual terms.

For trade receivables except real estate receivable, the Group applies a simplified approach in calculating ECLs. The Group does not track changes in credit risk, instead, recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Vintage approach accounts for expected credit losses by calculating the cumulative loss rates of a given real estate receivable pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability of default model. It allows the evaluation of the loan activity from its origination period until the end of the contract period. In addition to primary drivers like macroeconomic indicators of qualitative factors such as, but not limited to, forward-looking data on inflation rate was added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points.

The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on the type of facility. In calculating the recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission and refurbishment. As these are future cash flows, these are discounted back to the time of default using the appropriate effective interest rate, usually being the original effective interest rate (EIR) or an approximation thereof.

The Group considers a financial asset in default generally when contractual payments are 30 days past due for commercial leasing and 90 days past due for real estate and property development or when sales are cancelled supported by a notarized cancellation letter executed by the Group and customer. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For other financial assets such as nontrade receivables, insurance receivables, amounts owed by related parties, refundable deposits and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The Group uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk (i.e., no longer low credit risk). The probability of default and loss given defaults are publicly available and are used by the Group to estimate ECLs. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group's debt instruments at fair value through OCI comprise solely of government securities. The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

b. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "Accounts payable and accrued expenses" (other than "Taxes payable" which is covered by other accounting standard), "Amounts owed to related parties", "Subscriptions payable", "Rental and other deposits" and "Lease liabilities".

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Other Financial Liabilities

This is the category most relevant to the Group and includes liabilities arising from operations.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses on other financial liabilities are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

The Group's accounts payable and accrued expenses and rental and others deposits are classified in this category.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

c. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Real Estate Held for Sale and Development

Real estate held for sale and development is carried at the lower of cost and NRV. NRV is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost includes acquisition cost of the land plus development and improvement costs.

Other Current Assets

Other current assets are resources that the Group expects to consume or realize within its operating cycle. These are carried at cost, less any impairment in value. Included under these are creditable withholding taxes (CWTs), input value added tax (VAT), and prepayments.

CWTs

CWTs represent taxes withheld by the Group's customer on sale of goods and services which are claimed against income tax due. The excess over the income tax payable is either carried over in the succeeding period for the same purpose or claimed for refund.

VAT

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from the taxation authority is included as part of "Other current assets" and Other noncurrent assets" in the consolidated statement of financial position.

Prepayments

Prepayments are expenses paid in advance and recorded as asset before they are utilized. Prepaid expenses are apportioned to expense over the period covered by the payment and charged to the appropriate expense accounts when incurred.

Investment Properties

The Group's investment properties include properties utilized in its mall operations, commercial building and certain land and land improvements which are held for rentals while the rest of the land is held for capital appreciation.

Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Land is stated at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Depreciation and amortization of investment properties are computed using the straight-line method over the estimated useful lives of the investment properties as follows:

	Useful life in years
Land improvements	30
Buildings and improvements	7-40
Machineries and equipment	9-25

Leasehold improvements are amortized on a straight-line basis over the estimated useful lives or the term of the lease, whichever is shorter.

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

Investment properties are derecognized when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is

the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

The Group classifies its buildings and improvements and land and improvements either as investment property or owner-occupied property based on its current intentions where it will be used. When buildings and improvements as well as land and improvements are held for capital appreciation or when management is still undecided as to its future use, it is classified as investment property. Buildings and improvements and land and improvements which are held for rent are classified as investment properties.

Constructions-in-progress

The Group's constructions-in-progress are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation, amortization and any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefit expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. Land is stated at cost less any impairment in value.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful life of the property and equipment as follows:

	<u>Useful life in years</u>
Leasehold improvements	3-5
Buildings	30
Machinery and equipment	5-10
Transportation equipment	5
Furniture, fixtures and equipment	3-5

Leasehold improvements are amortized on a straight-line basis over three (3) to five (5) years or the term of the lease, whichever is shorter.

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.

The residual values, useful lives and depreciation and amortization method are reviewed and adjusted if appropriate, at each end of the reporting period.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are sold or retired, the cost and the related accumulated depreciation and amortization and any impairment in value are derecognized and any gain or loss resulting from their disposal is included in profit or loss.

Software Costs

Acquired software license is capitalized on the basis of costs incurred to acquire and bring to use the specific software. Software license is amortized on a straight-line basis over its estimated useful life

of three (3) to four (4) years. Costs associated with the development or maintenance of computer software programs are recognized as expense when incurred in profit or loss.

An item of software license is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in profit or loss in the year the items is derecognized.

The Group's capitalized software costs includes purchase price payments for new software and other directly related costs necessary to bring the asset to its intended use.

Other Noncurrent Assets

Other noncurrent assets consist of advance rental, deferred acquisition cost, refundable deposits, deferred input VAT, spare parts and supplies and other prepayments that will be consumed twelve (12) months after each end of the reporting period.

Deferred Acquisition Costs

Costs incurred in relation to the acquisition of insurance contracts such as commissions are deferred and charged to commission expense in proportion to premium revenue recognized.

Subsequent to initial recognition, these costs are amortized using the 24th method where the deferred acquisition cost pertains to the commissions for the last two months of the year. Amortization is charged to profit or loss. The unamortized acquisition costs are shown as "Deferred acquisition cost" under "Other noncurrent assets".

Advances to suppliers and contractors

These are carried at cost less impairment losses, if any.

Impairment of Nonfinancial Assets

Inventories and Real Estate Held for Sale and Development

The Group recognizes provision for inventory losses when the net realizable values of inventory items become lower than the costs due to obsolescence or other causes. Obsolescence is based on the physical and internal condition of inventory items. Obsolescence is also established when inventory items are no longer marketable. Obsolete goods, when identified, are written down to their net realizable values.

Investment Properties, Property and Equipment, Software Costs and Right-of-use Assets

The Group assesses at each end of the reporting period whether there is an indication that investment properties, property and equipment and software costs may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units (CGU) are written down to their estimated recoverable amounts. The estimated recoverable amount of an asset is the greater of 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 less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the CGU to which the asset belongs. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent that it does not exceed the

carrying amount that would have been determined had no impairment loss been recognized for that asset in prior years.

Nonfinancial Other Current and Noncurrent Assets

The Group first assesses whether there are indications of impairment on nonfinancial other current and noncurrent assets. When indicators exist, the Group estimates the recoverable amount of the asset and recognizes impairment loss in profit or loss to reduce the carrying amount to the recoverable value.

Recognition and Measurement

Rental and Other Deposits

Customer rental and other deposits represent payments from tenants on leased properties which are refundable at the end of the lease contract. These are initially measured at fair value and subsequently measured at amortized cost.

Subscriptions Payable

Subscriptions payable pertains to the Group's unpaid subscription of shares of stock of other entities. These are recognized and carried in the books at the original subscription price in which shares of stock will be issued upon payment.

Combinations of Entities Under Common Control

Business combinations of entities under common control are accounted for using the pooling of interest method. The pooling of interest method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts as of date of acquisition. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity.

The financial information in the consolidated financial statements are not restated for periods prior to the combination of the entities under common control as allowed by the Philippine Interpretations Committee (PIC) Q&A No. 2012-01.

Asset Acquisitions

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business as defined under PFRS 3, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets) and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

Capital Stock

Common shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to "Additional paid-in capital". Subscription receivables pertains to the uncollected portion of the subscribed shares and is presented net against capital stock.

Retained Earnings

Retained earnings represent accumulated earnings of the Group.

Equity Reserves

Equity reserves pertain to the excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies.

Treasury Shares and Shares Held by a Subsidiary

Treasury shares are own shares (ALLHC and subsidiaries) acquired by the Group. These are measured at acquisition cost and presented as deduction against equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

The Parent Company's shares acquired by a subsidiary is presented as "Shares held by a subsidiary" under the equity section.

Share-based Payments

The Group has equity-settled, share-based compensation plan with its employees. The Group has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Group's shares at a discounted price. The Group recognizes stock compensation expense over the holding period. These are accounted for as limited-recourse loan-type share plans. Dividends paid on the awards are treated as installment payment against the exercise price of the options. The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized, together with a corresponding increase in "Equity reserves" in equity, in "Personnel expense" account

Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expense that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

Revenue Recognition

Revenue from Contract with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, electricity, air-conditioning and common use service area in its mall retail spaces, wherein it is acting as agent.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Sale of Electricity Revenue

The Group recognizes revenue from electricity services over time using the output method as the customer receives and consumes the benefit from the performance of the related utility service. As a practical expedient allowed under PFRS 15, the Group recognizes revenue in the amount to which the Group has a right to invoice since the Group bills a fixed amount for every kilowatt hour of electricity delivered. Electricity is billed every month according to the billing cycles of the customer.

Rental

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Rent Concessions

Rental concessions are treated as reductions to the rental income granted to lessees and accounted for as variable rent.

Real estate sales

The Group derives its real estate revenue from sale of industrial lots. Revenue from sale of industrial lots are recognized over time during the development period (or percentage of completion) since based on the terms and conditions of its contract with the customers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue based on direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third-party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability are recognized in the year in which the changes are determined.

Cold Storage Revenue

The Group recognizes revenue from cold storage services over time using the output method as the customer receives and consumes the benefit from the performance of the related storage service. As a practical expedient allowed under PFRS 15, the Group recognizes revenue in the amount to which the Group has a right to invoice since the Group bills a fixed and variable amount every month.

Insurance Premiums and Commissions - net

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method, except for premiums arising from marine cargo where the provision for unearned premiums pertains to the premiums for the last two months of the year. The portion of the premiums written that relates to the unexpired periods of the policies at financial reporting dates is accounted for as "Reserve for unearned premiums" and shown as part of "Accounts payable and accrued expenses" in the consolidated statement of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at financial reporting dates are accounted for as "Deferred reinsurance premiums" and shown under "Other noncurrent assets" in the consolidated statement of financial position. The net changes in these accounts between financial reporting dates are charged to or credited against income for the period.

Reinsurance commissions are recognized as revenue over the period of the contracts using the 24th method, except for marine cargo where the deferred reinsurance commission pertains to the premiums for the last two months of the year.

The portion of the commissions that relates to the unexpired periods of the policies at the financial reporting date is accounted for as "Due to reinsurers and ceding companies" and shown as part of "Accounts payable and accrued expenses" in the consolidated statement of financial position.

Interest Income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as financial assets at FVOCI and AFS financial assets, interest income is recorded using the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Dividend Income

Dividend income is recognized when the Group's right to receive the payment is established.

Cost and Expenses

Cost recognition for real estate sales

The Group recognizes costs relating to satisfied performance obligations as these are incurred. These include costs of land, land development, professional fees, depreciation, permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Cost of purchased power and services

Purchased power represents the cost of electricity supplied to contestable customers. This includes generation charges, transmission line fees, capacity fees and systems losses which are recognized in profit or loss when the electricity purchased is consumed.

Cost of rental services

Cost of rental services are direct costs incurred in the normal course of the business, are recognized when incurred and generally measured in the amount paid or payable. These comprise cost of rent, utilities, depreciation and others.

Operating Expenses

Operating expenses consist of all expenses associated with the development and execution of marketing and promotional activities and expenses incurred in the direction and general administration of day-to-day operations of the Group. These are generally recognized when the service is incurred, or the expense arises.

Costs to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. The Company has determined that commissions paid to brokers on the sale of completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Cost of real estate sold" account in the statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Earnings Per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Parent Company (after adjusting for interest on any convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Income Tax

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end of the reporting period.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward benefits of unused net operating loss carryover (NOLCO) and unused tax credits from excess minimum corporate income tax (MCIT), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, and the carry forward of unused NOLCO and MCIT can be utilized, and except if it arises from initial recognition and those associated with the investments in subsidiaries, associates and joint ventures as discussed above.

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

Deferred income tax assets and liabilities are measured at the income tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on income tax rates (and income tax laws) that have been enacted or substantively enacted at each end of the reporting period.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in the profit or loss or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered. Subsidiaries operating in the Philippines file income tax returns on an individual basis. Thus, the deferred tax assets and deferred tax liabilities are offset on a per entity basis.

Retirement Benefits Costs

The Group has a funded, non-contributory defined benefit retirement plan.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as retirement benefits costs under "Personnel expenses" in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as "Interest income (expense)" in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) 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 by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on 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 defined benefit obligation, 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 Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee Leave Entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve (12) months after the end of the reporting period is recognized for services rendered by employees up to the end of the reporting period.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term of 20 to 40 years.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

b) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Foreign Currency Translation

Transactions in foreign currencies are initially recorded in Philippine Peso based on the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical

cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of 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.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Contingencies

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

Segment Reporting

The Group's operating businesses are recognized and managed according to the nature of the products or services offered, with each segment representing a strategic business unit that serves different markets. The BOD is the chief operating decision maker of the Group. Segment assets and liabilities reported are those assets and liabilities included in measures that are used by the BOD.

Segment revenue, expenses and performance include transfers between business segments. The transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated in consolidation.

Events After the End of the Reporting Period

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures, at the end of the reporting period. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can 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 estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The renewal periods for leases of land with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term since it is reasonably certain that the Group will exercise the option to renew or not exercise the option to terminate. Renewal or termination of lease is subject to mutual agreement with the lessors.

Business combination

The Group acquired a group of assets that relate to a line of business of another legal entity. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business under PFRS 3. The Group accounts for the acquisition as a business combination where an integrated set of activities is acquired in addition to the properties. The Group concluded that the acquisition included inputs (such as facilities, customers, etc.), substantive processes (storage and maintenance services, and other operational processes), and the ability to produce outputs (storage and leasing revenues). The relevant disclosures are presented in Note 13.

Assessing Operating Lease Commitments - Group as Lessor

The Group has entered into commercial property leases on its investment properties portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out under operating lease arrangements.

Assessment Whether Rental Concessions fall under Lease Modification

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges as part of various rent concessions it granted to lessees such as rent payment holiday or rent payment reductions.

The Group applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making the judgment, the Group determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Group assessed that the rent concessions it granted to lessees do not qualify as lease modifications since the term and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria – for trade receivables from real estate sales, the customer receives a notice of cancellation and does not continue the payments. For rental receivables, the customers receive letter of collection.

Qualitative criteria

The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

- a. The customer is experiencing financial difficulty or is insolvent
- b. The customer is in breach of financial covenant(s)
- c. An active market for that financial assets has disappeared because of financial difficulties
- d. Concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
- e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently throughout the Group's expected loss calculation.

Sale of real estate receivables

The Group entered into arrangements with banks wherein it discounted its real estate receivables without recourse. The Group believes that the sales transactions are not more than infrequent. Accordingly, the Group continues to present trade receivables at amortized cost as it remains to hold trade receivables with the objective of collecting contractual cash flows until maturity.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the 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 are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes in circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The Group's lease liabilities amounted to ₱1,865.78 million and ₱1,770.58 million as at September 30, 2022 and December 31, 2021, respectively (see Note 24).

Provision for expected credit losses of trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables except for receivables from real estate. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as Gross Domestic Product growth rate and inflation rate. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Group uses vintage analysis approach to calculate ECLs for real estate receivable. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The assessment of the correlation between historical observed default rates, forecast economic conditions (gross domestic product and inflation rate) and ECLs is also significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Notes 5 and 27.

Estimating Useful Lives of Depreciable Investment Properties and Property and Equipment

The estimated useful lives used as bases for depreciating and amortizing the Group's investment properties and property and equipment were determined on the basis of management's assessment of the period within which the benefits of these asset items are expected to be realized taking into

account actual historical information on the use of such assets as well as industry standards and averages applicable to the Group's assets. The Group estimates the useful lives of its investment properties and property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of investment properties and property and equipment are reviewed, at least, annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of these assets increases depreciation and amortization and decreases the carrying value of investment properties and property and equipment.

The carrying value of property and equipment amounted to ₱787.30 million and ₱723.46 million as at September 30, 2022 and December 31, 2021, respectively, net of accumulated depreciation, amortization and impairment amounting to ₱121.37 million and ₱107.95 million as at September 30, 2022 and December 31, 2021, respectively (see Note 11).

The carrying value of investment properties amounted to ₱11,062.15 million and ₱9,710.51 million as at September 30, 2022 and December 31, 2021, respectively (see Note 10).

Information on the estimated useful life of investment properties and property and equipment is included in Note 2.

Determining Retirement Benefits Liability

The cost of defined retirement obligation as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligation are highly sensitive to changes in these assumptions. The assumptions are reviewed at each end of the reporting period.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Further details about the assumptions used are provided in Note 21.

Assessing Realizability of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting period and reduces it to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Judgments and estimation are required to determine the amount of deferred income tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies. However, there is no assurance that the Group will generate sufficient future taxable profits to allow all or part of its deferred income tax assets to be utilized.

Assessing and Estimating Contingencies and Provisions

The Group is currently involved in various legal proceedings and tax assessments. The estimate of the probable costs for the resolution of these proceedings and assessments has been developed in consultation with internal and external legal counsels handling the defense in these matters and is based upon the analysis of potential results. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these proceedings.

4. Cash and Cash Equivalents

This account consists of:

	September 30 2022	December 31, 2021
	<i>(In Thousands)</i>	
Cash on hand	₱270	₱270
Cash in banks	171,335	80,983
Short Term Investments	11,077	—
	₱182,682	₱81,253

Cash in banks earn interest at the respective bank deposit rates.

For the periods ended September 30, 2022 and 2021, the interest earned from cash and cash equivalents amounted to ₱0.54 million, and ₱0.70 million, respectively.

5. Receivables

This account consists of:

	September 30 2022	December 31, 2021
	<i>(In Thousands)</i>	
Trade debtors		
Land sales	₱1,714,597	₱1,405,980
Receivables from tenants	1,281,362	624,114
Retail electricity	23,296	123,041
Nontrade receivables	192,793	120,484
Insurance receivables	29,305	29,305
Others	229,512	276,398
	3,470,865	2,579,322
Less allowance for expected credit losses	296,720	296,720
	3,174,145	2,282,602
Less noncurrent portion	1,580,481	1,128,026
	₱1,593,664	₱1,154,576

Receivables from land sales represent amounts arising from sale of industrial lots, which are collectible in monthly installments within two to four years from the date of sale.

Receivables from tenants represent the outstanding receivables arising from the lease of warehouse units, mall and office spaces and cold storage operations and are collectible within 30 days from billing date. This includes both the fixed and contingent portion of lease.

Receivables from retail electricity consist of uncollected and unbilled electricity to customers which are consumed after meter reading cut-off dates. The credit term of these receivables is from 9 to 15 days from the date of billing. This account also consists of electricity sales made by the Group to customers traded through Wholesale Electricity Spot Market (WESM).

Nontrade receivables consist mainly of receivables from the government related to expropriation against certain properties of the Group in Laguna. Nontrade receivables are noninterest-bearing and are due and demandable.

Insurance receivables consist of premium receivables from policyholders, insurance agents and reinsurance companies and reinsurance recoverable on paid and unpaid losses from facultative and treaty reinsurers. These accounts are generally on 90 days term.

Other receivables include noninterest-bearing receivables of OLI from Cosco Land Corporation (CLC) which are due and demandable amounting to ₱160.45 million as at September 30, 2022 and December 31, 2021. These receivables are collateralized by the shares of stock of Cyber Bay owned by CLC. The receivables from CLC are fully provided with allowance.

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act (“Bayanihan 1 Act”) was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act (“Bayanihan 2 Act”), was enacted. Under the Bayanihan 2 Act, the one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interest, penalties, interest and other charges.

In September 30, 2022 and 2021, the Group, provided reliefs under Bayanihan 1 Act and Bayanihan 2 Act, which offered financial reliefs to its tenants as a response to the effect of the COVID-19 pandemic. These reliefs measures include extension of payment terms.

Based on the Group’s assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets.

No movements of allowance for expected credit losses on receivables as of September 30, 2022.

6. Real Estate Held for Sale and Development

The details of this account follow:

	September 30, 2022	December 31, 2021
	<i>(In Thousands)</i>	
Land	₱4,646,192	₱3,437,865
Less allowance for impairment losses	39,848	39,848
	₱4,606,344	₱3,398,017

Land consists of parcels of land located in Cavite, Misamis Oriental, Laguna, Batangas, Palawan, Tarlac and Pampanga.

The composition of inventoriable costs as at September 30 follows:

	September 30, 2022	December 31, 2021
	<i>(In Thousands)</i>	
Land cost	₱3,437,865	₱2,913,247
Construction overhead and other related costs	1,208,327	524,618
	₱4,646,192	₱3,437,865

The rollforward analysis of real estate held for sale and development follows:

	September 30, 2022	December 31, 2021
	<i>(In Thousands)</i>	
Balance at the beginning of the year	₱3,437,865	₱3,277,109
Acquisition	1,616,989	506,695
Development costs incurred	229,772	685,709
Cost of real estate sales	(638,434)	(1,031,648)
	4,646,192	3,437,865
Less allowance for impairment loss	39,848	39,848
	₱4,606,344	₱3,398,017

There is no movement in allowance for impairment losses as of September 30, 2022 and December 31, 2021.

Lot sales recognized for the period ended September 30, 2022 and 2021 amounted to ₱1,208.92 million and ₱1,155.43 million, respectively.

Lot inventories recognized as cost of real estate sales amounted to ₱756.59 million and ₱596.20 million for the period ended September 30, 2022 and 2021, respectively.

7. Financial Assets at FVOCI

The details of this account follow:

	September 30, 2022	December 31, 2021
	<i>(In Thousands)</i>	
Listed equity securities	₱49,568	₱49,568
Quoted debt securities	88,409	94,691
	₱137,977	₱144,259

Financial assets at FVOCI pertain to investments in equity securities and debt instruments which are not held for trading and which the Group has irrevocably designated at FVOCI, as the Group considers these investments to be strategic in nature.

Equity securities include 1,388,101,405 shares of Cyber Bay valued at nil as at September 30, 2022 and December 31, 2021 (see Note 19). In 2021, the shares of Cyber Bay were suspended from trading for an indefinite period and the investment in Cyber Bay was revalued based on net asset values as of reporting date.

Quoted debt securities pertain to government securities owned by the Group. These are reserved investments in accordance with the provisions of the Insurance Commission as security for the benefit of policy holders and creditors of FPIC.

Movements of unrealized valuation gain (losses) on financial assets at FVOCI follows:

	Equity Holders	Non-controlling Interests	Total
	(In Thousands)		
At December 31, 2020	(P626,651)	P2,891	(P623,760)
Fair value changes	(463,036)	(1,991)	(465,027)
At December 31, 2021	(1,089,687)	900	(1,088,787)
Fair value changes	(1,281)	–	(1,281)
At September 30, 2022	(P1,090,968)	P900	(P1,090,068)

Interest earned from financial assets at FVOCI amounted to nil for the period ended September 30, 2022 and 2021.

Dividend income on financial assets at FVOCI amounted to nil as at September 30, 2022 and 2021.

8. Financial Assets at FVPL

This account pertains to investments in redeemable preferred shares and Unit Investment Trust Fund (UITF) designated as financial assets at FVPL.

Fair value of financial assets at FVPL as at September 30, 2022 and December 31, 2021 amounted to P4.67 million and P4.80 million, respectively.

9. Other Current Assets

This account consists of:

	September 30, 2022	December 31, 2021
	(In Thousands)	
Input VAT	P738,281	P542,756
CWTs	344,867	354,616
Refundable deposits	63,287	63,242
Prepayments	91,565	60,392
Advances to suppliers and contractors	24,248	45,195
Ice and beverages	5,172	4,155
	1,267,420	1,070,356
Less allowance for impairment losses	8,953	8,953
	P1,258,467	P1,061,403

Input VAT pertains to VAT passed on from purchases of goods or services which is applied against output VAT.

Creditable withholding taxes (CWTs) are available for offset against income tax payable in the future periods.

Refundable deposits pertain to EPMI's utility deposit for the initial set-up of electricity supply by public utility companies and interest earned from these deposits accrue to the customers of the Company. These deposits earn interest equivalent to the Peso Savings Account Interest rate of Land Bank of the Philippines on the first working day of the year, or other government banks subject to approval of ERC and may be refunded or applied to outstanding bill balance or differential billing upon termination of contract. The said deposits are equivalent to one (1) month estimated monthly billing and shall be

adjusted annually to reflect the average billing during a one year period; or to replace any deposit previously applied; or to reflect the increase or decrease in load, or the number of the customers.

Prepayments pertain to prepaid insurance, taxes and licenses and other prepaid expenses that are to be amortized over a period of one (1) year.

Advances to contractors and suppliers pertain to advance payment to service contractors for construction services of the Group's real estate held for sale and development.

As of September 30, 2022 and December 31, 2021, allowance for impairment losses amounting to ₱8.95 million.

10. Investment Properties

The details of this account follow:

	September 30, 2022			Total
	Buildings and Improvements	Land and Improvements	Construction in Progress	
	<i>(In Thousands)</i>			
Cost				
At beginning of year	₱10,779,379	₱1,948,321	₱347,940	₱13,075,640
Additions	627,827	815,091	194,153	1,637,071
Reclassifications	6,098	-	(6,098)	-
At end of year	11,413,304	2,763,412	535,995	14,712,711
Accumulated Depreciation and Amortization				
At beginning of year	3,334,710	27,211	-	3,361,921
Depreciation and amortization (Notes 20)	284,976	454	-	285,430
At end of year	3,619,686	27,665	-	3,647,351
Balance before impairment	7,793,618	2,735,747	535,995	11,065,360
Less allowance for impairment losses	-	3,209	-	3,209
Net book values	₱7,793,618	₱2,732,538	₱535,995	₱11,062,151
	December 31 2021			
	Buildings and Improvements	Land and Improvements	Construction in Progress	Total
	<i>(In Thousands)</i>			
Cost				
At beginning of year	₱9,863,186	₱1,921,699	₱817,032	₱12,601,917
Additions	175,495	26,622	271,606	473,723
Reclassifications	740,698	-	(740,698)	-
At end of year	10,779,379	1,948,321	347,940	13,075,640
Accumulated Depreciation and Amortization				
At beginning of year	3,008,679	26,605	-	3,035,284
Depreciation and amortization (Notes 20 and 22)	326,031	606	-	326,637
At end of year	3,334,710	27,211	-	3,361,921
Balance before impairment	7,444,669	1,921,110	347,940	9,713,719
Less allowance for impairment losses	-	3,209	-	3,209
Net book values	₱7,444,669	₱1,917,901	₱347,940	₱9,710,510

TPI

Investment properties of TPI substantially represent buildings and leasehold improvements on the land leased from PNR which are utilized in the TPI's mall operations and held for rentals.

LCI

On July 1, 2014, LCI transferred land and improvements and buildings and improvements from property and equipment to investment properties. Prior to the transfer, the land and improvements and building and improvements are stated at their revalued amounts. Upon transfer to investment

property, the revalued amounts of the properties at the date of transfer were considered as its deemed costs in accordance with PAS 40, *Investment Property*.

The excess of appraised values over the acquisition costs of the properties is shown under the “Revaluation increment” account in the consolidated statement of financial position and in the consolidated statement of changes in equity. An amount corresponding to the difference between the depreciation based on the revalued carrying amount of the asset and depreciation based on the original cost is transferred annually from “Revaluation increment” to “Retained earnings” account in the consolidated statement of financial position.

Fair Value of Investment Properties

The aggregate fair value of the Group’s investment properties of buildings, land and improvements amounted to ₱20,927.17 million as of September 30, 2022 and December 31, 2021. The fair values of the buildings, land and improvements of the Group is determined using income approach method (except URDC where sales comparison approach method has been used) considers rental escalation rate for the minimum rental guaranteed for the remaining life of the buildings and building improvements using the discount rate and terminal capitalization rate ranging from 10% to 11% and 5% to 10%, respectively.

The Group has no restriction on the realizability of its investment properties and no obligation to either purchase, construct or develop or for repairs, maintenance and enhancements.

11. Property and Equipment

The details of this account follow:

September 30, 2022

	Land	Building	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Total
<i>(In Thousands)</i>							
Cost							
At beginning of year	₱193,223	₱498,633	₱10,066	₱60,413	₱26,102	₱42,969	₱831,406
Additions	–	31,273	–	–	4,182	41,807	77,262
At end of year	193,223	529,906	10,066	60,413	30,284	84,776	908,668
Accumulated Depreciation and Amortization							
At beginning of year	–	6,999	2,418	47,172	10,886	40,472	107,947
Depreciation and amortization (Note 20)	–	423	30	4,853	3,055	5,058	13,419
At end of year	–	7,422	2,448	52,025	13,941	45,530	121,366
Net Book Values	₱193,223	₱522,484	7,618	₱8,388	₱16,343	₱39,246	₱787,302

December 31, 2021

	Land	Building	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Total
<i>(In Thousands)</i>							
Cost							
At beginning of year	₱–	₱–	₱2,732	₱55,625	₱10,968	₱41,868	₱111,193
Additions	4,226	17,234	7,334	4,750	15,134	1,195	49,873
Additions through business combination (Note 13)	188,997	481,399	–	–	–	–	670,396
Disposals	–	–	–	–	–	(56)	(56)
Reclassifications	–	–	–	38	–	(38)	–
At end of year	193,223	498,633	10,066	60,413	26,102	42,969	831,406
Accumulated Depreciation and Amortization							
At beginning of year	–	–	1,941	33,642	9,262	39,170	84,015
Depreciation and amortization (Note 20)	–	6,999	477	13,227	1,624	1,661	23,988
Disposals	–	–	–	–	–	(56)	(56)
Reclassifications	–	–	–	303	–	(303)	–
At end of year	–	6,999	2,418	47,172	10,886	40,472	107,947
Net Book Values	₱193,223	₱491,634	₱7,648	₱13,241	₱15,216	₱2,497	₱723,459

12. Other Noncurrent Assets

This account consists of:

	September 30, 2022	December 31, 2021
	<i>(In Thousands)</i>	
Deferred input VAT	₱376,260	₱387,606
Advances to suppliers and contractors	-	50,000
Refundable deposits	16,939	13,310
Software costs – net	22	95
Others	1,696	732
	₱394,917	₱451,743

Deferred input VAT arises from the purchase of capital goods by the Group for amortization for a period of 5 years.

Advances to contractors and suppliers pertain to advance payment to service contractors for various renovation and rehabilitation services of the Group's buildings.

Refundable deposits pertain to deposits made to utility companies, other suppliers and various miscellaneous deposits.

Depreciation expense recognized on software cost amounted to ₱0.72 million and ₱0.27 for the periods September 30, 2022 and 2021, respectively (See Note 20)

13. Business Combinations

Acquisition of Cold Storage Operations

On April 8, 2021, in a Deed of Absolute Sale, the Group purchased a land from MKG Trading Corp. with an area of 11,800 square meters located in the City of Biñan, Laguna, for a consideration amounting to ₱118.94 million, inclusive of VAT.

On the same day, in a Deed of Absolute Sale, the Company also purchased a building from Technofreeze, Inc. with an area of 7,868.02 square meters located in the City of Biñan, Laguna, for a consideration amounting to ₱289.86 million, inclusive of VAT. The Company partially paid 82.75% of the purchase price and the remaining ₱50.00 million was settled on January 15, 2022.

The Company assumed ownership of the following assets (in thousands):

Assets	
Building and improvements	₱258,800
Land	106,200
Cost of acquisition	₱365,000

On December 13, 2021, in a Deed of Absolute Sale, the Group purchased a land and building with an existing equipment from GMV Materials, Inc. with an area of 7,527 and 6,628 square meters, respectively located in the City of Biñan, Laguna, for a consideration amounting to ₱378.12 million, VAT Inclusive.

Of the total consideration of ₱378.12 million, only ₱22.66 million was paid on December 13, 2021, and the remaining ₱355.46 million will be paid on the following terms:

Date	Payment
6/13/2022	₱30,000,000
12/13/2022	65,092,871
12/13/2023	65,092,871
12/13/2024	65,092,871
12/13/2025	65,092,871
12/13/2026	65,092,871

These outstanding balances are included as part of “Accounts payable and Accrued Expenses” (see Note 14) and “Nontrade payable-noncurrent”.

If the combination had taken place at the beginning of the year, contributions to the consolidated revenue and consolidated net income would have an immaterial effect on the consolidated balances of the Group.

The fair value of the land, building and improvements approximate their carrying amounts. Carrying amounts reflect the date of acquisition replacement costs.

For purposes of the provisional purchase price allocation, the Group assumed that the purchase price is equal to the proportionate share of the Group in the fair value of assets acquired.

14. Accounts Payable and Accrued Expenses

The details of this account follow:

	September 30, 2022	December 31, 2021
	<i>(In Thousands)</i>	
Accrued expenses		
Light and water	₱5,399	₱89,492
Professional and management fees	10,324	40,039
Commissions	59,153	72,206
Contracted services	7,979	8,847
Repairs and maintenance	552	3,893
Taxes and Licenses	5,910	–
Rent (Note 24)	7,471	9,016
Others	7,726	5,313
	104,514	228,806
Trade payables	918,014	786,164
Nontrade payables (Note 13)	407,093	333,219
Provisions (Note 25)	32,057	29,057
Retention payables (Note 13)	30,000	30,000
Dividend payable	1,720	1,720
Others	911	2,204
	₱1,494,309	₱1,411,170

Nontrade payables includes current portion of installment payable amounting to ₱65.10 million (Note 13). It also includes taxes and other payables normally settled within one (1) year.

Retention payable pertain to retentions from the contractors’ progress billings which will be released after the expiration of the project’s warranty period. The retention serves as security from the contractor should there be defects in the project.

Claims payables pertain to the estimated ultimate cost of incurred but not settled claims as at the reporting period.

The terms and conditions of the above payables are as follows:

- Trade payables are noninterest-bearing and are normally settled on thirty (30) days' term.
- Accrued payables are noninterest-bearing and are normally settled on sixty (60) days' term or due and demandable.
- All other payables are noninterest-bearing and have an average term of one (1) year.

15. Long-term Debt

The details of this account follow:

Long-term debt

Parent Company

In 2021, the Parent Company availed loan from a local bank amounting to ₱1,290.00 with a term of 10 years and interest rate of 3.27% per annum subject to repricing per annum. The loans were used for working capital requirements. Transaction cost related to the loan amounted to ₱9.67 million.

Laguna Technopark, Inc. (LTI)

In 2021, LTI availed loan from a local bank amounting to ₱690.00 million to with a term of 10 years and interest rate of 3.27% per annum subject to repricing per annum. The loans were used for working capital requirements. Transaction cost related to the loan amounted to ₱5.18 million.

In 2022, EPMI availed loan from a local bank amounting to ₱373.00 million to with a term of 10 years and interest rate of 3.27% per annum subject to repricing per annum. The loans were used for working capital requirements. Transaction cost related to the loan amounted to ₱2.80 million

The rollforward analysis of discount follows:

	September 30, 2022
Balance at beginning of year	₱14,703
Additions	2,798
Discount amortization	(1,366)
<u>Balance as of September 30, 2022</u>	<u>₱16,135</u>

Interest expense amounted to ₱49.64 million for the period ended September 30, 2022.

These loans require that the Group to comply with certain covenants including, among others, a bank debt to tangible net worth ratio of 3 is to 1 based on the latest audited financial statements of the Parent Company and Laguna Technopark, Inc. As of December 31, 2021, this ratio was complied with by the entities.

16. Rental and Other Deposits

The details of this account follow:

	September 30, 2022			December 31, 2021		
	Due within One Year	Beyond One Year	Total	Due within One Year	Beyond One Year	Total
	<i>(In Thousands)</i>					
Security deposits	₱276,525	₱272,793	₱549,318	₱239,149	₱231,511	₱470,660
Rental deposits	64,993	108,460	173,453	68,724	111,351	180,075
Construction bond	35,932	4,158	40,090	39,394	4,158	43,552
Customer deposits	9,381	-	9,381	9,427	-	9,427
Other deposits	13,747	4,887	18,634	13,349	4,887	18,236
	₱400,578	₱390,298	₱790,876	₱370,043	₱351,907	₱721,950

Tenants are required to post security deposits, which shall be refunded, without interest, within sixty (60) days after the expiration of the lease period, deducting the amount of damages to the leased premises, if any.

Security deposits also include deposits that may be refunded or applied to any outstanding account of the customers at the end of the retail electricity supply term. The duration of these deposits ranges from six months to three years.

Rental deposits are equivalent to tenant's three month's current rent and shall be increased annually or as is when the rental rate increases. These are paid upon signing of the contract of lease or possession of leased premises, whichever comes first and can be applied as payment for rent due for the last three months of the lease.

Construction bond is tenants' payments as security for repairs or any damaged caused to the Group's property arising out of or in connection to any loss, damage, or destruction to the leased premises as a result of the renovation or construction. The construction bond shall be equivalent to tenant's one month's minimum rent and can be applied as payment for outstanding accounts provided that they are in compliance with the construction guidelines and requirements imposed by the Group.

Customer deposits pertain to reservation deposits of the tenants which will form part of the payment of rent upon commencement of lease.

17. Equity

The details of the common number of shares as of September 30, 2022 follow:

	Number of Shares	Amount
Authorized, ₱1 par value	7,500,000,000	₱7,500,000,000
Issued	6,158,660,192	₱6,158,660,192
Subscribed	142,931,795	142,931,795
Less subscription receivables		106,213,691
Issued and outstanding		₱6,195,378,296

In 2022, the issued and subscribed capital and additional paid-in capital increased by ₱0.06 million and ₱0.04 million, respectively, arising from the collection of subscription receivables and ESOWN subscription.

Capital Management

The primary objective of the Group's capital management is to optimize the use and earnings potential of the Group's resources and considering changes in economic conditions and the risk characteristics of the Group's activities.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes as at September 30, 2022 and December 31, 2021.

The Group considers the following accounts as capital:

	September 30, 2022	December 31, 2021
	<i>(In Thousands)</i>	
Capital stock	₱6,195,378	₱6,195,318
Additional paid-in capital	6,015,773	6,015,733
	₱12,211,151	₱12,211,051

The Group is not subject to externally imposed capital requirements.

Shares held by a subsidiary

On June 27, 2017, OLI acquired 512,480,671 shares of the Parent Company with a cost of ₱1,255.58 million.

On September 9, 2019, OLI sold 215,090,031 shares of the Parent Company to Avida Land Corp. ("Avida"), a related party, with a cost of ₱484.54 million for a total consideration of ₱628.08 million. The realized gain on sale was recorded as additional paid-in capital.

On June 3, 2019, OLI sold 323,886,640 shares of the Parent Company to ALI, a related party with a cost of ₱794.49 million for a total consideration of ₱800.00 million. The realized gain on sale was recorded as additional paid-in capital.

On September 5, 2019, OLI subscribed to 49,444,216 shares of the Parent Company in cash amounting to ₱144.38 million. As of December 31, 2020, the listing of these shares are still pending with the Philippine Stock Exchange.

18. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors or its stockholders. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group has an approval requirement and limits on the amount and extent on any related party transactions.

The Parent Company and its subsidiaries, in their normal course of business, have entered into transactions with related parties principally consisting of interest and noninterest-bearing advances with no fixed repayment terms and are due and demandable. These transactions are normally settled in cash.

The assessment of impairment is undertaken at each financial year-end by examining the financial position of the related parties and the market in which the related parties operate. As of September 30, 2022 and 2021, the Group has not recognized any impairment on its amounts owed by related parties.

Account balances with related parties, other than intra-group balances which were eliminated in consolidation, follows:

As at and for the period ended September 30, 2022

Amounts owed by related parties

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
<i>Parent</i>				
ALI (a)	₱9,578	₱ 50,368	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ALI (b)	(289,400)	6,000	To be settled in cash, 83-days; 1.95%-2.63%	Unsecured, not impaired, and unguaranteed
Principal	(224)	2,189	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest				
<i>Entities under common control</i>				
Airswift Transport, Inc. (b)	24,620	70,620	To be settled in cash, 65-days; 1.96%-4.71%	Unsecured, not impaired, and unguaranteed
Principal	941	4,077	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	-	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Triangle Hotel Ventures, Inc. (d)				
Cebu Holdings, Inc. (b)	-	86	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest				
Central Block Developers, Inc. (b)	-	40	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest				
HLC Development Corp. (b)	-	323	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest				
Amaia Land Corporation (b)	-	84	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Principal	107,700	134,500	To be settled in cash, 113-days; 1.96%-4.71%	Unsecured, not impaired, and unguaranteed
Interest	202	382	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	(10,779)	3,408	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Land Metro North, Inc. (d)				
ESTA Galleria, Inc. (b)	-	366	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	50	132	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
ESTA Galleria, Inc. (d)	2,511	4,139	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Nuevocentro, Inc. (d)	(3)	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ecosouth Hotel Ventures, Inc. (d)				
Crans Montana Property Holdings Corp. (b)	-	5	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest				
<i>(Forward)</i>				

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Sicogon Island Tourism Estate Corp. (b)				
Principal	(2,700)	15,500	To be settled in cash, 123-days; 1.96%-3.63%	Unsecured, not impaired, and unguaranteed
Interest	110	260	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Bay City Commercial Corp. (b)				
Principal	(334,625)	277,375	To be settled in cash, 123-days; 1.96%-4.91%	Unsecured, not impaired, and unguaranteed
Interest	1,455	9,632	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
ALI Triangle Hotel Ventures, Inc. (d)				
Circuit Makati Hotel Ventures, Inc. (b)				
Interest	-	49	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Amicassa Process Solutions, Inc. (c)				
Cagayan de Oro Gateway Corp. (b)				
Interest	230	600	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Amicassa Process Solutions, Inc. (c)				
Cagayan de Oro Gateway Corp. (b)				
Interest	(404)	135	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Avida Land Corporation (d)				
Avida Land Corporation (b)				
Principal	136,400	136,400	To be settled in cash, - days; %-%	Unsecured, not impaired, and unguaranteed
Interest	(2,940)	1,590	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Arvo Commercial Corporation (b)				
Principal	7,000	23,000	To be settled in cash, 103-days; 2%-4.71%	Unsecured, not impaired, and unguaranteed
Interest	224	4,978	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ten Knots Development Corporation (b)				
Principal	-	8,000	To be settled in cash, 103-days; 1.96%-4.02%	Unsecured, not impaired, and unguaranteed
Interest	65	87	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ten Knots Philippines, Inc. (b)				
Principal	26,000	30,000	To be settled in cash, - days; %-%	Unsecured, not impaired, and unguaranteed
Interest	44	129	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Soltea Commercial Corp (b)				
Principal	(15,000)	5,400	To be settled in cash, 128-days; 1.96%-4.55%	Unsecured, not impaired, and unguaranteed
Interest	(7)	770	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Soltea Commercial Corp (d)				
Summerhill Commercial (b)				
Interest	(55)	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Soltea Commercial Corp (d)				
Summerhill Commercial (b)				
Interest	(61)	52	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Innovate Communications, Inc. (d)				
Interest	41	164	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Innovate Communications, Inc. (d)				
Interest	-	241	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Group Counselors Corp. (e)				
Interest	-	(51)	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Leisure and Allied Industries Phils., Inc. (d)				
Interest			To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed

(Forward)

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
	-	63	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Makati Development Corp. (d)	-	270	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
AMSI, Inc. (d)	-	38	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Econorth Resort Ventures, Inc. (d)				
North Triangle Depot Commercial Corp. (b)	600	601	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	35	35	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
South Innovative Theater Mngt, Inc. (d)				
North Eastern Commercial (b)	-	91	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	-	1	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Property Management Corp. (d)	1	274	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Ventures Commercial (d)	-	606	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
PCM Formosa Company Limited (d)	-	1	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Horizon Wealth Holdings, Inc. (d)	14	688	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
ALI Commercial Center (c)				
ALI Commercial Center (b)	104,000	112,000	To be settled in cash, 123-days; 1.96%-4.02%	Unsecured, not impaired, and unguaranteed
Principal	404	466	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest				
BellaVita Land Corp (b)	(17)	116	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest				
Accendo Commercial Corp (b)	(18,000)	-	To be settled in cash, 112-days; 1.96%-2.17%	Unsecured, not impaired, and unguaranteed
Principal	(20)	35	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest				
Capitol Central Commercial Ventures Corp (b)	(8,000)	68,000	To be settled in cash, 111-days; 1.96%-4.55%	Unsecured, not impaired, and unguaranteed
Principal	358	881	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest				
Primavera Towncentre, Inc. (b)	49,005	49,005	To be settled in cash, 123-days; 1.96%-4.55%	Unsecured, not impaired, and unguaranteed
Principal	855	855	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest				
Cavite Commercial Town Center, Inc. (b)	10,000	20,000	To be settled in cash, 89-days; 3.63%-4.71%	Unsecured, not impaired, and unguaranteed
Principal	151	418	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest				

(Forward)

Greenhaven Property Venture, Inc. (b)				
Principal	-	-	To be settled in cash, - days; %-%	Unsecured, not impaired, and unguaranteed
Interest	-	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Prop. Mngt. Corp (d) <i>Other related parties</i>				
	494	494	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Integrated Microelectronics Inc.(d)	37	34	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Bank of the Philippine Islands (c)	(3,917)	(4,373)	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Globe Telecom Inc. (c)				
Total		₱1,041,952		

Amounts owed to related parties

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
<i>Parent</i>				
ALI (b)				
Principal	₱54,000	₱144,000	To be settled in cash, 61-days; 1.96%-4.84%	Unsecured, not impaired, and unguaranteed
Interest	23,837	24,123	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
ALI (c)	96,815	725,122	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Corporation (i)	-	149,539	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Laguna AAA Waterworks Corp (d) <i>Entities under common control</i>	-	412		
Ayalaland Malls, Inc. (d)	571	765	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Property Management Corp. (b)				
Principal	97,000	97,000	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	366	456	To be settled in cash, - days; %-%	Unsecured, not impaired, and unguaranteed
Ayala Property Management Corp. (d) Makati Development Corp. (b)	(11)	1,682	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Principal	(140,822)	26,178	To be settled in cash, 110-days; 1.96%-3.88%	Unsecured, not impaired, and unguaranteed
Interest	2,822	4,175	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Makati Development Corp. (f)	332,978	565,589	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Nuevocentro, Inc. (d) AMSI, Inc. (b)	(1,955)	978		
Principal	(1,000)	-	To be settled in cash, 117-days; 1.96%-2.14%	Unsecured, not impaired, and unguaranteed
Interest	8	156	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
AMSI, Inc. (d)	943	3,426	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed

(Forward)

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Innove Communications, Inc. (d) APRISA Business Solutions (b)	(14)	22	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Principal	(1,500)	-	To be settled in cash, 60-days; 1.96%-2.25%	Unsecured, not impaired, and unguaranteed
Interest	(12)	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
APRISA Business Solutions (d) Amicassa Process Solutions, Inc. (b)	217	329	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	-	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Amicassa Process Solutions, Inc. (d)	(206)	262	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Philippine Integrated Energy Solutions, Inc. (d)	-	17	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Avencosouth Corp. (d)	-	33	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Group Counselors Corp. (e) Ayalaland Metro North, Inc. (b)	(2,014)	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	6	56	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Station Square East Commercial Corp. (b)				
Principal	(10,000)	-	To be settled in cash, 118-days; 1.96%-3.63%	Unsecured, not impaired, and unguaranteed
Interest	144	384	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Avida Land Corp. (d)	-	320	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Alveo Land Corp. (d) Alveo Land Corp. (b)	6,968	11,643	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	-	346	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Solinea, Inc. (b)				
Interest	-	298	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Summerhill Commercial Ventures (b)				
Principal	(3,655)	3,590	To be settled in cash, 123-days; 1.96%-4.02%	Unsecured, not impaired, and unguaranteed
Interest	299	989	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Taft Punta Engano Property, Inc. (b)				
Principal	-	-	To be settled in cash, 123-days; 1.96%-4.02%	Unsecured, not impaired, and unguaranteed
Interest	535	1,231	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Hotels, Inc. (b)				
Principal	(3,000)	-	To be settled in cash, 124-days; 1.96%-3.63%	Unsecured, not impaired, and unguaranteed
Interest	247	5,511	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Southportal Properties, Inc. (b)				
Principal	11,800	20,800	To be settled in cash, 117-days; 1.96%-3.94%	Unsecured, not impaired, and unguaranteed
Interest	519	1,014	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed

(Forward)

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
AREIT Fund Manager, Inc. (b)				
Principal	(8,000)	-	To be settled in cash, - days; %-%	Unsecured, not impaired, and unguaranteed
Interest	(9)	7	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Accendo Commercial Corp. (b)				
Interest	-	27	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
ALI Commercial Center (c)	1,757	2,006	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
ALI Commercial Center (b)				
Interest	-	3	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Beacon Commercial Corp. (b)				
Principal	6,000	12,000	To be settled in cash, 121-days; 1.96%-3.63%	Unsecured, not impaired, and unguaranteed
Interest	303	4,327	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
AREIT, Inc. (b)				
Principal	37,000	37,000	To be settled in cash, 124-days; 1.96%-3.94%	Unsecured, not impaired, and unguaranteed
Interest	1,935	7,633	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
ALI-CII Development Corp. (b)				
Principal	9,680	15,680	To be settled in cash, 116-days; 1.96%-3.63%	Unsecured, not impaired, and unguaranteed
Interest	150	218	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
MDBI Construction Corp. (b)				
Principal	(31,000)	4,000	To be settled in cash, 63-days; 1.96%-4.02%	Unsecured, not impaired, and unguaranteed
Interest	293	365	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Triangle Depot Commercial Corp. (b)				
Interest	-	123	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
ALI Capital Corp. (b)				
Interest	-	11	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
UP North Property Holdings, Inc. (b)				
Principal	8,200	77,200	To be settled in cash, 117-days; 1.96%-3.63%	Unsecured, not impaired, and unguaranteed
Interest	1,376	6,627	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Glensworth Development, Inc. (b)				
Interest	-	1,246	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Eastern Commercial Corp. (b)				
Interest	2	9,997	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Land Offices, Inc. (b)				
Principal	273,280	301,080	To be settled in cash, 116-days; 1.96%-4.02%	Unsecured, not impaired, and unguaranteed
Interest	1,416	8,576	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Ventures Commercial Corp. (b)				
Interest (Forward)	-	285	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Asian I-Office Properties, Inc. (b)				
Interest	(2,281)	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Direct Power Services, Inc. (b)				
Interest	65	77	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Subic Bay Town Center, Inc. (b)				
Principal				
Interest	13,232	23,232	To be settled in cash, - days; %-%	Unsecured, not impaired, and unguaranteed
Vesta Property Holdings, Inc. (b)				
Principal	484	578	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	(11,000)	-	To be settled in cash, - 123-days; 1.96%-4.02%	Unsecured, not impaired, and unguaranteed
CECI Realty Corp. (b)				
Principal	692	13,610	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	(5,000)	-	To be settled in cash, - 105-days; 1.96%-2.88%	Unsecured, not impaired, and unguaranteed
Makati Cornerstone Leasing (b)				
Principal	216	803	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	(10,000)	-	To be settled in cash, - 60-days; 1.97%-2.06%	Unsecured, not impaired, and unguaranteed
First Gateway Real Estate Corp. (b)				
Interest	21	355	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Soltea Commercial Corp. (b)				
Interest	-	63	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Alabang Commercial Corp. (b)				
Principal	32	32	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	(18,855)	-	To be settled in cash, - 121-days; 1.96%-3.94%	Unsecured, not impaired, and unguaranteed
Ayala Land Sales, Inc. (b)				
Principal	557	689	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Adauge Commercial Corp. (b)				
Principal	164	206	To be settled in cash, - 102-days; 1.96%-3.63%	Unsecured, not impaired, and unguaranteed
Interest	30,820	30,820	To be settled in cash, - days; %-%	Unsecured, not impaired, and unguaranteed
ALO Prime Realty Corporation (b)				
Principal	31	31	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	464,200	464,200	To be settled in cash, - days; %-%	Unsecured, not impaired, and unguaranteed
Bonifacio Hotel Ventures, Inc. (d)				
Interest	1,562	1,562	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
ESTA Galleria, Inc. (d)				
Interest	-	21	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayalaland Estates, Inc. (d)				
Interest	-	2,450	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
(Forward)	17	17	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Makati North Hotel Ventures (d)			To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
	(14)	-		
Ayalaland Hotels and Resorts Corp (b)			To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
	-	4		
Ayalaland Malls Northeast, Inc. (d)			To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
	-	571		
Other related party Globe Telecom, Inc (d)			To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
	(18)	-		
Total		₱2,818,178		

As at and for the year ended December 31, 2021

Amounts owed by related parties

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
<i>Parent</i>				
ALI (a)	₱20,393	₱40,833	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ALI (b)	(441,302)	297,813	To be settled in cash, 30-days; 1.96%-2.00%	Unsecured, not impaired, and unguaranteed
<i>Entities under common control</i>				
Airswift Transport, Inc. (b)				
Principal	14,000	46,000	To be settled in cash, 30-days; 2.00%	Unsecured, not impaired, and unguaranteed
Interest	835	3,137		
North Triangle Hotel Ventures, Inc. (b)				
Principal	-	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	-	87		
<i>(Forward)</i>				
Cebu Holdings, Inc. (b)				
Principal	-	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	(3)	40		
Central Block Development, Inc. (b)				
Principal	(14,300)	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	(47)	323		
HLC Development Corp. (b)				
Principal	(12,500)	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	14	84		
Amaia Land Corporation (b)				
Principal	11,100	26,800	To be settled in cash, 30-days; 1.96%-2.00%	Unsecured, not impaired, and unguaranteed
Interest	131	180		
Amaia Land Corporation (d)	(6,129)	-		
Ayala Land Metro North, Inc. (d)	8,166	14,187	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ESTA Galleria, Inc. (b)				
Interest	-	366	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ESTA Galleria, Inc. (d)	-	82	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Nuevo Centro, Inc. (d)	(21)	1,628	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Ecosouth Hotel Ventures, Inc. (d)	3	3	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Crans Montana Property Holdings Corp. (b)				
Principal	(1,000)	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	1	5		
Sicogon Island Tourism Estate Corp. (b)				
Principal	14,000	18,200	To be settled in cash, 30-days; 1.96% - 2.00%	Unsecured, not impaired, and unguaranteed
Interest	136	149		
Bay City Commercial Corp. (b)				
Principal	507,000	612,000	To be settled in cash, 30-days; 1.96%-2.00%	Unsecured, not impaired, and unguaranteed
Interest	4,291	8,178		

(Forward)

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Ayala Triangle Hotel. (b)				
Interest	-	185	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Circuit Makati Hotel Ventures, Inc. (b)				
Interest	-	49	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Amicassa Process Solutions, Inc. I	(3,173)	370	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Cagayan de Oro Gateway Corp. (b)				
Principal	(15,000)	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	202	539		
Avida Land Corporation (b)				
Interest	27	4,531	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Arvo Commercial Corporation (b)				
Principal	6,000	16,000	To be settled in cash, 30-days; 2.00%	Unsecured, not impaired, and unguaranteed
Interest	284	4,754		
Ten Knots Development Corporation (b)				
Principal	8,000	8,000	To be settled in cash, 30-days; 1.96%	Unsecured, not impaired, and unguaranteed
Interest	22	22		
Ten Knots Philippines, Inc. (b)				
Principal	4,000	4,000	To be settled in cash, 30-days; 1.96%	Unsecured, not impaired, and unguaranteed
Interest	47	85		
Soltea Commercial Corp (b)				
Principal	15,000	20,400	To be settled in cash, 30-days; 1.96%-2.00%	Unsecured, not impaired, and unguaranteed
Interest	198	832		
Summerhill Commercial (b)				
Interest	56	112	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Innove Communications, Inc. (d)				
Interest	7	123	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Group Counselors Corl(e)	-	241	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Leisure and Allied Industries Phils., Inc. (d)	-	(51)		
Makati Development Corp. (d)	-	63	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
AMSI, Inc. (d)				
Interest	76	270	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Econorth Resort Ventures, Inc. (d)				
Interest	-	38	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Triangle Depot Commercial Corp. (d)				
Interest	-	1	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
South Innovative Theater Mngt, Inc. (d)				
Interest	-	35	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Eastern Commercial (d)	829	91	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Ayala Property Management Corp. (d)	-	1		
North Ventures Commercial (d)	(82)	274		
PCM Formosa Company Limited (d)				
Interest	-	606	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Horizon Wealth Holdings, Inc. (d)				
Interest	1	1	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ALI Commercial Cler (c)				
Interest	10	674	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed

(Forward)

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
ALI Commercial Center (b)				
Principal	1,000	8,000	To be settled in cash, 62-days; 2.00%	Unsecured, not impaired, and unguaranteed
Interest	52	61		
BellaVita Land Corp (b)				
Principal	(5,000)	-	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	118	133		
Accendo Commercial Corp (b)				
Principal	12,000	18,000	To be settled in cash, 62-days; 2.00%	Unsecured, not impaired, and unguaranteed
Interest	(1)	56		
Capitol Central Commercial Ventures Corp (b)				
Principal	(3,000)	76,000	To be settled in cash, 57-61-days; 1.96%-2.00%	Unsecured, not impaired, and unguaranteed
Interest	213	522		
Cebu District Property Enterprise, Inc. (b)				
Interest	(74)	-		
Arca South Commercial Ventures Corp. (b)				
Interest	(815)	-		
Cavite Commercial Town Center, Inc. (b)				
Principal	-	10,000	To be settled in cash, 56-days; 1.96%	Unsecured, not impaired, and unguaranteed
Interest	108	268		
<i>Other related parties</i>				
Bank of the Philippinellands (c)	75	(3)		
Globe Tlcom Inc. (c)	(6,087)	(457)		
Total		₱1,244,921		

Amounts owed to related parties

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
<i>Parent</i>				
ALI (i)	(₱282,628)	₱718,592	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayala Corporation (j)	-	149,539	Due and demandable noninterest bearing	Unsecured and unguaranteed
Laguna AAA Waterworks Corp (d)	-	413	Due and demandable noninterest bearing	Unsecured and unguaranteed
<i>Entities under common control</i>				
Ayalaland Malls, Inc. (d)	(52)	193	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayala Property Management Corp. (d)	(10,215)	1,783	Due and demandable noninterest bearing	Unsecured and unguaranteed
Makati Development Corp. (f)	139,943	400,965	Due and demandable noninterest bearing	Unsecured and unguaranteed
Nuevocentro, Inc. (d)	(2,328)	2,933	Due and demandable noninterest bearing	Unsecured and unguaranteed
AMSI, Inc. (d)	2,444	3,631	Due and demandable noninterest bearing	Unsecured and unguaranteed
Innove Communications, Inc. (d)	(60)	36	Due and demandable noninterest bearing	Unsecured and unguaranteed
APRISA Business Solutions (d)	578	1,624	Due and demandable noninterest bearing	Unsecured and unguaranteed
<i>(Forward)</i>				
Amicassa Process Solutions, Inc. (d)	468	468	Due and demandable noninterest bearing	Unsecured and unguaranteed
Philippine Integrated Energy Solutions, Inc. (d)	17	17	Due and demandable noninterest bearing	Unsecured and unguaranteed
Avencosouth Corp. (d)	33	33	Due and demandable	Unsecured and unguaranteed
<i>(Forward)</i>				

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Ayala Group Counselors Corp.	1,953	2,014	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayalaland Metro North, Inc. (b) Principal	(7,300)	-		
Interest	(83)	50	Due and demandable noninterest bearing	Unsecured and unguaranteed
Station Square East Commercial Corp. (b) Principal	10,000	10,000	To be settled in cash, 30-days; 2.00%	Unsecured and unguaranteed
Interest	240	240		
Avida Land Corp. (d)	(154,168)	320	Due and demandable noninterest bearing	Unsecured and unguaranteed
Alveo Land Corp. (b) Principal	(20,000)	-		
Interest	4,097	5,021	Due and demandable noninterest bearing	Unsecured and unguaranteed
Solinea, Inc. (b) Interest	-	298	Due and demandable noninterest bearing	Unsecured and unguaranteed
Summerhill Commercial Ventures (b) Principal	(9,255)	7,245	To be settled in cash, 30-days; 2.00%	Unsecured, not impaired, and unguaranteed
Interest	242	690		
Taft Punta Engano Property, Inc. (b) Principal	(31,800)	-		
Interest	401	696	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayala Hotels, Inc. (b) Principal	(182,700)	3,000	To be settled in cash, 30-days; 2.00%	Unsecured, not impaired, and unguaranteed
Interest	1,548	5,268		
Southportal Properties, Inc. (b) Principal	4,000	9,000	To be settled in cash, 30-days; 2.00%	Unsecured, not impaired, and unguaranteed
Interest	218	495		
AREIT Fund Manager, Inc. (b) Principal	(27,000)	8,000	To be settled in cash, 41-days; 2.00%	Unsecured, not impaired, and unguaranteed
Interest	(51)	16		
Accendo Commercial Corp. (b) Interest	27	27	Due and demandable noninterest bearing	Unsecured and unguaranteed
ALI Commercial Center (b) Interest	-	252	Due and demandable noninterest bearing	Unsecured and unguaranteed
North Beacon Commercial Corp. (b) Principal	(90,400)	6,000	To be settled in cash, 30-days; 2.00%	Unsecured, not impaired, and unguaranteed
Interest	(99)	4,024		
AREIT, Inc. (b) Principal	(97,350)	-		
Interest	(19)	5,698	Due and demandable noninterest bearing	Unsecured and unguaranteed
ALI-CII Development Corp. (b) Principal	4,500	6,000	To be settled in cash, 30-days; 2.00%	Unsecured, not impaired, and unguaranteed
Interest	54	68		
MDBI Construction Corp. (b) Principal	35,000	35,000	To be settled in cash, 30-days; 2.00%	Unsecured, not impaired, and unguaranteed
Interest	72	72		
North Triangle Depot Commercial Corp. (b) Interest	-	123	Due and demandable noninterest bearing	Unsecured and unguaranteed
ALI Capital Corp. (b) Interest	11	11	Due and demandable noninterest bearing	Unsecured and unguaranteed
Adauga Commercial Corp. (b) Principal	(3,000)	-	To be settled in cash, 30-days; 2.00%	Unsecured, not impaired, and unguaranteed
Interest	(5)	-	Due and demandable noninterest bearing	Unsecured and unguaranteed
UP North Property Holdings, Inc. (b) Principal	11,000	69,000	To be settled in cash, 30-days; 2.00%	Unsecured, not impaired, and unguaranteed
Interest	2,687	5,251		
(Forward)				

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Glensworth Development, Inc. (b)				
Principal	(26,000)	-		
Interest	331	1,246	Due and demandable noninterest bearing	Unsecured and unguaranteed
North Eastern Commercial Corp. (b)				
Principal	(255,930)	-		
Interest	2,562	9,995	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayala Land Offices, Inc. (b)				
Principal	27,800	27,800	To be settled in cash, 30-days; 1.96%-2.00%	Unsecured, not impaired, and unguaranteed
Interest	295	7,159		
North Ventures Commercial Corp. (b)				
Principal	(55,300)	-		
Interest	32	285	Due and demandable noninterest bearing	Unsecured and unguaranteed
Asian I-Office Properties, Inc. (b)				
Principal	(62,600)	-	Due and demandable noninterest bearing	Unsecured and unguaranteed
Interest	240	2,281		
Direct Power Services, Inc. (b)				
Interest	11	12	Due and demandable noninterest bearing	Unsecured and unguaranteed
Subic Bay Town Center, Inc. (b)				
Principal	(10,000)	10,000	To be settled in cash, 30-days; 2.24%	Unsecured, not impaired, and unguaranteed
Interest	58	94		
Vesta Property Holdings, Inc. (b)				
Principal	11,000	11,000	To be settled in cash, 30-days; 1.96%-2.00%	Unsecured, not impaired, and unguaranteed
Interest	(1,801)	12,917		
CECI Realty Corp. (b)				
Principal	(50,870)	5,000	To be settled in cash, 30-days; 2.00%	Unsecured, not impaired, and unguaranteed
Interest	336	588		
Makati Cornerstone Leasing (b)				
Principal	7,000	10,000	To be settled in cash, 30-days; 2.00%	Unsecured, not impaired, and unguaranteed
Interest	278	334		
First Gateway Real Estate Corp. (b)				
Interest	33	63	Due and demandable noninterest bearing	Unsecured and unguaranteed
Soltea Commercial Corp. (b)				
Interest	32	32	Due and demandable noninterest bearing	Unsecured and unguaranteed
Alabang Commercial Corp. (b)				
Principal	18,855	18,855	To be settled in cash, 30-days; 2.00%	Unsecured, not impaired, and unguaranteed
Interest	132	132		
Ayala Land Sales, Inc. (b)				
Principal	10,000	10,000	To be settled in cash, 30-days; 2.00%	Unsecured, not impaired, and unguaranteed
Interest	42	42		
ESTA Galleria, Inc. (d)	2,450	2,450	Due and demandable noninterest bearing	Unsecured and unguaranteed
Makati North Hotel Ventures (d)	14	14	Due and demandable noninterest bearing	Unsecured and unguaranteed
<i>Other related party</i>				
Globe Telecom, Inc (d)	(28)	17	Due and demandable noninterest bearing	Unsecured and unguaranteed
Total		₱1,594,424		

The following describes the nature of the material transactions of the Group with related parties as of September 30, 2022 and December 31, 2021:

- Amounts owed by ALI pertains to rental revenue collected by ALI on behalf of OLI.
- Amounts owed by related parties are short-term advances made by the Group with interest rate at 1.96% to 3.05 % per annum. Interest income attributable to intercompany loans amounted to ₱18.78 million and ₱14.66 million as of September 30, 2022 and 2021, respectively. The Group

also incurred interest expense on intercompany loans amounted to P22.39 million and P23.10 million as of September 30, 2022 and 2021, respectively.

- c. The Group entered into operating lease agreements with entities under common control or significant influence of the Ultimate Parent, on its investment property portfolio.
- d. The Group has entered into transactions with related parties consisting of advances and reimbursements of expenses. Services rendered to and received from related parties are made at normal market prices and normally settled in cash.
- e. The Group has incurred legal fees to AG Counselors Corp. As of September 30, 2022 and December 31, 2021, total payable amounting to nil and P2.01 million, respectively.
- f. The Group has engaged the services of MDC for the technical due diligence, land development of the property in Cavite, Pampanga and Laguindingan and construction of a facility in Laguna. As of September 30, 2022 and December 31, 2021, the total payable to MDC amounted to P565.60 million and P513.99 million, respectively.
- g. MDC Build Plus is the contractor of the Group's Standard Factory Building 2 in Phase 7, Laguna Technopark. As of September 30, 2022 and December 31, 2021, the retention payable of the Group amounts to nil.
- h. Payable to ALI pertains to management fees. This is due and demandable and noninterest bearing.
- i. On August 2, 2019, the Group, through LTI, executed a Deed of Absolute Sale with AC for the purchase of the 624,382 sqm lot located in Laguindingan, Misamis Oriental intended for the currently being developed Laguindingan Technopark project amounting to P299.08 million. The 50% of the total purchase price has already been paid in 2020 resulting to a P149.54 million payable to AC as of September 30, 2022.

Other transactions with related parties include the following:

- OLI's acquisition of land from Avida (see Note 10).
- TPI and OLI entered into a master service agreement with Aprisa Business Process Solutions, Inc. to provide data processing services.

Compensation of key management personnel

The key management personnel of the Group are employees of ALI. As such, the compensation of the said employees is paid by ALI, the necessary disclosures required by PAS 24, *Related Party Disclosure* are included in the financial statements of ALI.

19. Subscription Payable

As at September 30, 2022 and December 31, 2021, the Parent Company has unpaid subscription in Cyber Bay amounting to P481.68 million, which is presented as "Subscriptions Payable" in the consolidated statements of financial position. The movement in investment in Cyber Bay under "Financial assets at fair value through other comprehensive income" follows:

	September 30, 2022	December 31, 2021
	<i>(In Thousands)</i>	
Beginning balance	P-	P458,074
Changes in fair value	-	(458,074)
	P-	P-

Equity securities include 1,388,101,405 shares of Cyber Bay valued at nil as of September 30, 2022 and December 31, 2021 (see Note 7). In 2021, the shares of Cyber Bay were suspended from trading for an indefinite period and the investment in Cyber Bay was revalued based on net asset values as of reporting date.

Status of operations of Cyber Bay Corporation

On April 25, 1995, Central Bay, a wholly-owned subsidiary of Cyber Bay, entered into a Joint Venture Agreement with the Philippine Reclamation Authority (PRA; formerly Public Estates Authority) for the complete and entire reclamation and horizontal development of a portion of the Manila-Cavite Coastal Road and Reclamation Project (the Project) consisting of three partially reclaimed and substantially eroded islands (the Three Islands) along Emilio Aguinaldo Boulevard in Parañaque and Las Piñas, Metro Manila, with a combined total area of 157.8 hectares, another area of 242.2 hectares contiguous to the Three Islands and, at Central Bay's option as approved by the PRA, an additional 350 hectares, more or less, to regularize the configuration of the reclaimed area.

On March 30, 1999, the PRA and Central Bay executed an Amended Joint Venture Agreement (AJVA) to enhance the Philippine Government's share and benefits from the Project which was approved by the Office of the President of the Philippines on May 28, 1999.

On July 9, 2002, the Supreme Court (SC) (in the case entitled "Francisco Chavez vs. Amari Coastal Bay and Reclamation Corp.") issued a ruling declaring the AJVA null and void.

Accordingly, PRA and Central Bay were permanently enjoined from implementing the AJVA. On July 26, 2002, Central Bay filed a Motion for Reconsideration (MR) of said SC decision. On May 6, 2003, the SC En Banc denied with finality Central Bay's MR. On May 15, 2003, Central Bay filed a Motion for Leave to Admit Second MR. In an En Banc Resolution of the SC dated July 8, 2003, the SC resolved to admit the Second MR of Central Bay.

On November 11, 2003, the SC rendered a 7-7 split decision on Central Bay's Second MR. Because of the new issues raised in the SC's latest resolution that were never tried or heard in the case, Central Bay was constrained to file on December 5, 2003 a Motion for Re-deliberation of the SC's latest resolution which motion was denied with finality by the SC. With the nullification of the AJVA, Central Bay has suspended all Project operations.

On August 10, 2007, in view of the failure by the PRA to comply with its obligations and representations under the AJVA, Cyber Bay and Central Bay have filed their claims for reimbursement of Project expenses in the amount of ₱10.2 billion with the PRA. Cyber Bay and Central Bay provided the PRA with the summary and details of their claims on September 5, 2007.

On July 15, 2008, Cyber Bay sent a follow-up letter to the PRA.

On November 20, 2009, the Cyber Bay sent a letter to the PRA for the payment of approximately ₱13.4 billion. This amount represents all costs, losses, liabilities, and expenses incurred by Central Bay computed as of September 2009 pursuant to the Amended JVA.

In a letter dated February 8, 2010, the PRA, through its former General Manager and CEO, Andrea D. Domingo, acknowledged that of the claims for reimbursement made by Central Bay, PRA was able to verify the total amount of ₱1,004.44 million as the amount due for reimbursement and PRA did not, at that time, find any sufficient basis for the payment of Central Bay's other claims including cost of money, reimbursement of professional and legal fees, interest and bank charges on loan, foreign exchange losses on loans, pre-operating and operating expenses, input tax, and documentary stamp tax. Central Bay then conducted a more thorough internal review of pertinent documents and re-computation of its claims vis-a-vis the findings of PRA.

Thus, on December 13, 2010, Central Bay filed a Petition with the COA to claim for reimbursement with the revised amount due totaling ₱11,528.57 million (down from the initial claim of ₱13,386.97 million) and not merely ₱1,004.44 million as initially determined by the PRA. Considering that PRA has already validated and acknowledged Central Bay's claim for reimbursement in the amount of ₱1,004.44 million, the only issue submitted to the COA is whether or not the other claims of Central Bay which were initially found by PRA to be without sufficient basis are likewise rightful items for reimbursement in light of recognized government accounting standards.

The money claim of ₱1,027.00 million shall be settled through a conveyance of a portion of the PRA reclaimed land to Central Bay's qualified assignee, as previously approved by the stockholders of the Company during its annual stockholders' meeting held on December 22, 2015.

Central Bay and the PRA, as assisted by the Office of the Government Corporate Counsel (OGCC), entered into a Compromise Agreement with the PRA dated October 14, 2016. The Compromise Agreement shall take force and effect upon approval by the Commission on Audit (COA) and the issuance of the COA of an Order of Judgment to dismiss the money claim of Central Bay in the case docketed as COA CP Case No. 2010-350 and shall bar any future claims arising from or in connection with the Amended Joint Venture Agreement dated 30 March 1999.

On November 11, 2016, Central Bay and PRA filed a Joint Motion for Judgment based on the Compromise Agreement before the COA to seek its approval.

On May 23, 2019, the COA rendered a decision rendering the Compromise Agreement as null and void, and partially granting Central Bay's money claims in the total amount of ₱714.94 million (Decision). A Motion for Reconsideration on the Decision was filed with the COA on 25 July 2019.

On July 30, 2020, Central Bay, the wholly owned subsidiary of Cyber Bay, received a notice dated June 8, 2020, that the COA En Banc issued a resolution on January 21, 2020 to deny its Motion for Reconsideration (MR). The MR was filed by Central Bay on July 25, 2019 on the decision declaring the Compromise Agreement with the Philippine Reclamation Authority invalid, and partially granted Central Bay's money claim in the total amount of ₱714.94 million.

On August 19, 2020, Central Bay filed a Petition for Certiorari with G.R No. 252940 to the Supreme Court of the Philippines praying that the COA En Banc resolution be reversed and set aside and that the Compromise Agreement dated October 14, 2016 be approved and adopted.

On September 8, 2020, the Supreme Court En Banc required COA and PRA to comment to the Petition for Certiorari. On December 16, 2020, Central Bay received a Motion for Extension dated December 7, 2020 filed by the Office of the Solicitor General (OSG) praying that he be granted an additional extension of sixty days from December 12, 2020 or until February 10, 2021 to file the Comment on the Petition.

On February 4, 2021, Central Bay received a SC resolution dated January 5, 2021 granting the OSG's Motion for Extension. On February 17, 2021, Central Bay received the COA's Comment dated February 3, 2021. On March 22, 2021, Central Bay received the SC resolution dated March 2, 2021 requiring Central Bay to file a Reply to the COA's Comment which the later filed on April 23, 2021.

The PRA subsequently filed a Motion to Admit with attached Manifestation and Comment dated September 30, 2021. In its Motion, the PRA prayed that the SC admit its Comment which was belatedly filed. The PRA substantially adopted the findings of the COA as its Comment on Central Bay's Petition for Certiorari. Specifically, while it confirmed that the PRA-validated claim amounted to P1.004 billion, it echoed the COA's findings that only the amount of P714.9 million may be allowed as supported by original documents or evidence.

On the mode of payment to Central Bay, the PRA manifested that it shall endeavor to pay in cash whatever the SC finds Central Bay to be entitled to, after due proceedings.

As at May 4, 2022, Central Bay has yet to receive any other pleadings, notices or submission from the PRA.

Equity securities include 1,388,101,405 shares of Cyber Bay valued at nil as of September 30, 2022 and December 31, 2021 (see Note 7). In 2021, the shares of Cyber Bay were suspended from trading for an indefinite period and the investment in Cyber Bay was revalued based on net asset values as of reporting date.

20. Operating Expenses

The details of this account follow:

	September 30, 2022	September 30, 2021
	<i>(In Thousands)</i>	
Depreciation and amortization (Notes 10, 11, and 12)	P60,278	P3,584
Personnel expenses	45,476	39,347
Systems costs	20,130	25,475
Membership, dues and fees	13,734	355
Professional and legal fees	13,140	8,458
Taxes and licenses	9,839	15,945
Contracted services	8,563	6,827
Communication and transportation	4,762	2,571
Supplies and repairs	2,306	2,128
Rental	1,244	1,120
Representations	738	850
Marketing expenses	447	1,339
Insurance	107	69
Provision for impairment losses (Note 5)	—	8,680
Others	1,620	1,643
	P182,384	P118,391

21. Retirement Benefits Liability

The Group has a funded, noncontributory retirement plan covering all its regular employees. The plan provides for retirement, separation, disability and death benefits to its members. The normal retirement benefit is based on a percentage of the employees' final monthly salary for every year of credited service.

The latest independent actuarial valuation dated February 10, 2022 was determined using the projected unit credit method in accordance with PAS 19 (R).

22. Earnings Per Share

The following table presents information necessary to calculate basic earnings per share:

	September 30, 2022	September 30, 2021
	<i>(In Thousands)</i>	
a. Net income attributable to equity holders of the Parent	P565,362	P400,430
b. Weighted average number of shares	6,252,148	6,252,148
Basic/diluted earnings per share (a/b)	P0.09	P0.06

23. Segment Information

Revenue from Contracts with Customers

This account consists of:

	September 30, 2022	September 30, 2021
	<i>(In Thousands)</i>	
Lot sales	₱1,208,922	₱1,155,426
Sale of electricity	269,434	822,079
Storage services	85,048	32,308
	₱1,563,404	₱2,009,813

The Group derives revenue from the transfer of goods and services over time. The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

Sale of electricity

	September 30, 2022	September 30, 2021
	<i>(In Thousands)</i>	
Sales to external customers	₱269,434	₱517,843
Sales to related parties	–	304,236
	₱269,434	₱822,079

Lot sales

	September 30, 2022	September 30, 2021
	<i>(In Thousands)</i>	
Pampanga	₱873,417	₱702,497
Cavite	267,674	423,988
Laguindingan	67,831	28,941
	₱1,208,922	₱1,155,426

Business Segments

The Group's operating businesses are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit.

The industry segments where the Parent Company and its subsidiaries operate are as follows:

- Holding Company
- Real estate - commercial leasing and industrial lot sales and development
- Cold storage operations
- Retail electricity supply

The amount of segment assets and liabilities are based on measurement principles that are similar with those used in measuring assets and liabilities in the consolidated statements of financial position which is in accordance with PFRS.

Financial information about the operations of these business segments is summarized as follows:

September 30, 2022

	Holding Company	Real Estate and Property Development	Retail and Electricity Supply	Cold Storage Operations	Others	Total	Elimination	Total
				<i>(In Thousands)</i>				
Revenue and income	P-	P2,394,117	P269,434	P88,994	P-	P2,752,545	(P2,689)	P2,749,856
Cost and expenses	(6,415)	(1,676,394)	(265,281)	(59,680)	(1,902)	(2,009,672)	(914)	(2,010,586)
Other income (charges)	(32,071)	(88,339)	(6,220)	(2,997)	104	(129,523)	2,485	(127,038)
Income before income tax	(38,486)	629,384	(2,067)	26,317	(1,798)	613,350	(1,118)	612,232
Provision for income tax	3	42,622	492	3,835	2	46,954	-	46,954
Net income	(P38,489)	P586,762	(P2,559)	P22,482	(1,800)	P566,396	(1,118)	P565,278
Segment assets	P14,944,253	P21,745,837	P1,724,032	P684,857	P1,285,791	P40,384,769	(P16,486,174)	P23,898,595
Segment liabilities	P3,280,232	P8,401,915	P1,659,846	P355,525	P527,771	P14,225,290	(P2,858,436)	P11,366,854

September 30, 2021

	Holding Company	Real Estate and Property Development	Retail and Electricity Supply	Cold Storage Operations	Others	Total	Elimination	Total
				<i>(In Thousands)</i>				
Revenue	P-	P1,766,788	P853,268	P-	P-	P2,620,056	P-	P2,620,056
Cost and expenses	(4,434)	(1,163,445)	(823,131)	-	(6,103)	(1,997,113)	-	(1,997,113)
Other income (charges)	433,140	(156,48)	(884)	-	3,810	279,585	(460,000)	180,415
Income (loss) before income tax	428,706	446,862	29,253	-	(2,293)	902,528	(460,000)	442,528
Provision for income tax	6	35,153	4,816	-	204	40,179	-	40,179
Net income (loss)	P448,700	P411,709	P24,437	P-	(P2,497)	P862,349	(P460,000)	P402,349

As at December 31, 2021

Segment assets	P14,759,614	P19,275,847	P520,771	P684,857	P1,229,584	P36,670,673	(P16,285,337)	P20,385,336
Segment liabilities	P3,256,851	P6,540,061	P476,893	P355,525	P474,025	P11,301,355	(P2,883,664)	P8,417,691

Geographical Segments

The Group does not have geographical segments.

24. Leases

The Group has lease contracts for land used in its operations. Leases of land generally have lease terms between 25 and 30 years. The lease contracts are further discussed below.

Set out below are the carrying amounts of right-of-use assets (land) recognized and the movements as of and for the period September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
	<i>(In Thousands)</i>	
Balance at January 1	₱1,200,703	₱1,267,372
Depreciation expense	(49,444)	(66,669)
Balance at September 30	₱1,151,259	₱1,200,703

Set out below are the carrying amounts of lease liabilities and the movements as of and for the period September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
	<i>(In Thousands)</i>	
Balance at January 1	₱1,770,581	₱1,751,372
Accretion of interest	112,485	151,409
Payments	(17,291)	(132,200)
Balance at September 30	₱1,865,775	₱1,770,581

As of September 30, 2022, the maturity analysis of undiscounted lease payments follows:

	September 30, 2022
Within one (1) year	₱192,180
More than one (1) year but not more than five (5) years	777,688
More than five (5) years	2,071,264
	₱3,041,132

As of September 30, 2022, the following are the amounts recognized in profit or loss:

	September 30, 2022
Depreciation expense for right-of-use assets (Note 24)	₱49,444
Interest expense on lease liabilities	112,485
Rent expense relating to short-term leases (Note 24)	529
Variable lease payments (Note 20)	5,563
	₱168,021

Group as Lessee

TPI

On August 28, 1990, TPI, through a Deed of Assignment, acquired all the rights, titles, interests and obligations of Gotesco Investment, Inc. on a contract of lease of the land owned by PNR for the Tutuban Terminal and where TPI's mall is located. The contract provided for a payment of a guaranteed minimum annual rental, 12% escalation rate every two (2) years, additional ₱10 million every two (2) years, plus a certain percentage of gross sales. The lease covers a period of twenty-

five (25) years until 2014 and is automatically renewable for another twenty-five (25) years, subject to compliance with the terms and conditions of the lease agreement.

On December 22, 2009, TPI renewed its lease contract with PNR for another twenty-five (25) years beginning September 5, 2014, the end of the original lease agreement.

LTI

On August 7, 2017, LTI entered into a Contract of Lease with ALI to lease a parcel of land located in Brgy. Loma, Biñan, Laguna with an area of approximately 54,190 square meters (sqm) primarily for the construction, development and operation of Standard Factory Buildings (SFBs).

The contract provided for a payment of a guaranteed minimum monthly rental with a 10% escalation rate every five (5) years. The lease covers a period of twenty-five (25) years until December 31, 2041 and is renewable, subject to the mutual agreement of the parties and to compliance with the terms and conditions of the lease agreement.

On September 22, 2017, LTI entered into a Contract of Lease with Nuevocentro, Inc., a related party, to lease parcels of land located at the Alviera Industrial Park, Barangay Dolores and Banaba, Porac, Pampanga, with an area of approximately 27,469 sqm primarily for the construction, development and operation of SFBs.

The contract provided for a payment of a guaranteed minimum monthly rental with a 10% escalation rate every five (5) years. The lease covers a period of thirty (30) years until October 31, 2047 and is renewable for another ten (10) years, subject to the mutual agreement of the parties and to compliance with the terms and conditions of the lease agreement.

On November 7, 2017, LTI entered into a Contract of Lease with Alveo Land, Corp., a related party, to lease a parcel of land located in Biñan, Laguna with an area of approximately 82,690 sqm primarily for the construction, development and operation of SFBs.

The contract provided for a payment of a guaranteed minimum monthly rental with a 10% escalation rate every five (5) years. The lease covers a period of twenty-five (25) years until December 31, 2041 and is renewable, subject to the mutual agreement of the parties and to compliance with the terms and conditions of the lease agreement.

On August 1, 2019, LTI entered into a Contract of Lease with Nuevocentro, Inc. to lease a parcel of land located at the Alviera Industrial Park, Barangay Dolores and Banaba, Porac, Pampanga, with an area of approximately 14,163 sqm primarily for the construction, development and operation of SFBs.

The contract provided for a payment of a guaranteed minimum monthly rental with a 10% escalation rate every five (5) years. The lease covers a period of twenty-nine (29) years until October 31, 2047 and is renewable for another ten (10) years, subject to the mutual agreement of the parties and to compliance with the terms and conditions of the lease agreement.

OLI

OLI, by Assignment of Lease executed between ALI and Avida Land Corporation on November 29, 2017, assumed a lease agreement with Avida to lease a land located along National Road, Muntinlupa City with an area of approximately 19,311 square meters (sqm) for the construction, development and operation thereon of a commercial retail development for a period of 50 years.

The lease agreement provides for a rental fee equivalent to 1.50% and 1.00% of gross rental income which will be paid on a monthly basis for the first three years for the retail mall portion and office portion. The rates will increase to 8.60% and 4.50% on the fourth year which will be applicable onwards.

On July 5, 2019, Avida Land, Corp. sold to Orion Land, Inc. (OLI) the parcel of land, previously being leased by OLI where the South Park Mall is located in Muntinlupa City, with a purchase price of ₱772.44 million of which ₱10.00 million was paid during the execution date and the remaining ₱607.95 million and ₱154.49 million after six and twelve months, respectively.

Parent Company

On July 1, 2020, the Parent Company entered into a Contract of Lease with ALI Commercial Logistics Holdings Corporation to lease a building space located at Glorietta 5 Ayala Avenue, Makati with an area of approximately 317.85 sqm primarily for administrative use of the Company. The contract provided for a payment of a guaranteed fixed monthly rental of ₱500 per sqm. The lease covers period covers from July 1, 2020 to December 31, 2023.

Group as a Lessor

The Group has entered into commercial property leases on its buildings. These leases have remaining terms of one (1) year to less than five (5) years except for one (1) tenant with lease term of fifteen (15) years. Renewals are subject to the mutual consent of the lessor and the lessee.

Tenants are required to post security deposits, which shall be refunded, without interest, within sixty (60) days after the expiration of the lease period, deducting the amount of damages to the leased premises, if any.

25. Provisions and Contingencies

The Group, in the ordinary course of business, is involved in various legal proceedings and assessments that are either pending decision by the courts or under negotiation. Management and its legal counsels believe that the eventual outcome of these lawsuits or claims will not have a material effect on the consolidated financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

The rollforward of the provisions follows:

	September 30, 2022	December 31, 2021
	<i>(In Thousands)</i>	
Beginning balance	₱29,057	₱34,192
Reversals	3,000	(5,135)
	₱32,057	₱29,057

The information normally required under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the outcome of the proceedings.

26. Share-based Payments

In 2015, the Group introduced the ESOWN Plan (the Plan) wherein grantees (employees within ALLHC Group) may subscribe in whole or in part to the shares awarded to them based on a discounted market price, but in no case lower than the par value, that was determined at grant date. The grantees will pay for the shares subscribed through installments over a maximum period of ten (10) years. To subscribe, the grantee must be an employee, officer or director of the Group as of June 30, 2015. In case the grantee resigns, unsubscribed shares are cancelled and returned to the plan pool, while the subscription payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy,

subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares.

The BOD of ALLHC approved the allocation of 32 million shares (first tranche) for ESOWN plan which will be taken from the remaining unissued shares (with grant date in 2016) and the increase in authorized of stock of ALLHC, which was approved by the SEC in July 2016 as discussed in Note 16.

In 2017, notice of grant for the 218 million shares (second tranche of ESOWN plan) was issued to employees for the right to subscribe to the common shares of ALLHC at ₱1.68 per share.

The availment period for the first tranche and for the second tranche of ESOWN plan is within 30 days from employees' receipt of notice of grant and within 30 days after one year from employees' receipt of notice of grant, respectively.

The fair values of these options are estimated on the date of grant using the Cox-Ross-Rubenstein option pricing model.

The assumptions used to determine the fair value of the stock options are as follows:

	December 31, 2017
Share price at date of grant	₱2.12
Risk free interest rate	5.6818%
Annualized volatility	49.68%
Annual dividend yield	0%
Exit rates	
Termination for cause	0%
Voluntary Resignation	0%
Involuntary Separation	7.29%

ESOWN availment in 2018 resulted in increase in capital stock and additional paid-in capital of ₱6.91 million and ₱25.17 million, respectively.

27. Financial Instruments

Fair Value Information

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of September 30, 2022 and December 31, 2021:

	September 30, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
		<i>(In Thousands)</i>		
Financial Assets at FVPL	₱4,666	₱4,666	₱4,801	₱4,801
Financial Assets at FVOCI				
Quoted equity securities	49,568	49,568	49,568	49,568
Quoted debt securities	88,409	88,409	94,691	94,691
Refundable Deposits	78,266	78,266	76,552	76,552
Receivables – net of current portion	1,580,481	1,567,986	1,128,026	1,115,531
	₱1,801,390	₱1,788,895	₱1,353,638	₱1,341,143
Other Financial Liabilities				
Rental and other deposits	₱790,876	₱792,294	₱721,950	₱723,368
Long term debt	2,336,647	2,336,647	1,965,297	1,766,104
Subscription payable	481,675	481,675	481,675	481,675
	₱3,609,198	₱3,610,616	₱3,168,922	₱2,971,147

The following method and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values at September 30, 2022 and December 31, 2021 are set out below:

Cash and Cash Equivalents

The carrying amount of cash and cash equivalents approximates its fair values due to the short-term maturity of this financial instrument.

Receivables - current, Accounts Payable and Accrued Expenses and Amounts owed to and by Related Parties

The carrying amounts of the current portion of receivables, accounts payable and accrued expenses and amounts owed by related parties approximate their fair values due to their short-term nature.

Refundable Deposits under Other noncurrent assets and Rental and Other Deposits

The carrying amounts of current portion of rental and other deposits approximates its fair value due to the short-term maturity of this financial instrument. The fair values of noncurrent security deposit recorded under 'Rental and other deposits' and refundable deposits recorded under 'Other noncurrent assets' are determined by discounting future cash flows using the applicable rates of similar types of instruments.

Long term debt

The fair values of long-term debt are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates and current yield rates for similar borrowings with maturities consistent with those of the liabilities being valued. The discount rates used ranged from 1.02% to 5.09%.

Financial Assets at FVOCI

Except for Investment in Cyber Bay equity securities, equity financial assets that are listed are based on their quoted prices published in markets as at September 30, 2022 and December 31, 2021. Debt financial assets that are quoted are based on published market prices as at September 30, 2022 and December 31, 2021.

The fair value of investment in Cyber Bay equity securities is based on the investee's underlying Net Asset Value ("NAV") as of September 30, 2022.

Financial Assets at FVPL

Listed equity securities designated as financial assets at FVPL are based on their quoted prices as at September 30, 2022 and December 31, 2021. The fair value of the UITF has been determined based on the net asset values as of reporting date, based on the nature and level of adjustments needed to be made to the NAV and the level of trading in the money market UITF.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Quoted FVOCI financial assets amounting to ₱137.98 million and ₱144.26 million as of September 30, 2022 and December 31, 2021, respectively, were classified under Level 1. In 2021, investment in Cyber Bay shares were reclassified from Level 1 to Level 3 due to the suspension of trading of these shares.

FVPL amounting to ₱4.70 million and ₱4.80 million as of September 30, 2022 and December 31, 2021, respectively were classified under Level 1.

The fair value disclosure of rental and other deposits and refundable deposits as of September 30, 2022 and December 31, 2021, were classified under Level 3.

There have been no reclassifications from Level 1 to Level 2 categories as at September 30, 2022 and December 31, 2021.

Financial Risk Management Objectives, Policies and Capital Management

The Group has various financial instruments such as cash and cash equivalents, receivables, amounts owed by/to related parties, financial assets at FVOCI, FVPL investments, deposits under other noncurrent assets, accounts payable and accrued expenses, rental and other deposits, long term debt and subscriptions payable. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Group. The Group has other financial liabilities such as accounts payable and accrued expenses and rental and other deposits, which arise directly from its operations.

The main risks from the use of financial instruments are liquidity risk, credit risk and equity price risk. The Group's BOD reviews and approves policies for managing these risks as summarized below.

Liquidity Risk

Liquidity risk arises when there is a shortage of funds and the Group as a consequence could not meet its maturing obligations.

In the management of liquidity, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The tables below summarize the maturity profile of the Group's financial liabilities as at September 30, 2022 and December 31, 2021 based on contractual undiscounted payments:

September 30, 2022

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
<i>(In Thousands)</i>						
Accounts payable and accrued expenses	₱1,286,120	₱85,921	₱-	₱122,997	₱1,356,731	₱2,851,769
Lease liabilities	-	-	-	221,072	1,644,703	1,865,775
Subscription payable	481,675	-	-	-	-	481,675
Rental and other deposits	311,462	19,151	22,089	47,876	390,298	790,876
Long term debt and interest payable	6,305	19,389	18,968	38,568	2,971,005	3,054,235
Amounts owed to related parties	2,818,178	-	-	-	-	2,818,178
	₱4,903,740	₱124,461	₱41,057	₱430,513	₱6,362,737	₱11,862,508

December 31, 2021

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
<i>(In Thousands)</i>						
Accounts payable and accrued expenses	₱1,106,517	₱85,922	₱-	₱122,997	₱95,673	₱1,411,109
Lease liabilities	-	-	-	221,072	1,549,509	1,770,581
Subscription payable	481,675	-	-	-	-	481,675
Rental and other deposits	280,927	19,151	22,089	47,876	351,907	721,950
Long term debt and interest payable	6,205	15,955	16,132	32,619	2,536,418	2,607,329
Amounts owed to related parties	1,594,424	-	-	-	-	1,594,424
	₱3,469,748	₱121,028	₱38,221	₱424,564	₱4,533,507	₱8,587,068

As at September 30, 2022, the COVID-19 outbreak has no significant impact to the Group's liquidity risk.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating

activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade debtors – real estate receivables

For real estate receivables, exposure to credit risk is not significant given that title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Applying the expected credit risk model did not result in the recognition of an impairment loss for real estate receivables in September 30, 2022 and 2021.

Trade debtors - retail electricity

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss pattern. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

To mitigate risk for retail electricity, the Group will collect deposits equivalent to ₱151.45 million to secure credit. Also, as a policy after application of collected deposits, disconnection notices are sent 5 days after the bill due date and disconnections are carried out beginning on the 24 hours after receipt of disconnection notice.

Trade debtors – receivable from tenants

Credit risk arising from receivables from tenants of leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. The security deposits are considered in the calculation of impairment as recoveries. For existing tenants, the Group has put in place a monitoring and follow-up system. These are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken for further assessment of paying capacity.

Generally, "Trade debtors" under "Receivables" receivables are written-off if past due for more than one year and are not subject to enforcement activity.

Cash in banks and cash equivalents

Credit risk from balances with banks and financial institutions and related parties is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Financial assets at FVOCI – quoted debt securities

The Group's debt instruments at fair value through OCI comprise solely of government securities. The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. Applying the expected credit risk model did not result in the recognition of an impairment loss in September 30, 2022 and 2021.

The Group's maximum exposure to credit risk as of September 30, 2022 and December 31, 2021 is equal to the carrying values of its financial assets, except for "Trade debtors" under "Receivables" in the statements of financial position.

As at September 30, 2022, the COVID-19 outbreak has no significant impact to the Group's credit risk.

Equity Price Risk

Equity price risk is the risk that the fair values of equities decrease as the result of change in the levels of equity indices and the value of individual stock. The equity price risk exposure arises from the Group's investment in stocks. Equity investment of the Group is categorized as financial assets at FVOCI.

The Group measures the sensitivity to its equity securities by using Philippine Stock Exchange index fluctuations and its effect to respective share prices.

The Group's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.

The basic sensitivity analysis assumes that the stock's standard deviation on its historical yield for the past one year provides the basis for reasonably possible change in prices of the stock investment. The Group establishes the relative range of stock investment yields based on historical standard deviation for one year.

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
As at September 30, 2022

	Amount
Current	935,383
1 to 30 days	33,825
31 to 60 days	31,205
61 to 90 days	15,690
Over 90 days	424,767
Total receivable-trade	1,440,870
Advances to Employees	6,252
Insurance receivable	29,305
Non-trade receivables	413,957
Total non-trade receivable	449,514
Total receivable	1,890,384
Allowance for doubtful accounts	(296,720)
	1,593,664