C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	6	3	6	7	1					

COMPANY NAME

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES

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

3RD FLOOR GLORIETTA 5 AYALA CENTER, MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
corporate@ayalalandlogistics.com	**(632) 8884-1106**	**None**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
727	**04/19**	**12/31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Francis M. Montojo	**montojo.francis@ayalaland.com.ph**	**(632) 8884-1106**	**(63) 917 8579190**

CONTACT PERSON's ADDRESS

3rd Floor Glorietta 5, Ayala Center, Makati City

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

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

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
AyalaLand Logistics Holdings Corp.
3rd Floor Glorietta 5,
Ayala Center, Makati City

Opinion

We have audited the consolidated financial statements of AyalaLand Logistics Holdings Corp. (the Parent Company) and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of AyalaLand Logistics Holdings Corp and Subsidiaries as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the consolidated financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs on the 2022 consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Provisions and Contingencies

The Group is involved in certain disputes for which the Group has recognized provisions for probable expenses, which may be incurred, and disclosed relevant information about such contingencies. This matter is important to our audit because the assessment of the potential outcome or liability involves significant management judgment and estimation.

The Group's disclosures about provisions and contingencies are included in Note 30 to the consolidated financial statements.

Audit Response

We reviewed management's assessment on whether any provisions should be recognized, and the estimation of such amounts and performed inspection of relevant supporting documents. We discussed with management the status of the disputes. We also reviewed the disclosures on provisions in the Group's consolidated financial statements.

Other Information

Management is responsible for Other Information. The Other Information comprises the information included in SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in accordance with PFRSs, as modified by the application of financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is
Carlo Paolo V. Manalang

SYCIP GORRES VELAYO & CO.

Carlo Paolo V. Manalang

Carlo Paolo V. Manalang
Partner
CPA Certificate No. 111947
Tax Identification No. 210-730-804
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 111947-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-127-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9564656, January 3, 2023, Makati City

February 28, 2023

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

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 32)	**₱450,618**	₱81,253
Receivables - current (Notes 5 and 32)	**1,810,919**	1,154,576
Real estate held for sale and development (Note 6)	**4,384,142**	3,398,017
Amounts owed by related parties (Notes 19 and 32)	**509,777**	1,244,921
Financial assets at fair value through profit or loss (Notes 8 and 32)	**4,616**	4,801
Other current assets (Note 9)	**1,757,381**	1,061,403
Total Current Assets	**8,917,453**	6,944,971
Noncurrent Assets		
Receivables - net of current portion (Notes 5 and 32)	**2,193,044**	1,128,026
Financial assets at fair value through other comprehensive income (Notes 7 and 32)	**124,158**	144,259
Investments in joint venture (Note 10)	**181,145**	–
Right-of-use asset (Note 29)	**1,135,820**	1,200,703
Investment properties (Note 11)	**11,691,549**	9,710,510
Property and equipment (Note 12)	**1,090,015**	723,459
Net pension assets (Note 25)	**10,716**	11,822
Deferred income tax assets - net (Note 26)	**124,021**	69,843
Other noncurrent assets (Notes 13 and 32)	**173,582**	451,743
Total Noncurrent Assets	**16,724,050**	13,440,365
	₱25,641,503	₱20,385,336

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 15, 16 and 32)	**₱1,930,191**	₱1,411,170
Current portion of:		
Rental and other deposits (Notes 17 and 32)	**483,761**	370,043
Lease liabilities (Note 29)	**597,711**	221,072
Deferred rent income (Note 29)	**6,702**	10,649
Amounts owed to related parties (Notes 19 and 32)	**3,675,169**	1,594,424
Income tax payable	–	29,282
Total Current Liabilities	**6,693,534**	3,636,640
Noncurrent Liabilities		
Rental and other deposits - net of current portion (Notes 17 and 32)	**298,342**	351,907
Nontrade payable - noncurrent (Notes 11 and 14)	**977,319**	260,371
Long-term debt (Note 16)	**2,463,160**	1,965,297
Lease liabilities - net of current portion (Note 29)	**1,134,842**	1,549,509
Retention payable	**120,396**	75,034
Deferred rent income - net of current portion (Note 29)	**6,068**	4,887
Deferred income tax liabilities - net (Note 26)	**244,195**	92,371
Subscriptions payable (Notes 20 and 32)	**481,675**	481,675
Total Noncurrent Liabilities	**5,725,997**	4,781,051
Total Liabilities	**12,419,531**	8,417,691

(Forward)

	December 31	
	2022	2021
Equity (Note 18)		
Equity attributable to equity holders of the parent		
Paid-in capital	**₱6,201,777**	₱6,195,318
Additional paid-in capital	**6,020,123**	6,015,733
Shares held by a subsidiary (Note 18)	**(144,377)**	(144,377)
Equity reserves (Note 31)	**(1,693,307)**	(1,693,307)
Revaluation increment (Note 11)	**182,750**	189,779
Unrealized loss on financial assets at fair value through other comprehensive income (Note 7)	**(1,097,151)**	(1,089,687)
Loss on remeasurement of retirement benefits (Note 25)	**(46,045)**	(51,492)
Retained earnings	**3,539,322**	2,525,714
	12,963,092	11,947,681
Non-controlling interests (Notes 1 and 18)	**258,880**	19,964
Total Equity	**13,221,972**	11,967,645
	₱25,641,503	₱20,385,336

See accompanying Notes to Consolidated Financial Statements.

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share)

	Years Ended December 31		
	2022	2021	2020
REVENUE			
Real estate sales (Note 28)	**₱2,354,266**	₱2,052,859	₱1,275,511
Rental (Note 11)	**1,071,145**	781,557	851,975
Sale of electricity (Note 28)	**274,675**	1,066,185	1,568,434
Sale of storage services (Note 28)	**115,527**	47,745	–
Others (Note 29)	**392,509**	348,220	20,767
	4,208,122	4,296,566	3,716,687
COSTS AND EXPENSES			
Cost of real estate sold (Notes 6 and 23)	**1,368,081**	1,236,559	666,758
Cost of rental services (Notes 11 and 23)	**1,018,779**	881,126	555,087
Cost of purchased power and services	**256,794**	1,034,034	1,510,110
Operating expenses (Note 21)	**174,089**	199,846	205,579
	2,817,743	3,351,565	2,937,534
OTHER INCOME (CHARGES)			
Interest expense on lease liabilities (Note 29)	**(150,160)**	(151,409)	(150,240)
Discount on sale of financial asset (Note 5)	**–**	(56,264)	(29,550)
Interest income (expense) and bank charges - net (Note 24)	**(68,136)**	(24,316)	(67,990)
Dividend income (Notes 7 and 8)	**–**	235	131
Unrealized gain (loss) on financial assets at FVPL (Note 8)	**(185)**	60	262
Reversal of probable losses (Note 30)	**–**	5,135	31,000
Provision for probable losses (Note 30)	**(6,000)**	–	(5,000)
Gain on sale of investment property (Note 11)	**–**	–	94,064
Others - net	**32,256**	141,533	182,002
	(192,225)	(85,026)	54,679
INCOME BEFORE INCOME TAX	**1,198,154**	859,975	833,832
PROVISION FOR INCOME TAX (Note 26)	**191,273**	80,009	131,024
NET INCOME	**₱1,006,881**	₱779,966	₱702,808
ATTRIBUTABLE TO:			
Equity holders of the Parent	**₱1,006,579**	₱784,114	₱681,962
Non-controlling interests	**302**	(4,148)	20,846
	₱1,006,881	₱779,966	₱702,808
EARNINGS PER SHARE (Note 27)			
Basic and diluted, for income for the year attributable to ordinary equity holders of the Parent	**₱0.16**	₱0.13	₱0.11

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2022	2021	2020
NET INCOME	**₱1,006,881**	₱779,966	₱702,808
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may not to be reclassified to profit or loss in subsequent periods:			
Unrealized loss on equity financial assets at fair value through other comprehensive income (Note 7)	**(9,670)**	(458,540)	(50,631)
Gain (loss) on remeasurement of retirement benefits liability - net of tax (Note 25)	**5,447**	(34)	(951)
Items that may be reclassified to profit or loss in subsequent years:			
Unrealized gain (loss) on debt financial assets at fair value through other comprehensive income (Note 7)	**–**	(6,487)	15,425
	(4,223)	(465,061)	(36,157)
TOTAL COMPREHENSIVE INCOME	**₱1,002,658**	₱314,905	₱666,651
ATTRIBUTABLE TO:			
Equity holders of the Parent	**₱1,004,562**	₱321,044	₱642,914
Non-controlling interests	**(1,904)**	(6,139)	23,737
	₱1,002,658	₱314,905	₱666,651

See accompanying Notes to Consolidated Financial Statements.

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Prime Orion Philippines, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT										
	Capital Stock	Additional Paid-in Capital	Shares Held by a Subsidiary (Note 18)	Equity Reserves (Note 31)	Revaluation Increment (Note 11)	Unrealized Valuation Gains (Losses) on Financial Assets at FVOCI (Note 7)	Losses on Remeasurement of Retirement Benefits Plan – net of tax (Note 25)	Retained Earnings	Total	Non-controlling Interests	Total
Balances at January 1, 2022	**₱6,195,318**	**₱6,015,733**	**(₱144,377)**	**(₱1,693,307)**	**₱189,779**	**(₱1,089,687)**	**(₱51,492)**	**₱2,525,714**	**₱11,947,681**	**₱19,964**	**₱11,967,645**
Net income	–	–	–	–	–	–	–	1,006,579	1,006,579	302	1,006,881
Other comprehensive income											
Unrealized valuation loss on financial assets at FVOCI (Note 7)	–	–	–	–	–	(7,464)	–	–	(7,464)	(2,206)	(9,670)
Loss on remeasurement of retirement benefit plan (Note 25)	–	–	–	–	–	–	5,447	–	5,447	–	5,447
Total comprehensive income	–	–	–	–	–	(7,464)	5,447	1,006,579	1,004,562	(1,904)	1,002,658
Collection of subscription receivable (Note 18)	6,459	4,390	–	–	–	–	–	–	10,849	–	10,849
Additions to NCI (Note 1)	–	–	–	–	–	–	–	–	–	240,820	240,820
Transfer of realized valuation increment (Note 11)	–	–	–	–	(7,029)	–	–	7,029	–	–	–
Balances at December 31, 2022	**₱6,201,777**	**₱6,020,123**	**(₱144,377)**	**(₱1,693,307)**	**₱182,750**	**(₱1,097,151)**	**(₱46,045)**	**₱3,539,322**	**₱12,963,092**	**₱258,880**	**₱13,221,972**

	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT										
	Capital Stock	Additional Paid-in Capital	Shares Held by a Subsidiary (Note 18)	Equity Reserves (Note 31)	Revaluation Increment (Note 11)	Unrealized Valuation Gains (Losses) on Financial Assets at FVOCI (Note 7)	Losses on Remeasurement of Retirement Benefits Plan – net of tax (Note 25)	Retained Earnings	Total	Non-controlling Interests	Total
Balances at January 1, 2021	₱6,184,835	₱6,007,133	(₱144,377)	(₱1,601,567)	₱196,808	(₱626,651)	(₱51,458)	₱1,737,718	₱11,702,441	₱138,333	₱11,840,774
Net income	–	–	–	–	–	–	–	784,114	784,114	(4,148)	779,966
Other comprehensive income											
Unrealized valuation loss on financial assets at FVOCI (Note 7)	–	–	–	–	–	(463,036)	–	–	(463,036)	(1,991)	(465,027)
Loss on remeasurement of retirement benefit plan (Note 25)	–	–	–	–	–	–	(34)	–	(34)	–	(34)
Total comprehensive income	–	–	–	–	–	(463,036)	(34)	784,114	321,044	(6,139)	314,905
Collection of subscription receivable (Note 18)	10,483	5,138	–	–	–	–	–	–	15,621	–	15,621
Transfer of equity reserve due to ESOWN shares subscription (Note 31)	–	3,462	–	(3,462)	–	–	–	–	–	–	–
Acquisition of noncontrolling interest	–	–	–	(88,278)	–	–	–	–	(88,278)	(112,230)	(200,508)
Payment of stock transaction costs (Note 1)	–	–	–	–	–	–	–	(3,147)	(3,147)	–	(3,147)
Transfer of realized valuation increment (Note 11)	–	–	–	–	(7,029)	–	–	7,029	–	–	–
Balances at December 31, 2021	₱6,195,318	₱6,015,733	(₱144,377)	(₱1,693,307)	₱189,779	(₱1,089,687)	(₱51,492)	₱2,525,714	₱11,947,681	₱19,964	₱11,967,645

	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT										
	Capital Stock	**Additional Paid-in Capital**	**Shares Held by a Subsidiary** (Note 18)	**Equity Reserves** (Note 31)	**Revaluation Increment** (Note 11)	**Unrealized Valuation Gains (Losses) on Financial Assets at FVOCI** (Note 7)	**Losses on Remeasurement of Retirement Benefits Plan – net of tax** (Note 25)	**Retained Earnings**	**Total**	**Non-controlling Interests**	**Total**
Balances at January 1, 2020	₱6,173,305	₱5,999,868	(₱144,377)	(₱1,598,198)	₱203,836	(₱587,704)	(₱50,507)	₱1,065,378	₱11,061,601	₱114,596	₱11,176,197
Net income	–	–	–	–	–	–	–	681,962	681,962	20,846	702,808
Other comprehensive income											
Losses on remeasurement of retirement benefit plan (Note 25)	–	–	–	–	–	–	(951)	–	(951)	–	(951)
Unrealized valuation (loss) on financial assets at FVOCI (Note 7)	–	–	–	–	–	(38,097)	–	–	(38,097)	2,891	(35,206)
Total comprehensive income	–	–	–	–	–	(38,097)	(951)	681,962	642,914	23,737	666,651
Collection of subscription receivable (Note 17)	11,530	4,390	–	–	–	–	–	–	15,920	–	15,920
Transfer of equity reserve due to ESOWN shares subscription (Note 31)	–	3,369	–	(3,369)	–	–	–	–	–	–	–
Declaration of dividends								(17,500)	(17,500)		(17,500)
Payment of stock transaction costs (Note 1)	–	(494)	–	–	–	–	–	–	(494)	–	(494)
Realized valuation gain transferred from equity to retained earnings (Note 7)	–	–	–	–	–	(850)	–	850	–	–	–
Transfer of realized valuation increment (Note 11)	–	–	–	–	(7,028)	–	–	7,028	–	–	–
Balances at December 31, 2020	₱6,184,835	₱6,007,133	(₱144,377)	(₱1,601,567)	₱196,808	(₱626,651)	(₱51,458)	₱1,737,718	₱11,702,441	₱138,333	₱11,840,774

See accompanying Notes to Consolidated Financial Statements.

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Prime Orion Philippines, Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,198,154**	₱859,975	₱833,832
Adjustments for:			
Depreciation and amortization (Notes 11, 12, 13, 21 and 23)	**385,802**	351,071	309,768
Discount on sale of financial asset (Note 5)	**–**	56,264	29,550
Interest expense on lease liabilities (Note 29)	**150,160**	151,409	150,240
Interest expense and bank charges (Note 24)	**157,033**	75,806	104,755
Depreciation of right-of-use assets (Note 21, 23 and 29)	**64,883**	66,669	65,192
Provision for probable losses (Note 30)	**6,000**	–	5,000
Provision for (reversal of) impairment losses on:			
Receivables (Note 5)	**–**	29,137	31,619
Other current assets (Notes 9 and 21)	**–**	6,206	–
Dividend income (Notes 7 and 8)	**–**	(235)	(131)
Unrealized loss (gain) on financial assets at FVPL (Note 8)	**185**	(60)	(262)
Reversal of provision for probable losses (Note 30)	**–**	(5,135)	(31,000)
Interest income (Note 24)	**(88,897)**	(51,490)	(36,765)
Gain on sale of investment property (Note 11)	**–**	–	(94,064)
Operating income before working capital changes	**1,873,320**	1,539,617	1,367,734
Decrease (increase) in:			
Receivables	**(1,668,909)**	(1,529,032)	(339,863)
Real estate held for sale and development	**(986,125)**	(160,756)	(2,489)
Other current assets	**(695,978)**	(93,069)	3,161
Pension assets	**7,108**	(262)	1,367
Other noncurrent assets	**279,040**	(23,071)	119,744
Increase (decrease) in:			
Accounts payable and accrued expenses	**42,932**	(289,379)	(1,111,907)
Amounts owed to related parties	**368,546**	(16,822)	313,884
Rental and other deposits	**59,799**	(18,052)	(51,823)
Deferred rent income (Note 29)	**(2,766)**	(6,597)	13,237
Net cash flows generated from operations	**(723,033)**	(597,423)	313,045
Interest received	**3,664**	3,267	25,422
Interest paid	**(4,650)**	(7,814)	(39,028)
Income tax paid	**(122,910)**	(90,317)	(174,085)
Net cash flows from operating activities	**(846,929)**	(692,287)	125,354
CASH FLOWS FROM INVESTING ACTIVITIES			
Deductions from (additions to) amounts owed by related parties	**767,370**	(291,544)	(124,634)
Investment in joint venture (Note 10)	**(181,145)**	–	–
Settlement of nontrade payable relating to asset acquisition (Note 14)	**(65,093)**	–	–
Dividends received (Notes 7 and 8)	**–**	235	131
Acquisitions through business combination (Note 14)	**–**	(381,456)	–
Acquisition of:			
Investment properties (Note 11)	**(1,212,322)**	(473,723)	(694,745)
Property and equipment (Note 12)	**(329,749)**	(49,873)	(5,821)
Financial assets at FVOCI (Note 7)	**–**	–	(1,522)

(Forward)

	Years Ended December 31		
	2022	2021	2020
Proceeds from sale and maturity of:			
Investment properties	**₱–**	₱–	₱130,123
Financial assets at FVOCI (Note 7)	**9,500**	–	4,632
Net cash flows used in investing activities	**(1,011,439)**	(1,196,361)	(691,836)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availment	**496,250**	1,965,150	–
Proceeds from sale of receivables	**–**	1,254,653	688,752
Collection of subscription receivables and ESOWN subscription (Note 18)	**10,849**	15,621	15,920
Proceeds from amounts owed to related parties (Notes 19 and 33)	**1,760,835**	501,160	4,895
Payment of amounts owed to related parties (Notes 19 and 33)	**(92,833)**	(1,608,198)	(4,895)
Payment of subscription cost (Note 1)	**–**	(3,147)	(494)
Payment of principal portion of lease liabilities (Note 29)	**(188,188)**	(132,200)	(137,918)
Acquisition of non-controlling interest (Note 1)	**240,820**	(200,508)	–
Net cash flows from financing activities	**2,227,733**	1,792,531	566,260
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**369,365**	(96,117)	(222)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**81,253**	177,370	177,592
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱450,618**	₱81,253	₱177,370

See accompanying 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 47.91% owned by Mermac, Inc. and the rest by the public as at December 31, 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 28).

The accompanying consolidated financial statements of the Group as of December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020 were approved by the Board of Directors (BOD) in a meeting dated February 28, 2023.

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		
		2022	2021	2020
Laguna Technopark, Inc. (LTI)	Real Estate Development	**100%**	100%	95%
Ecozone Power Management, Inc. (EPMI)	Purchase, Supply and Delivery of Electricity and Cold Storage Operations	**100%**	100%	95%
Unity Realty & Development Corporation (URDC)	Real Estate Development	**100%**	100%	100%
Orion Land, Inc. (OLI)	Real Estate and Investment Holding Company	**100%**	100%	100%
Tutuban Properties, Inc. (TPI)	Real Estate, Mall Operations	**100%**	100%	100%
TPI Holdings Corporation (TPIHC)	Investment Holding Company	**100%**	100%	100%
Orion Property Developments, Inc. (OPDI)	Real Estate Development	**100%**	100%	100%
Orion Beverage, Inc. (OBI)*	Manufacturing	**100%**	100%	100%
LCI Commercial Ventures, Inc. (LCVI)	Real Estate, Warehouse Leasing Operations	**100%**	100%	100%
Luck Hock Venture Holdings, Inc. (LHVHI)*	Other Business Activities	**60%**	60%	60%
Orion Maxis, Inc. (OMI)*	Marketing and Administrative Services	**100%**	100%	100%
Orion I Holdings Philippines, Inc. (OIHPI)*	Financial Holding Company	**100%**	100%	100%
FLT Prime Insurance Corporation (FPIC)	Non-Life Insurance Company	**78.77%**	78.77%	78.77%
A-FLOW Land I Corp	Real Estate Leasing	**60.00%**	–	–
Orion Solutions, Inc. (OSI)*	Management Information Technology Consultancy Services	**100%**	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 14). Accordingly, EPMI paid documentary stamp tax amounting to ₱3.15 million on the original issuance of shares offset against retained earnings.

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 (see Notes 6 and 11).

OLI
OLI operates a 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 20-hecater commercial complex located in Manila City. The Tutuban Center will be the location of the North-South Railway Project (NSRP) Transfer Station which will interconnect with the LRT 2 West Station (see Note 11).

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 ₱550.00 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 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 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.

A-FLOW Land I Corp.
A-FLOW Land I Corp (A-FLOW Land) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 12, 2022. On October 4, 2022, ALLHC entered into subscription agreement with Flow Luna I Property Pte. Ltd (FLOW) representing 60% interest in A-FLOW Land. A-FLOW Land's primary purpose is to invest in, deal, purchase or otherwise acquire and own, hold, use, lease, develop, manage, sell, assign, transfer, mortgage, pledge, hypothecate, exchange or otherwise dispose of real property of every kind and description, including lands, buildings, machines, whether for residential, commercial, agricultural, industrial or other purpose; construct or cause to be constructed on any such real property buildings, structures, improvements, and other appurtenances; and to rebuild, enlarge, alter, develop or improve any such buildings, structures, improvements, and appurtenances. Incorporation of A-FLOW Land resulted to the increase in the Group's non-controlling interest amounting to ₱240.82 million.

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
	(In Thousands, except for %)		
5% in MC	₱200.51	₱112.23	₱88.28

Material Partly-Owned Subsidiaries with Material Economic Ownership Interest
Information of the subsidiary that have material non-controlling economic interests follows:

LTI

	2022	2021	2020
	(In Thousands, except for %)		
Proportion of equity interests held by non-controlling interest	**−%**	−%	1.21%
Voting rights held by non-controlling interest	**−%**	−%	5%
Accumulated balances of non-controlling interest	**₱−**	₱−	₱143,033
Net income allocated to non-controlling interest	**−**	2,032	21,436
Comprehensive income allocated to material non-controlling interest	**−**	−	21,436

A-FLOW Land I Corp

	2022	2021	2020
	(In Thousands, except for %)		
Proportion of equity interests held by non-controlling interest	**40%**	−%	−%
Voting rights held by non-controlling interest	**40%**	−%	−%
Accumulated balances of non-controlling interest	**₱240,820**	₱−	₱−
Net income allocated to non-controlling interest	**62.88**	−	−
Comprehensive income allocated to material non-controlling interest	**62.88**	−	−

2. **Summary of Significant Accounting and Financial Reporting Policies**

<u>Basis of Preparation</u>
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 (₱1,000), except when otherwise indicated.

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

<u>Statement of Compliance</u>
The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting relief on the accounting for significant financing 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).

<u>Basis of Consolidation</u>
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022.

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 losses 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 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, 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

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

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

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

- Amendments to PAS 16, *Property, 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.

- 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.

- *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 in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

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

Effective beginning on or after January 1, 2023
- Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure of Accounting Policies
- Amendments to PAS 8, Definition of Accounting Estimates
- Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, Classification of Liabilities as Current or Non-current
- Amendments to PFRS 16, Lease Liability in a Sale and Leaseback

Effective beginning on or after January 1, 2025
- PFRS 17, Insurance Contracts

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

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.

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

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

Financial assets
Initial recognition 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.

<u>Derecognition</u>
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'.

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 long-term debt, amounts owed to related parties, accounts payable and accrued expenses and rental and other deposits are classified under 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.

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.

<u>Real Estate Held for Sale and Development</u>
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.

<u>Other Current Assets</u>
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.

Investments in Joint Ventures
Investments in joint ventures are accounted under the equity method of accounting. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate entity in which each venturer has an interest.

An investment is accounted using the equity method from the day it becomes a joint venture. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as a subsumed goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and instead included in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statement of financial position at cost plus pose-acquisition changes in the Group's share in the net assets of the investee companies, less any impairments in values. The consolidated statement of income reflects the share of the results of the operations of the investee companies. The Group's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in the investee companies are reduced to zero. Unless otherwise, additional losses are not recognized when the group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of joint control over the joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

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:

	Useful life in years
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.

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.

<u>Cost and Expenses</u>

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.

<u>Retirement Benefits Costs</u>
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.

<u>Leases</u>
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.

b) 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.

c) 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.

<u>Foreign Currency Translation</u>
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.

<u>Provisions</u>
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 or acquisition of group of assets
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 14.

Classification of joint venture
The Group's investment in joint venture is structured in separate incorporated entity. The respective joint arrangement agreement requires unanimous consent from all parties to the agreement for the relevant activities identified. The Group and the party to the agreement only have the rights to the net assets of the joint venture through the terms of contractual arrangements.

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.

The rent concession granted by the Group for the years ended December 31, 2022 and 2021 amounted to ₱129.90 million and ₱215.69 million, respectively.

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 asset 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 ₱1,732.55 million and ₱1,770.58 million as at December 31, 2022 and 2021, respectively (see Note 29).

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 32.

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 ₱1,090.02 million and ₱723.46 million as at December 31, 2022 and 2021, respectively, net of accumulated depreciation, amortization and impairment amounting to ₱139.14 million and ₱107.95 million as at December 31, 2022 and 2021, respectively (see Note 12).

The carrying value of investment properties amounted to ₱11,691.55 million and ₱9,710.51 million as at December 31, 2022 and 2021, respectively (see Note 11).

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.

Current service costs amounted to ₱3.50 million, ₱4.14 million and ₱1.37 million for the years ended December 31, 2022, 2021 and 2020, respectively. As at December 31, 2022 and 2021, net pension assets of the Group amounted to ₱10.72 million and ₱11.82 million, respectively (see Note 25).

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 25.

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.

Deferred income tax assets recognized in the books amounted to ₱559.66 million and ₱584.39 million as at December 31, 2022 and 2021, respectively (see Note 26).

The temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized, as the management has assessed that it is not probable that sufficient future taxable income will be available for which the benefit of the deferred income tax assets can be utilized, are disclosed in Note 26.

Assessing and Estimating Contingencies and Provisions
The Group is involved in certain disputes for which the Group has recognized provisions for probable expenses, which may be incurred, and disclosed relevant information about such contingencies. Total provision for probable losses amounted to ₱6.00 million, nil and ₱5.00 million in 2022, 2021 and 2020, respectively. Total reversal of provision for probable losses amounted to nil, ₱5.14 million and ₱31.00 million in 2022, 2021 and 2020, respectively (see Note 30).

4. **Cash and Cash Equivalents**

This account consists of:

	2022	2021
	(In Thousands)	
Cash on hand	**₱288**	₱270
Cash in banks	**439,191**	80,983
Cash equivalent	**11,139**	–
	₱450,618	₱81,253

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Cash equivalents pertain to short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from date of acquisition and subject to an insignificant risk of changes in value. Interest rates ranges from 2.5% to 4.0% in 2022.

Interest earned from cash and cash equivalents amounted to ₱0.85 million, ₱0.67 million, and ₱3.73 million, in 2022, 2021 and 2020, respectively (see Note 24).

5. **Receivables**

This account consists of:

	2022	2021
	(In Thousands)	
Trade debtors		
Land sales	**₱3,239,104**	₱1,405,980
Receivables from tenants	**541,741**	624,114
Retail electricity	**21,333**	123,041
Nontrade receivables	**92,758**	120,484
Insurance receivables	**29,305**	29,305
Others	**353,699**	276,398
	4,277,940	2,579,322
Less allowance for expected credit losses	**273,977**	296,720
	4,003,963	2,282,602
Less noncurrent portion	**2,193,044**	1,128,026
	₱1,810,919	₱1,154,576

Receivables from land sales represent amounts arising from sale of industrial lots, which are collectible in monthly installments within two to five years from the date of sale. The Group sold receivables on a without recourse basis to partner mortgage bank amounting to nil and ₱1,373.61 million (gross of unamortized discount) in 2022 and 2021, respectively. 2021 receivables were sold at a discount of ₱56.26 million with total net proceeds ₱1,254.65 million.

Movements in the unamortized discount of the Group's receivables follow:

	2022	2021
	(In Thousands)	
Trade receivables at nominal amount	**₱3,459,809**	₱1,487,311
Less unearned interest:		
Balance at beginning of year	**81,331**	68,978
Additions during the year	**191,826**	91,592
Accretion for the year (Note 24)	**(52,452)**	(16,543)
Unamortized discount on sold receivables	**–**	(62,696)
Balance at end of year	**220,705**	81,331
Trade receivables at discounted amount	**₱3,239,104**	₱1,405,980

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 variable 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. This is fully provided with an allowance.

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 December 31, 2022 and 2021. These receivables are collateralized by the shares of stock of Cyber Bay owned by CLC. The receivables from CLC are fully provided with an allowance.

The movements of allowance for expected credit losses on receivables follow:

	Trade debtors	**Insurance receivables**	**Non-trade receivables**	**Others**	**Total**
			(In Thousands)		
At December 31, 2020	₱106,988	₱8,848	₱39,691	₱165,741	₱321,268
Provisions (Note 21)	8,680	20,457	–	–	29,137
Reversal during the year	–	–	(39,691)	–	(39,691)
Write-off	(13,994)	–	–	–	(13,994)
At December 31, 2021	**101,674**	**29,305**	**–**	**165,741**	**296,720**
Write-off	**(22,743)**	**–**	**–**	**–**	**(22,743)**
At December 31, 2022	**₱78,931**	**₱29,305**	**₱–**	**₱165,741**	**₱273,977**

6. Real Estate Held for Sale and Development

The details of this account follow:

	2022	2021
	(In Thousands)	
Land	**₱4,423,990**	₱3,437,865
Less allowance for impairment losses	**39,848**	39,848
	₱4,384,142	₱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 December 31 follows:

	2022	2021
	(In Thousands)	
Land cost	**₱3,858,590**	₱2,913,247
Construction overhead and other related costs	**565,400**	524,618
	₱4,423,990	₱3,437,865

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

	2022	2021
	(In Thousands)	
Balance at the beginning of the year	**₱3,437,865**	₱3,277,109
Acquisition	**1,711,692**	506,695
Development costs incurred	**387,589**	685,709
Cost of real estate sales (Note 23)	**(1,113,156)**	(1,031,648)
	4,423,990	3,437,865
Less allowance for impairment loss	**39,848**	39,848
	₱4,384,142	₱3,398,017

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

Lot sales recognized in 2022 and 2021 amounted to ₱2,354.27 million and ₱2,052.86 million, respectively (₱1,275.51 in 2020) (see Note 28).

Lot inventories recognized as cost of real estate sales amounted to ₱1,113.16 million and ₱1,031.65 million in 2022 and 2021, respectively (₱561.80 million in 2020) (see Note 23).

There are no real estate inventories held as collateral as at December 31, 2022 and 2021.

7. Financial Assets at FVOCI

The details of this account follow:

	2022	2021
	(In Thousands)	
Listed equity securities (Note 18)	**₱51,567**	₱49,568
Quoted debt securities	**72,591**	94,691
	₱124,158	₱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 both in 2022 and 2021, (see Note 20). 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	(₱626,651)	₱2,891	(₱623,760)
Fair value changes	(463,036)	(1,991)	(465,027)
At December 31, 2021	**(1,089,687)**	**900**	**(1,088,787)**
Fair value changes	**(7,464)**	**(2,206)**	**(9,670)**
At December 31, 2022	**(1,097,151)**	**(₱1,306)**	**(₱1,098,456)**

Proceeds from the sale of financial assets at FVOCI amounted to ₱9.50 million, nil and ₱4.63 million for the years ended December 31, 2022, 2021 and 2020, respectively.

The Group made additional investments in equity instruments amounting to nil, nil and ₱1.52 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Interest earned from financial assets at FVOCI amounted to ₱2.81 million, ₱2.60 million and ₱0.11 million in 2022, 2021 and 2020, respectively (see Note 24).

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 December 31, 2022 and 2021 amounted to ₱4.62 million and ₱4.80 million, respectively. Unrealized (gain) loss from financial assets at FVPL amounted to ₱0.18 million, (₱0.06 million) and (₱0.26 million) in 2022, 2021 and 2020, respectively.

Dividend income earned from these shares amounted to nil, ₱0.24 million and ₱0.13 million in 2022, 2021 and 2020.

9. Other Current Assets

This account consists of:

	2022	2021
	(In Thousands)	
Input VAT	**₱1,090,001**	₱542,756
CWTs	**387,668**	354,616
Advances to suppliers and contractors	**175,968**	45,195

(Forward)

	2022	2021
	(In Thousands)	
Prepayments	**₱99,612**	₱60,392
Refundable deposits	**8,160**	63,242
Ice and beverages	**4,925**	4,155
	1,766,334	1,070,356
Less allowance for impairment losses	**8,953**	8,953
	₱1,757,381	₱1,061,403

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.

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

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

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 EPMI. 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.

Movements in the allowance for impairment losses follow:

	2022	2021
	(In Thousands)	
Balances at beginning of year	**₱8,953**	₱2,747
Provisions (Note 21)	**–**	6,206
Balances at end of year	**₱8,953**	₱8,953

10. Investments in Joint Venture

On October 4, 2022, ALLHC entered into Joint Venture agreement with Flow Luna I Property Pte. Ltd (FLOW) representing 50% interest in A-FLOW Properties I Corp (AFLOW PropCo), a joint venture involved in the establishing, developing, operating, leasing, and owning digital, critical, and physical infrastructure of and for data center facilities and other digital transformative technologies, as well as to render and provide services ancillary to the foregoing. Its registered office and principal place of business is at Unit 2B Administration Building 1, Annex North Main Avenue Laguna Technopark Biñan (Poblacion) Laguna , Region IV-A Calabarzon..

Set out below is the summarized financial information for A-FLOW PropCo as of December 31, 2022 (in thousands):

Current assets	₱232,643
Noncurrent assets	66,092
Current liabilities	(770)
Equity	297,966
Proportion of groups ownership	50%
Group's share in identifiable net assets	₱148,983
Carrying amount of the investment	181,145
Capitalized transaction costs	32,162

ALLHC has not incurred any contingent liabilities as at December 31, 2022 in relation to its interest in the joint ventures, nor do the joint ventures themselves have any contingent liabilities for which the ALLHC is contingently liable.

ALLHC's capital commitments is to fund equity required for the joint venture *pari passu* and on a *pro rata* basis to their agreed ownership ratio and in accordance with the terms of the joint venture agreement, provided that if there are shareholders of the company other than FLOW, ALLHC and where applicable, their respective affiliates, the shareholders will fund equity based on their prevailing ownership ration. ALLHC did not receive any dividends from the joint venture.

Investment in joint venture includes professional fees amounting to ₱32.16 million.

11. Investment Properties

The details of this account follow:

	2022			
	Buildings and Improvements	**Land and Improvements**	**Construction in Progress**	**Total**
	(In Thousands)			
Cost				
At beginning of year	**₱10,779,379**	**₱1,948,321**	**₱347,940**	**₱13,075,640**
Additions (Note 14)	**761,905**	**1,341,137**	**232,554**	**2,335,596**
Reclassifications	**39,620**	**–**	**(39,620)**	**–**
At end of year	**11,580,904**	**3,289,458**	**540,874**	**15,411,236**
Accumulated Depreciation and Amortization				
At beginning of year	**3,334,710**	**27,211**	**–**	**3,361,921**
Depreciation and amortization (Notes 21 and 23)	**353,881**	**676**	**–**	**354,557**
At end of year	**3,688,591**	**27,887**	**–**	**3,716,478**
Balance before impairment	**7,892,313**	**3,261,571**	**540,874**	**11,694,758**
Less allowance for impairment losses	**–**	**3,209**	**–**	**3,209**
Net book values	**₱7,892,313**	**₱3,258,362**	**₱540,874**	**₱11,691,549**

	2021			
	Buildings and Improvements	Land and Improvements	Construction in Progress	Total
	(In Thousands)			
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 21 and 23)	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
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 ₱18,829.96 million and ₱20,906.73 million as of December 31, 2022 and 2021, respectively. 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 fair values of the investment properties were determined by independent professionally qualified appraisers from Cuervo Appraisers Inc. The following table provides the fair value hierarchy of the Group's investment properties as of December 31, 2022 and 2021:

2022

					Fair value measurement using		
	Observable Inputs	**Valuation Technique**	**Date of Valuation**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
					(In Thousands)		
Land properties							
LCVI	**Expected rents and expenses**	**Income Approach**	**July 21, 2020**	**₱1,342,647**	**₱–**	**₱–**	**₱1,342,647**
URDC	**Comparable selling price**	**Sales Comparison approach**	**March 10, 2020**	**3,562,976**	**–**	**–**	**3,562,976**
Building							
OLI	**Expected rents and expenses**	**Income approach**	**December 15, 2022**	**6,750,728**	**–**	**–**	**6,750,728**
TPI	**Expected rents and expenses**	**Income approach**	**December 13, 2022**	**3,432,623**	**–**	**–**	**3,432,623**
LCVI	**Expected rents and expenses**	**Income approach**	**July 21, 2020**	**996,117**			**996,117**
LTI	**Expected rents and expenses**	**Income approach**	**February 5, 2021**	**2,744,874**	**–**	**–**	**2,744,874**

2021

					Fair value measurement using		
	Observable Inputs	Valuation Technique	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
					(In Thousands)		
Land properties							
LCVI	Expected rents and expenses	Income Approach	July 21, 2020	₱1,342,647	₱–	₱–	₱1,342,647
URDC	Comparable selling price	Sales Comparison approach	March 10, 2020	3,562,976	–	–	3,562,976
Building							
OLI	Expected rents and expenses	Income approach	January 28, 2022	9,089,011	–	–	9,089,011
TPI	Expected rents and expenses	Income approach	December 23, 2021	3,171,102	–	–	3,171,102
LCVI	Expected rents and expenses	Income approach	July 21, 2020	996,117			996,117
LTI	Expected rents and expenses	Income approach	February 5, 2021	2,744,874	–	–	2,744,874

The appraised values of building, land and improvements were estimated using the following approach:

Income Approach - the fair value of all investment properties derived through converting anticipated future benefits into current property value.

Sales Comparison Approach - the value of the property that considers the sale of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Listings and offerings may also be considered.

The fair value of the Construction-in-progress of the Group is equivalent to the total cost incurred to date in the development and construction of the project amounting to ₱540.87 million and ₱347.94 million as of December 31, 2022 and 2021, respectively.

Revaluation Increment

Movement of revaluation increment follows:

	2022	2021
	(In Thousands)	
Beginning balance	**₱189,779**	₱196,808
Transfer of realized valuation increment	**(7,029)**	(7,029)
Balances at end of year	**₱182,750**	₱189,779

Revaluation increment realized through depreciation and transferred to deficit (net of related tax) amounted to ₱7.03 million in 2022 and 2021.

Consolidated rental revenue from investment properties amounted to ₱1,071.15 million, ₱781.56 million and ₱851.98 million in 2022, 2021, and 2020, respectively. Direct operating expenses incurred for investment properties amounted to ₱1,018.78 million, ₱881.13 million and ₱555.09 million in 2022, 2021 and 2020, respectively (see Note 23).

In 2020, the Group recognized gain on sale of investment properties amounting to ₱94.06 million.

Construction in progress pertain to two warehouses in Laguna under renovation. The construction period normally ranges from within one year to two years depending on the size of the asset.

The Group's budgeted total capital expenditures was ₱4.20 billion for projects and spent ₱3.68 billion as of December 31, 2022 for land development, building improvements, and land acquisition. This was financed through internally generated funds and advances.

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.

12. **Property and Equipment**

The details of this account follow:

2022

	Land	Building	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Construction in Progress	Total
				(In Thousands)				
Cost								
At beginning of year	**₱193,223**	**₱492,704**	**₱10,066**	**₱60,413**	**₱26,102**	**₱42,969**	**₱5,929**	**₱831,406**
Additions	**161,410**	**197,462**	**–**	**668**	**4,182**	**16,643**	**17,384**	**397,749**
At end of year	**354,633**	**690,166**	**10,066**	**61,081**	**30,284**	**59,612**	**23,313**	**1,229,155**
Accumulated Depreciation and Amortization								
At beginning of year	**–**	**6,999**	**2,418**	**47,172**	**10,886**	**40,472**	**–**	**107,947**
Depreciation and amortization (Notes 21 and 23)	**–**	**18,334**	**506**	**6,230**	**4,137**	**1,986**	**–**	**31,193**
At end of year	**–**	**25,333**	**2,924**	**53,402**	**15,023**	**42,458**	**–**	**139,140**
Net Book Values	**₱354,633**	**₱664,833**	**₱7,142**	**₱7,679**	**₱15,261**	**₱17,154**	**₱23,313**	**₱1,090,015**

2021

	Land	Building	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Construction in Progress	Total
				(In Thousands)				
Cost								
At beginning of year	₱–	₱–	₱2,732	₱55,625	₱10,968	₱41,868	₱–	₱111,193
Additions	4,226	11,305	7,334	4,750	15,134	1,195	5,929	49,873
Additions through business combination (Note 14)	188,997	481,399	–	–	–	–	–	670,396
Disposals	–	–	–	–	–	(56)	–	(56)
Reclassifications	–	–	–	38	–	(38)	–	–
At end of year	193,223	492,704	10,066	60,413	26,102	42,969	5,929	831,406
Accumulated Depreciation and Amortization								
At beginning of year	–	–	1,941	33,642	9,262	39,170	–	84,015
Depreciation and amortization (Notes 21 and 23)		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	₱485,705	₱7,648	₱13,241	₱15,216	₱2,497	₱5,929	₱723,459

13. Other Noncurrent Assets

This account consists of:

	2022	2021
	(In Thousands)	
Deferred input VAT	**₱99,584**	₱387,606
Refundable deposits	**72,283**	13,310
Advances to suppliers and contractors	**–**	50,000
Others	**1,715**	827
	₱173,582	₱451,743

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

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

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

Others include software costs with depreciation expense recognized amounting to ₱0.05 million, ₱0.45 million and ₱0.99 million for the years 2022, 2021 and 2020, respectively (see Note 21).

14. Business Combinations / Acquisition of Group of Assets

Acquisition of Cold Storage Facilities
On April 8, 2021, in a Deed of Absolute Sale, the Group purchased a land 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 Group also purchased a building 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 Group partially paid 82.75% of the purchase price and the remaining ₱50.00 million was settled on January 15, 2022.

The Group 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 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 based 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 15) and "Nontrade payable - noncurrent”.

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

Assets	
Building and improvements	₱254,811
Land	82,797
Cost of acquisition	**₱337,608**

Acquisition of Dry Warehouse Facilities
On February 4, 2022, in a Deed of Absolute Sale, the Group purchased a land from Aibis Land Management Inc. with an area of 96,980 square meters located in the City of Sto. Tomas, Province of Batangas, for a consideration amounting to ₱658.57 million, VAT Inclusive.

On the same day, in a Deed of Absolute Sale, the Company also purchased a building from Shen Long Property Management Inc. with an area of 69,435 square meters located in the City of Sto. Tomas, Province of Batangas, for a consideration amounting to ₱578.66 million, inclusive of VAT.

Of the total consideration of ₱1,237.23 million, only ₱113.96 million was paid on February 4, 2022, and the remaining ₱1,123.27 million will be paid on the following terms:

Date	Payment
02/04/2022	113,955,405
02/04/2023	245,602,591
02/04/2024	219,417,991
02/04/2025	219,417,991
02/04/2026	219,417,991
02/04/2027	219,417,992

15. **Accounts Payable and Accrued Expenses**

The details of this account follow:

	2022	2021
	(In Thousands)	
Accrued expenses		
Commissions	**₱61,731**	₱72,206
Rent (Note 29)	**7,336**	9,016
Contracted services	**6,168**	8,847
Professional and management fees	**1,061**	40,039
Light and water	**714**	89,492

(Forward)

	2022	2021
	(In Thousands)	
Repairs and maintenance	**₱485**	₱3,893
Others	**3,073**	5,313
	80,568	228,806
Nontrade payables (Notes 11 and 14)	**841,378**	333,219
Trade payables	**935,311**	786,164
Provisions (Note 30)	**35,057**	29,057
Retention payables (Note 14)	**28,585**	30,000
Dividend payable	**1,720**	1,720
Others	**7,572**	2,204
	₱1,930,191	₱1,411,170

Nontrade payables includes current portion of installment payable amounting to ₱352.51 and ₱65.10 million in 2022 and 2021, respectively. It also includes taxes and other payables normally settled within one (1) year.

Movements in the unamortized discount of the Group's long-term nontrade payable follows:

	2022	2021
	(In Thousands)	
Balance at beginning of year	**₱31,654**	₱–
Additions during the year	**105,493**	32,212
Accretion for the year (Note 24)	**(41,514)**	(558)
Balance at end of year	**₱95,633**	₱31,654

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.

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.

Dividend payable pertains to the unpaid portion of dividend declared attributable to the non-controlling interest of Laguna Technopark, Inc.

Other payables include claims payables pertaining to the estimated ultimate cost of incurred but not settled claims as at the reporting period.

16. 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 ₱690.00 million 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.

Ecozone Power Management Inc, Inc. (EPMI)
On September 27, 2022, EPMI availed loan from a local bank amounting ₱373.00 million with a term of 10 years and interest rate of 3.28% per annum subject to repricing per annum. Transaction cost related to the loan amounted to ₱2.80 million. Additional loan was availed in November 2022 amounting to ₱127.00 million with a term of 10 years and interest rate of 4.70% per annum subject to repricing per annum. Transaction cost related to the loan amounted to ₱0.95 million. The proceeds from the loans were used for working capital requirements.

The rollforward analysis of discount follows (in thousands):

	2022	2021
Balance at beginning of year	**₱14,703**	₱–
Additions	**3,750**	14,850
Discount amortization (Note 24)	**(1,613)**	(147)
Balance at end of year	**₱16,840**	₱14,703

Interest expense amounted to ₱66.32 million and ₱6.21 million for 2022 and 2021, respectively (see Note 24).

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, LTI and EPMI. As of December 31, 2022, this ratio was complied with by the entities.

17. Rental and Other Deposits

The details of this account follow:

	December 31, 2022			December 31, 2021		
	Due within One Year	**Beyond One Year**	**Total**	Due within One Year	Beyond One Year	Total
			(In Thousands)			
Security deposits	**₱376,986**	**₱149,320**	**₱526,306**	₱239,149	₱231,511	₱470,660
Rental deposits	**69,616**	**144,262**	**213,878**	68,724	111,351	180,075
Construction bond	**18,588**	**4,760**	**23,348**	39,394	4,158	43,552
Customer deposits	**9,381**	**–**	**9,381**	9,427	–	9,427
Other deposits	**9,190**	**–**	**9,190**	13,349	4,887	18,236
	₱483,761	**₱298,342**	**₱782,103**	₱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. Interest expense from accretion of security deposits amounted to ₱0.35 million, nil and nil for the years in 2022, 2021 and 2020, respectively.

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 three to six months.

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.

18. **Equity**

The details of the common shares of the Parent Company follows:

2022

	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		**99,815,504**
Issued and outstanding		**₱6,201,776,483**

2021

	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		106,274,191
Issued and outstanding		₱6,195,317,796

In 2022, the issued capital and additional paid-in capital increased by ₱6.46 million and ₱4.39 million, respectively, arising from the collection of subscription receivables.

In 2021, the issued and subscribed capital and additional paid-in capital increased by ₱10.48 million and ₱5.14 million, respectively, arising from the collection of subscription receivables and ESOWN subscription.

The Parent Company's track record of capital stock follows:

	Number of shares registered	Issue/offer price	Date of approval	Number of holders as of year end
January 1, 2020	6,148,081,534			**785**
Add:				
Additional issuance	3,072,000	₱1.00/share	November 10, 2015	
Additional issuance	29,038	₱1.68/share	November 10, 2015	
Additional issuance	2,270,200	₱1.00/share	May 19,1989	
December 31, 2020	6,153,452,772			**784**
Add:				
Additional issuance	3,584,000	₱1.00/share	November 10, 2015	
Additional issuance	1,277,400	₱1.68/share	November 10, 2015	
Additional issuance	346,000	₱1.00/share	May 19,1989	
December 31, 2021	6,158,660,172			**740**
December 31, 2022	**6,158,660,172**			**727**

Retained Earnings

Retained earnings also include undistributed net earnings amounting to ₱5,321.00 million and ₱4,371.00 million as of December 31, 2022 and 2021, respectively, representing accumulated equity in the net earnings of subsidiaries. These are not available for dividend distribution unless declared by the subsidiaries.

In 2020, Laguna Technopark, Inc., the Parent Company's subsidiary, declared cash dividends for a total amount of ₱350.00 million of which ₱17.50 million is attributable to non-controlling interest.

In 2021, URDC declared cash dividends amounting to ₱200.00 million and appropriated ₱720.00 million retained earnings for future expansion.

In 2021, OLI declared cash dividends for a total amount of ₱460.00 million.

Shares held by a subsidiary
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, 2022, the listing of these shares are still pending with the Philippine Stock Exchange.

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 December 31, 2022 and 2021.

As at December 31, 2022 and 2021, the Group considers the following accounts as capital:

	2022	2021
	(In Thousands)	
Capital stock	**₱6,201,777**	₱6,195,318
Additional paid-in capital	**6,020,123**	6,015,733
	₱12,221,900	₱12,211,051

The Group is not subject to externally imposed capital requirements**.**

19. 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 December 31, 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 year ended December 31, 2022

Amounts owed by related parties

Category	Amount of transactions (In Thousands)	Outstanding Balance (In Thousands)	Terms	Conditions
Parent				
ALI (a)	**₱9,765**	**₱50,599**	To be settled in cash and collectible on demand	Unsecured, noninterest- bearing, not impaired, and unguaranteed
ALI (b)	**(289,661)**	**8,192**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Entities under common control				
Airswift Transport, Inc. (b)				
Principal	**(13,380)**	**32,620**	To be settled in cash, 628-days; 5.5% to 5.68%	Unsecured, not impaired, and unguaranteed
Interest	**1,653**	**5,075**		
North Triangle Hotel Ventures, Inc. (b)				
Interest	**–**	**87**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Central Block Development, Inc. (b)				
Interest	**–**	**323**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
HLC Development Corp. (b)				
Interest	**–**	**84**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Amaia Land Corporation (b)				
Principal	**23,200**	**50,000**	To be settled in cash, 28-days; 5.68%-5.68%	Unsecured, not impaired, and unguaranteed
Interest	**3,274**	**3,454**		
Ayala Land Metro North, Inc. (d)	**(10,779)**	**3,408**	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)	**51**	**132**	To be settled in cash and collectible on demand	Unsecured, noninterest- bearing, not impaired, and unguaranteed
Nuevo Centro, Inc. (d)	**2,511**	**4,139**	To be settled in cash and collectible on demand	Unsecured, noninterest- bearing, not impaired, and unguaranteed
Ecosouth Hotel Ventures, Inc. (d)	**(3)**	**–**	To be settled in cash and collectible on demand	Unsecured, noninterest- bearing, not impaired, and unguaranteed
Crans Montana Property Holdings Corp. (b)				
Interest	**–**	**5**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed

(Forward)

Category	Amount of transactions (In Thousands)	Outstanding Balance (In Thousands)	Terms	Conditions
Bay City Commercial Corp. (b)				
Principal	(₱518,625)	₱93,375	To be settled in cash, 522-days; 5.5%-5.91%	Unsecured, not impaired, and unguaranteed
Interest	10,163	18,341		
Sicogon Island Tourism Estate Corp. (b)				
Principal	(9,700)	8,500	**To be settled in cash, 968-days; 5.68%-5.84%**	**Unsecured, not impaired, and unguaranteed**
Interest	73	223	**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. (c)	201	571	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Cagayan de Oro Gateway Corp. (b)				
Interest	(404)	135		
Avida Land Corporation (d)	771	771	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Avida Land Corporation (b)				
Interest	(2,640)	1,889	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, 161-days; 5.5%-5.84%	Unsecured, not impaired, and unguaranteed
Interest	511	5,266		
Ten Knots Development Corporation (b)				
Principal	–	8,000	To be settled in cash, 42-days; 5.5%	Unsecured, not impaired, and unguaranteed
Interest	71	93		
Ten Knots Philippines, Inc. (b)				
Principal	(4,000)	–	To be settled in cash and collectible on demand	
Interest	(305)	(220)		Unsecured, not impaired, and unguaranteed
Soltea Commercial Corp (b)				
Principal	(17,400)	3,000	To be settled in cash, 618-days; 5.84%	Unsecured, not impaired, and unguaranteed
Interest	(33)	799		
Summerhill Commercial (b)				
Interest	(61)	52	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Group Counselors Corp. (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)	6,273	6,335	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
AMSI, Inc. (d)	–	270	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Econorth Resort Ventures, Inc. (d)	–	38	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Triangle Depot Commercial Corp. (d)	600	601	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Eastern Commercial (d)	–	91	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 (In Thousands)	Terms	Conditions
North Ventures Commercial (d)	**₱–**	**₱274**	To be settled in cash and collectible on demand	Unsecured, noninterest- bearing, not impaired, and unguaranteed
PCM Formosa Company Limited (d)	**–**	**606**	To be settled in cash and collectible on demand	Unsecured, noninterest- bearing, not impaired, and unguaranteed
Horizon Wealth Holdings, Inc. (d)	**–**	**1**	To be settled in cash and collectible on demand	Unsecured, noninterest- bearing, not impaired, and unguaranteed
ALI Commercial Center (c)	**269**	**943**	To be settled in cash and collectible on demand	Unsecured, noninterest- bearing, not impaired, and unguaranteed
ALI Commercial Center (b)				
Principal	**73,100**	**81,100**	To be settled in cash, 225-days; 5.68%-5.84%	Unsecured, not impaired, and unguaranteed
Interest	**5,532**	**5,593**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
BellaVita Land Corp (b)				
Interest	**(133)**	**–**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Accendo Commercial Corp (b)				
Principal	**(2,000)**	**16,000**	To be settled in cash, 39-days; 5.68%	Unsecured, not impaired, and unguaranteed
Interest	**(8)**	**48**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Capitol Central Commercial Ventures Corp (b)				
Principal	**(73,000)**	**3,000**	To be settled in cash, 631-days; 5.84%	Unsecured, not impaired, and unguaranteed
Interest	**232**	**754**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Primavera Towncentre, Inc. (b)				
Principal	**49,005**	**49,005**	To be settled in cash, 357-days; 5.84%-5.84%	Unsecured, not impaired, and unguaranteed
Interest	**1,498**	**1,498**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Cavite Commercial Town Center, Inc. (b)				
Principal	**6,500**	**16,500**	To be settled in cash, 160-days; 5.5%-5.68%	Unsecured, not impaired, and unguaranteed
Interest	**373**	**641**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
South Innovative Theater Management Inc. (b)				
Interest	**–**	**35**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Triangle Hotel Ventures, Inc. (b)				
Interest	**–**	**185**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Station Square East Commercial Corp (b)				
Interest	**1,687**	**1,687**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Alveo Land Corporation (d)	**14**	**14**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Cebu District Property Enterprise, Inc. (d)	**83**	**83**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Property Management Corp. (d)	**–**	**1**	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 (In Thousands)	Terms	Conditions
Other related parties				
Innove Communications, Inc. (d)	**₱ 73**	**₱196**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Integrated Microelectronics Inc.(d)	**494**	**494**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Bank of the Philippine Islands (c)	**38**	**35**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Globe Telecom Inc. (c)	**1,686**	**1,231**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Total		**₱509,777**		

Amounts owed to related parties

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Parent				
ALI (h)	**₱812,658**	**₱1,513,250**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Corporation (g)	**–**	**149,539**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Entities under common control				
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, 216-days; 5.5%-5.68%	Unsecured, not impaired, and unguaranteed
Interest	**1,584**	**1,673**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Property Management Corp. (d)	**53**	**1,746**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Makati Development Corp. (b)				
Principal	**41,832**	**41,832**	To be settled in cash, 29-days; 5.81%	Unsecured, not impaired, and unguaranteed
Interest	**3,848**	**3,848**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Makati Development Corp. (e)	**(27,452)**	**373,513**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Nuevocentro, Inc. (d)	**(2,578)**	**356**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
AMSI, Inc. (d)	**(52)**	**3,579**	Due and demandable noninterest bearing	Unsecured, not impaired, and unguaranteed
APRISA Business Solutions (d)	**(1,206)**	**418**	Due and demandable noninterest bearing	Unsecured, not impaired, and unguaranteed
Amicassa Process Solutions, Inc. (d)	**1**	**469**	Due and demandable noninterest bearing	Unsecured, not impaired, and unguaranteed
Philippine Integrated Energy Solutions, Inc. (d)	**(17)**	**–**	Due and demandable noninterest bearing	Unsecured, not impaired, and unguaranteed
Avencosouth Corp. (d)	**(33)**	**–**	Due and demandable	Unsecured, not impaired, and unguaranteed
Ayala Group Counselors Corp.	**(1,083)**	**931**	Due and demandable noninterest bearing	Unsecured, not impaired, and unguaranteed
Ayalaland Metro North, Inc. (b)				
Principal	**15,000**	**15,000**	To be settled in cash, 104-days; 5.5%	Unsecured, not impaired, and unguaranteed
Interest	**176**	**226**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Station Square East Commercial Corp. (b)				

(Forward)

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Principal	**₱11,000**	**₱21,000**	To be settled in cash, 31-days; 5.81%-5.91%	Unsecured, not impaired, and unguaranteed
Interest	**67**	**307**	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)	**62,948**	**62,948**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Alveo Land Corp. (b)				
Principal	**8,400**	**8,400**	To be settled in cash, 17-days; 5.81%	Unsecured, not impaired, and unguaranteed
Interest	**(4,633)**	**388**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Solinea, Inc. (b)				
Interest	**–**	**298**	Due and demandable noninterest bearing	Unsecured and unguaranteed
Summerhill Commercial Ventures (b)				
Principal	**(3,655)**	**3,590**	To be settled in cash, 72-days; 5.68%-5.68%	Unsecured, not impaired, and unguaranteed
Interest	**344**	**1,034**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Taft Punta Engano Property, Inc. (b)				
Interest	**535**	**1,231**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Hotels, Inc. (b)				
Principal	**48,880**	**51,880**	To be settled in cash, 41-days; 5.5%-5.68%	Unsecured, not impaired, and unguaranteed
Interest	**658**	**5,926**	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, 377-days; 5.68%-5.68%	Unsecured, not impaired, and unguaranteed
Interest	**725**	**1,220**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
AREIT Fund Manager, Inc. (b)				
Principal	**(8,000)**	**–**	To be settled in cash and collectible on demand	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 (b)			To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	**328**	**580**	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, 371-days; 5.68%	Unsecured, not impaired, and unguaranteed
Interest	**429**	**4,453**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
AREIT, Inc. (b)				
Principal	**85,000**	**85,000**	To be settled in cash, 205-days; 5.5%-5.91%	Unsecured, not impaired, and unguaranteed
Interest	**2,096**	**7,793**	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, 818-days; 5.5%-5.84%	Unsecured, not impaired, and unguaranteed
Interest	**294**	**362**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
MDBI Construction Corp. (b)				
Principal	₱51,000	₱86,000	To be settled in cash, 195-days; 5.49%-5.91%	Unsecured, not impaired, and unguaranteed
Interest	559	631	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Triangle Depot Commercial Corp. (b)				
Interest	–	123	Due and demandable noninterest bearing	Unsecured and unguaranteed
ALI Capital Corp. (b)				
Interest	(11)	–	Due and demandable noninterest bearing	Unsecured and unguaranteed
UP North Property Holdings, Inc. (b)				
Principal	12,220	81,220	To be settled in cash, 407-days; 5.5%-5.84%	Unsecured, not impaired, and unguaranteed
Interest	2,247	7,498	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Glensworth Development, Inc. (b)				
Interest	–	1,246	Due and demandable noninterest bearing	Unsecured and unguaranteed
North Eastern Commercial Corp. (b)				
Interest	2	9,997	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayala Land Offices, Inc. (b)				
Principal	275,718	303,518	To be settled in cash, 398-days; 5.5%-5.68%	Unsecured, not impaired, and unguaranteed
Interest	4,982	12,141	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Ventures Commercial Corp. (b)				
Interest	–	285	To be settled in cash and collectible on demand	Unsecured and unguaranteed
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)				
Principal	9,670	9,670	To be settled in cash, 82-days; 5.5%-5.5%	Unsecured, not impaired, and unguaranteed
Interest	359	370	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Subic Bay Town Center, Inc. (b)				
Principal	(10,000)	–		
Interest	775	869	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Vesta Property Holdings, Inc. (b)				
Principal	(11,000)	–		
Interest	674	13,592	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
CECI Realty Corp. (b)				
Principal	5,000	10,000	To be settled in cash, 30-days; 5.91%-5.91%	Unsecured, not impaired, and unguaranteed
Interest	220	808	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Makati Cornerstone Leasing (b)				

(Forward)

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Principal	**(₱10,000)**	**₱–**		
Interest	**(57)**	**277**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
First Gateway Real Estate Corp. (b)				
Principal	**2,500**	**2,500**	To be settled in cash, 104-days; 5.5%-5.5%	Unsecured, not impaired, and unguaranteed
Interest	**(4)**	**59**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Soltea Commercial Corp. (b)				
Interest	**–**	**32**	Due and demandable noninterest bearing	Unsecured and unguaranteed
Alabang Commercial Corp. (b)				
Principal	**4,145**	**23,000**	To be settled in cash, 42-days; 5.49%-5.91%	Unsecured, not impaired, and unguaranteed
Interest	**698**	**830**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Land Sales, Inc. (b)				
Principal	**(5,000)**	**5,000**	To be settled in cash, 30-days; 2.00%	Unsecured, not impaired, and unguaranteed
Interest	**970**	**1,013**		
Adauge Commercial Corp. (b)				
Principal	**30,820**	**30,820**	To be settled in cash, 116-days; 5.5%-5.5%	Unsecured, not impaired, and unguaranteed
Interest	**407**	**407**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
ALO Prime Realty Corporation (b)				
Principal	**464,200**	**464,200**	To be settled in cash, 134-days; 5.5%-5.5%	Unsecured, not impaired, and unguaranteed
Interest	**7,348**	**7,348**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
ESTA Galleria, Inc. (d)	**–**	**2,450**	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayalaland Estates, Inc. (d)	**17**	**17**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Makati North Hotel Ventures (d)	**1**	**15**	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayalaland Malls Northeast, Inc. (d)	**571**	**571**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Philippine Integrated Energy Solutions, Inc. (b)				
Principal	**5,620**	**5,620**	To be settled in cash, 82-days; 5.5%-5.5%	Unsecured, not impaired, and unguaranteed
Interest	**153**	**153**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Lagoon Development Corp.(b)				
Principal	**3,000**	**3,000**	To be settled in cash, 42-days; 5.49%-5.49%	Unsecured, not impaired, and unguaranteed
Interest	**15**	**15**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Greenhaven Property Venture, Inc. (d)	**217**	**217**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Flow Luna I Property Pte. Ltd (d)	**55,549**	**55,549**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Other related parties				
Laguna AAA Waterworks Corp (d)	**–**	**413**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Innove Communications, Inc. (d)	**(12)**	**24**	Due and demandable noninterest bearing	Unsecured, not impaired, and unguaranteed
Globe Telecom, Inc (d)	**6,289**	**6,307**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Total		**₱3,675,169**		

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
Parent				
ALI (a)	**₱10,865**	**₱40,833**	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ALI (b)	**(228,112)**	**297,853**	To be settled in cash, 30-days; 1.96%-2.00%	Unsecured, not impaired, and unguaranteed
Entities under common control				
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**		
Central Block Development, Inc. (b)				
Principal	**(14,300)**	**–**		
Interest	**(47)**	**323**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
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)**	**–**		
Interest	**1**	**5**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
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**		
Ayala Triangle Hotel Ventures, Inc. (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

(Forward)

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Amicassa Process Solutions, Inc. (c)	**(₱3,173)**	**₱370**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Cagayan de Oro Gateway Corp. (b)			To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Principal	**(15,000)**	**–**		
Interest	**202**	**539**		
Avida Land Corporation (b)			To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	**27**	**4,531**		
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)			To be settled in cash, 30-days;1.96%	Unsecured, not impaired, and unguaranteed
Principal	**8,000**	**8,000**		
Interest	**22**	**22**		
Ten Knots Philippines, Inc. (b)			To be settled in cash, 30-days; 1.96%	Unsecured, not impaired, and unguaranteed
Principal	**4,000**	**4,000**		
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
Ayala Group Counselors Corp. (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)	**76**	**270**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Econorth Resort Ventures, Inc. (d)	**–**	**38**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Triangle Depot Commercial Corp. (d)	**–**	**1**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
South Innovative Theater Mngt, Inc. (d)	**–**	**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)	**–**	**606**	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Horizon Wealth Holdings, Inc. (d)	**1**	**1**	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ALI Commercial Center (c)	**10**	**674**	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ALI Commercial Center (b)			To be settled in cash, 62-days; 2.00%	Unsecured, not impaired, and unguaranteed
Principal	**1,000**	**8,000**		
Interest	**52**	**61**		
BellaVita Land Corp (b)			To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Principal	**(5,000)**	**–**		
Interest	**118**	**133**		

(Forward)

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
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**		
Other related parties				
Innove Communications, Inc. (d)	**₱7**	**₱123**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Bank of the Philippine Islands (c)	**75**	**(3)**		
Globe Telecom Inc. (c)	**(6,087)**	**(457)**		
Total		**₱1,244,921**		

Amounts owed to related parties

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Parent				
ALI (h)	**(₱282,628)**	**₱718,592**	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayala Corporation (i)	**–**	**149,539**	Due and demandable noninterest bearing	Unsecured and unguaranteed
Entities under common control				
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. (e)	**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
APRISA Business Solutions (d)	**578**	**1,624**	Due and demandable noninterest bearing	Unsecured and unguaranteed
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
Ayala Group Counselors Corp.	**1,953**	**2,014**	Due and demandable noninterest bearing	Unsecured and unguaranteed

(Forward)

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
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**		

(Forward)

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
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
Adauge Commercial Corp. (b)				
Principal	**(3,000)**	**–**		
Interest	**(5)**	**–**		
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**		
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)				

(Forward)

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
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
Other related party				
Laguna AAA Waterworks Corp (d)	–	413	Due and demandable noninterest bearing	Unsecured and unguaranteed
Innove Communications, Inc. (d)	(60)	36	Due and demandable noninterest bearing	Unsecured and unguaranteed
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 December 31, 2022 and 2021:

a. Amounts owed by ALI pertains to rental revenue collected by ALI on behalf of OLI.
b. Amounts owed by related parties are short-term advances made by the Group with interest rate at 5.50% to 5.84 % per annum. Interest income attributable to intercompany loans amounted to ₱32.23 million and ₱31.58 million in 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 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 December 31, 2022 and 2021, the total payable to MDC amounted to ₱373.51 million and ₱400.97 million, respectively.
f. Payable to ALI pertains to management fees. This is due and demandable and noninterest bearing. Management fee recognized during the year amounted to ₱250.48 million, ₱175.71 million and ₱93.58 million during 2022, 2021 and 2020, respectively (See Note 23).
g. On August 2, 2020, 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 ₱299.08 million. The 50% of the total purchase price has already been paid in 2020 resulting to a ₱149.54 million payable to AC as of December 31, 2022 which is due and demandable.

Other transactions with related parties include the following:

- The Parent Company, TPI and OLI entered into a master service agreement with Aprisa Business Process Solutions, Inc. to provide data processing services for a period of one year starting from January 1, 2021. The contract was renewed annually subject to the mutual agreement of the parties and to compliance with the terms and conditions of the service agreement. The total service fees arising from these agreements amounted to ₱2.36 million and ₱2.80 million, for the years ended December 31, 2022 and 2021, respectively.

- In 2022 and 2021, EPMI recognized sale of electricity to related parties amounting to nil and ₱414.39 million, respectively (see Note 28).

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. Compensation for said employees are billed to the Group and form part of systems cost. Systems cost billed to the Group amounted to ₱21.79 million, ₱44.12 million and ₱47.88 million in 2022, 2021 and 2020, respectively.

20. Subscription Payable

As at December 31, 2022 and 2021, the Parent Company has unpaid subscription in Cyber Bay amounting to ₱481.68 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:

	2022	2021
	(In Thousands)	
Beginning balance	**₱458,074**	₱458,074
Changes in fair value	**(458,074)**	(458,074)
	₱–	₱–

Equity securities include 1,388,101,405 shares of Cyber Bay valued at nil and nil in 2022 and 2021, respectively (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. FPIC filed a Motion for Reconsideration dated June 4, 2022 of the SC Resolution dated November 11, 2021, which is pending resolution with the SC.

21. Operating Expenses

The details of this account follow:

	2022	2021	2020
		(In Thousands)	
Personnel expenses (Notes 22)	**₱64,907**	₱55,943	₱51,970
Depreciation and amortization (Notes 11, 12, and 13)	**26,296**	4,267	5,644
Systems costs (Note 19)	**21,786**	44,120	47,877
Professional and legal fees	**19,158**	15,903	27,572
Taxes and licenses	**13,260**	20,646	17,859
Janitorial and security services	**12,191**	10,983	8,386
Communication and transportation	**7,365**	3,172	3,195
Supplies and repairs	**3,741**	2,831	2,192
Provision for impairment losses (Note 5)	**–**	29,137	31,619
Provision for probable losses on input vat (Note 9)	**–**	6,206	–
Others	**5,385**	6,638	9,265
	₱174,089	₱199,846	₱205,579

22. Personnel Expenses

	2022	2021	2020
		(In Thousands)	
Compensation and employee benefits	**₱61,403**	₱51,807	₱50,603
Retirement expense (Note 25)	**3,504**	4,136	1,367
	₱64,907	₱55,943	₱51,970

23. Cost of Real Estate Sales and Rental Services

Cost of real estate sales

The details of this account follow:

	2022	2021	2020
		(In Thousands)	
Land and development cost (Note 6)	**₱1,113,156**	₱1,031,648	₱561,803
Management fee (Note 19)	**178,542**	140,652	73,633
Commission	**76,383**	64,259	31,322
	₱1,368,081	₱1,236,559	₱666,758

Cost of rental services

The details of this account follow:

	2022	2021	2020
		(In Thousands)	
Depreciation and amortization (Notes 11 and 12)	**₱359,506**	₱346,804	₱304,124
Share in CUSA related expenses	**296,548**	230,737	13,098
Taxes and licenses	**132,293**	112,892	115,103
Depreciation and amortization - right of use asset (Note 29)	**64,883**	66,669	64,429
Management fees (Note 19)	**71,936**	35,062	19,946
Repairs and maintenance	**35,862**	25,961	10,766
Rental (Note 29)	**8,496**	5,359	8,571
Professional fees	**6,752**	2,922	2,055
Insurance	**5,088**	5,704	2,967
Commissions	**3,178**	12,740	1,186
Others	**34,237**	36,276	12,842
	₱1,018,779	₱881,126	₱555,087

24. Interest Income (expense) and Bank Charges - net and Other Income - net

Interest income and bank charges

The details of this account follow:

	2022	2021	2020
		(In Thousands)	
Interest income:			
Cash and cash equivalents (Note 4)	**₱852**	₱671	₱3,731
Amounts owed by related parties (Note 19)	**32,226**	31,584	30,236
Retirement benefits liability - net (Note 25)	**555**	96	654
Interest income on financial assets at FVOCI (Note 7)	**2,812**	2,596	107
Accretion on long term receivables (Note 5)	**52,452**	16,543	2,037
	88,897	51,490	36,765
Interest expense and bank charges:			
Amounts owed to related parties (Note 19)	**44,197**	43,998	80,493
Discount amortization on long term liabilities (Note 15)	**41,514**	23,995	21,326
Discount amortization on security deposits (Note 17)	**354**	–	–
Bank loan (Note 16)	**64,704**	6,058	–
Discount amortization on bank loan (Note 16)	**1,613**	147	–
Bank charges	**4,650**	1,608	2,936
	157,033	75,806	104,755
	(₱68,136)	(₱24,316)	(₱67,990)

Other income
Other income, net of other charges, includes collection of forfeited deposits and penalty charges, proceeds from disposal of property and equipment and FVOCI, scraps, reversal of accruals and impairment losses and excess CUSA recoveries.

25. 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 28, 2023 was determined using the projected unit credit method in accordance with PAS 19 (R).

The following tables summarize the funded status and amounts recognized in the consolidated statements of financial position, and the components of the net retirement benefit costs recognized in the consolidated statements of income for the retirement plan:

	2022	2021
	(In Thousands)	
Retirement benefits asset:		
Present value of obligation (PVO)	**₱8,071**	₱8,800
Fair value of plan assets	**(18,787)**	(20,622)
Overfunded obligation	**(₱10,716)**	(₱11,822)

	2022	2021	2020
		(In Thousands)	
Retirement benefits costs:			
Current service cost (Note 22)	**₱3,504**	₱4,136	₱1,367
Interest cost (income) - net (Note 24)	**(555)**	(96)	(654)
	₱2,949	₱4,040	₱713

Movements in the retirement benefits asset follow:

	2022	2021
	(In Thousands)	
Balances at beginning of year	**(₱11,822)**	(₱9,694)
Retirement benefits costs	**2,949**	4,040
Actuarial loss	**(3,730)**	(1,770)
Benefits paid out of own plan	**(179)**	(4,398)
Contribution	**1,640**	–
Net acquired liability due to employee transfer	**426**	–
Balances at end of year	**(₱10,716)**	(₱11,822)

Changes in the PVO follows:

	2022	2021
	(In Thousands)	
Balances at beginning of year	**₱8,800**	₱13,014
Current service cost	**3,504**	4,136
Interest cost	**561**	352
Benefits paid	**(179)**	(4,398)
Actuarial loss	**(5,041)**	(4,304)
Net acquired liability due to employee transfer	**426**	
Balances at end of year	**₱8,071**	₱8,800

Changes in fair value of plan assets follows:

	2022	2021
	(In Thousands)	
Balances at beginning of year	**₱20,662**	₱22,708
Interest income	**1,116**	448
Actuarial gain (loss) on plan assets	**(1,311)**	(2,534)
Contribution	**(1,640)**	–
Balances at end of year	**₱18,827**	₱20,622

Changes in remeasurement of retirement benefit plan under other comprehensive income follows:

	2022	2021
	(In Thousands)	
Balances at beginning of year	**₱51,492**	₱51,458
Impact of CREATE	**–**	1,362
Actuarial loss (gain) on:		
Return loss (gain) on plan assets	**870**	1,900
Remeasurement loss due to liability assumption changes – economic	**(3,870)**	(2,222)
Remeasurement loss due to liability experience	**800**	(1,006)
Remeasurement loss (gain) due to liability assumption changes – demographic	**(3,247)**	–
Balances at end of year	**₱46,045**	₱51,492

The categories of plan assets as a percentage of fair value of the total plan assets follows:

	2022	2021
Cash	**0.46%**	0.41%
Fixed income	**99.54%**	99.73%
Others	**0.00%**	0.14%
	100.00%	100.00%

The plan assets are invested in different financial instruments and do not have any concentration risk. The asset allocation of the plan is set and reviewed from time to time by the Trustee taking into account the membership profile and the liquidity requirements of the plan. This also considers the expected benefit cash flows to be matched with asset durations.

As at December 31, 2022 and 2021, the plan assets do not include any debt or equity instruments nor any property occupied, or other assets of the Group's related parties.

In 2022, the Group expects to contribute to the retirement plan amounting to ₱3.77 million.

The principal assumptions used to determine pension for the Group are as follows:

	2022	2021	2020
Discount rates	**7.12% to 7.29%**	4.99% to 5.12%	3.79% to 3.99%
Salary increase rate	**5.00% to 6.50%**	5.00 to 7.00%	5.00 to 6.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	Increase (decrease) in significant assumptions	Increase (decrease) in defined benefit obligation
December 31, 2022		*(in thousands)*
Discount rate	**+1%**	**₱9,143**
	(1%)	**11,145**
Future salary increases	**+1%**	**11,215**
	(1%)	**9,069**
December 31, 2021		
Discount rate	+1%	₱7,779
	(1%)	9,781
Future salary increases	+1%	9,819
	(1%)	7,730

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which change other than those assumed may be deemed to be more reasonable.

The following table shows the maturity profile of the Group's defined benefit obligation based on undiscounted benefit payments:

	2022	2021
	(In Thousands)	
Less than 1 year	**₱158**	₱128
More than 1 year to 5 years	**5,301**	4,445
More than 5 years to 10 years	**11,511**	9,221
More than 10 years to 15 years	**333,805**	6,067
More than 15 years to 20 years	**23,788**	15,195
More than 20 years	**66,716**	39,598

The average duration of the defined benefit obligation is 15.08 to 24.00 years and 20.48 to 24.00 years in 2022 and 2021, respectively.

26. Income Tax

The details of provision for income tax follow:

	2022	2021	2020
		(In Thousands)	
Current	**₱100,505**	₱127,793	₱169,623
Final	**732**	321	736
Deferred	**90,036**	(48,105)	(39,335)
	₱191,273	₱80,009	₱131,024

Registration with the Philippine Economic Zone Authority (PEZA) and Board of Investments (BOI) Incentives

LTI
On October 17, 1991, PEZA approved the registration of LTI as a non-pioneer “ecozone developer/operator” of Laguna Technopark Special Economic Zone in Biñan, Laguna. On July 13, 2016, PEZA approved the registration of the LTI as an “ecozone developer/operator” of Cavite Technopark Special Economic Zone in Naic, Cavite.

As a registered ecozone enterprise, LTI is entitled to establish, develop, construct, administer, manage and operate a special export processing zone in accordance with the terms and conditions in the Registration Agreement with PEZA.

LTI pays income tax at the special tax rate of 5% on its gross income earned from sources with the PEZA economic zone in lieu of paying all national and local income taxes. Gross income earned refers to gross sales or gross revenues derived from any business activity, net of returns, and allowances, less cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses. Income generated from sources outside of the PEZA economic zone shall be subject to regular internal revenue taxes.

URDC
The Board of Investments issued a certificate of registration dated December 6, 2019 to URDC in accordance with the existing Omnibus Investment Code. The project located in Mabalacat, Pampanga has been granted an Income Tax Holiday (ITH) for a period of four (4) years from the date of commercial operations.

The reconciliation of the statutory income tax rates to the effective income tax rates follows:

	2022	2021	2020
At statutory tax rates	**25.0%**	25.0%	30.0%
Additions to (reductions in) income taxes resulting from:			
Movements in unrecognized deferred income tax assets	**10.5**	0.6	(6.2)
Income subject to lower income tax and BOI registered-activities	**(19.5)**	(26.4)	–
Effect of change in tax rate	**–**	(2.8)	–
Expired NOLCO	**–**	–	(0.8)
Nondeductible expenses	**–**	1.7	3.1
Provision for impairment losses	**–**	1.0	1.3
Other nontaxable income	**–**	(0.8)	(0.2)
At effective tax rates	**16.0%**	(1.7%)	22.9%

The weighted average of statutory tax rate was 25% in 2022 (2021: 25%; 2020: 30%).

AYALALAND LOGISTICS HOLDING CORP.
INDEX TO THE SUPPLEMENTARY SCHEDULES

ANNEX A: Reconciliation of Retained Earnings Available for Dividend Declaration

ANNEX B: Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered

ANNEX C: Supplementary Schedules Required by Annex 68-J

- Schedule A. Financial Assets
- Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
- Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
- Schedule D. Long-term Debt
- Schedule E. Indebtedness to Related Parties
- Schedule F. Guarantees of Securities of Other Issuers
- Schedule G. Capital Stock

ANNEX A

AYALALAND LOGISTICS HOLDING CORP.

Reconciliation of Retained Earnings Available for Dividend Declaration

DECEMBER 31, 2022

(*In Thousands*)

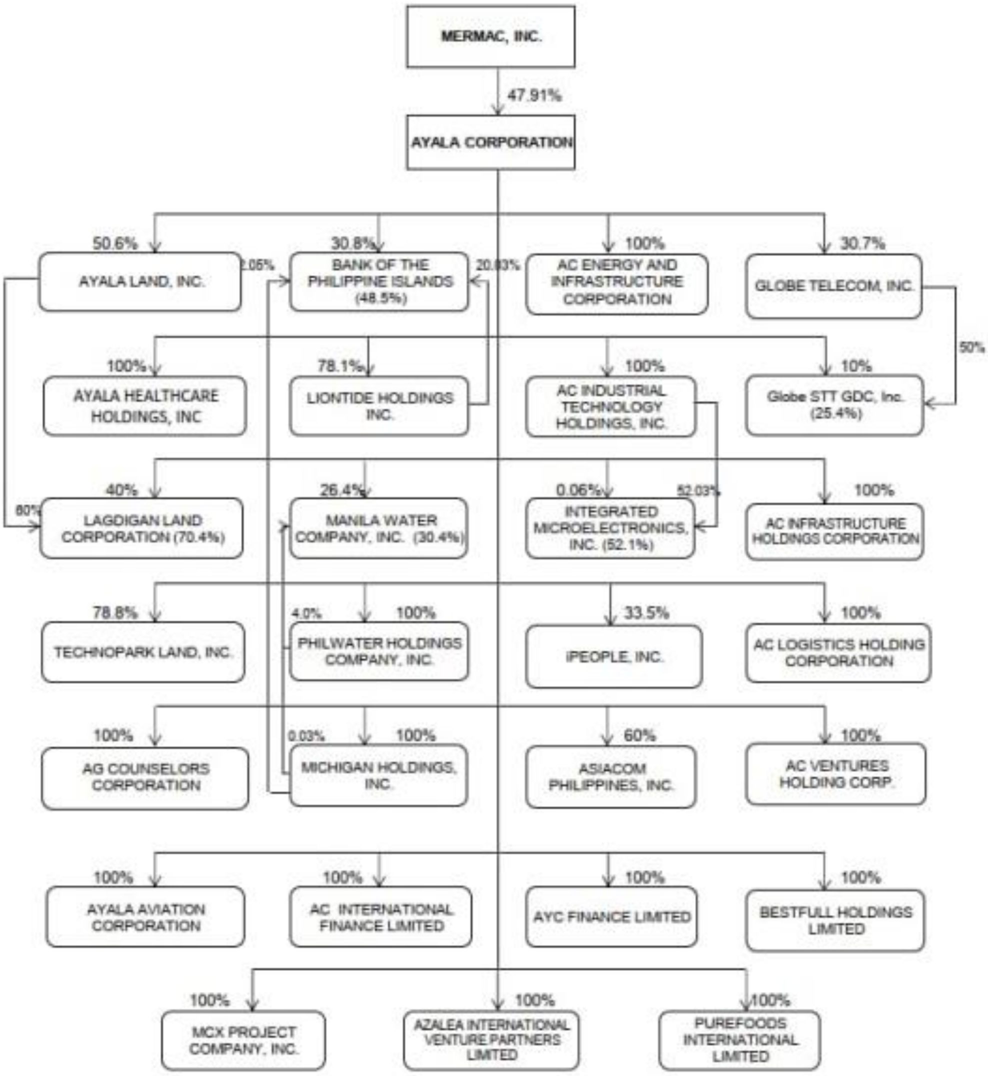
Unappropriated retained earnings, beginning		₱770,212
Adjustment to beginning unappropriated retained earnings:		
Treasury shares		–
Unappropriated retained earnings, adjusted to available for dividend declaration, beginning		770,212
Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	(45,456)	
Less: Non actual/unrealized income net of tax	–	
Equity in net income of associate/joint venture	–	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	(220)	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Deferred tax asset that reduced the amount of income tax expense	–	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP-loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Unrealized foreign exchange loss – net (except those attributable to cash and cash equivalents)	–	
Net income actually earned during the period		(45,236)
Add (Less):		
Dividend declarations during the period		–
Appropriations of retained earnings during the period		–
Reversals of appropriations		–
Effects of prior period adjustments		–
Treasury shares		–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		**₱724,975**

ANNEX B

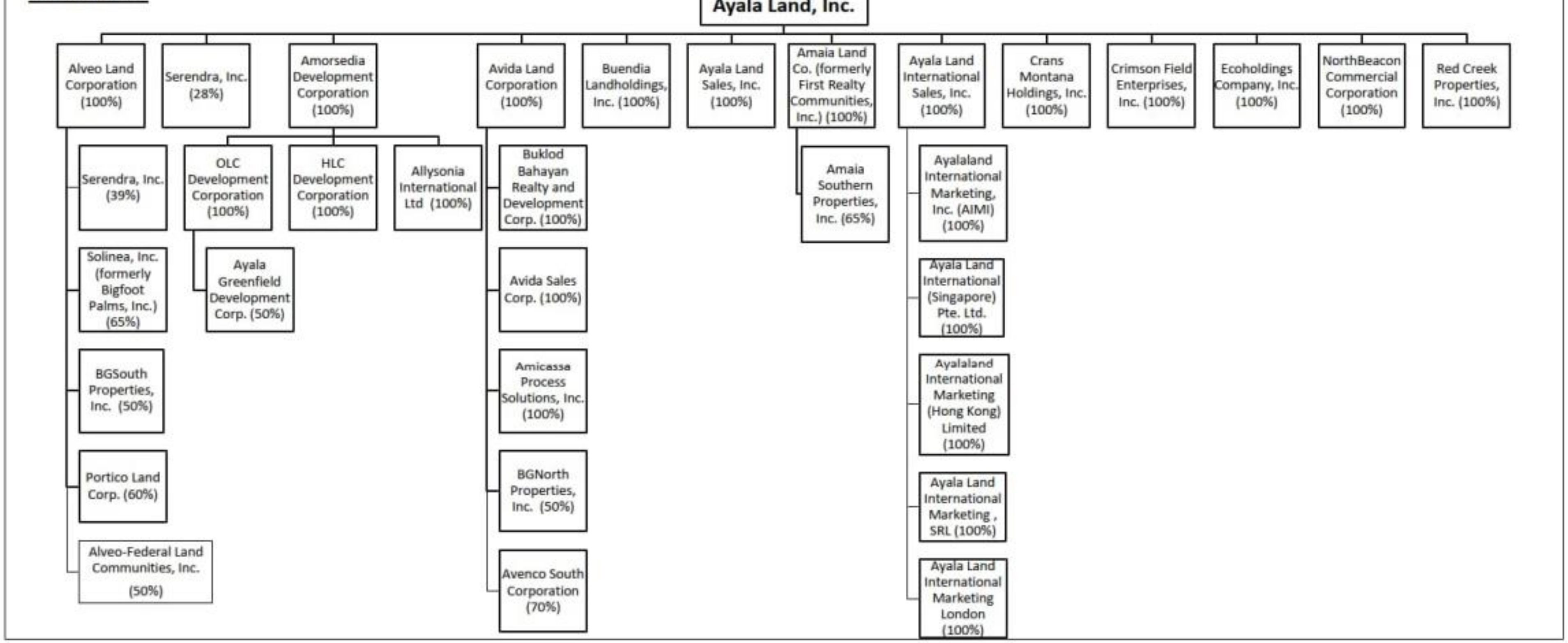
AYALALAND LOGISTICS HOLDINGS CORP.

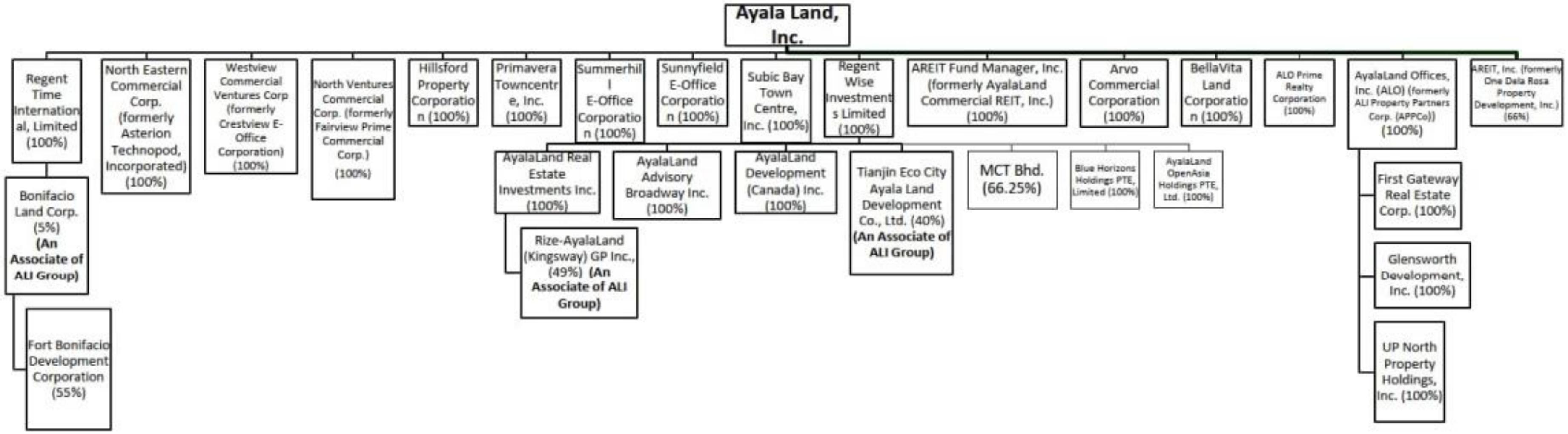
Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered

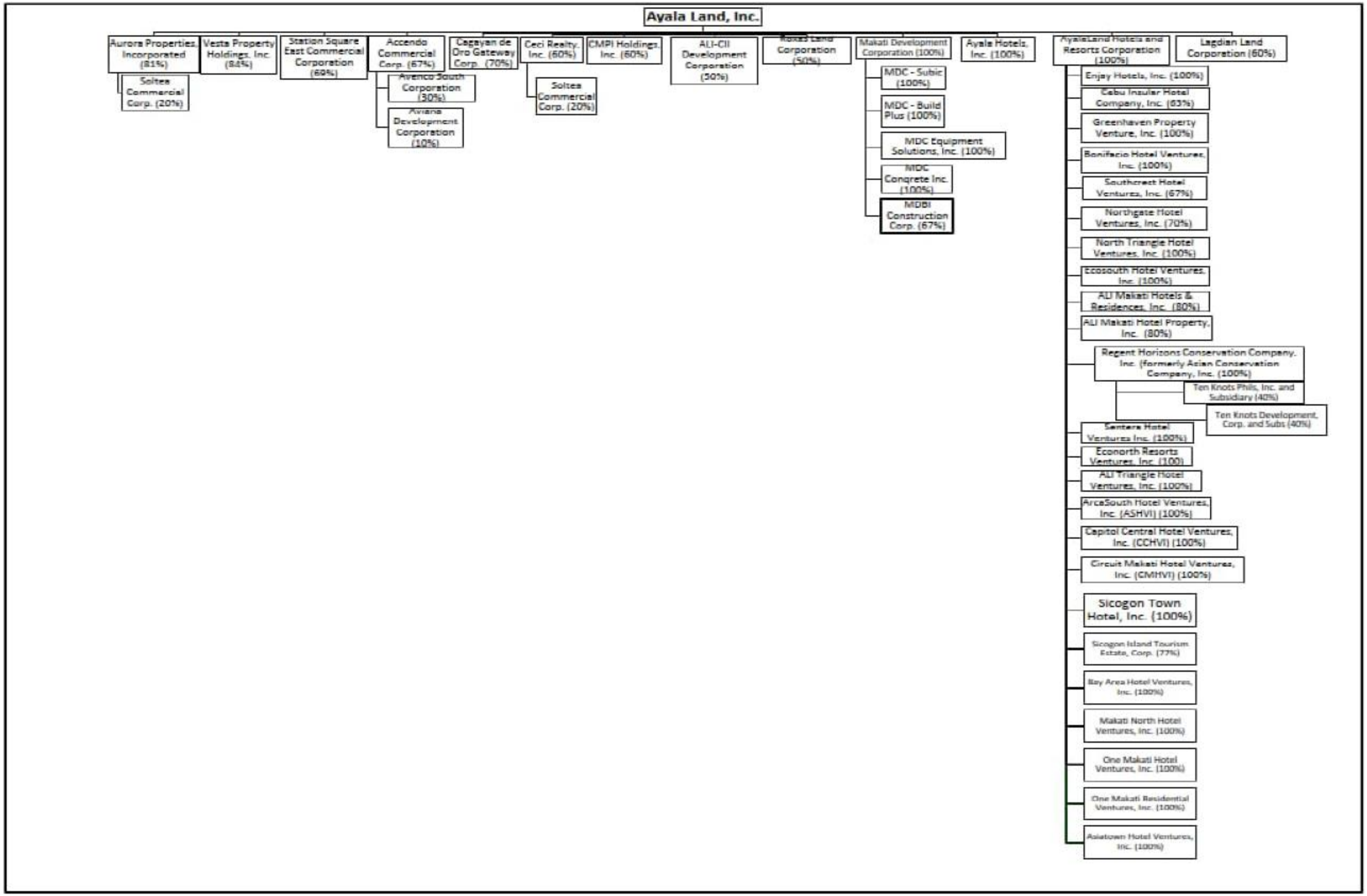
AS OF DECEMBER 31, 2022



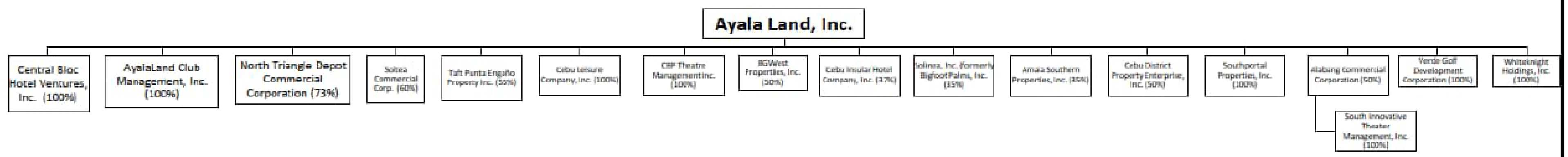
Subsidiaries



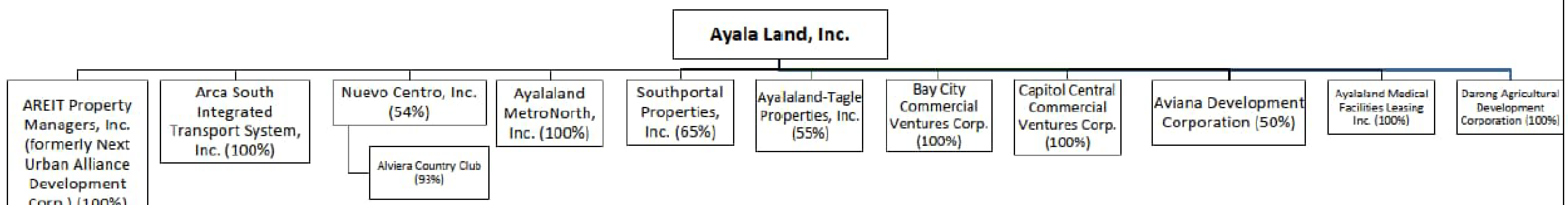

Ayala Land, Inc.
Regent Time International, Limited (100%)
Bonifacio Land Corp. (5%) (An Associate of ALI Group)
Fort Bonifacio Development Corporation (55%)
North Eastern Commercial Corp. (formerly Asterion Technopod, Incorporated) (100%)
Westview Commercial Ventures Corp (formerly Crestview E-Office Corporation) (100%)
North Ventures Commercial Corp. (formerly Fairview Prime Commercial Corp.) (100%)
Hillsford Property Corporation (100%)
Primavera Towncentre, Inc. (100%)
Summerhill E-Office Corporation (100%)
Sunnyfield E-Office Corporation (100%)
Subic Bay Town Centre, Inc. (100%)
Regent Wise Investments Limited (100%)
AREIT Fund Manager, Inc. (formerly AyalaLand Commercial REIT, Inc.) (100%)
Arvo Commercial Corporation (100%)
BellaVita Land Corporation (100%)
ALO Prime Realty Corporation (100%)
AyalaLand Offices, Inc. (ALO) (formerly ALI Property Partners Corp. (APPCo)) (100%)
AREIT, Inc. (formerly One Dela Rosa Property Development, Inc.) (66%)
AyalaLand Real Estate Investments Inc. (100%)
Rize-AyalaLand (Kingsway) GP Inc., (49%) (An Associate of ALI Group)
AyalaLand Advisory Broadway Inc. (100%)
AyalaLand Development (Canada) Inc. (100%)
Tianjin Eco City Ayala Land Development Co., Ltd. (40%) (An Associate of ALI Group)
MCT Bhd. (66.25%)
Blue Horizons Holdings PTE, Limited (100%)
AyalaLand OpenAsia Holdings PTE, Ltd. (100%)
First Gateway Real Estate Corp. (100%)
Glensworth Development, Inc. (100%)
UP North Property Holdings, Inc. (100%)

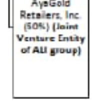


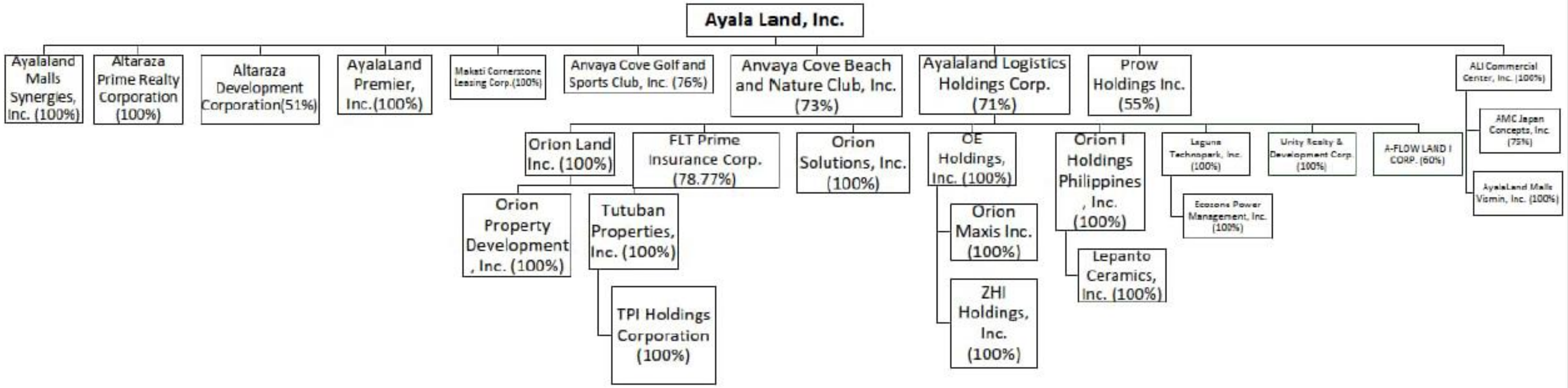
Ayala Land, Inc.
Aurora Properties, Incorporated (81%)
Soltea Commercial Corp. (20%)
Vesta Property Holdings, Inc. (84%)
Station Square East Commercial Corporation (69%)
Accendo Commercial Corp. (67%)
Avenco South Corporation (30%)
Aviana Development Corporation (10%)
Cagayan de Oro Gateway Corp. (70%)
Ceci Realty, Inc. (60%)
Soltea Commercial Corp. (20%)
CMPI Holdings, Inc. (60%)
ALI-CII Development Corporation (50%)
Roxas Land Corporation (50%)
Makati Development Corporation (100%)
MDC - Subic (100%)
MDC - Build Plus (100%)
MDC Equipment Solutions, Inc. (100%)
MDC Conqrete Inc. (100%)
MDBI Construction Corp. (67%)
Ayala Hotels, Inc. (100%)
AyalaLand Hotels and Resorts Corporation (100%)
Enjay Hotels, Inc. (100%)
Cebu Insular Hotel Company, Inc. (63%)
Greenhaven Property Venture, Inc. (100%)
Bonifacio Hotel Ventures, Inc. (100%)
Southcrest Hotel Ventures, Inc. (67%)
Northgate Hotel Ventures, Inc. (70%)
North Triangle Hotel Ventures, Inc. (100%)
Ecosouth Hotel Ventures, Inc. (100%)
ALI Makati Hotels & Residences, Inc. (80%)
ALI Makati Hotel Property, Inc. (80%)
Regent Horizons Conservation Company, Inc. (formerly Asian Conservation Company, Inc. (100%)
Ten Knots Phils, Inc. and Subsidiary (40%)
Ten Knots Development, Corp. and Subs (40%)
Sentera Hotel Ventures Inc. (100%)
Econorth Resorts Ventures, Inc. (100)
ALI Triangle Hotel Ventures, Inc. (100%)
ArcaSouth Hotel Ventures, Inc. (ASHVI) (100%)
Capitol Central Hotel Ventures, Inc. (CCHVI) (100%)
Circuit Makati Hotel Ventures, Inc. (CMHVI) (100%)
Sicogon Town Hotel, Inc. (100%)
Sicogon Island Tourism Estate, Corp. (77%)
Bay Area Hotel Ventures, Inc. (100%)
Makati North Hotel Ventures, Inc. (100%)
One Makati Hotel Ventures, Inc. (100%)
One Makati Residential Ventures, Inc. (100%)
Asiatown Hotel Ventures, Inc. (100%)
Lagdian Land Corporation (60%)



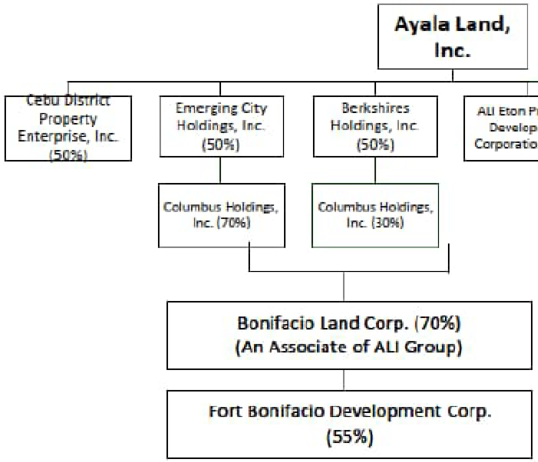
Ayala Land, Inc.
Central Bloc Hotel Ventures, Inc. (100%)
AyalaLand Club Management, Inc. (100%)
North Triangle Depot Commercial Corporation (73%)
Soltea Commercial Corp. (60%)
Taft Punta Engaño Property Inc. (55%)
Cebu Leisure Company, Inc. (100%)
CBP Theatre Management Inc. (100%)
BGWest Properties, Inc. (50%)
Cebu Insular Hotel Company, Inc. (37%)
Solinea, Inc. (formerly Bigfoot Palms, Inc. (35%)
Amaia Southern Properties, Inc. (35%)
Cebu District Property Enterprise, Inc. (50%)
Southportal Properties, Inc. (100%)
Alabang Commercial Corporation (50%)
South Innovative Theater Management, Inc. (100%)
Verde Golf Development Corporation (100%)
Whiteknight Holdings, Inc. (100%)


Ayala Land, Inc.
AREIT Property Managers, Inc. (formerly Next Urban Alliance Development Corp.) (100%)
Arca South Integrated Transport System, Inc. (100%)
Nuevo Centro, Inc. (54%)
Alviera Country Club (93%)
Ayalaland MetroNorth, Inc. (100%)
Southportal Properties, Inc. (65%)
Ayalaland-Tagle Properties, Inc. (55%)
Bay City Commercial Ventures Corp. (100%)
Capitol Central Commercial Ventures Corp. (100%)
Aviana Development Corporation (50%)
Ayalaland Medical Facilities Leasing Inc. (100%)
Darong Agricultural Development Corporation (100%)

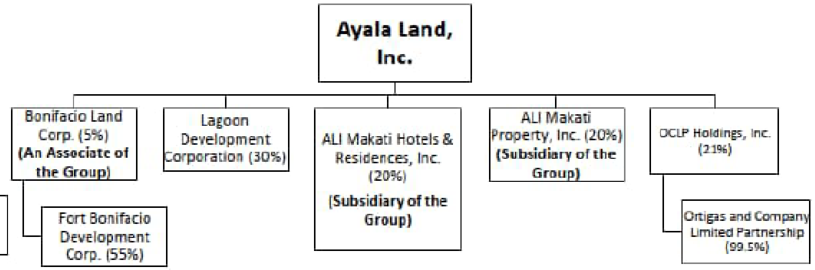

AyaGold
Retailers, Inc.
(50%) (Joint
Venture Entity
of ALI group)

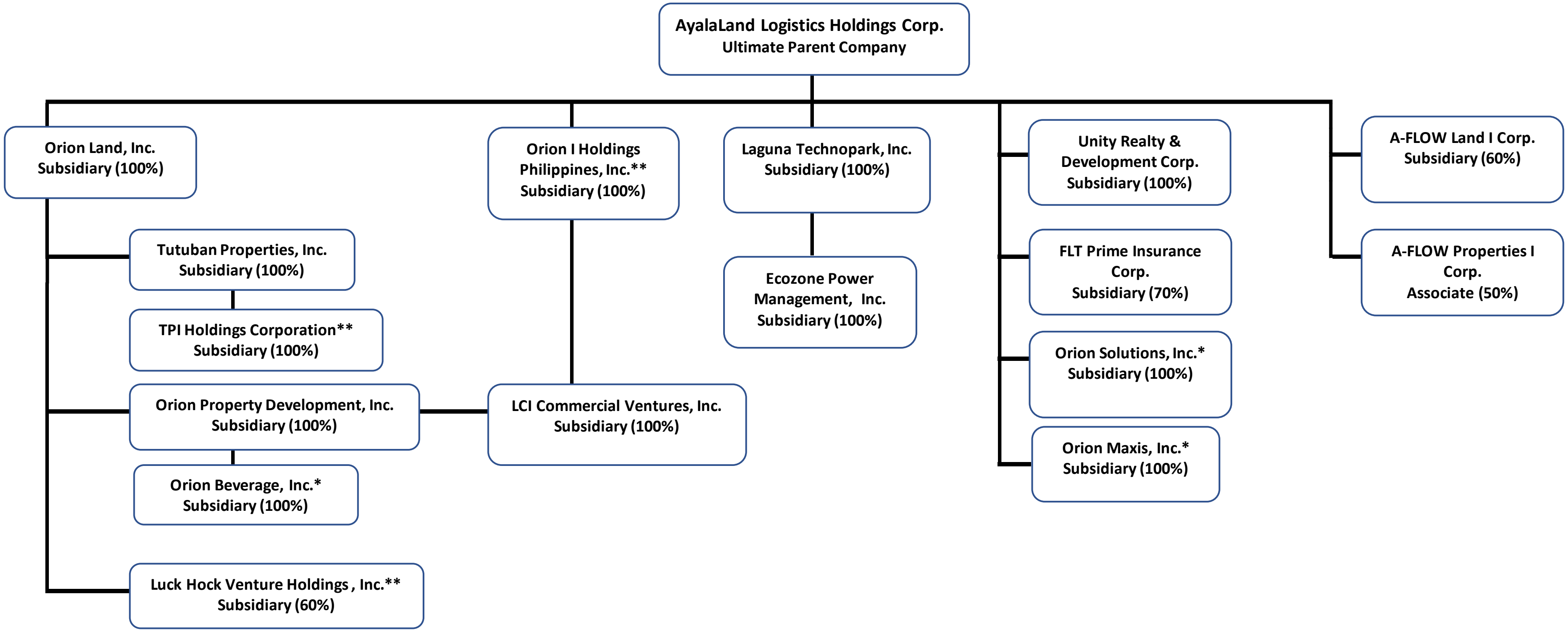

Ayala Land, Inc.
Ayalaland Malls Synergies, Inc. (100%)
Altaraza Prime Realty Corporation (100%)
Altaraza Development Corporation(51%)
AyalaLand Premier, Inc.(100%)
Makati Cornerstone Leasing Corp.(100%)
Anvaya Cove Golf and Sports Club, Inc. (76%)
Anvaya Cove Beach and Nature Club, Inc. (73%)
Ayalaland Logistics Holdings Corp. (71%)
Prow Holdings Inc. (55%)
ALI Commercial Center, Inc. (100%)
Orion Land Inc. (100%)
FLT Prime Insurance Corp. (78.77%)
Orion Solutions, Inc. (100%)
OE Holdings, Inc. (100%)
Orion I Holdings Philippines, Inc. (100%)
Laguna Technopark, Inc. (100%)
Unity Realty & Development Corp. (100%)
A-FLOW LAND I CORP. (60%)
AMC Japan Concepts, Inc. (75%)
AyalaLand Malls Vismin, Inc. (100%)
Orion Property Development, Inc. (100%)
Tutuban Properties, Inc. (100%)
TPI Holdings Corporation (100%)
Orion Maxis Inc. (100%)
ZHI Holdings, Inc. (100%)
Lepanto Ceramics, Inc. (100%)
Ecozone Power Management, Inc. (100%)

Direct Investments in Joint Ventures



Direct Investments in Associates





** Inactive*

** Inactive / with BIR Tax Clearance*

AYALALAND LOGISTICS HOLDINGS CORP.

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

December 31, 2022

FINANCIAL RATIOS
PURSUANT TO SRC RULE 68, AS AMENDED

	Formula	(One Year) 31-Dec-22	(One Year) 31-Dec-21
Return on assets	Net Income / Average Assets	0.04	0.04
Return on equity	Net Income / Average Equity	0.08	0.07
Gross profit margin	Gross profit / Total Revenues	0.37	0.27
Net profit margin	Net income / Sales revenue	0.24	0.18
Cost to income ratio	Cost and expenses / Revenues	0.67	0.78
Current ratio	Current Assets / Current Liabilities	1.33	1.91
Quick ratio	Current Assets less Inventory / Current Liabilities	0.66	0.98
Solvency ratio	After tax net profit(loss) + Depreciation / Long Term Liabilities + Short Term Liabilities	0.12	0.14
Asset to equity ratio	Total Assets / Equity	1.94	1.70
Debt to equity ratio	Total Liability / Equity	0.94	0.70
Interest rate coverage ratio	EBITDA / Interest expense	6.08	6.40
Gross Profit Margin	Sales - COGS or COS / Sales	0.37	0.27
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	18.44	53.95

ANNEX C - Supplementary Schedules required by Annex 68-J

AYALALAND LOGISTICS HOLDING CORP.

SCHEDULE A - FINANCIAL ASSETS
AS AT DECEMBER 31, 2022
AMOUNTS IN THOUSANDS *(Except for Number of Shares)*

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amounts of Bonds and Notes	Amount shown in the Statement of Financial Position	Income Received and Accrued
A. CASH IN BANK AND CASH EQUIVALENTS			
SAVINGS/CURRENT ACCOUNT (PESO)			
BDO Unibank, Inc.		6,255	4
Bank of the Philippine Islands		407,585	710
Development Bank of the Philippines		-	-
Metropolitan Bank and Trust Company		164	-
Rizal Commercial Banking Corp.		5,391	-
United Coconut Planters Bank		13,661	-
Sub-total		433,056	714
SAVINGS/CURRENT ACCOUNT (FCDU)			
Bank of the Philippine Islands		6,083	-
BDO Unibank, Inc.		51	-
		6,134	-
		439,190	**671**
B. SHORT TERM INVESTMENTS			
Security Bank Philippines		11,139	-
		11,139	-
C. INVESTMENT IN BONDS AND OTHER SECURITIES			
Available for sale investments:			
Listed equity securities			
Asia United Bank	50	2	
Cyber Bay Corporation	-	-	
Philippine Long Distance Telephone Company	500	90	
Top Frontier Holdings, Inc.	4,200	536	
Canlubang Golf & Country Club	-	-	
Makati (Sports) Club, Inc.	-	-	
Philippine Central Depository, Inc.	5,000	500	
Sta. Elena Golf Club-A	3	18,400	
Alviera Country Club (Class C)	1	630	
Alabang Country Club	1	7,100	
Zeus Holdings, Inc.	1,175,600	1,176	
MERALCO	59,837	18,934	
PLDT	419,688	4,199	
	1,664,880	51,567	-
Quoted debt securities			
Ayala Corporation	5,000	4,155	-
AMALGAMATED 7-57	-	-	-
AMALGAMATED-RTB 10-04	-	4,352	163
CHINABANK- RTB 10-04	-	8,705	325
FIRST METRO 20-17	-	14,959	1,072
FIRST METRO-RTB 10-04	-	9,575	358
Rizal Commercial Banking Corp.- RTB 10-60	-	7,012	297
Rizal Commercial Banking Corp.- RTB 7-51	-	-	-
Rizal Commercial Banking Corp.	-	8,705	325
Rizal Commercial Banking Corp.- RTB 10-04	-	-	139
SECURITY BANK 20-13	-	1,303	88
Retail Treasury Bond	-	-	-
BDO Unibank, Inc. UITF	13,000,000	13,825	-
	13,005,000	72,591	2,767
TOTAL INVESTMENTS IN BONDS & OTHER SECURITIES		**124,158**	**2,767**

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
As of December 31, 2022
AMOUNTS IN THOUSANDS

			Deductions				
Account Type	**Balance at Beginning period**	**Additions**	**Amounts Collected**	**Amounts Written off**	**Current**	**Not Current**	**Balance at End Period**
Advances to employees for company expenses	349	308	31	-	500	126	626
Salary loan	73	182	-	-	182	73	255
Car loan	829	-	48	-	-	781	781
Others	3,174	691	21	-	721	3,123	3,844
	4,425	1,181	100	-	1,403	4,103	5,506

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
As of December 31, 2022
AMOUNTS IN THOUSANDS

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected	Accounts Written off*	Current	Not Current	Balance at end period
Orion I Holdings Philippines, Inc./Subsidiary	199,153	–	–	–	–	199,153	199,153
Lepanto Ceramics, Inc./Subsidiary	–	867	–	–	867	–	867
FLT Prime Insurance Corporation/Subsidiary	190	17	–	–	207	–	207
Tutuban Properties, Inc./Subsidiary	73,572	29,810	(88,900)	–	14,482	–	14,482
Unity Realty & Development Corporation/Subsidiary	33,289	22,918	(6,068)	–	50,139	–	50,139
Orion Land Inc./Subsidiary	6,084	4,840	(5,837)	–	5,087	–	5,087
Laguna Technopark, Inc./Subsidiary	6,322	7,364	(8,983)		4,703		4,703
A Flow Land I Corp/Subsidiary	–	82,506	–		82,506		82,506
	318,610	**148,322**	**(109,788)**	**–**	**157,991**	**199,153**	**357,144**

** The amounts receivable from OE Holdings, Inc. (OEHI) and Orion Maxis Inc. (OMI) are no longer recoverable since OEHI has been dissolved and OMI is for dissolution/liquidation.*

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES

SCHEDULE D - LONG-TERM DEBT

As of December 31, 2022

AMOUNTS IN THOUSANDS

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under the caption "Current Portion of long-term debt" in related balance sheet	Amount shown under the caption "Long-Term Debt" in related balance sheet
Term Loan	2,480,000	–	**2,463,160**

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES

SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)

As of December 31, 2022

AMOUNTS IN THOUSANDS

Name of Related Party	Balance at beginning of period	Balance at end of period
NOT APPLICABLE		

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES

SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS

As of December 31, 2022

AMOUNTS IN THOUSANDS

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee
	NOT APPLICABLE			

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
As of December 31, 2022

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties*	Number of shares held Directors, officers and employees**	Number of shares held by Others
COMMON SHARES	**7,500,000,000**					
ISSUED		6,158,660,192		4,467,752,834	73,233,659	
SUBSCRIBED		142,931,795		49,444,216		
		6,301,591,987		4,517,197,050	73,233,659	

Deferred tax assets and deferred tax liabilities are offset on per entity level and the net amount is reported in consolidated statement of financial position as follows:

Deferred income tax assets – net

	2022	2021
	(In Thousands)	
Deferred income tax asset on:		
Lease liabilities	**₱433,098**	₱525,483
Allowance for impairment losses on receivables	**10,571**	35,613
Installment purchase of asset	**29,518**	–
NOLCO	**21,659**	–
Accrued expense	**36,736**	–
Remeasurement loss on retirement benefits liability	**912**	1,351
Others	**20,558**	21,945
		584,392
Deferred income tax liability on:		
Right-of-use asset	**(285,427)**	(358,718)
Recovery on insurance	**(81,985)**	(98,382)
Revaluation reserve on investment properties	**(44,458)**	(47,762)
Accrued rent income	**(10,569)**	(3,674)
Pension assets	**(3,186)**	(2,220)
Remeasurement gain on retirement	**–**	(2,242)
Unrealized gain on foreign exchange	**(742)**	(883)
Others	**(2,664)**	(668)
		(514,549)
	₱124,021	₱69,843

Deferred income tax liabilities - net

	2022	2021
	(In Thousands)	
Deferred income tax assets:		
NOLCO	**₱–**	₱20,779
Deferred income tax liabilities:		
Deferred profit on installment sales	**(113,893)**	**–**
Revaluation increment on property and equipment	**(73,301)**	(73,301)
Accrued rent income	**(24,428)**	(29,247)
Undepreciated capitalized interest	**(6,466)**	(6,466)
Discount on purchase price payable	**(23,908)**	–
Retirement plan assets	**–**	(980)
Unrealized gain on valuation of FVOCI	**(2,199)**	(3,156)
	(244,195)	(113,150)
	(₱244,195)	(₱92,371)

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE"
President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporation. For domestic corporation with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100.00 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

Deferred income tax assets are recognized only to the extent that taxable income will be available against which the deferred income tax assets can be used. The Group reassesses the unrecognized deferred income tax assets on the following deductible temporary differences, NOLCO and MCIT and recognizes the previously unrecognized deferred income tax assets to the extent that it has become probable that future taxable income would allow the deferred income tax assets to be recovered.

	2022	2021
	(In Thousands)	
NOLCO	**₱129,313**	₱94,632
Allowance for impairment losses on receivables, other current assets, inventories and others	**335,172**	335,172
MCIT	**1,462**	1,462

The Group has incurred NOLCO before taxable year 2022 which can be claimed as deduction from the regular taxable income for the next three (3) to five (5) consecutive taxable years, as follows:

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year/s	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2019	2020-2022	₱7,839	–	(7,839)	–	–
2020	2021-2025	49,157	–	–	–	49,157
2021	2022-2026	37,636	–	–	–	37,636
2022	2023-2025	42,520	–	–	–	42,520
		₱129,313	₱–	₱–	₱–	₱129,313

As at December 31, 2022, the Group has MCIT that can be claimed as deduction from future taxable income and tax due, respectively:

Year Incurred	Expiration Date	MCIT
2020	2023	1,417
2021	2024	45
		₱1,462

The following are the movements in NOLCO as at December 31, 2022 and 2021:

	2022	2021
	(In Thousands)	
Balances at beginning of year	**₱94,632**	₱91,607
Additions	**42,520**	37,636
Expirations/Application	**(7,839)**	(34,611)
	₱129,313	₱94,632

The following are the movements in MCIT as at December 31, 2022 and 2021:

	2022	2021
	(In Thousands)	
Balances at beginning of year	**₱1,462**	₱1,894
Additions	**–**	45
Expirations/Application	**–**	(477)
	₱1,462	₱1,462

27. **Earnings Per Share**

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

	2022	2021	2020
		(In Thousands)	
a. Net income attributable to equity holders of the Parent	**₱1,006,579**	₱784,114	₱681,962
b. Weighted average number of shares	**6,252,148**	6,252,148	6,252,148
Basic/diluted earnings per share (a/b)	**₱0.16**	₱0.13	₱0.11

There are no potentially dilutive common shares as of December 31, 2022, 2021 and 2020.

28. **Segment Information**

Revenue from Contracts with Customers

This account consists of:

	2022	2021
	(In Thousands)	
Lot sales	**₱2,354,266**	₱2,052,859
Sale of electricity	**274,675**	1,066,185
Sale of storage services	**115,527**	47,745
	₱2,744,468	₱3,166,789

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

	2022	2021
	(In Thousands)	
Sales to external customers	**₱274,675**	₱651,799
Sales to related parties	**–**	414,386
	₱274,675	₱1,066,185

Lot sales

	2022	2021
	(In Thousands)	
Pampanga	**₱1,768,761**	₱1,536,839
Cavite	**303,078**	484,596
Laguindingan	**61,598**	28,941
Batangas	**220,829**	–
Laguna	**–**	2,483
	₱2,354,266	₱2,052,859

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:

December 31, 2022

	Holding Company	Real Estate and Property Development	Retail and Electricity Supply	Cold Storage Operations	Others	Total	Elimination	Total
				(In Thousands)				
Revenue and income	**₱–**	**₱3,816,561***	**₱274,675**	**₱120,471**	**₱–**	**₱4,211,707**	**(₱3,585)**	**₱4,208,122**
Cost and expenses	**(9,152)**	**(2,461,151)**	**(260,455)**	**(84,024)**	**(1,742)**	**(2,816,524)**	**(1,219)**	**(2,817,743)**
Other income (charges)	**(36,345)**	**(149,660)**	**(8,672)**	**(4,604)**	**3,738**	**(195,543)**	**3,318**	**(192,225)**
Income before income tax	**(45,497)**	**1,205,750**	**5,548**	**31,843**	**1,996**	**1,199,640**	**(1,486)**	**1,198,154**
Provision for income tax	**(40)**	**185,154**	**263**	**5,338**	**558**	**191,273**	**–**	**191,273**
Net income	**(₱45,457)**	**₱1,020,596**	**₱5,285**	**₱26,505**	**₱1,438**	**₱1,008,367**	**(₱1,486)**	**₱1,006,881**
Segment assets	**₱15,393,551**	**₱24,165,943**	**₱310,722**	**₱1,175,192**	**₱2,121,958**	**₱43,167,366**	**(₱17,525,863)**	**₱25,641,503**
Segment liabilities	**₱3,726,557**	**₱9,858,413**	**₱851,291**	**₱283,462**	**₱ 769,849**	**₱15,489,572**	**(₱3,070,041)**	**₱12,419,531**

*Includes lot sales amounting to ₱2,354.27 million and rental revenue amounting to ₱1,071.14 million.

December 31, 2021

	Holding Company	Real Estate and Property Development	Retail and Electricity Supply	Cold Storage Operations	Others	Total	Elimination	Total
					(In Thousands)			
Revenue and income	₱–	₱3,184,599*	₱1,066,185	₱49,378	₱–	₱4,300,162	(₱3,596)	₱4,296,566
Cost and expenses	(10,015)	(2,229,708)	(1,039,968)	(34,561)	(36,094)	(3,350,346)	(1,219)	(3,351,565)
Other income (charges)	407,491	(35,559)	(2,849)	–	2,546	371,629	(456,655)	(85,026)
Income before income tax	397,476	919,332	23,368	14,817	(33,548)	1,321,445	(461,470)	859,975
Provision for income tax	(28,372)	101,877	3,838	2,431	235	80,009	–	80,009
Net income	₱425,848	₱817,455	₱19,530	₱12,386	(33,783)	₱1,241,436	(₱461,470)	₱779,966
Segment assets	₱14,959,614	₱19,275,847	₱520,771	₱684,857	₱1,229,584	₱36,670,673	(₱16,285,337)	₱20,385,336
Segment liabilities	₱3,256,851	₱6,738,061	₱476,893	₱355,525	₱474,025	₱11,301,355	(₱2,883,664)	₱8,417,691

*Includes lot sales amounting to ₱2,052.86 million and rental revenue amounting to ₱781.56 million.

December 31, 2020

	Holding Company	Real Estate and Property Development	Retail and Electricity Supply	Others	Total	Elimination	Total
				(In Thousands)			
Revenue and income	₱–	₱2,151,848*	₱1,568,434	₱–	₱3,720,282	(₱3,595)	₱3,716,687
Cost and expenses	(6,403)	(1,408,168)	(1,517,865)	(6,317)	(2,938,753)	1,219	(2,937,534)
Other income (charges)	269,667	107,917	2,076	4,163	383,823	(329,144)	54,679
Income (loss) before income tax	263,264	851,597	52,645	(2,154)	1,165,352	(331,520)	833,832
Provision for income tax	1,417	118,360	10,647	600	131,024	–	131,024
Net income (loss)	₱261,847	₱733,237	₱41,998	(₱2,754)	₱1,034,328	(₱331,520)	₱702,808

* Includes lot sales amounting to ₱1,275.51 million and rental revenue amounting to ₱851.97 million.

Geographical Segments

The Group does not have geographical segments.

29. **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 recognized and the movements as of and for the year December 31, 2022 and 2021:

	2022	2021
	(In Thousands)	
Balance at January 1	**₱1,200,703**	₱1,267,372
Depreciation expense (Note 23)	**(64,883)**	(66,669)
Balance at December 31	**₱1,135,820**	₱1,200,703

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

	2022	2021
	(In Thousands)	
Balance at January 1	**₱1,770,581**	₱1,751,372
Accretion of interest	**150,160**	151,409
Payments	**(188,188)**	(132,200)
Balance at December 31	**₱1,732,553**	₱1,770,581

As of December 31, 2022 and 2021, the maturity analysis of undiscounted lease payments follows:

	2022	2021
	(In Thousands)	
Within one (1) year	**₱502,708**	₱170,923
More than one (1) year but not more than five (5) years	**1,577,694**	871,205
More than five (5) years	**2,030,869**	2,555,796
	₱4,111,271	₱3,597,924

As of December 31, 2022 and 2021, the following are the amounts recognized in profit or loss:

	2022	2021
	(In Thousands)	
Depreciation expense for right-of-use assets (Note 23)	**₱64,883**	₱66,669
Accretion of interest on lease liabilities	**150,160**	151,409
Variable lease payments (Note 23)	**8,496**	5,359
	₱223,539	₱223,437

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.

Parent Company
On July 1, 2020, the Parent Company entered into a Contract of Lease with ALI Commercial Center, Inc. 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.

<u>Group as a Lessor</u>
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. The discounted amount of noncurrent security deposits amounted to ₱149.32 million and ₱231.51 million as at December 31, 2022 and 2021, respectively (see Note 17).

Accretion of interest amounted to nil, nil and ₱2.10 million in 2022, 2021 and 2020, respectively. The net present value of the Group's security deposits were determined using discount rates ranging from 1.65% to 4.82% and 1.65% to 4.82% as of December 31, 2022 and 2021, respectively.

The Group recognized gross CUSA and air-conditioning charges under "Other" revenue amounting to ₱334.46 million and ₱299.96 million in 2022 and 2021, respectively.

The Group recognized deferred rent income amounting to ₱12.77 million and ₱15.54 million as of December 31, 2022 and 2021, respectively, of which the current portion amounted to ₱6.70 million and ₱10.65 million as of December 31, 2022 and 2021, respectively, and noncurrent portion amounted ₱6.07 million and ₱4.89 million as at December 31, 2022 and 2021.

As of December 31, 2022 and 2021, future minimum rentals receivable under non-cancellable operating leases of the Group follows (amounts in thousands):

	2022	2021
Less than one (1) year	**₱502,708**	₱680,587
More than one (1) year but not more than five (5) years	**1,577,694**	1,961,820
More than five (5) years	**2,030,869**	2,598,820
	₱4,111,271	₱5,241,227

30. **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 on-going discussions. 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:

	2022	2021
	(In Thousands)	
Beginning balance	**₱29,057**	₱34,192
Provisions	**6,000**	–
Reversals	**–**	(5,135)
	₱35,057	₱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.

31. **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 18.

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%

32. **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 December 31, 2022 and 2021:

	December 31, 2022		December 31, 2021	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial Assets at FVPL	**₱4,616**	**₱4,616**	₱4,801	₱4,801
Financial Assets at FVOCI				
Quoted equity securities	**51,567**	**51,567**	49,568	49,568
Quoted debt securities	**72,591**	**72,591**	94,691	94,691
Refundable deposits	**72,283**	**72,283**	76,552	76,552
Receivables - net of current portion	**2,193,044**	**2,605,153**	1,128,026	1,115,531
	₱2,394,101	**₱2,806,210**	₱1,353,638	₱1,341,143
Other Financial Liabilities				
Rental and other deposits	**₱782,103**	**₱761,061**	₱721,950	₱723,368
Long-term debt	**2,463,160**	**1,931,820**	1,965,297	1,766,104
Subscription payable	**481,675**	**481,675**	481,675	481,675
	₱3,726,938	**₱3,195,959**	₱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 December 31, 2022 and 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 December 31, 2022 and 2021. Debt financial assets that are quoted are based on published market prices as at December 31, 2022 and 2021. The fair value of investment in Cyber Bay equity securities is based on the investee’s underlying Net Asset Value (“NAV”) as of December 31, 2022.

Financial Assets at FVPL
Listed equity securities designated as financial assets at FVPL are based on their quoted prices as at December 31, 2022 and 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 ₱124.16 million and ₱144.26 million as of December 31, 2022 and 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 ₱4.62 million and ₱4.80 million as of December 31, 2022, and 2021, respectively were classified under Level 1.

The fair value disclosure of receivables, long-term debt, rental and other deposits and refundable deposits as of December 31, 2022, and 2021, were classified under Level 3.

There have been no reclassifications from Level 1 to Level 2 categories in 2022 and 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 December 31, 2022 and 2021 based on contractual undiscounted payments:

December 31, 2022

	On demand	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
			(In Thousands)			
Accounts payable and accrued expenses	**₱1,524,664**	**₱123,350**	**₱28,585**	**₱–**	**₱–**	**₱1,676,599**
Lease liabilities	**–**	**–**	**–**	**597,711**	**1,134,842**	**1,732,553**
Subscription payable	**481,675**	**–**	**–**	**–**	**–**	**481,675**
Rental and other deposits	**521,408**	**20,544**	**9,804**	**45,955**	**298,342**	**896,053**
Nontrade payable – noncurrent					**1,072,951**	**1,072,951**
Long-term debt and interest payable	**6,338**	**18,968**	**19,179**	**38,778**	**2,951,616**	**3,034,879**
Amounts owed to related parties	**2,559,410**	**–**	**–**	**–**	**–**	**2,559,410**
	₱5,093,495	**₱162,862**	**₱57,568**	**₱682,444**	**₱5,457,751**	**₱11,454,120**

December 31, 2021

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
			(In Thousands)			
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
Nontrade payable – noncurrent					260,371	260,371
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	₱4,793,878	₱8,847,439

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 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.

Applying the expected credit risk model did not result in the recognition of an impairment loss for trade debtors – retail electricity in 2022 and 2021.

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.

Set out below is the information about the credit risk exposure of the Group's trade debtors - receivables from tenants using a provision matrix excluding rental accruals:

	2022				
	Current	**More than 30 days**	**More than 60 days**	**More than 90 days**	**Total**
	(In Thousands, except for %)				
Expected credit loss rate	**1.10%**	**4.31%**	**6.50%**	**27.06%**	**9.74%**
Total gross carrying amount	**₱118,624**	**₱47,772**	**₱34,427**	**₱342,029**	**₱541,741**
Expected credit losses	**1,774**	**6,969**	**10,522**	**59,666**	**78,931**

	2021				
	Current	More than 30 days	More than 60 days	More than 90 days	Total
	(In Thousands, except for %)				
Expected credit loss rate	10.32%	20.57%	49.16%	15.82%	16.64%
Total gross carrying amount	₱53,784	₱35,680	₱18,850	₱515,800	₱624,114
Expected credit losses	5,552	7,339	9,267	79,516	101,674

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 2022 and 2021.

Insurance receivables, non-trade and other receivables
Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all counterparties. An impairment analysis is performed at each reporting date to consider when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. These receivables are written off when there is no reasonable expectation of recovering the contractual cash flows. Applying the expected credit risk model resulted in the recognition of an impairment loss amounting to nil and ₱20.46 million in 2022 and 2021, respectively. Total write offs amounted to ₱22.74 million and ₱14.00 million in 2022 and 2021, respectively (see Note 5).

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

	2022			
	Gross maximum exposure	**Fair value of collateral or credit enhancement**	**Net exposure**	**Financial effect of collateral or credit enhancement**
		(In Thousands)		
Cash in banks and equivalents	**₱450,330**	**₱12,254**	**₱438,076**	**₱12,254**
Trade debtors				
Land sales	**3,239,104**	**3,651,213**	**–**	**3,239,104**
Retail electricity	**21,333**	**128,493**	**–**	**21,333**
Receivables from tenants	**494,246**	**213,878**	**280,368**	**213,878**
Nontrade receivables	**92,758**	**–**	**92,758**	**–**
Others	**384,704**	**–**	**384,704**	**–**
Financial assets at FVOCI – quoted debt securities	**124,158**	**–**	**124,158**	**–**
	₱4,806,633	**₱ 4,511,102**	**₱1,039,696**	**₱3,766,937**

	2021			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
		(In Thousands)		
Cash in banks	₱80,983	₱12,869	₱68,114	₱12,869
Trade debtors				
Land sales	1,405,980	2,052,859	–	1,405,980
Retail electricity	123,041	119,124	3,917	119,124
Receivables from tenants	522,440	351,536	170,904	351,536
Nontrade receivables	120,484	–	120,484	–
Others	110,657	–	110,657	–
Financial assets at FVOCI – quoted debt securities	94,691	–	94,691	–
	₱2,458,276	₱2,536,388	₱568,767	₱1,889,509

As at December 31, 2022, the COVID-19 outbreak has no significant impact to the Group's credit risk.

33. **Notes to Statements of Cash Flows**

Changes in the Group's liabilities arising from financing activities follow:

	January 1, 2022	**Cash Flows**	**Non-cash Changes**	**December 31, 2022**
		(In Thousands)		
Amounts owed to related parties	**₱1,594,424**	**₱ 1,668,002**	**₱ 412,743**	**₱ 3,675,169**
Long-term debt	**1,965,297**	**496,250**	**1,613**	**2,463,160**
Lease liabilities	**1,770,581**	**(188,188)**	**150,160**	**1,732,553**
Total liabilities from financing activities	**₱5,330,302**	**₱1,976,064**	**₱564,516**	**₱7,870,882**

	January 1, 2021	Cash Flows	Non-cash Changes	December 31, 2021
		(In Thousands)		
Amounts owed to related parties	₱2,674,433	(₱1,107,038)	₱27,029	₱1,594,424
Long-term debt	–	1,965,150	147	1,965,297
Lease liabilities	1,751,372	(132,200)	151,409	1,770,581
Total liabilities from financing activities	₱4,425,805	₱725,912	₱178,585	₱5,330,302

	January 1, 2020	Cash Flows	Non-cash Changes	December 31, 2020
		(In Thousands)		
Amounts owed to related parties	₱2,317,179	(₱34,976)	₱392,230	₱2,674,433
Lease liabilities	1,733,450	(137,918)	155,840	1,751,372
Total liabilities from financing activities	₱4,050,629	(₱172,894)	₱548,070	₱4,425,805

In 2022, significant non-cash transactions of the Group and the Parent Company pertain to:

- The Group realized revaluation increment through depreciation and transferred to retained earnings amounting to ₱7.03 million (see Note 11).
- The Group recognized day 1 loss on long term nontrade payables amounting to ₱105.49 million (Note 15).
- The Group has unpaid investment property and property and equipment amounting to ₱1,228.77 million and ₱68.00 million, respectively (see Notes 11 and 12).
- The Group recognized day 1 loss on long term receivables amounting to ₱191.83 million (Note 5).

In 2021, significant non-cash transactions of the Group and the Parent Company pertain to:

- The Group recognized interest expense lodged under "interest expense" (see Note 24) from accretion of discount of long-term payable amounting to ₱23.44 million.
- The Group realized revaluation increment through depreciation and transferred to retained earnings amounting to ₱7.03 million (see Note 11).
- The Group recognized day 1 loss on long term nontrade payables amounting to ₱32.21 million (Note 15).
- The Group recognized day 1 loss on long term receivables amounting to ₱91.59 million (Note 5).

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
AyalaLand Logistics Holdings Corp.
3rd Floor Glorietta 5,
Ayala Center, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of AyalaLand Logistics Holdings Corp. and its Subsidiaries (collectively referred to as "the Group") as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated February 28, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole, are prepared in all material respects, in accordance with Philippine Financial Reporting Standards, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission, as described in Note 2 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.

Carlo Paolo V. Manalang

Carlo Paolo V. Manalang
Partner
CPA Certificate No. 111947
Tax Identification No. 210-730-804
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 111947-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-127-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9564656, January 3, 2023, Makati City

February 28, 2023

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Building a better working world

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INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
AyalaLand Logistics Holdings Corp.
3rd Floor Glorietta 5,
Ayala Center, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of AyalaLand Logistics Holdings Corp. and its subsidiaries (collectively referred to as "the Group") as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated February 28, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 2 to the consolidated financial statements, and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the SEC, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 2 to the consolidated financial statements. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

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