

AFP RETIREMENT AND SEPARATION BENEFITS SYSTEM NOTES TO FINANCIAL STATEMENTS

*(All amounts in Philippine Peso unless otherwise stated)
(Under Liquidation)*

1. GENERAL INFORMATION

The Armed Forces of the Philippines Retirement and Separation Benefits System (AFPRSBS) was created and duly organized under and by virtue of Presidential Decree (PD) No. 361, promulgated on December 30, 1973. It was established as a funding mechanism to ensure the continuous payment of retirement and separation benefits due to the members of the Armed Forces of the Philippines (AFP). The AFPRSBS formally started its operations in 1976. To further strengthen the viability of its operations, certain provisions of PD No. 361 pertaining to membership and rate of contributions were amended by PD No. 1656 dated December 21, 1979 and PD No. 1909 dated March 22, 1984.

The AFPRSBS was not able to discharge its mandate originally set out in PD No. 361. Thus, Executive Order Nos. 590 and 590A were issued on December 15, 2006 and January 31, 2007, respectively, mandating the deactivation of the AFPRSBS and directing the transfer of its assets in trust to a government financial institution. On April 8, 2016, Memorandum Order (MO) No. 90, s. 2016, was issued directing the abolition of the AFPRSBS, privatization of its subsidiaries, and for other purposes. The said MO repealed or modified all other issuances that are inconsistent with it.

Upon issuance of MO No. 90, the AFPRSBS Board of Directors acted as its Board of Liquidators (BOL), subject to oversight by the Governance Commission for GOCCs (GCG). The BOL consists of nine regular members, all appointed by the AFP Chief of Staff, who also appointed the President/Chief Executive Officer (CEO) and the Executive Vice President (EVP)/Chief Operating Officer (COO). The President/CEO, as well as the EVP/COO, take charge of the day-to-day affairs of the organization. As at December 31, 2023, the AFPRSBS has 50 regular, 26 casual, nine contractual and 13 project-hired employees, or a total workforce of 98 personnel.

The financial statements (FS) of the AFPRSBS as at and for the year ended December 31, 2023 (including the comparative FS as at and for the year ended December 31, 2022) were approved and authorized for issue on March 18, 2024, but the members of the BOL were able to convene only on April 11, 2024 for the signing of the unnumbered Board Approval Sheet on the said approval.

The registered business and office address of the AFPRSBS is at No. 424 Capinpin Avenue, Camp General Emilio Aguinaldo, Quezon City. It has no other offices within and outside the Philippines, except for a satellite office located at No. 70, Commission Civil Street corner Lincoln Street, Jaro, Iloilo City.

2. STATUS OF OPERATIONS

In pursuance of MO No. 90, the AFPRSBS continuously engages itself in various business activities necessary to wind down its operations. These include the management of funds

and investments in real estate projects and foreclosed assets, the sale of real estate assets, the collection of indebtedness, and the refund of members' contributions (MCs).

During its meeting on April 19, 2016, the BOL approved the stoppage of the collection of five per cent MCs and the accrual of interests thereon, effective March 31, 2016 under Board Resolution (BR) No. SPL-01-2016.

In the later part of CY 2016, the AFPRSBS submitted its Liquidation Plan to the GCG, outlining its primary objective of raising P16 billion to refund all the MCs by December 31, 2019.

The implementation of Accelerated Refund of MCs was approved by the BOL on June 13, 2018. Consequently, it was approved by the GCG En Banc, subject to several conditions, per letter from GCG dated September 7, 2018. Policies and procedures for the implementation of the Accelerated Refund Program were established in coordination with AFP Units. This covers the refund of contributions to an estimated 105,200 members over a period of three years. The AFPRSBS commenced the payout of Accelerated Refund in January 2019, effectively stopping the granting of Advance Refund Loans.

The GCG clarified in its letter dated March 29, 2019 that the three-year period to liquidate a dissolved corporation can be extended until the liquidation is fully completed.

In May 2023, the AFPRSBS submitted its accomplishments to the GCG, considering the provisions of the MO and its updated Liquidation Plan wherein all real estate assets to be sold and to be turned over to the succeeding entity are identified. In the said updated Liquidation Plan, the AFPRSBS opted to turn-over most of the remaining real estate investment to an appropriate GOCC under the Department of National Defense since it has generated enough funds to pay the remaining members' contributions and other outstanding liabilities.

As at December 31, 2023, a total of P12.481 billion in principal and interests was refunded to 115,727 members/claimants.

The AFPRSBS' FS as at December 31, 2023 and 2022 have been prepared on a liquidation basis of accounting effective December 31, 2023. The current operation of the AFPRSBS is in consonance with the provisions of MO No. 90 geared towards the winding down objective of disposal/liquidation of the assets and refund of all MCs.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies used in the preparation of these FS, which are consistently applied to all the years presented unless otherwise stated, are summarized below.

3.1 Basis of Preparation of Financial Statements

a. Statement of compliance with Philippine Financial Reporting Standards

The FS of the AFPRSBS were prepared in accordance with Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards

(PAS). PFRS are adopted by the Philippine Financial and Sustainability Reporting Standards Council and approved by the Philippine Board of Accountancy based on International Financial Reporting Standards issued by the International Accounting Standards Board.

b. Presentation of FS

The FS are presented in accordance with PAS 1, Presentation of FS. All items of income and expenses are presented in a single Statement of Comprehensive Income (SCI).

c. Basis of measurement

The FS are prepared on a historical cost basis, except for the equity securities, which are measured at fair value.

d. Accrual basis of accounting

In accordance with PAS 1, the FS, except for cash flow information, have been prepared using the accrual basis of accounting.

e. Functional and presentation currency

The FS are presented in Philippine Peso, which is the AFPRSBS' functional and presentation currency. All amounts are rounded off to the nearest peso, unless otherwise indicated.

3.2 Adoption of new and amended PFRSs

a. The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS, which the AFPRSBS adopted effective for annual periods beginning on or after January 1, 2023. Unless otherwise stated, these accounting policies do not affect and/or do not have material impact on the FS of the AFPRSBS.

- Amendments to PAS 1, *Accounting Policies, Changes in Accounting Estimates and Errors – Classification of Liabilities as Current or Non-current*. This amendment provides a more general approach to the classification of liabilities under PAS 1 based on the contractual arrangements in place at the reporting date. The amendments were originally effective for annual reporting periods beginning on or after January 1, 2022, however, their effective date has been delayed to January 1, 2023.
- Amendments to PAS 1, *Presentation of FS* and PFRS Practice Statement 2, *Making Material Judgments – Disclosure of Accounting Policies*. The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies. These are intended to help preparers in deciding which accounting policies to disclose in their FS. The amendments are effective for annual periods beginning on or after January 1, 2023.

- PAS 12, *Deferred Tax – Related to Assets and Liabilities arising from a Single Transaction*. The amendment clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations. It is effective for annual periods beginning on or after January 1, 2023.
- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in FS that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in FS to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.
- Annual Improvements to PFRS Standards 2018-2020

PFRS 1, *First-time Adoption of PFRS – Subsidiary as a first-time adopter*. The amendment permits a subsidiary that applies paragraph D16 (a) of PFRS 1 to measure cumulative transition differences using the amounts reported by its parent, based on the parent’s date of transition to PFRSs.

PFRS 9, *Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities*. The amendment clarifies which fees an entity includes when it applies the “10 per cent” test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

PFRS 16, *Leases – Lease incentives*. The amendment to illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

b. New and amended PFRSs issued but not yet effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the AFPRSBS does not expect that the future adoption of the said pronouncements will have a significant impact on its FS.

Effective for annual periods beginning on or after January 1, 2024 and thereafter:

- Amendments to PAS 1, *Non-current Liabilities with Covenants*. The

amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*. The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.
- Amendments to PAS 7 and PFRS 7, *Supplier Finance Arrangements*. The amendments were issued to add disclosure requirements and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

Effective for annual periods beginning on or after January 1, 2025 and thereafter:

- Amendments to PAS 21, *Lack of Exchangeability*. The amendment was issued to provide guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.
- Amendments to the Sustainability Accounting Standards Board (SASB) standards. The amendment was issued to enhance their international applicability.

3.3 Revenue recognition

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

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

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

a. Revenue from real estate sales

Real estate sales are accounted for under the full accrual method of accounting where revenue is recognized when: (a) the collectability of the sales price is reasonably assured; (b) the earnings process is virtually

complete; and (c) the AFPRSBS does not have substantial continuing involvement with the subject properties.

The collectability of the sales price is considered reasonably assured when: (a) the buyers have actually confirmed the acceptance of the related loan applications after the same have been delivered to and approved by banks, or other financing institutions for externally-financed accounts; or (b) the full payment/full downpayment required in the sales contract or comprising a substantial portion of the contract price is received and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the installment and deferred cash payment arrangement.

b. Rental income

Rental income from investment property is accounted for on a straight-line basis over the lease term.

c. Interest income

Interest income is recognized as the interest accrues, taking into account the effective yield of the financial instrument or the installment receivable from real estate sales.

d. Gain from sale of investment

Revenue is recognized upon consummation of the sale transaction. Under this method, gross profit is recognized when: (a) the collectability of the sales price is reasonably assured; (b) the earnings process and sales documentation are virtually complete; and (c) the AFPRSBS does not have substantial continuing involvement with the subject investment.

e. Dividend income

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

f. Share from income of equity holdings

Revenue is recognized as equal to the AFPRSBS' percentage of ownership from its subsidiaries and controlled entities' declared net income for a specific period.

3.4 Cash and cash equivalents

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

3.5 Financial assets

a. Financial assets at fair value through other comprehensive Income (FVOCI)

These financial assets are carried at fair values and are presented in the non-current assets section of the AFPRSBS' Statement of Financial Position (SFP). Changes in the fair value of such assets are recognized in other comprehensive income and presented within reserves in the unrealized gain or loss on FVOCI financial assets portion. When an equity instrument classified at FVOCI is derecognized, the cumulative gains or losses cannot be transferred/recycled to profit or loss anymore. While when a debt instrument classified at FVOCI is derecognized, the gain or loss is transferred to profit or loss. For the remaining stock investments of AFPRSBS, the AFPRSBS elected to measure these financial assets at FVOCI.

b. Financial assets at amortized cost

These instruments are financial assets with fixed or determinable payments and fixed maturities. It meets both of the following conditions and is not designated as at fair value through profit or loss (FVPL):

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

The AFPRSBS' cash and cash equivalents, short-term investments (money market placement and treasury bills), loans and receivables, and long-term bonds are included under this category.

The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the AFPRSBS financial assets as at January 1, 2023 (in thousands):

	PAS 39 measurement category				PFRS 9 measurement category	
	Cash and cash equivalents	Available for sale	Held to maturity	Loans and receivables	FVOCI*	Amortized cost
Cash and cash equivalents	347,329					347,329
Stock investment		18,616			18,616	
Investment in bonds			2,349,471			2,349,471
Short-term investments			856,801			856,801
Loans and receivables				3,451,927		3,451,927

c. Financial assets at FVPL

Financial assets at FVPL are subsequently measured at fair value. The unrealized gains and losses and dividend income are recognized directly in the SCI.

d. Impairment of financial assets

The AFPRSBS partially adopts the expected credit loss model in measuring credit impairment in accordance with PFRS 9 pending the updating of its policy on impairment of financial assets of the AFPRSBS. In this respect, it shall recognize credit impairment/allowance for credit losses even before an objective evidence of impairment becomes apparent. The amount of the loss shall be recognized in profit or loss.

e. Derecognition of financial assets

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

- The rights to receive cash flow from the asset have expired; and
- The AFPRSBS has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the AFPRSBS has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the AFPRSBS' continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset or the maximum amount of consideration that the AFPRSBS could be required to repay.

In the event that the transaction qualifies for the derecognition of equity instruments classified as FVOCI by the AFPRSBS, the difference between the consideration received and the carrying amount of financial assets is recognized as realized gain/loss and reported in the profit or loss statement while the cumulative unrealized gain/loss reported in other comprehensive income account remains within the equity.

3.6 Real estate inventories

Inventories are carried at historical cost. The average cost method is used in calculating the actual cost per square meter (sqm) of the inventories. The average cost method is calculated by dividing the actual total cost by the total number of sellable area for each project.

3.7 Supplies and materials inventory

Supplies and materials inventory are valued at cost determined on a moving average basis. This include semi-expendable equipment costing less than P50,000, which are recognized as expense once issued, transferred, or disposed.

3.8 Investments in associates

Investments in associates are accounted for at carrying amounts equivalent to the percentage of the entities' net assets or equity. The AFPRSBS recognizes, in its SCI, its equity share in the net earnings or losses of associates since dates of acquisition. Dividends received are recognized in the profit or loss section of the separate FS of the AFPRSBS when the right to receive the dividend is established.

An allowance is set up for any substantial and presumably permanent decline in the carrying values of the investments in shares of stock.

3.9 Investments in real estate

Investments in real estate are carried at cost and presented in the SFP. These include raw land properties which are not available for sale within one year period.

3.10 Investment property

The investment property account is carried at cost less any accumulated depreciation and any impairment in value. Depreciation is computed using the straight-line method over its estimated useful life. The average useful life of the asset is 20 years. In June 2020, the AFPRSBS has already stopped depreciating the buildings located at Industrial Park Management Office (IPMO) since the asset has reached its estimated useful life.

3.11 Property and equipment

Property and equipment account is stated at cost less accumulated depreciation and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition and to the location for its intended use.

Expenditures incurred after the properties and equipment have been put into operations, such as repairs and maintenance, are normally charged to expenses in the period the costs are incurred. When assets are sold, retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Assets	Estimated useful life
Building and improvements/land improvements	10 - 30 years
Furniture and equipment, computer hardware	5 -10 years
Machinery and equipment	10 years
Transportation equipment (motor vehicle)	7 years

3.12 Acquired assets

Assets acquired in full or partial settlement of loans are recorded at book value or bid price, whichever is lower. Holding costs subsequent to the foreclosure, acquisition or consolidation of the properties are charged to operations if the book value is already equal or higher than the market value.

The AFPRSBS closes the loan account in its books after consolidation and consequently records the foreclosed property as a new acquired asset.

An allowance for probable losses is set up for any anticipated significant decline in value of the property based on the appraisal reports and current negotiations and programs to dispose of these properties to interested parties.

3.13 Provisions

Provisions are recognized under the following conditions: (a) when the AFPRSBS has a present obligation, whether legal or constructive, as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.

In prior years, provisions for contingencies were accrued and will still continue to accrue when it is probable that a liability had been incurred at SFP date and the amount can be reasonably estimated. Otherwise, the loss contingency was disclosed only.

3.14 Contingencies

Contingent liabilities are not recognized in the FS. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the FS but disclosed when an inflow of economic benefits is probable.

3.15 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

3.16 Events after the reporting date

Post year-end events that provide additional information about the AFPRSBS' financial position at the end of reporting date (adjusting events) are reflected in the FS. Post year-end events that are not adjusting events are disclosed in the Notes to FS when material.

4. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2023	2022
Cash on hand	444,990	522,254
Cash in banks	48,295,306	27,807,639
Cash equivalents	217,000,000	319,000,000
	265,740,296	347,329,893

Cash in banks consists of deposits that earns interest based on respective bank deposit interest rates. The cash in banks are unrestricted and immediately available for use.

Cash equivalents consist of money market placements (MMP) and other fixed-income securities with maturities of three months or less, which earn interest based on respective short-term deposit interest rates. The decrease in this account in the amount of P102 million during the year was due to reinvestment of excess funds in long-term bonds. It also includes P3 million cash equivalents pertaining to the 90-day fixed-income security with AFP Savings and Loan Association, Inc., used as security/collateral to AFP General Insurance Corporation (AFPGIC) in relation to a legal case pending at the Housing and Land Use Regulatory Board (HLURB). The account, however, will be closed once the AFPRSBS submits another security to AFPGIC as a replacement for the said collateral.

5. INVESTMENTS

This account consists of the following:

	2023	2022
Current:		
Financial assets - domestic investments		
Marketable securities	1,329,000,000	856,801,064
Financial assets - held to maturity		
Investment in bonds - local	873,456,428	1,550,000,000
	2,202,456,428	2,406,801,064
Non-current:		
Financial assets - held to maturity		
Investment in bonds - local	1,423,707,518	799,471,339
Investments in associates	1,317,050,036	196,508,126
Financial assets at FVOCI		
Investments in stocks	16,505,212	18,616,256

	2023	2022
Financial assets - domestic investments		
Money market placements	2,684,827	2,605,785
Investments in subsidiaries	5,875,359	1,488,745,330
	2,765,822,952	2,505,946,836
	4,968,279,380	4,912,747,900

5.1 Financial assets – domestic investments

	2023	2022
Current:		
Marketable securities	1,329,000,000	516,000,000
Government securities	0	340,801,064
	1,329,000,000	856,801,064
Non-current		
Money market placements	2,684,827	2,605,785
	2,684,827	2,605,785

Marketable securities refers to investments that earn interest at quoted rates ranging from 2.50 to 5.30 per cent and 1.50 to 4.30 per cent per annum for CYs 2023 and 2022, respectively.

Money market placement refers to the account with DBP in the amount of P2.685 million, which was used as a collateral in the pending case with Department of Labor and Employment. The AFPRSBS is a respondent to the labor case filed by the employees of a security agency whose service was contracted by the AFPRSBS. As at December 31, 2023, the case is still awaiting resolution of the appeal.

5.2 Financial assets – held to maturity

The *Investment in bonds* earns an average yield of 5.507 per cent interest per annum with terms ranging from three to 10 years. The current portion of the long-term investments for CYs 2023 and 2022 are broken down as follows:

	2023	2022
Current:		
Retail Treasury Bonds (RTB)	73,985,089	1,050,000,000
Development Bank of the Philippines (DBP) Long-term Commercial Paper (LTCP)	0	500,000,000
Treasury Bonds	799,471,339	0
	873,456,428	1,550,000,000
Non-current:		
Treasury Bonds	1,423,707,518	799,471,339
	1,423,707,518	799,471,339

Investments in RTB and Treasury Bonds were previously classified as non-current, but since both bonds will mature in CY 2024, these were reclassified as current this year.

5.3 Investments in associates

The *Investments in associates* of the AFPRSBS, which are booked at carrying amounts, consist of the following:

	Percentage of ownership	2023	2022
Investments in associates-acquisition cost			
Bay Resources and Dev't Corp. (BRADCO)	49.00	402,000,000	0
Marilaque Land, Inc. (MLI)	40.91	609,000,000	609,000,000
Amtrust Holdings, Inc. (AHI)	10.92	127,000,000	127,000,000
Advent Capital and Finance Corporation (ACFC)	14.02	71,183,811	71,183,811
First Dominion Prime Holdings, Inc. (FDPHI)	00.93	15,418,269	15,418,269
CEMX, Inc. (CEMX)	24.00	6,000,000	6,000,000
Cyquest, Inc.	40.00	2,000,000	2,000,000
		1,232,602,080	830,602,080
Net adjustments			
Accumulated equity in net earnings		394,332,639	(341,708,749)
Liquidating dividend – BRADCO		(17,499,478)	0
Liquidating dividend – CEMX		(3,880,500)	(3,880,500)
Allowance for decline in value		(288,504,705)	(288,504,705)
		84,447,956	(634,093,954)
		1,317,050,036	196,508,126

On November 23, 2023, the AFPRSBS BOL approved the proposed capital call, waiving its right to subscribe to the additional equity shares of BRADCO and giving its partner, D.M. Wenceslao and Associates, Inc. (DMWAI), the prerogative to exercise its right of first refusal to subscribe solely to additional shares of 164,106 valued at P232.167 million to fund the necessary improvements and developments in BRADCO's properties. With that, the ownership of AFPRSBS in BRADCO decreased from 50 per cent to 49 per cent. The AFPRSBS lost its control over the said corporation, and DMWAI became the major shareholder. This entitled DMWAI to an additional board seat, resulting in four board seats for DMWAI and three board seats for AFPRSBS.

5.4 Financial assets at FVOCI

Investments in stocks are measured at FVOCI, inclusive of the cumulative unrealized gain/(loss) on financial assets in the amount of P5.638 million and P7.746 million for CY 2023 and CY 2022, respectively. All of the stock investments are listed and traded on the Philippine Stock Exchange (PSE).

The following shows the fair value of each stock investment at the end of the reporting period:

	2023	2022
Philippine Airlines, Inc.	15,117,712	17,592,603
Premium Leisure Corporation (PLC)	1,266,300	954,750

	2023	2022
Ionics Manufacturing, Inc. (IMI)	121,200	67,200
Metro Pacific Investment Corporation (MPIC)	0	1,703
	16,505,212	18,616,256

Dividends on FVOCI equity instruments are recognized in profit or loss when the right to receive payments is established. The following shows the cash dividends recognized during the period:

Stock	Rate	No. of shares	Cash dividends
PLC	0.05024	2,010,000	100,982
IMI	0.10000	120,000	12,000
MPIC	0.07600	498	38
MPIC	0.05000	498	25
			113,045

5.5 Investments in subsidiaries – net

This account refers to the AFPRSBS' investments in different subsidiaries. The investments are booked at carrying amounts equivalent to the percentage of the entities' net assets or equity.

During the year, the account was substantially decreased by P1.483 billion due to the reclassification of investment with BRADCO to Investment in associates account since the AFPRSBS' ownership over BRADCO was reduced from 50 to 49 per cent. The AFPRSBS, having lost control over the operations of BRADCO, is now considered as an affiliate. Meanwhile, the remaining investment balance in RSBS Land, Incorporated (RLI) of P266,795 was also adjusted/reversed during the year since the corporation has been formally dissolved. RLI has fully winded down its operations and has already remitted its remaining cash of P2.827 million to AFPRSBS as liquidating dividend.

The AFPRSBS does not prepare consolidated FS for all its other subsidiaries as required by PFRS, as the majority of the latest audited FS of its subsidiaries are either closed or have ceased operations for more than 18 years.

6. RECEIVABLES

This account consists of the following:

	2023	2022 Restated
Current:		
Loans and receivables	2,591,008,598	2,747,010,054
Lease receivables	244,952,702	228,750,408
Other receivables	1,157,480,365	559,825,619
	3,993,441,665	3,535,586,081

	2023	2022 Restated
Allowance for impairment	(317,568,852)	(320,793,359)
	3,675,872,813	3,214,792,722
Non-current:		
Loans and receivables	195,465,659	325,778,449
Inter-agency receivables	22,388,846	22,238,406
Allowance for impairment	(104,833,602)	(104,833,602)
	113,020,903	243,183,253
	3,788,893,716	3,457,975,975

6.1 Loans and receivables

	2023	2022 Restated
Current:		
Loans receivable	1,088,519,963	1,090,642,360
Interests and dividends receivable	1,468,509,108	1,621,977,612
Receivables from joint ventures	23,129,322	23,548,217
Accounts receivable	10,850,205	10,841,865
	2,591,008,598	2,747,010,054
Allowance for impairment	(247,084,485)	(247,988,992)
	2,343,924,113	2,499,021,062
Non-current:		
Installment sales receivable	195,465,659	325,778,449
Allowance for impairment	(88,644,387)	(88,644,387)
	106,821,272	237,134,062

a. Loans receivable

	2023	2022
Accounts under litigation	775,700,493	776,979,240
Commercial loans	184,124,874	184,124,874
Past due commercial loans	115,983,414	115,983,414
Past due small business loans	3,808,629	3,808,629
Employee salary loans	3,536,768	3,991,180
Past due car loans	2,814,507	3,086,305
Past due, other loans	2,394,858	2,512,298
Past due salary loans	85,591	85,591
Member small business loans	70,829	70,829
	1,088,519,963	1,090,642,360

Accounts under litigation represents past due accounts with ongoing legal cases/court hearings. The bulk of this account pertains to the receivable from Philippine Asia Pacific Corporation (PAPC) amounting to P714.128 million, which is equivalent to 92 per cent of the total portfolio. The collaterals for the same have already been foreclosed and titles are being consolidated in the

name of AFPRSBS. To date, AFPRSBS and PAPC have on-going negotiations for a compromise agreement. Further, included in this category is the P36.670 million past due loan granted by the AFPRSBS to RCJ Bus Line, Inc. As at December 31, 2023, the petition for review filed by RCJ Bus Line, Inc. and AFPRSBS before the Supreme Court (SC) was dismissed for lack of merit. RCJ Bus Line, Inc. was directed to pay AFPRSBS the following:

- (a) the sum of P32.232 million as the principal restructured loan obligation;
- (b) legal interest of 12 per cent per annum of the principal amount of P32.232 million reckoned from February 17, 1994 until June 30, 2013;
- (c) legal interest of six per cent per annum of the principal amount of P32.232 million from July 1, 2013 to the date when the SC Decision became final and executory; and
- (d) six per cent per annum interest on the total of the monetary awards from the finality of the SC Decision until full payment thereof.

As at December 31, 2023, the AFPRSBS is still awaiting the execution of the Regional Trial Court (RTC) decision after an Entry of Judgment is made.

Commercial loans represents outstanding balances of loans granted by the AFPRSBS to its members, employees and some private companies. Also included in this account is the loan extended to Riviera Golf Club, Inc. (RGCI) amounting to P140 million, for the payment of its real estate tax delinquencies for the years 2006 to 2013. The loan was released on a staggered basis from October 2014 to November 2019, and the same was secured by RGCI's lots serving as collateral. The loan has matured in October 2020. However, RGCI failed to settle the outstanding principal amount of P140 million and subsequently requested for the restructuring of the loan. On January 27, 2022, the AFPRSBS BOL approved the request for restructuring, resulting in an increase of the outstanding loan by P44.125 million due to capitalized unpaid penalties and interest, bringing the total outstanding principal balance of the loan of RGCI to the AFPRSBS to P184.125 million as at December 31, 2023.

Past due commercial loans represents uncollected balances of loans that remained unpaid for more than 180 days. These loans, including accounts under litigation, are secured by real estate mortgages, except for a few accounts. Some of the accounts are still for provision of additional allowance for doubtful accounts. This also includes the remaining outstanding balance of the multi-purpose and discounting of commutation of leave credits loans extended by the AFPRSBS to its members. These loans bear interest rates comparable to the prevailing market rates. After the issuance of MO No. 90 on April 8, 2016, the AFPRSBS had stopped granting all loans to members except for the advance refund. The same, however, was also stopped effective January 2019 due to the implementation of the Accelerated Refund of MCs both to retired and active military personnel.

b. Interests and dividends receivable

	2023	2022 Restated
Accrued interest income, others	1,371,509,941	1,589,628,607
Accrued interest income, short term investment	49,372,971	4,353,109
Accrued interest income, long term investment	42,787,860	20,776,012
Accrued interest income on installment contract receivable	4,838,093	4,838,093
Dividends receivable	243	2,381,791
	1,468,509,108	1,621,977,612

Accrued interests on loans and investments represents interest accruals for various commercial papers whose interests are payable quarterly, annually, or upon maturity. This category also includes the legal interest recognized on the proceeds from the sale of the 120 Chinatown Steel Towers, Inc. (CSTI) condominium units amounting to P1.364 billion, computed at 12 per cent interest rate from September 1999 to June 2013 and at six per cent from July 2013 to December 2023. The same was set-up as receivable from RGV Development Corporation (RGVDC) and its majority owner.

c. Receivables from joint ventures

	2023	2022 Restated
Due from joint venture office or partner	17,944,107	18,363,002
Accounts receivables joint venture, memorial	3,610,380	3,610,380
Accounts receivables joint venture, residential	1,574,835	1,574,835
	23,129,322	23,548,217

Receivable from joint venture (JV) partner includes collections made by various JV partners from the sale of various real estate inventories that are for remittance to the AFPRSBS.

d. Accounts receivables

	2023	2022
Accounts receivable trade, real estate buyers	3,957,145	3,948,805
Accounts receivable trade, 2 nd real estate mortgage	2,888,574	2,888,574
Accounts receivable trade, others-beginning	2,690,866	2,690,866

	2023	2022
Accounts receivable trade, financing retention	303,539	303,539
Accounts receivable, discounted	1,010,081	1,010,081
	10,850,205	10,841,865

Accounts receivable trade accounts represent the amount collectible from customers and buyers arising from various real estate transactions.

Accounts receivable, discounted pertains to the loan extended by AFPRSBS to its subsidiary Goodfit Manufacturing Corporation on a short-term fixed income security basis.

e. *Installment sales receivables (ISR)*

	2023	2022
Installment sales receivable	106,895,505	259,582,253
Installment sales receivable, past due	84,426,554	62,052,596
Installment sales receivable, acquired assets	4,143,600	4,143,600
	195,465,659	325,778,449

The *ISR* accounts represents the balances of contract receivables arising from the sale of real estate inventories and acquired assets, which were financed by the AFPRSBS through an in-house financing scheme. The receivables are collectible within a period of one to 15 years, with interest at prevailing market rates. The transactions are covered by Contracts to Sell and corresponding titles to the real estate sold are released to the buyers only upon full payment of the contract price.

The bulk of the decrease in ISR from sale of real estate inventory is due to the collection of the balance on the sale of various Tanauan lots during the year.

In CY 2023, all real estate sales by the AFPRSBS were either on a spot cash basis, a one-year cash basis, or through installment sales with a maximum term of five years.

Past due ISR represents the uncollected balance that has remained unpaid for more than 180 days. The amount is not fully provided with an allowance.

6.2 Lease receivables

This account includes receivables from various tenants at the IPMO and Global Tower Condominium for the rental fees. The rental payments are recognized as income on a straight-line basis over the lease term.

6.3 Inter-agency receivables

	2023	2022
Due from affiliates/subsidiaries	22,388,846	22,238,406
Allowance for impairment losses	(16,189,215)	(16,189,215)
	6,199,631	6,049,191

This account consists of non-interest bearing cash advances to the AFPRSBS' subsidiaries.

In CY 2023, a total of P150,440 was disbursed as cash advances to MDC to cover the payment of audit fee.

6.4 Other receivables

	2023	2022
Accounts receivables, others	1,122,731,794	524,982,469
Accounts receivables, non-trade	32,883,119	32,840,590
Advances to contractors	1,750,452	1,750,452
Advances to suppliers	115,000	252,108
	1,157,480,365	559,825,619

Other receivables includes advances to employees and suppliers. This also includes receivables from the persons liable amounting to P250.318 million resulting from the issued Notice of Disallowance on the Calamba (Tanauan) project, which has become final and executory under SC Decision in GR No. 217948 dated January 12, 2016. The AFPRSBS has already referred/turned over the case to the Office of the Government Corporate Counsel (OGCC) in September 2022 for filing of appropriate case(s) against the persons liable involved in the acquisition of the project. Petition for Review was filed with the SC but have not yet been resolved as at December 31, 2023.

Furthermore, in December 2020, the AFPRSBS derecognized the value of the Lot-X properties in General Santos City from its books amounting to P175.070 million. The SC's decision declaring the property as part of the Magsaysay Public Park became final and executory, and the Writ of Execution was implemented in May 2020. The amount of P153.843 million was recorded as receivable from the accountable persons, and the unpaid amount of P21.227 million to the lot owner(s) was reversed. As at December 31, 2023, no settlement out of the set-up receivable has yet been made.

During CY 2023, the increase in the account was due to the recognition of the receivables from RGVDC and its majority owner representing the proceeds from the sale of 120 condominium units of CSTI amounting to P596.942 million, based on the SC Decision dated August 9, 2023 denying the petition for review on certiorari of the AFPRSBS and MDC, appealing the Decision and Resolution of the Court of Appeals (CA) dated February 28, 2019 and September 19, 2019,

respectively. The CA's decision nullified the sale of the Batulao Property from RGVDC to MDC and ordered the reconveyance of the subject property to Group Developers, Inc. (GDI). The property is covered by TCT No. T-82447 under the name of MDC.

With the finality of the decision on the case, MDC is left with no asset, which is the subject of the AFPRSBS' investment in MDC. The AFPRSBS, on the other hand, lost the value of its investment in MDC and is left with receivables from RGVDC and its majority owner in the amount equivalent to the proceeds from the sale of the 120 condominium units of CSTI, including legal interest from September 1999 until full payment.

6.5 Allowance for impairment loss

The roll-forward analysis of allowance for doubtful accounts is as follows:

	December 31, 2022	Additional provision	Recovery/ reversal	December 31, 2023
Current:				
Loans and receivables	247,988,992	0	(904,507)	247,084,485
Other receivables	72,804,367	0	(2,320,000)	70,484,367
	320,793,359	0	(3,224,507)	317,568,852
Non-current:				
Loans and receivables	88,644,387	0	0	88,644,387
Inter-agency receivables	16,189,215	0	0	16,189,215
	425,626,961	0	(3,224,507)	422,402,454

The decrease in the allowance for doubtful accounts for loans receivable amounting to P0.905 million pertains to the partial adjustment/reversal of the provided allowance for the Calidguid account, as a result of the foreclosure and consolidation of some collaterals, specifically seven lots located in Arayat, Pampanga, for the loan obtained from AFPRSBS. The same were reclassified as Acquired Assets Held for Sale during the year. The remaining collaterals located in New Manila, Paranaque and Calaca, Batangas are still undergoing foreclosure proceedings. Meanwhile, the decrease of P2.320 million in allowance for doubtful accounts for other receivables pertains to the adjustment of the Zenco Sales, Inc. account for the accrual of dividends when the shares were disposed in CY 2000.

7. INVENTORIES

This account pertains to real estate inventories held for sale in the ordinary course of business and consists of the following:

	2023	2022
Club share inventories	1,003,422,733	1,008,825,205
Other inventories	2,569,600,667	2,592,816,695
	3,573,023,400	3,601,641,900
Allowance for impairment loss	(70,893,191)	(70,893,191)
	3,502,130,209	3,530,748,709

Club share inventories represents the AFPRSBS' shareholdings in golf clubs and sports and country clubs. These clubs were built inside the premises of the AFPRSBS' commercial and residential subdivision projects and serve as additional amenities of the project. The AFPRSBS exercises the voting rights of the shares during the annual stockholder's meeting of the clubs. As at December 31, 2023, the remaining deliverable of the AFPRSBS to RGCI is the construction of a perimeter fence with an estimated budget of P30 million.

Other inventories consists of:

- a. Commercial and residential subdivision projects, which represent the real estate projects developed either solely by the AFPRSBS or through a JV arrangement with reputable real estate developers. These projects include residential estates, memorial parks, golf courses, and commercial areas. The AFPRSBS sells its inventories from these projects through accredited marketing companies and real estate brokers. As at December 31, 2023, the remaining deliverables of the AFPRSBS to the Riviera Residential Estates consist of the following:

Count	Deliverables	Estimated project cost (In millions)
1	Construction of sewage treatment plant	30.00
2	Construction of sports facility	6.00
3	Construction of concrete pavement access for the sewage treatment plant	2.50
4	Installation of generation set for the sewage treatment plant	1.20
5	Construction of service entrance post with application_of Meralco connection for the sewage treatment plant	0.30

- b. Member-related projects such as condominium and apartment units located in various AFP camps built by AFPRSBS. These units are leased out by the AFP to qualified AFP officers and enlisted personnel, whose quarterly allowances are used to pay for the monthly rentals. The rental fees remitted by the AFP to AFPRSBS are recognized as income. Once the AFP pays the cost of a building to AFPRSBS, the ownership is transferred to the AFP. As at December 31, 2023, the remaining units to be transferred to the AFP are located in Gamu Isabela, Fort Magsaysay, Manaoag Pangasinan, Jamindan Capiz, Bukidnon, Cagayan De Oro, Zamboanga Del Sur and Awang, Maguindanao.

The AFPRSBS' member-related projects, which consist of on-base housing units under a lease-purchase arrangement with the AFP, are depreciated using the straight-line method over the estimated useful lives of an average of 25 years.

8. OTHER ASSETS

This account consists of the following:

	2023	2022
Current:		
Prepaid tax	8,348,641	13,991,881
Prepaid commissions	5,330,837	5,262,077
Prepaid supplies and materials	1,071,776	1,057,636
Prepaid insurance	406,898	399,114
Prepaid rental	97,000	102,800
Prepaid repairs and maintenance	47,113	31,250
	15,302,265	20,844,758
Non-current:		
Acquired assets – net	327,800,702	325,598,337
Deposits and others assets	8,781,903	8,002,196
	336,582,605	333,600,533
	351,884,870	354,445,291

8.1 Prepaid tax

This account pertains to the advance payment of real property taxes on various properties of AFPRSBS. The decrease in the account amounting to P5.643 million is due to the recognition of the monthly amortization of prepayments.

8.2 Prepaid commissions

This account pertains to the partial payment of commissions to brokers/marketing agents relative to the sale of the AFPRSBS' real estate inventories. The same is recorded as expense upon full payment of the commission.

8.3 Prepaid insurance

This account pertains to the payments of insurance premiums of AFPRSBS' properties, which are being amortized over the covered period.

8.4 Prepaid rental

This account pertains to the AFPRSBS' security deposit for the office space being leased by the AFPRSBS in Iloilo City and the lease of a safety deposit box at Land Bank of the Philippines – Buendia Branch.

8.5 Acquired assets – net

	2023	2022
Acquired assets	469,043,644	466,841,279
Allowance for probable losses	(141,242,942)	(141,242,942)
	327,800,702	325,598,337

Acquired assets include residential lots, memorial parks, condominium units, machinery and equipment, which the AFPRSBS foreclosed to satisfy the outstanding unpaid balances of loans granted to various companies and individuals. In CY 2023, there was an increase of P2.202 million due to the reclassification of the foreclosed collaterals for the Calidguid account, composed of seven lots located in Arayat, Pampanga.

8.6 Deposits and other assets

The account consists of various assets/properties donated by AFPRSBS to the AFP, which have been provided with an allowance and will be requested for write-off. Also, the account includes cash advances granted to some employees to defray the necessary expenses during official travels, or for the accomplishment of important transactions, or corporate activities.

9. INVESTMENT PROPERTY

This account consists of the following:

	2023	2022
Landbanking assets	1,738,043,765	1,767,013,436
Accumulated impairment losses	(19,232,230)	(19,232,230)
	1,718,811,535	1,747,781,206
Building and building improvements at the industrial park	129,061,550	129,061,550
Accumulated depreciation/amortization	(110,198,571)	(109,942,571)
	18,862,979	19,118,979
	1,737,674,514	1,766,900,185

The *Landbanking assets* refers to the undeveloped real estate properties of the AFPRSBS located in various parts of the country. These assets are not yet being offered for sale to the public. The decrease in the account of P387.692 million was mainly due to the derecognition of the book value of the investment in real estate in MDC amounting to P343.007 million pertaining to the Batulao Property located in Nasugbo, Batangas, with an area of 1,500,000 sqm based on the SC Decision dated August 9, 2023, denying the petition for review on certiorari of the AFPRSBS and MDC, appealing the Decision and Resolution of the CA dated February 28, 2019 and September 19, 2019, respectively. Meanwhile, a total of P29.080 million adjustments made for the expropriation of Lots 20 and 1-A-2-B-3 at Brgy. Batas, Silang, Cavite, in favour of the National Grid Corporation of the Philippines, further contributed to the decrease in the Investment property account.

For CY 2023, there was no movement in the *Accumulated impairment loss* on the Riviera property. The impairment loss provided for said property is a result of a legal case in relation to the AFPRSBS' petition for nullification of a second owners' copy of the TCT (T-104948) for the property acquired from the seller. The copy was issued pursuant to the court's decision on the ground that the owner's copy was missing. Defendants of the case claim that the Special Power of Attorney and Deed of Sale relative to the sale of the

property to the AFPRSBS are fake. The lower court has already decided in favor of AFPRSBS but the case was elevated to the CA. The CA rendered a decision declaring the second owner's copy of TCT No. T-104948 as null and void, and ordering the Registry of Deeds of the Province of Cavite to cancel the same. As at December 31, 2023, the decision of the CA is subject for execution.

The investment property account also consists of the cost of buildings and building improvements constructed inside the AFPRSBS' IPMO located in Taguig City, Metro Manila. The buildings constructed are being leased to private companies at competitive rental rates. While AFPRSBS does not own the land outright, it has acquired perpetual rights from the Philippine Government to use the property for its own use and purpose.

In CY 2014, the AFPRSBS executed a contract with HMRID Property, Inc. for the lease of a 40,000 sqm. open space located in the AFPRSBS' Industrial Park. The term of the lease is for a period of 25 years for a monthly rental of P80 per sqm, or P3.200 million monthly. The AFPRSBS incurred a direct cost of P6.400 million for the lease of the said property, which was added to the cost of the project and amortized monthly over the term of the lease in accordance with PFRS 16 on *Leases*. As at December 31, 2023, the minimum rentals for the remaining lease term amounted to P1.069 billion.

10. PROPERTY AND EQUIPMENT

This account consists of the following:

	Building and improvements	Office equipment	Transportation equipment	Furniture, fixtures and books	Total
Cost					
Balance, 1/1/2023	89,739,305	89,042,329	7,577,198	5,479,131	191,837,963
Additions	1,877,703	0	0	0	1,877,703
Adjustments	393,457	(23,781,736)	(2,077,198)	(2,742,878)	(28,208,355)
Balance, 12/31/2023	92,010,465	65,260,593	5,500,000	2,736,253	165,507,311
Accumulated depreciation					
Balance, 1/1/2023	75,866,542	82,178,107	6,706,890	2,738,474	167,490,013
Depreciation during the year	274,531	315,145	0	0	589,676
Adjustments	0	(23,162,447)	(2,069,036)	(2,735,393)	(27,966,876)
Balance, 12/31/2023	76,141,073	59,330,805	4,637,854	3,081	140,112,813
Net book value, 12/31/2023	15,869,392	5,929,788	862,146	2,733,172	25,394,498
Cost					
Balance, 1/1/2022	91,429,579	140,090,130	8,005,518	9,703,821	249,229,048
Additions	5,443,147	97,000	0	0	5,540,147
Adjustments	(7,133,421)	(51,144,801)	(428,320)	(4,224,690)	(62,931,232)
Balance, 12/31/2022	89,739,305	89,042,329	7,577,198	5,479,131	191,837,963
Accumulated depreciation					
Balance, 1/1/2022	82,286,621	119,273,516	7,135,041	6,846,240	215,541,418
Depreciation during the year	0	399,870	0	15,831	415,701
Adjustments	(6,420,079)	(37,495,279)	(428,151)	(4,123,597)	(48,467,106)
Balance, 12/31/2022 (restated)	75,866,542	82,178,107	6,706,890	2,738,474	167,490,013
Net book value, 12/31/2022 (restated)	13,872,763	6,864,222	870,308	2,740,657	24,347,950

The AFPRSBS uses cost method in the recording of its property and equipment.

For CY 2023, the costs of various PEs disposed in prior years were derecognized and charged to Retained Earnings. Accordingly, the corresponding accumulated depreciation was reversed during the year.

11. FINANCIAL LIABILITIES

This account consists of the following:

	2023	2022 Restated
Members' contributions payable	1,225,570,455	1,285,441,776
Payables	286,660,991	290,527,096
Other financial liabilities	138,895,517	106,461,532
	1,651,126,963	1,682,430,404

11.1 Members' contributions payable

This account pertains to the remaining amount of contributions payable to retiring members of the AFP within the one-year period. In April 2016, all contributions of the members previously lodged in equity were reclassified to liability. The transfer was made since the contributions of the members are all due for refund upon the implementation of the Accelerated Refund of MCs.

On April 19, 2016, the BOL approved the stoppage of the collection of five per cent MCs effective March 31, 2016 per BR No. SPL-01-2016. Hence, no new contributions were received by AFPRSBS, except for some supplementary contributions pertaining to prior months.

The MCs payable account amounting to P1.226 billion and P1.285 billion as at December 31, 2023 and 2022, respectively, are all considered current obligations of the AFPRSBS. Out of the total outstanding members' contributions, a total of P190 million is projected to be refunded by the end of CY 2024. Continuous reconciliation of the account is being done.

11.2 Payables

	2023	2022
Accounts payable	197,898,717	204,748,442
Accrued benefits payable	81,018,950	78,289,370
Payables to joint venture	7,743,324	7,489,284
	286,660,991	290,527,096

a. Accounts payable

	2023	2022
Accounts payable, trade - land owner	94,126,660	94,146,660
Buyers' refund payable	29,953,214	17,524,151
Reserve for real estate development	22,747,117	24,020,407
Retention payable	22,103,727	21,818,588
Accounts payable, trade - real estate brokers	18,368,762	18,748,913
Accounts payable, contractor	10,599,237	4,876,906
Accounts payable, trade	0	23,612,817
	197,898,717	204,748,442

Payable to landowners account includes the remaining payables to various tenants for the lot acquisitions made for the Riviera rawlands in the previous years.

Reserve for real estate development account is composed of the remaining liabilities of the AFPRSBS to its various contractors and the estimated costs to complete the Sta. Rosa Homes Subdivision and San Lorenzo South Subdivision projects. The account is being reviewed periodically to assess the sufficiency of the estimates and to account for any additional costs that may arise in the course of completing the projects.

b. Accrued benefits payable

Accrued employee benefits mainly consist of the provision for employee separation benefits totaling P68.428 million. The amount is net of the P1.849 million separation benefits paid to one separated employee.

c. Payables to joint venture

Payables to joint venture partners consist of the over remittances made by the AFPRSBS' Joint Venture Partner for the Villa Caceres Estate (VCE) Project, Moldex Realty Inc. (MRI), amounting to P7.743 million. The amount is composed of the downpayments and amortization payments of various VCE buyers.

11.3 Other financial liabilities

	2023	2022 Restated
Accrued expenses	28,856,543	23,652,209
Accrued consultant fees	1,806,910	1,915,000
Accounts payable, non-trade – others	1,744,992	1,407,605
Accounts payable, others	106,487,072	79,486,718
	138,895,517	106,461,532

Accrued expenses represent the costs of maintenance and other operating expenses that were already incurred but not yet paid as at year-end. This includes accruals of security services, janitorial, repairs and maintenance, utilities, communication, ground maintenance and other related expenses.

Accrued consultant fees mainly consist of accruals of fees for the special legal services rendered by the Office of the Government Corporate Counsel and for audit services in relation to the annual audit of the AFPRSBS FS.

Accounts payable, non-trade account pertains to the unpaid balance of P0.840 million in relation to the acquisition of a property located in General Santos City from Bulaong Enterprises. This also includes the remaining payable to a supplier for services rendered to the AFPRSBS.

Accounts payable, others account consists of the payable set-up for the Capital Gains Tax and/or Expanded Withholding Taxes in relation to the disposal of various real estate inventories, payable to the various AFP service units representing the overpayments of members which were deducted from their refunds of contributions.

12. INTER-AGENCY PAYABLES

This account consists of the following:

	2023	2022
Due to Bureau of Internal Revenue (BIR)	10,431,289	20,457,313
Due to SSS and Philhealth	61,720	8,593
Due to Pag-IBIG	57,925	39,325
	10,550,934	20,505,231

12.1 Due to BIR

	2023	2022
VAT output tax	9,775,086	18,105,994
Employees withholding tax payable	236,433	231,639
Brokers withholding tax payable	182,414	1,020,921
VAT withholding tax , 5% or 6%	167,360	300,526
Contractors/consultants withholding tax payable	61,514	792,818
Creditable VAT/percentage tax	8,482	5,415
	10,431,289	20,457,313

13. PROVISIONS

This account pertains to estimated liability on earnings of MCs. Movements in the accounts are as follows:

	2023	2022
Balance, beginning	785,430,616	941,071,664
Payments made (net of adjustments)	(14,105,580)	(155,641,048)
Balance, end	771,325,036	785,430,616

The AFPRSBS started granting four per cent interest on MCs in accordance with Standard Operating Procedure No. 11-92, which is compounded annually effective January 1992 and will accrue to the members' account until they retire or separate from the service.

The interest is paid out together with the refund of MCs to the members. Effective January 1996, the interest on MCs was increased to six per cent per annum, compounded annually.

In November 2010, the Board of Trustee approved the adoption of simple interest per annum on MCs from 1992 onwards, effective for those retiring from January 2011 onwards.

In April 2016, the AFPRSBS stopped computing interests on MCs in compliance with the provision of MO No. 90 providing for the abolition of the AFPRSBS.

In CY 2023, the account decreased by only P14.029 million, since no additional documents for processing were turned over by AFP (J1) to the AFPRSBS. Continuous reconciliation of the account is being done.

14. TRUST LIABILITIES

This account consists of the following:

	2023	2022 Restated
Buyers deposits, in house	48,672,304	85,699,506
Rental deposits	36,187,050	36,205,050
Construction deposits	21,185,800	19,665,800
Buyers deposits, joint venture	9,153,982	9,391,872
Buyers deposits, external	2,498,360	3,974,241
	117,697,496	154,936,469

Buyers deposits, in-house/joint venture/external accounts represent reservation fees, partial and full downpayments paid by real estate buyers for properties acquired from the AFPRSBS.

Rental deposits consist of the amount collected from lessees of IPMO, Global Tower Condominium and General Santos City as deposits for the duration of their contract of stay.

Construction deposits mainly consist of the amount collected from buyers of the Riviera Residential Estate and San Lorenzo South Subdivision Projects as deposits for the house construction.

15. DEFERRED CREDITS/UNEARNED INCOME

	2023	2022 Restated
Unearned interests	117,267,326	117,267,326
Unapplied receipts	1,717,916	1,717,916
Unapplied collections	477,789	1,417,609
Unearned income, discounted members refund	138,791	138,791
Deferred credit	0	1,555,000
	119,601,822	122,096,642

Unearned interests represent unearned income from the dacion in payment of finished and unfinished condominium units made by PAPC to the AFPRSBS in CY 2001. The properties have already been foreclosed and consolidation of titles in the name of the AFPRSBS is currently in process.

The balance of the Deferred credit account as Decemeber 31, 2022 of P1.555 million was reversed/adjusted in CY 2023 as a result of the ongoing reconciliation of various accounts.

16. FUND EQUITY

Pursuant to PD No. 361, the AFPRSBS was established for the purpose of providing a separate fund or scheme to ensure payment of retirement and separation benefits to the members of the AFP.

Accordingly, the AFPRSBS was funded mainly through the following: (a) appropriation remitted by the Philippine Government, with a total commitment of P200 million; (b) contributions from officers and enlisted personnel in active service, set at four per cent of their monthly base and longevity pay; and (c) income from investment operations.

On August 12, 2003, the SC declared the AFPRSBS as a government entity, and that its funds are in the nature of public funds. The decision became final and executory on December 10, 2003. The SC likewise stated that the AFPRSBS, created by PD No. 361, shares a similar purpose and function to the Government Service Insurance System and Social Security System.

In April 2016, the AFPRSBS reclassified the MCs as part of its liabilities (previously treated as equity) in the 2016 FS. It was embodied in the issued MO No. 90 that the said contributions would be refunded as they fall due. However, the GCG approved the request of the AFPRSBS to accelerate the refund of MCs to both retiring and active military personnel in view of the three-year winding down activities of AFPRSBS. The implementation of the same was made effective in January 2019.

As at December 31, 2023, the remaining Fund Equity of the AFPRSBS is composed of the P200 million government contribution, retained earnings of P11.758 billion, and other comprehensive income of P5.638 million, representing cumulative gain on changes in fair value of investments.

17. RETAINED EARNINGS

This account consists of the following:

	2023	2022 Restated
Balances at beginning of year	11,421,350,330	9,302,140,603
Net income	342,707,156	2,119,209,727
Balances at end of year	11,764,057,486	11,421,350,330

18. SERVICE AND BUSINESS INCOME

This account consists of the following:

	2023	2022 Restated
Fund management operations		
Income from long-term investments	91,428,713	103,441,271
Interest on MMP/deposit in banks/treasury bills	70,792,351	22,833,959
Income from stocks/dividends	113,055	101,020
	162,334,119	126,376,250
Real estate rentals		
Rentals from IPMO	136,483,133	131,685,234
Rentals from real estate properties	6,179,186	6,706,652
	142,662,319	138,391,886
Real estate operations		
Sale of real estate inventories	209,848,674	508,562,344
Income from acquired assets	242,634	10,797,180
Other income	4,019,121	239,751,815
	214,110,429	759,111,339
	519,106,867	1,023,879,475

19. OTHER NON-OPERATING INCOME

This account consists of the following:

	2023	2022 Restated
Lending operations		
Interest on commercial loans	10,881,711	11,047,493

	2023	2022 Restated
Interest on ISRs	7,976,462	11,321,176
Interest on employee loans	316,109	305,146
Other income	2,590,301	7,152,701
	21,764,583	29,826,516
Equity holdings in subsidiaries and associates		
Interest income	35,816,518	1,583,036,931
	57,581,101	1,612,863,447

Other income from lending and real estate operations consists of fines and penalties from accounts in default, forfeiture of payments from cancelled sales contracts and processing fees.

In CY 2023, interest income of P35.817 million was recognized representing current portion of legal interest arising from its receivables from RGVDC and its majority owner in relation to the proceeds of the 120 condominium units of CSTI.

20. DIRECT COSTS - REAL ESTATE

This expense account category consists of various expenses, which are directly identifiable to various real estate projects, IPMO and acquired assets only. Breakdown of the same is as follows:

	2023	2022 Restated
Real estate inventories	59,404,262	420,964,296
Acquired assets	2,242,501	2,714,038
IPMO	2,153,576	2,156,011
	63,800,339	425,834,345

20.1 Real estate inventories

	2023	2022 Restated
Cost of real estate, memorial park	21,622,479	10,244,318
Sales returns/cancellations	11,429,183	4,494,669
Cost of real estate property, residential/ commercial	8,865,640	4,328,768
Cost of real estate property, landbank	8,165,408	194,422,609
Cost of real estate, club shares	5,307,059	223,863
Real estate sales discount	4,014,493	28,096,920
Cost of real estate, taxes and licenses	0	124,723,121
Broker's commission	0	23,582,980
Security services	0	15,779,539
Cost of real estate, repairs and maintenance	0	5,580,088

	2023	2022 Restated
Cost of real estate, subscription/membership	0	5,236,435
Cost of real estate, power and water	0	1,144,412
Cost of real estate, project management	0	927,568
Cost of real estate, development	0	914,107
Cost of real estate, promotion/marketing fee	0	364,231
Cost of real estate, travel/transportation	0	281,837
Cost of real estate, representation	0	211,548
Cost of real estate, rentals	0	196,656
Cost of real estate, telephone/communication	0	81,133
Cost of real estate, supplies and materials	0	67,261
Cost of real estate, travel meal allowance	0	31,008
Cost of real estate, advertising/publication	0	23,000
Cost of real estate, meetings and conferences	0	5,935
Cost of real estate, miscellaneous	0	1,733
Processing fees	0	557
	59,404,262	420,964,296

20.2 Acquired assets

	2023	2022
Taxes and licenses	454,657	814,468
Miscellaneous expenses	1,787,844	1,899,570
	2,242,501	2,714,038

20.3 IPMO

	2023	2022
Taxes and licenses	1,809,176	1,809,176
Miscellaneous expenses	258,130	258,264
Insurance expense	86,270	88,571
	2,153,576	2,156,011

21. PERSONNEL SERVICES

This account consists of the following:

	2023	2022
Salaries and wages	33,892,381	36,570,036
Employee benefits	38,129,772	22,743,190
SSS, Medicare and Pag-IBIG contributions	3,154,645	2,859,093
	75,176,798	62,172,319

22. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2023	2022 Restated
Investment and operating expenses	47,751,236	12,093,837
General and administrative expenses	46,662,763	17,016,992
	94,413,999	29,110,829

22.1 Investment and operating expenses

	2023	2022 Restated
Taxes and licenses	40,051,837	2,203,878
Consultant and retainer fees	4,388,742	7,325,471
Meetings and conferences	1,965,409	1,848,627
Evaluation, legal and collection	1,240,141	715,861
Member info-related expenses	105,107	0
	47,751,236	12,093,837

22.2 General and administrative expenses

	2023	2022 Restated
Repairs and maintenance	25,460,751	3,762,603
Utilities	5,041,840	3,975,813
Janitorial	1,877,867	1,895,248
Supplies and materials	1,677,930	2,314,439
Transportation/Delivery	1,251,767	1,149,241
Communication	1,316,494	1,269,132
Advertising and publication	616,140	134,593
Insurance	289,245	354,345
Travel	151,764	45,420
Miscellaneous	8,978,965	2,116,158
	46,662,763	17,016,992

Miscellaneous expense account consist of the following:

	2023	2022 Restated
Subscriptions/membership fee	5,521,924	165,773

	2023	2022 Restated
Corporate affairs	2,169,858	1,583,594
Rent expense	399,816	327,681
Bank charges	30,790	39,110
Others	856,577	0
	8,978,965	2,116,158

23. NON-CASH EXPENSES

This account refers to the periodic depreciation of property and equipment using the straight-line method amounting to P589,676 and P415,701 in CYs 2023 and 2022, respectively.

24. EMPLOYEE BENEFITS

During the year, the AFPRSBS approved the separation of 13 employees in May, August and December 2023 for a total separation cost of P19.328 million. As at December 31, 2023, the balance of the accruals for the separation of the remaining employees amounts to P68.428 million.

24.1 Compensation of key management personnel

The key management personnel refer to the executive team, comprising individuals with the ranks of Vice President and up to the President. These individuals bear the authority and responsibility for planning, directing, and controlling the activities of the AFPRSBS. The aggregate compensation of the executive officers and BOLs for CYs 2023 and 2022, are as follows:

	2023	2022
Salaries and wages	2,537,775	2,526,638
Other benefits	1,006,140	867,766
	3,543,915	3,394,404

25. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

The AFPRSBS enters into various transactions with its subsidiaries, associates and JV partners. Significant transactions with subsidiaries, associates and JV partners consist of non-interest bearing cash advances, as well as interest bearing loans receivable and payables.

25.1 Other related party transactions

The year-end balances in respect to related parties included in the FS are as follows:

	2023	2022 Restated
Management fees	2,673,074	2,673,074
Receivable from JV partner	28,240,906	28,659,801
Commercial loans	187,732,471	188,186,882
Advances to subsidiaries - net	14,920	14,960
Accounts payable and accrued expenses	88,762,274	85,778,654
	307,423,645	305,313,371

26. CONTINGENCIES

The AFPRSBS was summoned by the Senate Committees on Accountability of Public Offices and Investigation (Blue Ribbon) and National Defense and Security (NDS), joined by the Joint Committees on Banks and Financial Institutions and Currencies and NDS, for an investigation regarding the deterioration of the AFPRSBS' financial condition and alleged discrepancies in the purchase price of certain real estate acquisitions.

A final report was subsequently submitted by the Joint Committees recommending, among others, the establishment of a conservatorship committee to preserve the AFPRSBS' assets, the further actuarial study of the AFPRSBS' financial condition, the passage of a law revising or creating a new AFPRSBS' Charter, and the prosecution or censure of former or current officers of the AFPRSBS.

Various lawsuits, claims and proceedings, including an action filed for the cancellation of titles of certain properties, have been or may be instituted or asserted against the AFPRSBS. While the amounts may be substantial, the ultimate liability cannot presently be determined because of the considerable uncertainties that exist. Therefore, it is possible that the results of operations or liquidity in a particular period could be materially affected by certain contingencies.

However, based on facts currently available, Management believes that the disposition of matters that are pending or asserted will not have a material effect on the financial position of the AFPRSBS.

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Liabilities to the members	2023	2022
Balance, January 1	2,070,872,392	3,236,512,712
Cash flows from financing activities		
Payment of contributions and interests	(74,559,258)	(1,188,083,015)
Non-cash financing activities		
Adjustment of matured loans/set-up of	582,357	22,442,695

Liabilities to the members	2023	2022
unreleased checks/other adjustments		
Balance, December 31	1,996,895,491	2,070,872,392

28. RESTATEMENTS

Below is the summary of the prior period adjustments as reflected in the beginning balance of the CY 2022 Retained Earnings:

Particulars	Amount
Adjustment of cost for remaining inventories (Orchard golf shares and residential lots)	50,180,542
Adjustment due to restructuring of RGCI Commercial Loan	44,124,874
Adjustment due to reversal of provisions	32,201,174
Adjustment due to collection of compromised penalties	7,500,000
Adjustment due to recognition of income on previously disposed inventories	6,180,445
Adjustment due to recognition and payment of expenses prior to CY 2022	(1,881,837)
Adjustment due to reconciliation of accounts (ISRs, Buyers Deposits, Receivables & Payables)	75,247
Adjustment due to refund of disallowed expenses	32,000
	138,412,445

29. EXEMPTION FROM TAX

Pursuant to Section 2(c) of PD No. 361, as amended by PD No. 1656, all earnings of the AFPRSBS shall not be subject to any tax whatsoever. The AFPRSBS has likewise secured an affirmation of its tax exemption from the BIR pursuant to Section 60(B) of the National Internal Revenue Code. The latest affirmation was issued on August 11, 2009.

30. COMPLIANCE WITH REVENUE REGULATIONS (RR) No.15-2010

In compliance with the requirements set forth in BIR RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable years 2023 and 2022.

30.1 Withholding Taxes

	2023	2022
Expanded withholding taxes	2,332,250	5,340,666
Tax on compensation and benefits	2,448,258	3,767,971
Value-added taxes	1,465,694	2,460,956
Percentage taxes	75,550	140,659

	2023	2022
	6,321,752	11,710,252

30.2 Other Taxes

	2023	2022
<i>Local</i>		
Capital gains taxes	22,186,418	105,014,750
Real property taxes	17,841,655	24,020,467
Transfer taxes/others	2,268,700	720,741
<i>National</i>		
BIR annual registration	500	1,000
	42,297,273	129,756,958

On August 10, 2017, the AFPRSBS received the Preliminary Assessment Notice (PAN) arising from the extra-judicial foreclosure of the land and 329 condominium units. Subsequently, on August 18, 2017, the AFPRSBS filed a protest/opposition to the PAN, asserting that it has no liability to pay deficiency taxes, penalties, and surcharges. Prior to this, the AFPRSBS filed a request for re-zonal or re-evaluation to the Assessment Division of BIR on June 17, 2013 considering that the subject property is composed of both finished and unfinished condominium units. The AFPRSBS has also applied for the Abatement/Cancellation of its tax liabilities and has continuously coordinated with the BIR for any developments. As at December 31, 2023, the AFPRSBS is still awaiting result of the application for abatement from the BIR.

31. STATUS OF LAWSUITS

The AFPRSBS is involved as a defendant in several lawsuits pending for resolution that could materially affect its financial position. Among these lawsuits are the following:

Case No./ Court	Description	Pecuniary amount or liability involved	Status
RTC, Branch 21, Manila December 18, 2015 (PAPC)	Annulment of extrajudicial foreclosure of real estate mortgage, specific performance and damages with prayer for temporary restraining order and preliminary injunction	Book value: P715.382 million	Hearing is ongoing. PAPC filed a TRO on the implementation of the foreclosure. Case is still pending. With ongoing negotiation for compromise agreement.
Civil Case No. 988 RTC, Nasugbu, Batangas (MDC)	Reconveyance of Property with damages in relation to the JV entered into by AFPRSBS and a developer for the construction and marketing of a 24- storey condominium building	344.562 million	With decision rendered in favor of Group Developers, Inc. The OGCC, on behalf of the defendants, filed the appeal to the CA on June 9, 2017. The Motion for Reconsideration (MR) filed by MDC was denied by the CA. Awaiting the finality of the

Case No./ Court	Description	Pecuniary amount or liability involved	Status
RTC, Branch 37, General Santos City	Quieting of titles and/or cancellation of titles	Book value: 175.070 million	<p>decision of the CA regarding its favorable decision on AFPRSBS, that it is not liable. An MR was filed on October 14, 2020 in relation to the SC resolution. As at 31 December 2023, the SC denied with finality the AFP-RSBS and MDC's MR. For filing of Motion for the Issuance of Writ of Execution in RTC Nasugbu, Batangas by the OGCC.</p> <p>Mediation was terminated and the case was reverted to RTC. Filed a manifestation/compliance to Court's Order to file Pre-Trial Brief by manifesting that AFPRSBS had previously filed its Pre-Trial Brief way back in 2015. The case is considered dismissed without prejudice to give the parties enough room for legal remedies to protect rights per Order of the Court dated October 3, 2023. Still awaiting finality of the Order. According to the OGCC, the Court set the cse for another hearing.</p>
RTC, Branch 93, Quezon City	Specific performance, sum of money and damages with prayer for writ of preliminary attachment	45.657 million	<p>Decision was implemented and judgment amount was duly satisfied by garnishing the amount of P45,656,843 from the deposit of AFPRSBS. However, the CA finds that the garnishment is invalid. The case was elevated to the SC, and has a favorable decision. The AFPRSBS filed a motion for restitution of the garnished amount. On June 29, 2021, the OGCC received an Order from RTC, Branch 23, Quezon City, directing AFPRSBS to file Opposition to Plaintiff's Motion for Reconsideration. The AFPRSBS filed its Comment/Opposition on July 05, 2021. As at 31</p>

Case No./ Court	Description	Pecuniary amount or liability involved	Status
			December 2023, AFPRSBS is in the process of locating properties of Lexber for the implementation of the 07 April 2021 Restitution Order.
Civil Case No. Q-05-56150, RTC, National Capital Judicial Region, Branch 105, Quezon City (RCJ Bus Lines, Inc.)	Annulment of Contracts/Promissory Notes (PNs) and/or Declaration of Nullity of Contracts/PNs, Real Estate Mortgage (REM), Declaration of the Period to Enforce Loan Agreements, PNs, REM as Prescribed, Accounting, Damages With Prayer for Preliminary Injunction and/or Temporary Restraining Order	Book value: 36.670 million	Both RCJ and AFPRSBS appealed the RTC's decision. AFPRSBS submitted all the required briefs in the CA. Case was submitted for resolution. As at December 31, 2023, the petition for review filed by RCJ Bus Line, Inc. and AFPRSBS before the SC was denied/dismissed for lack of merit. RCJ was directed to pay AFPRSBS the sum of P32.232 million representing the principal restructured loan obligation plus legal interest. The AFPRSBS is still awaiting the execution of the RTC decision after an Entry of Judgment is made.

The AFPRSBS is involved as party litigant to 28 ejectment cases, 18 of which have achieved finality and are currently for execution/implementation. On the other hand, there are 69 cases related to HLURB/Land Registration/Reconveyance/Foreclosure of Mortgage that are still pending. Also, eight civil cases are ongoing, and three criminal cases are likewise pending. Lastly, 46 various cases are being handled by the OGCC.