LEAD
CHANGE
a future
for all
ALLIANCE GLOBAL
2020 ANNUAL REPORT

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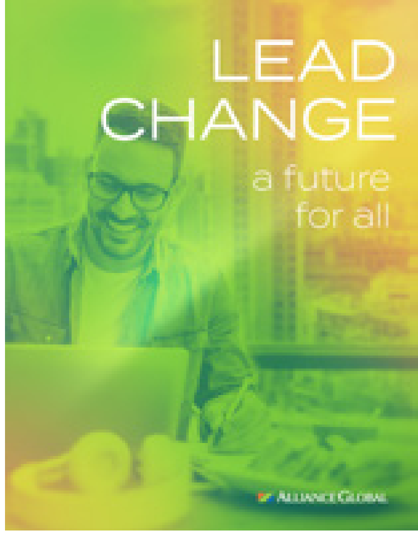


About the Cover

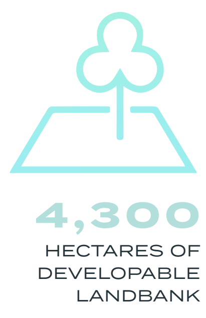
The cover of our 2020 Annual Report, *Lead Change: A Future for All,* reflects the life that Alliance Global Group, Inc. (AGI), as an ecosystem of businesses, aims to create for all. The duotone treatment gives off a fresh and modern vibe that aims to inspire readers to look beyond the context of the world now and imagine a better tomorrow that is ahead of us. With AGI at the forefront of leading change, there is a better future for all.

About the Report

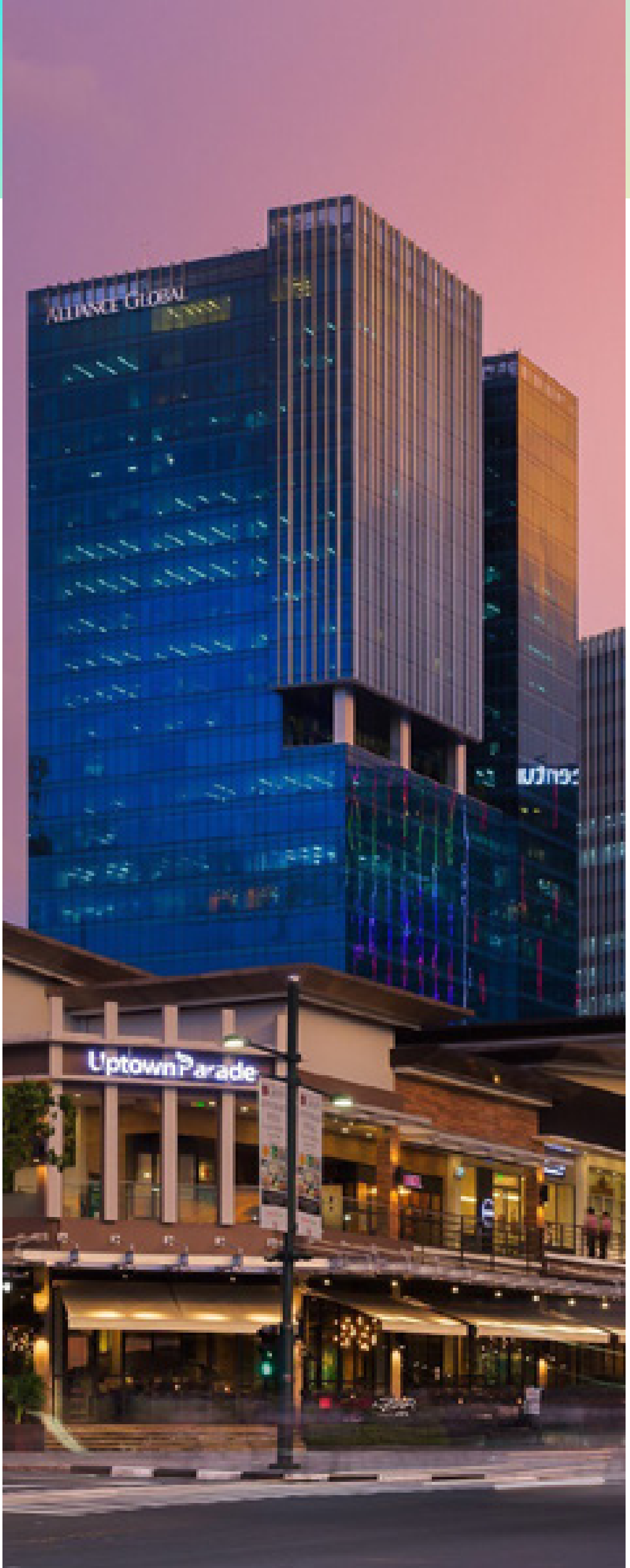
Lead Change: A Future for All, the 2020 Annual Report of Alliance Global Group, Inc. (AGI), details the conglomerate's financial, social, environmental, and governance performance for the reporting period of January 1 to December 31, 2020. The report is anchored on AGI's five-point recovery strategy to showcase how it has been integrated across all subsidiaries, especially in the context of the COVID-19 pandemic. Environmental, social, and governance (ESG) data were collected by S&P Global, while editorial and design services were provided by Drink Sustainability Communications.

AGI AT A GLANCE

REVENUE	EBITDA	NET INCOME
PHP128.8 B	PHP32.6 B	PHP8.8 B



What we stand for



OUR VISION AND MISSION

We are priming ourselves for international competitiveness in the new century by consistently delivering products and services that meet the quality standards of markets both here and abroad. Through continuing research and innovation, we will enhance the company's ability to gain customer satisfaction and goodwill and build on our market franchise.

As a world-class Filipino conglomerate, we will be an active partner in national economic development through the pursuit of excellence in our core businesses and investment in industries that offer more room for profitability and growth. As a matter of policy, we will always adapt to the dynamics of the market. Through export development and competitive pricing, we will enhance our competitiveness in an ever-expanding marketplace.

We will constantly strive to enhance shareholder value by making our products and services desirable, accessible, and affordable to the target consumers in the Philippines and abroad. Through a continuing reward program, our stockholders will be entitled to an immediate share in the company's gains in the form of stock or cash dividends.

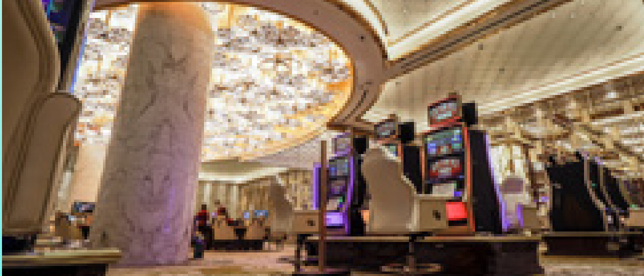
Who we are

A WORLD-CLASS FILIPINO CONGLOMERATE

Alliance Global Group, Inc. (AGI) is one of the largest conglomerates in the Philippines. It continually pushes the boundaries of innovation in its diverse businesses to deliver top-notch products and services to customers here and around the world.

It was incorporated in the Philippines on October 12, 1993 and began its commercial operations as a glass container manufacturer in 1994. After its listing on the Philippine Stock Exchange (PSE) in 1999, it obtained approval from the Philippine Securities and Exchange Commission (SEC) to broaden its primary business and become a holding company.

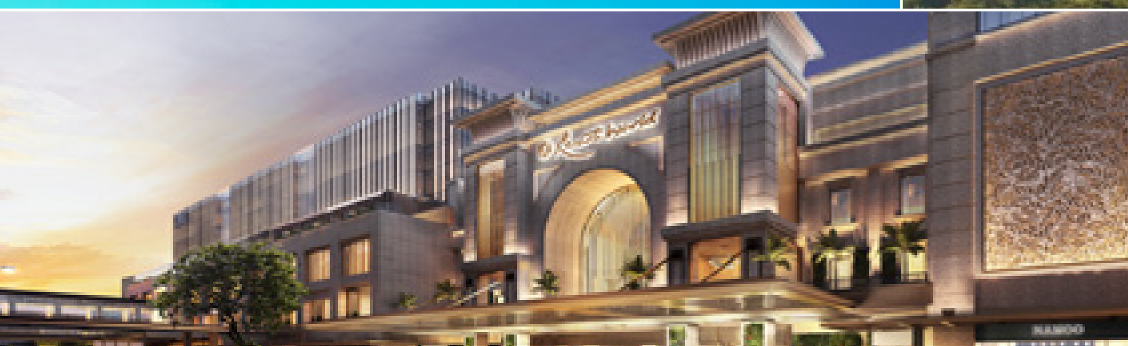
As such, in 1999, it began developing a diverse group of businesses, primarily in the real estate and consumer sectors. Today, through its different subsidiaries, AGI engages in property development, food and beverage manufacturing and distribution, quick-service restaurants, integrated tourism development, and infrastructure development.



REAL ESTATE

Megaworld Corporation

The leading township developer in the Philippines, with a diverse portfolio of residential projects (both vertical and horizontal), office spaces, commercial leases, and hotels. Its township development provides its residents, office, and commercial tenants the “Live, Work, Play” concept expressing a most wonderful mix of lifestyle dynamics.



QUICK-SERVICE RESTAURANT

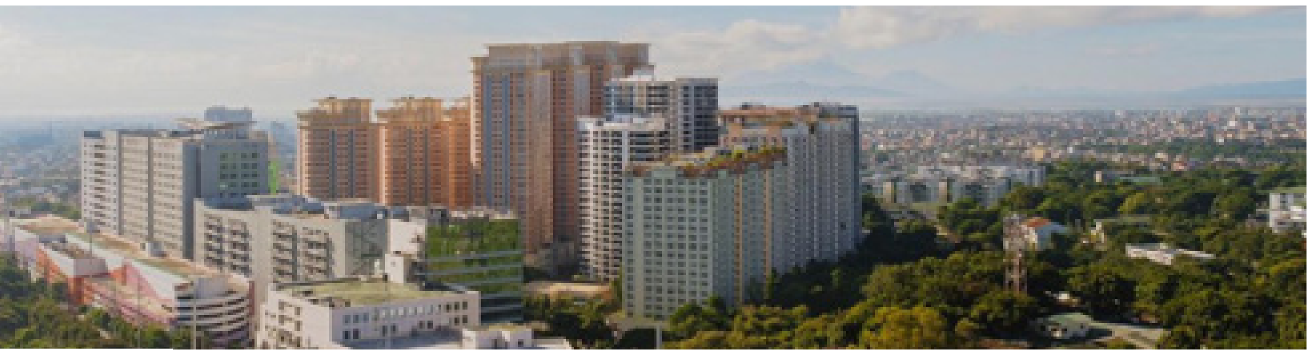
Golden Arches Development Corporation

A strategic partnership between Alliance Global Group, Inc. (AGI) and George Yang, which holds the master franchise to operate the ‘McDonald’s’ brand in the Philippines. It has successfully made the international brand one of the country’s top quick-service restaurants among Filipinos for four decades. It began its digital transformation journey in 2016 in its bid to elevate customers’ experience across all touchpoints, grounded on its fundamentals of quality, service, convenience and value.

INFRASTRUCTURE

Infracorp Development, Inc.

The Group’s foray into infrastructure development, with plans to provide transport solutions that will improve the connectivity of all our properties and enhance the value of our real estate and tourism developments.



INTEGRATED TOURISM

Travellers International Hotel Group, Inc.

The developer and operator of Resorts World Manila, the first integrated tourism resort in the Philippines that combines gaming facilities with hotel, retail, dining, entertainment, MICE and other leisure amenities under a joint venture partnership between Alliance Global Group, Inc. (AGI) and Genting Hong Kong Limited (GHK).

SPIRITS

Emperador, Inc.

The Philippines' biggest liquor company and the world's largest brandy manufacturer. It has operations in the Philippines, Spain, Scotland, and Mexico. Its local and acquired global brands of distilled spirits and other alcoholic beverages are currently available in over 100 countries throughout the world.

Where we are

LOCAL ROOTS, GLOBAL REACH

AGI's primary operations are in the Philippines, headquartered in Eastwood City CyberPark, Quezon City.

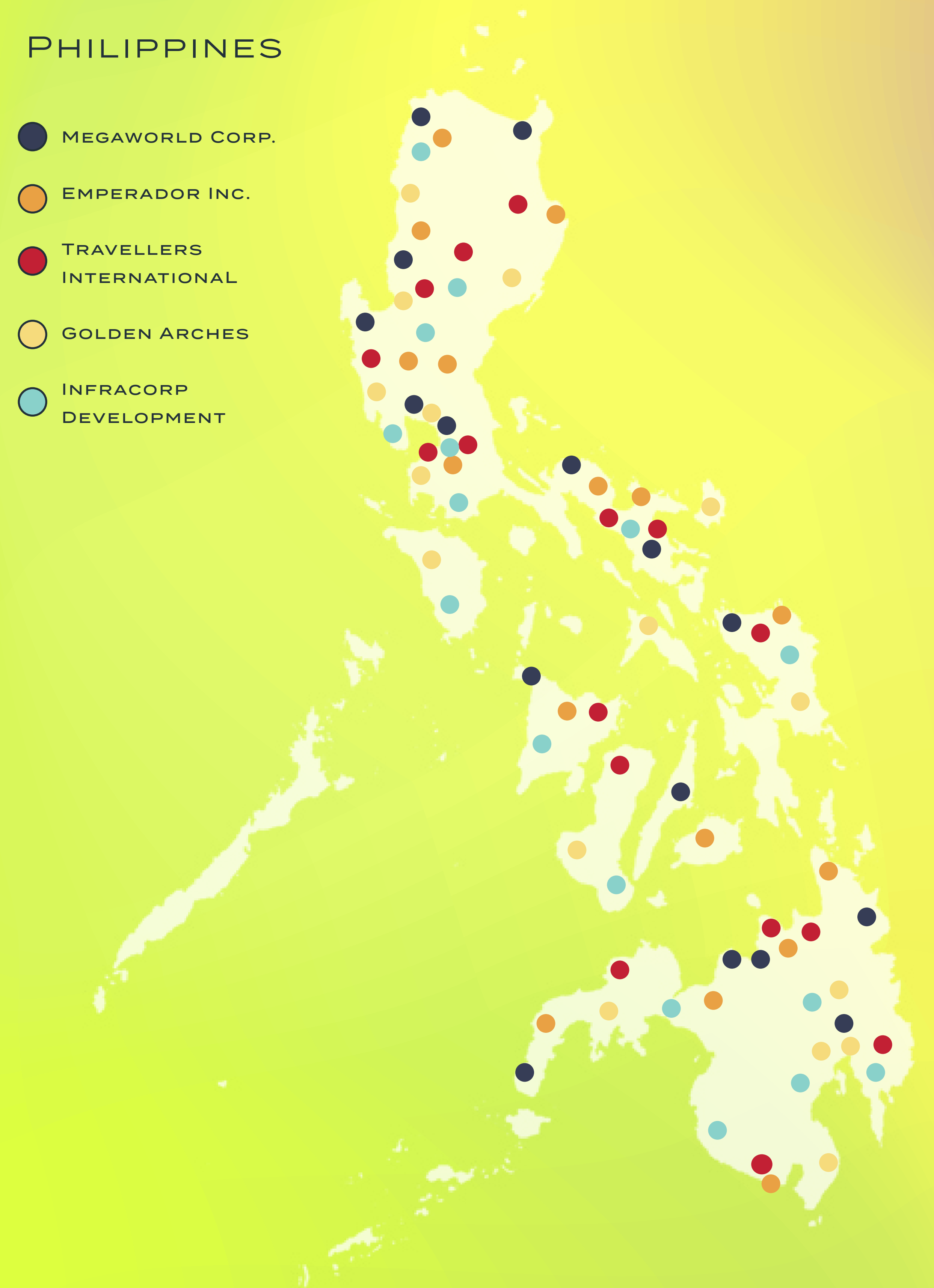
Through acquired global brands under Emperador, AGI has manufacturing and bottling operations in Scotland (United Kingdom), Spain, and Mexico, as well as a worldwide distribution network in over 100 countries. The global marketing arm of Megaworld Corporation, Megaworld International, extends AGI's presence to 60 countries.

Overseas

102 countries
EMPERADOR INC.

60 countries
MEGAWORLD CORP.

Philippines



CHAIRMAN'S MESSAGE

LEADING CHANGE, ENSURING A FUTURE FOR ALL

As a world-class Filipino conglomerate, Alliance Global Group, Inc. (AGI) has always been an active partner in national economic development, through our relentless pursuit of excellence in our core businesses, and through our significant investments in industries with potential for profitability and growth.

Our strong performance in the previous years has helped prepare us for the unforeseen challenges of 2020, all the more exacerbated by the impacts of the COVID-19 pandemic. A healthy cash position, coupled with a comfortable gearing, gave us the financial muscle to weather the strict two-month lockdown in 2020, all while still taking care of our employees, partners, and other key stakeholders.

"Our strong performance in the previous years has helped prepare us for the unforeseen challenges of 2020."

The diversification of our operations, products, and services also helped the Group in extenuating the effect of the pandemic on the bottom line. These diversified investments span geographical developments in Metro Manila and key provincial areas, as well as our pursuits in the international spirits market. Our multiple sources of income have allowed our Group to balance our portfolio.

Together with our innovative offerings and digitalization strategy, AGI managed to mitigate the impact of the pandemic, bringing our consolidated revenue to PHP128.8 billion for 2020, with EBITDA of PHP32.6 billion, and an attributable profit of PHP8.8 billion.

While we remain true to the core of our vision and mission as a company, we also continue to support the nation in its ongoing fight against the COVID-19 pandemic. As a Group, AGI has already donated more than PHP4.1 billion to various efforts aimed at addressing this public health crisis. We continue to do this in the fervent hope that we will all rise together from this tribulation, stronger and better as a nation.

As we all navigate this new reality, one that presents a uniquely challenging business environment, AGI will continue to be at the forefront of leading change to ensure a future for all. While the environment where our businesses operate might have changed, our vision, mission, and values have not, and we remain steadfast in our commitment to excellence, agility and innovation.

"We will all rise together from this tribulation, stronger and better as a nation."

We will continue to fortify our core businesses by fostering the leadership potential of our employees, bolstering the impact of our ongoing digital transformation initiatives, and maximizing the capabilities of our diverse businesses. Through these combined efforts, we can harness the strength and stability that has allowed AGI and its subsidiaries to withstand any storm—from regional financial crises to the global COVID-19 pandemic.

I would also like to take this time to personally thank all our shareholders, employees, partners and customers for their continued trust and support over the past year. Indeed, it was a tough year for everyone, not just businesses. Yet, together, we were all able to face a new year brimming with hope and anticipation for what is ahead of us.

Together, we can all rise above this crisis. Together, we can lead change to ensure a better future for all.

ANDREW L. TAN
CHAIRMAN

MESSAGE FROM THE CEO

INNOVATING THROUGH ADVERSITY

As the world was hit with an extraordinary challenge in 2020, the business landscape changed quite rapidly. AGI, with its diverse portfolio of businesses – spanning real estate development and investment, integrated tourism operations, spirits manufacturing, quick-service restaurants, and infrastructure development—also had to adapt fast. A pioneer of innovation, leading with change is second-nature to AGI.

Our early transition to digital operations was crucial in helping our Group effectively navigate the challenges of 2020. This allowed us to weather through the impacts of the pandemic as we ensured that our people were operating in a safe workspace, and that our customers were able to enjoy our products and services in a safe and secure environment. On the business side, AGI remained resilient and adaptable.

Along with ensuring stable business operations, the Group launched the Five Point Recovery Strategy to cushion the impacts of the pandemic.

This recovery strategy addresses five key areas, namely: (1) earnings diversity; (2) sustainability and well-being; (3) adaptability; (4) digitalization; and, (5) financial flexibility. Armed with these thrusts, we are ready to face the post-pandemic reality with renewed optimism, confident that these strategies

"On the business side, AGI remained resilient and adaptable."

will enable us to surpass current challenges and strengthen our position as a leading world-class Filipino conglomerate.

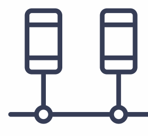
The COVID-19 pandemic pushed us to rediscover and reimagine our products and services in ways best suited to the lifestyle of today. Catering to a bigger pool of customer preferences and equipped with a wider range of offerings, our company rose through these exciting opportunities.

At Megaworld, our township development projects all over the country provided us with a dynamic mix of products and services to offer our customers. We tapped on the popularity of our residential and tourism estate projects in key provincial cities to

Five Point Recovery Strategy

Sustainability and Well-Being

Earnings Diversity



Digitalization

Financial Flexibility

Adaptability

augment our Metro Manila sales which have been affected by the hard lockdowns. Our office properties remained operational 24/7, largely unaffected by the pandemic as they catered mainly to the more resilient business process outsourcing (BPO) sector. Meanwhile, our lifestyle malls served the immediate needs of our residents and locators within our township communities. In all, these dynamics have allowed our real estate business under Megaworld to remain profitable.

Travellers came up with more innovative and creative products and services to remain relevant for the rest of 2020. Our Metro Manila hotels served as quarantine facilities for expatriates and overseas Filipino workers (OFWs) traveling in and out of the country, or as temporary residences for BPO employees on "work-from-hotel"(WFH) arrangements. Travellers also set up its own delivery system, called Delishvery, to bring to its customers the various offerings from its hotel restaurants and signature premium restaurants at Resorts World Manila (RWM). Meanwhile, the company took the gaming lull as a time to upgrade its Garden Wing casino which, together with the Grand Wing casino, make RWM the country's largest gaming facility. With this more spacious venue, the Group aims to accommodate more clients even while enforcing social distancing under the New Normal.

"The COVID-19 pandemic pushed us to rediscover and reimagine our products and services in ways best suited to the lifestyle of today."

McDonald's Philippines very quickly adjusted to the current situation by reinforcing its delivery services (both through its own delivery system or through third party providers), take out counters, and drive-thru facilities while dining in was limited. It also modified its product offerings, coming up with family packs as it targeted its customers dining at home with their families. These innovations allowed our Quick Service Restaurant (QRS) business to continue generating sales despite the lockdown.

Through Emperador, the Group benefited from a geographic diversification strategy which started in 2014 with the purchase of Whyte and Mackay and continued on in 2016 with the acquisition of Bodegas Fundador. Emperador's international forays not only added whisky to its spirits portfolio but also included a global dimension to its expansion strategy. Today, its whisky and brandy products have been making great strides in the markets in the United Kingdom and Europe, the Americas and Asia. In 2020, despite the global pandemic, it was the international business that helped lift the Group's performance when the domestic market was weighed down by dry law that limited liquor consumption.

Through our subsidiaries, AGI also took the lead in a digitalization strategy, undertaking online initiatives while implementing automation on the Group's operations. One of our biggest projects is the AGILE Digital Ventures under Megaworld, designed to spearhead investments on digital innovations

“Through our subsidiaries, AGI also took the lead in a digitalization strategy.”

and technology. Its first startup project, Pickaroo, is currently one of the best apps in the industry. Megaworld also has the iFAE (Integrated FOPM Automated Experience) website and mobile app for its residents, while its lifestyle malls implemented cashless and contactless transactions. We have E-Concierge mobile app for our hotels, McDelivery app for McDonald’s online delivery, RWM app for Resorts World Manila, and Boozy.ph for Emperador’s on-demand online liquor delivery platform.

AGI pledged commitment to sustainability even before the pandemic, kicked off by our SustainAGIlity Summit held early in 2020. Cognizant of our role in doing good for the people, the country, and the planet, we have made it one of our priorities to achieve sustainable business operations. These sustainability efforts are driven by two major goals: 1) creating five million direct and indirect jobs; and, 2) achieving 100% carbon-neutrality by 2035.

With a 15-year window until our target, our current sustainability efforts for the environment include investments in renewable and green energy to operate our facilities, solar-powered panel installations on the roof of our lifestyle malls, as well as new developments equipped with hydroponic farming and rainwater harvesting. Our Group has also been increasing our recycling efforts and integrating these into sustainable materials for our new developments. An example would be the recycled plastic as one of the key components of cement used in construction. Early in 2020 before the pandemic hit, AGI reported up to 70% completion in our shift to renewable energy. As the economy re-opens and operations fully resume, our Group intends to fully operate on 100% green energy within the next five years.

Moving forward, AGI envisions a future for all that is diversified, digital, and sustainable. To keep true to our Group’s promise of delivering excellent products and services, we will not shy away from changes, but rather lead with innovation together with a strategic cautious approach.

AGI is enthusiastic in playing our part in bringing together Filipino businesses through economic connections and synergies, throughout the islands, along with a stronger established footprint globally. We will continue to transform our businesses to better respond to the ever-changing needs of our customers. Staying agile and resilient allows our Group to be better prepared for risks and crises, with the COVID-10 pandemic being just one of them.

Indeed, we are all navigating this new normal together, and it takes great courage to face uncertainty and instability on this global scale. Despite the challenges of 2020, however, I believe we can triumph over this crisis together, all of us coming out better and stronger on the other end.

KEVIN L. TAN
CHIEF EXECUTIVE OFFICER

2020 AWARDS AND RECOGNITION

Megaworld Corporation

STEVIE AWARDS

- Gold Stevie Awards, Company of the Year (Non-profit or government organizations)
  Megaworld Foundation
- Bronze Stevie Awards, Most Valuable Non-profit Response
  Mega Malasakit: Megaworld Foundation COVID-19 Response

ASIA-PACIFIC STEVIE AWARDS

- Gold Stevie Award, Award for Excellence in Innovation in Non-profit Organizations or NGOs
  One with the Aetas
- Silver Stevie Award, Annual Report Awards and Other Publications
  Megaworld Foundation @ 20 Coffee Table Book
- Silver Stevie Award, Innovation in the Use of Events
  ILOMOCA: Uplifting Arts and Culture in Iloilo
- Silver Stevie Award, Innovation in Public Service Communication
  Megaworld Lifestyle Malls Pet Pass Program
- Bronze Stevie Award, Innovation in the Use of Events
  Strengthening the Filipino-Chinese ties through Lucky Chinatown's Chinese New Year celebrations
- Bronze Stevie Award, Innovation in the Use of Events
  McKinley Hill Grand Christmas Parade: Embracing Diversity, Coming Together for Christmas

GOLD QUILL AWARDS

- Award of Merit, Communication Skills Division, Publications
  Megaworld Foundation @ 20 Coffee Table Book

ANVIL AWARDS

- Silver Anvil Award, Public Relations Tools
- Bronze Anvil Award, Digital Publications
  Megaworld Foundation @ 20 Coffee Table Book
- Gold Anvil Award, Public Relations Programs on a Sustained Basis - Consumer Welfare
  Megaworld Lifestyle Malls Pet Pass Program

- Gold Anvil Award, Public Relations Programs on a Sustained Basis - Arts & Culture, Heritage, or Tourism
  ILOMOCA Monthly Events and Exhibits
- Silver Anvil Award, Public Relations Programs Directed at Specific Stakeholders - Communities
  Lucky Chinatown Chinese New Year 2019
- Silver Anvil Award, Public Relations Programs Directed at Specific Stakeholders - Communities
  Southwoods Mall Binan Puto Latik Festival
- Silver Anvil Award, Exhibits and Special Events - Other Events
  Lucky Chinatown Chinese New Year 2019
- Silver Anvil Award, Exhibits and Special Events
  Eastwood City New Year Countdown to 2019
- Silver Anvil Award, Exhibits and Special Events
  Eastwood City Enchanted Forest of Lights
- Silver Anvil Award, Multimedia/Digital - Websites, Blogs
  Eastwood NYCD 2019 Microsite

DOTCOMM AWARDS

- Platinum Award, Digital Marketing and Communication Campaigns - Other (Non-profit)
  Mega Malasakit: Megaworld Foundation COVID-19 Response
- Gold Award, Video (Non-profit)
  Megaworld Foundation Supports the United Nations Sustainable Development Goals Official Video 2019

MARCOM AWARDS

- Platinum Award, Crisis Communication Plan or Response
  Mega Malasakit: Megaworld Foundation COVID-19 Response
- Gold Award, Digital Media - Social Media
  Mega Summer Ventures #RoamFromHome
- Gold Award, CSR Communications
  Megaworld Foundation Scholarship in the New Normal
- Honorable Mention, Non-profit Audio/Video
  Megaworld Foundation Supports the United Nations Sustainable Development Goals Official Video 2019

INTERNATIONAL CSR EXCELLENCE AWARDS

- Gold Award, Innovation
  Eskwela ng Bayan: A Mega Classroom on Wheels
- Silver Award, Communication
  Megaworld Foundation Supports the United Nations Sustainable Development Goals Official Video 2019
- Silver Award, Community Commitment
  One with the Aetas

- Silver Award, Initiatives
  Mega Malasakit: Megaworld Foundation COVID-19 Response
- Silver Award, Volunteering
  Megaworld Volunteerism Program

PLATINUM PR AWARDS

- Honorable Mention, Top Campaigns of the Year - Community Relations
  One with the Aetas
- Honorable Mention, Publications - Internal Publication
  Megaworld Foundation @ 20 Coffee Table Book

PR DAILY'S NON-PROFIT PR AWARDS

- Winner, Video
  Megaworld Foundation Supports the United Nations Sustainable Development Goals Official Video 2019
- Winner, Digital Publication
  Megaworld Foundation @ 20 Coffee Table Book
- Honorable Mention, Print Publication
  Megaworld Foundation @ 20 Coffee Table Book
- Honorable Mention, Community Non-profit Partnership
  One with the Aetas

PR DAILY'S CORPORATE SOCIAL RESPONSIBILITY AWARDS

- Honorable Mention, Report
  Megaworld Foundation @ 20 Coffee Table Book
- Honorable Mention, Education or Scholarship Program
  Megaworld Foundation Scholarship Program

COMMUNITAS AWARDS

- Winner, Leadership in Community Service and CSR
  Megaworld Foundation Supports the United Nations Sustainable Development Goals Official Video 2019
- Winner, Excellence in Community Service
  Mega Malasakit: Megaworld Foundation COVID-19 Response
- Winner, Excellence in Community Service
  Mega Summer Ventures #RoamFromHome
- Winner, Excellence in Community Service
  Megaworld Foundation Scholarship in the New Normal

GLOBAL HR EXCELLENCE & AWARDS

- Winner, Poverty Alleviation
  Megaworld Foundation Scholarship Program

WORLD CSR DAY CONGRESS & AWARDS

- Winner, Outstanding Contribution to the Cause of Education
  Megaworld Foundation Scholarship Program
- Honorable Mention, Publications - Internal Publication
  Megaworld Foundation @ 20 Coffee Table Book

Travellers International Hotel Group, Inc.

ANVIL AWARDS

- Silver Anvil Award, Specialized Public Relations Program - Corporate or Organizational Identity Program
  Thrillmakers Creed: Vision, Mission, and Values Like No Other
- Silver Anvil Award, Public Relations Tool: Milestones
  RWM: 10 Years of Thrills

ASIA-PACIFIC STEVIE AWARDS

- Silver Stevie Award, Award for Innovation in Business-to-Business Events
  Resorts World Manila's 10 Years of Thrills
- Silver Stevie Award, Award for Innovation in Brand Development
  Thrillmakers Creed: Vision, Mission, and Values Like No Other
- Bronze Stevie Award, Award for Innovation in the Use of Celebrities or Public Figures
  Run With Me X: An Extra Thrilling and Extra Fulfilling Race to Win Hearts

- Bronze Stevie Award, Award for Innovation in the Use of Social Media
  Resorts World Manila's Thrillmakers TV

SPORTS TOURISM AWARDS

- Charity Event of the Year
  Run With Me X 2019

ALIW AWARDS

- Best Venue for Theater
  Newport Performing Arts Theater

Emperador, Inc.
Brandy Category

2020 SAN FRANCISCO WORLD SPIRITS COMPETITION

- Fundador Supremo Aged 12 Years in Pedro Ximenez Sherry Casks, GOLD
- Fundador Supremo Aged 15 Years in Amontillado Sherry Casks, DOUBLE GOLD
- Fundador Supremo Aged 18 Years in Olorosso Sherry Casks, DOUBLE GOLD
- Fundador Triple Madera, SILVER

2020 THE INTERNATIONAL WINE AND SPIRIT COMPETITION LIMITED

- Fundador Supremo Aged In 15 YO Amontillado Sherry Casks, GOLD
- Fundador Supremo Aged In 12 YO PX Sherry Casks, SILVER
- Fundador Triple Madera, SILVER
- Fundador Supremo Aged In 18 YO Oloroso Sherry Casks, SILVER
- Harveys Pedro Ximénez V.O.R.S., SILVER
- Harveys Very Old Palo Cortado Blend Medium V.O.R.S., SILVER
- Harveys Signature 12 Year Old Cream, BRONZE
- Harveys Very Old Oloroso Blend Medium V.O.R.S.,BRONZE
- Harveys Very Old Amontillado V.O.R.S., BRONZE
- Bodegas Fundador - World´s Best Brandy Producer of the Year - 3RD-TIME NOMINEE, 2019 WINNER

2020 INTERNATIONAL WINE CHALLENGE COMPETITION

- Harveys Very Old Amontillado V.O.R.S. - Best Amontillado in the World, GOLD

Whisky Category

INTERNATIONAL SPIRITS CHALLENGE 2020

- The Dalmore 35 Year Old, DOUBLE GOLD, SUPREME CHAMPION
- The Dalmore 40 Year Old, DOUBLE GOLD
- The Dalmore Vintage Quarter, DOUBLE GOLD
- The Dalmore 25 Year Old, GOLD
- The Dalmore Cigar Malt, GOLD
- The Dalmore KAIII, GOLD
- The Dalmore Portwood Reserve, GOLD
- The Dalmore Quintessence, GOLD
- The Dalmore 45 Year Old, GOLD
- The Dalmore Vintage Trio, GOLD
- The Dalmore Vintage Quintet, GOLD

INTERNATIONAL WINE AND SPIRITS COMPETITION 2020

- The Dalmore 12 Year Old, SILVER
- The Dalmore 15 Year Old, SILVER
- The Dalmore 18 Year Old, SILVER

INTERNATIONAL SPIRITS CHALLENGE 2020

- Fettercairn 46 Year Old ('20 Release), DOUBLE GOLD
- Fettercairn 16 Year Old ('20 Release), GOLD
- Fettercairn 28 Year Old ('18 Release), GOLD
- Fettercairn 40 Year Old ('18 Release), GOLD
- Fettercairn Small Batch, GOLD

INTERNATIONAL WINE AND SPIRITS COMPETITION 2020

- Fettercairn 16 Year Old ('20 Release), SILVER
- Fettercairn 22 Year Old, SILVER
- Fettercairn 23 Year Old, SILVER
- Fettercairn 28 Year Old ('18 Release), SILVER

WORLD WHISKIES AWARDS 2020

- Jura 21 Year Old: Tide (Domestic), GOLD 21 YEARS & OVER
- Jura 21 Year Old: Time (GTR), CATEGORY WINNER 21 YEARS & OVER

INTERNATIONAL SPIRITS CHALLENGE 2020

- Jura Vintage 1993, DOUBLE GOLD
- Jura Red Wine Cask Finish, GOLD
- Jura French Oak, GOLD
- Jura J12, GOLD
- Jura Seven Wood, GOLD
- Jura 18 Year Old, GOLD
- Jura The Paps 19 Year Old, GOLD
- Jura 21 Year Old: Tide (Domestic), GOLD
- Jura 21 Year Old: Time (GTR), GOLD
- Jura Vintage 1988 (2019 Bottling), GOLD
- Jura VRV 1975, Gold Jura 212, GOLD

INTERNATIONAL WINE AND SPIRITS COMPETITION 2020

- Jura Red Wine Cask Finish, BRONZE
- Jura French Oak, SILVER
- Jura Seven Wood, SILVER
- Jura 18 Year Old, SILVER
- Jura The Paps 19 Year Old, SILVER
- Jura 21 Year Old: Tide (Domestic), SILVER

INTERNATIONAL SPIRITS CHALLENGE 2020

- Tamnavulin Vintage 1970, DOUBLE GOLD
- Tamnavulin Double Cask, GOLD
- Tamnavulin Sherry Cask Edition, GOLD
- Tamnavulin Tempranillo Cask Edition, GOLD
- Tamnavulin French Cab Sav, GOLD
- Tamnavulin Spanish Grenache, GOLD
- Tamnavulin Vintage 1973, GOLD
- Tamnavulin Vintage 2000, GOLD

INTERNATIONAL WINE AND SPIRITS COMPETITION 2020

- Tamnavulin Vintage 1973, GOLD OUTSTANDING
- Tamnavulin Double Cask, SILVER
- Tamnavulin Sherry Cask Edition, SILVER
- Tamnavulin Tempranillo Cask Edition, SILVER
- Tamnavulin French Cab Sav, SILVER
- Tamnavulin Spanish Grenache, BRONZE
- Tamnavulin Vintage 1970, SILVER
- Tamnavulin Vintage 1979, SILVER

Golden Arches Development Corporation

PANATA AWARDS 2020

- "Story of Us"
  Grand PANATA Award (Grand Prix/Best of Show)
- "Story of Us"
  World Federation of Advertisers Best in Brand Positioning Award
- "Story of Us"
  GOLD, Excellence in Brand Positioning
- "Story of Us"
  GOLD, Brand Bravery
- "McDeliverBack"
  GOLD, Excellence in Marketing Innovation
- "Story of Us"
  SILVER, Excellence in Customer Empowerment
- "Live Your Dreams"
  BRONZE, Endorser of the Year
- "McDeliverBack"
  BRONZE Excellence in Brand CSR
- "Valentine's Lines"
  BRONZE Excellence in Brand Positioning
- "Valentine's Lines"
  BRONZE, Excellence in Marketing Innovation
- "Na-Lockdown Tayo, Ma"
  BRONZE, Gawad Pandayon: Creative Effectiveness
- "A holistic and disruptive take on employer branding"
  SILVER, People's Choice

MCDONALD'S GLOBAL FEEL-GOOD MARKETING AWARDS

- Grand Prix for "The Story of Us"

NEW YORK FEST AME (ADVERTISING AND MARKETING EFFECTIVENESS) AWARDS 2020

- "Lift"
  Shortlist, Film, Best Use of Social Media
- "McDo Moments"
  Shortlist, Artistry and Craft in Advertising, Digital/Mobile/Social, Animation
- "McDelivery Pin"
  Shortlist, Creative Marketing Strategy/ Effectiveness, Integrated Marketing
- "McDelivery Pin"
  Shortlist, Creative Marketing Strategy/ Effectiveness, Small Budget Big Idea

APAC EFFIES AWARDS
2020

- "McDelivery Pin"
  BRONZE, Media Idea

MCDONALD'S WORLDWIDE FEEL GOOD MARKETING AWARDS

- "Story of Us"
  Grand Prix Award
- "Story of Us"
  Best in Family Marketing

ARAW AWARDS 2020

- "Love Kita Ma"
  GOLD, Reverence for Family Unit/Marriage/ Responsible Parenthood, Digital/Interactive/ Mobile
- "Hope for Marawi"
  SILVER, Respect and Care for Life/Dignity/Rights for All, Digital/Interactive/Mobile
- "Tuloy Pa Rin"
  SILVER, Respect and Care for Life/Dignity/Rights for All, Digital/Interactive/Mobile
- "Good Morning, Teacher"
  SILVER, Respect and Care for Life/Dignity/Rights for All, Digital/Interactive/Mobile
- "Live Your Dreams"
  SILVER, Reverence for Family Unit/Marriage/ Responsible Parenthood, Digital/Interactive/ Mobile
- "Valentine's Lines"
  BRONZE, Respect and Care for Life/Dignity/ Rights for All, Digital/Interactive/Mobile
- "Lift"
  BRONZE, Reverence for Family Unit/Marriage/ Responsible Parenthood, Digital/Interactive/ Mobile
- "Wait Lang Po"
  BRONZE, Reverence for Family Unit/Marriage/ Responsible Parenthood, Digital/Interactive/ Mobile
- "McDelivery Pin"
  BRONZE, Love of Country/Respect for National Customs, Activation
- "The Boy Who Loves to Study"
  BRONZE, SILVER, Respect and Care for Life/ Dignity/Rights for All, Digital/Interactive/Mobile
- "Story of Us"
  BRONZE, Respect and Care for Life/Dignity/ Rights for All, Digital/Interactive/Mobile
- "Tadhana"
  BRONZE, Respect and Care for Life/Dignity/ Rights for All, Digital/Interactive/Mobile

Our Financial and Operational Highlights

STAYING IN THE GAME THROUGH EARNINGS DIVERSITY AND FINANCIAL FLEXIBILITY

The constraints of the pandemic put the world to a halt before eventually re-opening with a renewed way of living, working, and operating a business. While adapting to these challenges was not an easy feat for all, AGI has remained steadfast and resilient, backed by its decades of operating experience which gave it invaluable lessons in handling crisis scenarios.

For 2020, AGI posted PHP128.8 billion of revenue and reported PHP8.8 billion in attributable profit, generated across its diversified business lines.

Two key strategies helped the Group maintain resiliency and profitability in 2020, namely, earnings diversity and financial flexibility. The first strategy allowed for a diversity in revenue mix to underpin future growth, without deviating from its core competencies in the real estate and consumer sectors. The second strategy provides financial discipline and prudence even amid continued expansion plans.

Earnings Diversity

With the vision to future-proof the business, the Group is designed to withstand unprecedented challenges, starting with its real-estate development arm, Megaworld. It currently contributes a 34% share of core AGI revenue and operates with a diversified portfolio of mixed residential and rental properties. To make the most of the cyclical nature of real estate activities, Megaworld cultivated a recurring income stream from its office buildings and lifestyle malls.

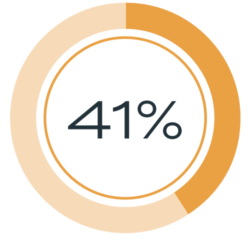
Rental income contributed 33% of Megaworld's core revenue and 63% of earnings before interest, taxes, depreciation, and amortization (EBITDA) in 2020, a marked improvement compared to its share of 24% of revenues and 48% of EBITDA just five years ago. The higher margins on rental properties managed to cushion the impact of the pandemic on Megaworld's operations during the year.

The Group's diversification strategy is also geographical, which further boosted its performance in the interim. Megaworld's real estate developments outside Metro Manila drive strong growth for the company moving forward. Provincial projects, which now account for close to 30% of Megaworld's real estate sales, served as the company's primary source of reservation sales in 2020. About a quarter of real estate booked sales come from overseas clients through Megaworld International.

Business expansion and diversification is evidenced as well in the resounding success of Emperador which, aside from having product diversity, boasts of a diverse geographical footprint. Along with its operations in Spain and Scotland, Emperador covers over a hundred countries in its global distribution network.

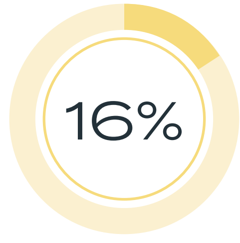
Whisky sales from Scotland-based wholly-owned subsidiary, Whyte and Mackay, now account for about 30% of Emperador's business. In 2020, Whyte and Mackay contributed strongly to Emperador's performance as its whisky earnings grew 14%. This allowed Emperador to post a 18% year-on-year profit increase, even as the domestic market was weighed down by the liquor ban during the extended lockdown period.

AGI Revenue Share



EMPERADOR INC.

MEGAWORLD CORPORATION



GOLDEN ARCHES DEVELOPMENT CORPORATION

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.

Financial Flexibility

AGI's earnings diversity contributes greatly to its financial flexibility, with broad revenue sources giving rise to new business opportunities during the pandemic. Coupled with a history of financial discipline, the Group continues to maintain a strong balance sheet to this day.

In recent years, the conglomerate has been aggressive in its expansion plans while remaining focused on growing its businesses within their core competencies. The Group exercised financial prudence and kept its borrowings within comfortable levels. By 2019, AGI reported a consolidated net debt/ equity of 49%, a favorable performance compared to its contemporaries in the industry.

Operating within the economic downturn, AGI preserved its cash by cutting capital expenditures (CAPEX) down to almost half in 2020, to PHP42 billion from its original budget of PHP78 billion. The Group focused its resources on projects that were for completion in 2020, opting to delay new projects when the overall situation improves. By the end of 2020, AGI delivered total revenue of PHP128.8 billion.

Cost discipline measures were continuously implemented across all business segments, allowing for operating leverage. Despite this, net profit was unavoidably weighed down by the impacts of the extended quarantine periods. Our CAPEX run-rate remains largely on-track and boasts the flexibility to add should there be an opportunity.

Gradual easing of the quarantine restrictions by the third quarter of the year greatly contributed to AGI's overall favorable performance. As such, the Group remains optimistic about the sequential improvement in its earnings in line with the further reopening of the economy.

During the quarantine period, however, each business arm responded to the operational challenges of the pandemic in close alignment with the five-point strategy. These responses, even when viewed on their own, remain as evidence of the unified success that comes from AGI.

Real estate arm Megaworld was supported by its office segment, which remained resilient with steady office occupancy rates despite the pandemic. Continued growth in this area cushioned the weak spots of the residential, malls, and hotel segments of the business.

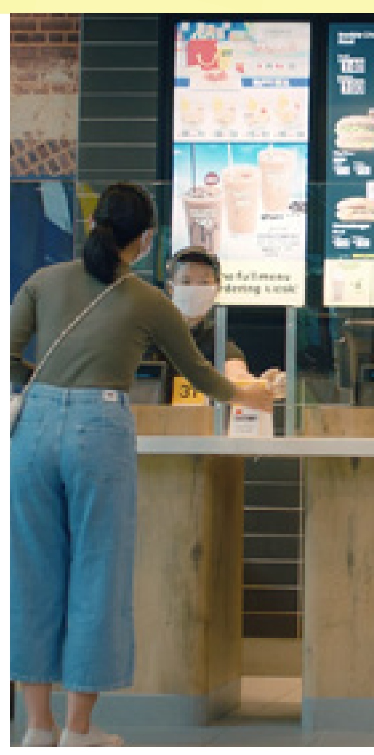
The operations of these segments, along with construction, were mainly limited by quarantine restrictions. As regulations eased during the third quarter, mall operations slowly recovered and the residential segment remained stable. Hotel occupancy rates, however, still remain weak.

AGI's distilled beverages arm, Emperador, performed strongly with its steady whisky and brandy sales. China, the United Kingdom, and Russia drove the demand for whisky and increased sales of higher-priced products. Brandy sales, on the other hand, recovered with the lifting of the government-imposed liquor ban. A change in the sales mix, tilting in favor of domestic Emperador products, improved brandy sales, led by increased demand for Emperador Light and Double Light.

McDonald's Philippines continued to deliver on its promise to serve great tasting, quality meals to its customers amidst the different quarantine restrictions. It had to close a number of stores temporarily, especially during the enhanced community quarantine (ECQ). The year ended with McDonald's having 95% of its 655 stores nationwide operational.

Lastly, the casino gaming operations under AGI's integrated tourism business, Travellers, operated at limited capacity. To adapt to the times, it launched innovative services such as Delishvery, offering food delivery services from Resorts World's signature restaurants, and the live on-demand virtual entertainment.

The overall business landscape proved challenging, but for AGI, it became an opportunity to explore growth through recalibrated priorities while maintaining financial prudence.



Our COVID-19 Response

ADAPTABILITY TO THE NEW REALITY

As a Group, AGI boasts of a history that reflects a legacy of adaptability—a muscle that it has flexed and trained over the years, further strengthened upon facing different crises. The drive to adapt empowered the Group to remain optimistic in overcoming current challenges and strengthening its leadership position in this new reality. This unified commitment aims to provide long-term value to the Group's shareholders while taking care of the different communities that make up the fabric of the nation in times of difficulty.

The year 2020 started with the eruption of the Taal Volcano, followed by a series of strong typhoons and other natural calamities during the latter half. While natural disasters have been overcome by AGI throughout the years, these events were further aggravated by the pandemic. The confluence of these factors makes up the new reality businesses have to contend with.

AGI fully supported the efforts of the national and local governments to curb the spread of the virus, including the implementation of the strictest lockdown which inevitably affected various business segments, especially those operating in Metro Manila. The restrictions in movement and social gatherings due to widespread community quarantines lessened foot traffic, decreased retail and restaurant sales, and reduced hotel occupancies in affected areas. The Group employed stringent business continuity plans and contingency measures to ensure continued operations and delivery of

services without sacrificing the health and safety of its employees, suppliers, and customers.

Group-wide measures taken to align with government regulations and transmission risk mitigation include increasing COVID-19 awareness among stakeholders and adjusting work schedules and operating hours to comply with community quarantine restrictions. Face-to-face meetings were also reduced and health and safety protocols for employees, suppliers, and customers were implemented. Additional initiatives for workplace safety consist of imposing body temperature screening, disinfecting facilities and other shared spaces, as well as promoting social distancing.

The Group continues to assess other material impacts the COVID-19 pandemic may have on financial performance.

Helping our Nation Bounce Back

AGI started 2020 with a healthy cash position and a comfortable gearing, both of which gave the company financial muscle to bear the brunt of the strict two-month lockdown while still taking care of its employees, partners, and other stakeholders.

Given the Group's strong financial standing, AGI was able to give rent holidays to mall tenants, most of whom had to temporarily close their operations during the lockdown. This also allowed it to continuously contribute to economic recovery and help those in need during this trying time in the nation's history.

Beyond financial donations, the Group also mobilized the combined capabilities and manpower of our different business segments, a further testament to the strength of its adaptability. Its collective response to the pandemic, which came in both cash and in-kind, can be divided into four parts: (1) help for the frontliners; (2) food donations to the underprivileged; (3) support for COVID-19 testing initiatives; and (4) ongoing support for displaced overseas Filipino workers (OFWs).

Through Resorts World Manila and its various partners, the Group was able to distribute PHP125 million worth of personal protective equipment (PPE) for medical frontliners and grocery bags for urban poor communities in Metro Manila.

To help bolster the nation's testing capacity, Megaworld donated PHP60 million to the Philippine Red Cross (PRC) for the purchase of four COVID-19 testing laboratories, which can conduct 10,000 tests daily. In addition, AGI donated to Project ARK to make antibody rapid test kits available to the workers of more than 200 companies. AGI also supported Task Force T3 (Test, Trace, and Treat), which aims to expand RT-PCR testing capacity to 30,000 tests per day.

To support local programs related to COVID-19 response, AGI also donated PHP66 million to various local government units (LGUs) and non-governmental organizations (NGOs). The McDonald's Philippines' Kindness Kitchen was able to distribute more than 350,000 meals, whose value is equivalent to PHP17.5 million at the end of 2020. The Kindness Kitchen began serving meals to medical frontliners, government workers like the Philippine National Police and the military, at the height of the lockdown when access to food was limited. It continued its operations and expanded

it to serve marginalized communities. McDonald's also played an active role in supporting the government's efforts by leading initiatives for Task Force T3 like the Ingat Angat campaign, which aims to help rebuild consumer confidence so the economy can begin to recover safely.

AGI also leveraged its manufacturing capacities at Emperador to donate one million liters of disinfectant alcohol worth at least PHP250 million. The Group denatured 96% ethyl alcohol to convert them to medical-grade disinfectant alcohol, which were donated to hospitals, clinics, and government agencies to help curb the spread of COVID-19.

The different businesses under AGI are continuously looking for ways to further extend the reach of its help and support. However, the Group also recognizes that a public health crisis of this scale and complexity requires cooperation and collaboration from all fronts. Indeed, there is strength in numbers, and more hands make light work.

AGI looked into working with other organizations in the business community to amplify efforts related to the COVID-19 pandemic, including Project Ugnayan, a consortium of business groups working with the Philippine Disaster Resilience Foundation.

The project aims to raise funds to support ongoing initiatives to help low income families and other vulnerable groups that were economically displaced due to the pandemic. For 2020, AGI, together with 20 leading businesses in the country, raised more than PHP1.5 billion to fund the distribution of grocery vouchers to urban poor communities in Metro Manila.

Beyond local communities, the Group remained supportive of the needs of its employees across the country. It provided them with financial and in-kind support, as well as expanded health coverage, especially during the strictest period of the lockdown. Virtual training sessions were made available as well to introduce ways on how to cope with the challenges of living under the pandemic-wrought environment.

As the country navigates an environment fraught with challenges posed by the COVID-19 pandemic, working together is a must to ensure that nobody gets left behind in the pursuit of recovery. As a Group, AGI will endeavor to make adaptability redound not just to its respective businesses, but its different stakeholders as well.

PHP4.1 BILLION

TOTAL DONATIONS AND PROJECTS FOR COVID-19 RESPONSE

PHP3 BILLION
assistance to retail partners through rent condonation in Megaworld Lifestyle Malls

PHP100 MILLION
donation to Project Ugnayan of the Philippine Disaster Resilience Foundation (PDRF)

PHP250 MILLION
worth of disinfectant alcohol manufactured and donated, totaling one million liters

PHP60 MILLION
donation for the COVID-19 test labs of the Philippine Red Cross (PRC) through Megaworld

PHP66 MILLION
donation to the COVID-19 response of local government units (LGUs) and other organizations

PHP500 MILLION
funding for the McDonald's Kindness Kitchen and assistance to employees and communities

PHP125 MILLION
worth of PPE and food donations to urban poor communities through Resorts World and its partners

PHP8 MILLION
worth of donations to Task Force T3 and other LGUs through Megaworld

PHP5 MILLION
total assistance for food distribution to frontliners and construction workers, COVID-19 facilities, and free transport for frontliners through Megaworld and its subsidiaries

PHP3 MILLION
worth of essentials, PPEs, and medical supplies provided to the Inter-Agency Task Force (IATF), LGUs, and hospitals through Megaworld Hotels

DRIVING DIGITALIZATION

To keep in step with a rapidly changing world, Alliance Global has been aggressively expanding its digitization efforts, an initiative it started two years ago. In just a short span of time, the Group's digitalization strategy has paid off as it expanded the use and application of digital platforms in various aspects of its operations.

AGI further accelerated its digitalization strategy to better respond to the challenges and demands brought about by the public health crisis. Digitalization cannot be seen simply as an attractive add-on to the current roster of products and services offered, but a necessary innovation to stay relevant and agile in this new reality.

In 2020, AGI utilized its digital platforms for its real estate sales in an effort to limit face-to-face engagements during the pandemic. First Oceanic Property Management (FOPM), the property management arm under Megaworld, launched the Integrated FOPM Automated Experience (iFAE), a digital platform that allows residents in First-Oceanic-managed properties to digitally manage their accounts, pay their bills, and check on their guests and deliveries.

For AGI's hotel services, E-Concierge mobile app was launched, providing guests with contactless interaction with the staff as they avail hotel services. For Resorts World Manila (RWM), its recently-launched mobile app is a one-stop online platform for the complete RWM experience.

The Megaworld Lifestyle Malls App, on the other hand, makes it convenient and efficient for mall-goers to access parking facilities, navigate the malls, and view the latest mall activities, promos, and services. Cashless and contactless digital payment options such as PayMay and GCash are endorsed throughout the Group's commercial establishments.

AGI seeks the continuous forging of partnerships with various companies to further expand its personal shopping and delivery services.

AGILE DIGITAL VENTURES LAUNCHES PICKAROO

As part of its move towards becoming a strong player in the digital space, Megaworld launched its wholly-owned subsidiary, AGILE Digital Ventures, Inc., to spearhead its investments in digital innovations and technology.

With widespread encouragement to stay at home and discover new ways to live safely, there is a pressing need for more diverse options for delivery platforms. Backed by a start-up capital of US$5 million, AGILE launched its first project, Pick.A.Roo, on August 18, 2020. This was an all-in-one premium lifestyle app where retail partners could sell and deliver their products online and on-demand.

Pick.A.Roo boasts of a unique and remarkable selection of stores, restaurants, and services from both local and international brands, including Megaworld's retail partners. Its selection includes big-box supermarkets, high-end restaurants, premium hotels, health and wellness shops, and beauty and fashion boutiques, just to name a few.

"We want to be the first Philippine unicorn startup to expand in the region by becoming the household name for all-in-one and on-demand delivery service," says Kevin Andrew L. Tan, CEO of Alliance Global and also the founder of Pick.A.Roo.

In the near future, AGILE will be launching other digital innovations, either through strategic partnerships or through start-up investments.

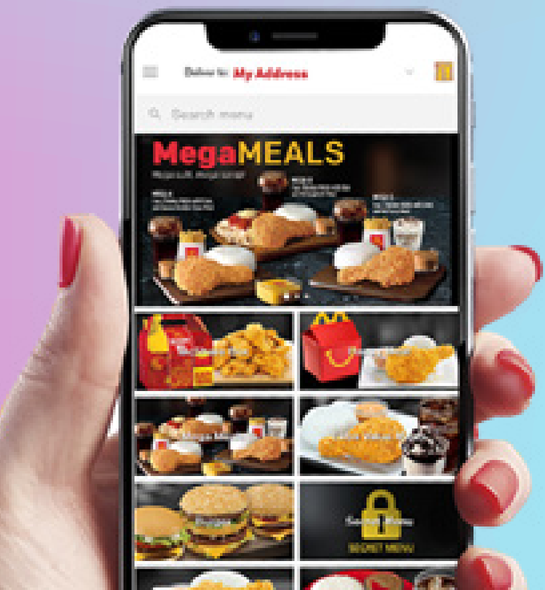
McDonald's Philippines

A PIONEER AND VANGUARD IN FOOD DELIVERY

McDonald's Philippines has always been a trailblazer in the food delivery business. It was in 2009 that the McDelivery website was launched, the first in the industry. It was also McDelivery who pioneered the delivery app in 2014; partnered with third party food aggregators and launched cashless in stores in 2018, once again being the first among the quick service restaurant players.

The continuing COVID-19 pandemic has revealed the brand's unrelenting capacity to deliver on its promise despite the challenges. In 2020, in response to the growing demand for home food delivery, McDonald's not only made continuous enhancements to McDelivery.com.ph and the McDelivery PH App, but also scaled its digital footprint across other channels and eCommerce platforms.

With its vision of being easily accessible to more Filipinos, McDonald's strengthened its partnership with food aggregators, GrabFood and foodPanda, and aggressively activated more delivery hubs in a year's time. Additionally, it introduced a new McDelivery touchpoint with the launch of the McDelivery Chatbot via Facebook Messenger.



McDonald's also scaled its contactless payment solution and launched online payment in McDelivery, providing customers with a convenient and safe buying experience.

These delivery innovations have allowed McDonald's to continue operations, especially during the height of the enhanced community quarantine (ECQ). As such, 2020 ended with delivery accounting for 23% of system sales from March to December, a marked increase compared with only 9% in January and February, before the health crisis struck.

McDonald's also launched its flagship stores on primary Philippine e-commerce apps like Lazada and Shopee, allowing customers to purchase vouchers for bulk orders, party packages, and exclusive McDonald's merchandise with ease.

In-store, customers could redeem deals and discounts with the McDonald's App, the brand's new digital couponing app launched at the start of the year. Deals can be redeemed at the Front Counter, and via Take-Out and Drive-Thru. To date, the McDonald's App has over 2 million downloads.

RESORTS WORLD MANILA

RELIVING THE THRILL AT HOME

Efforts to curb the spread of the COVID-19 pandemic have restricted the movements of people around the world. However, this does not mean that one cannot enjoy world-class fine dining and live entertainment in the comfort of home. Travellers lets you relive the thrilling Resorts World Manila (RWM) experience through Delishvery and the LOVE Project.

Delishvery, a new food delivery service powered by RWM employees, lets you order your favorite dishes from RWM's signature fine dining establishments and delivered to your doorstep. RWM takes care of the food handling and delivery, thereby securing livelihood for both our vendors and employees. Since its launch in the second half of 2020, the service has delivered over 11,000 meals across Metro Manila and as far as Laguna and Rizal.

The LOVE Project, or Live On-request Virtual Entertainment, is a new way to experience and share live entertainment at home. An initiative of world-class Filipino entertainers from the theater, concert, and bar and lounge circuit, the LOVE Project allows fans to experience live performances under the new normal, all while giving performers a new platform to showcase their talents.

Through the LOVE Project, you can perform and pay for live performances online, whether it is a mini-concert, dance performance, magic show, comedy routine, or just a simple interaction with your favorite artists. It is by-request and on-demand as you get to choose the date and time of the live performance. The shows may be virtual, but the entertainment is real, unique, and personalized.

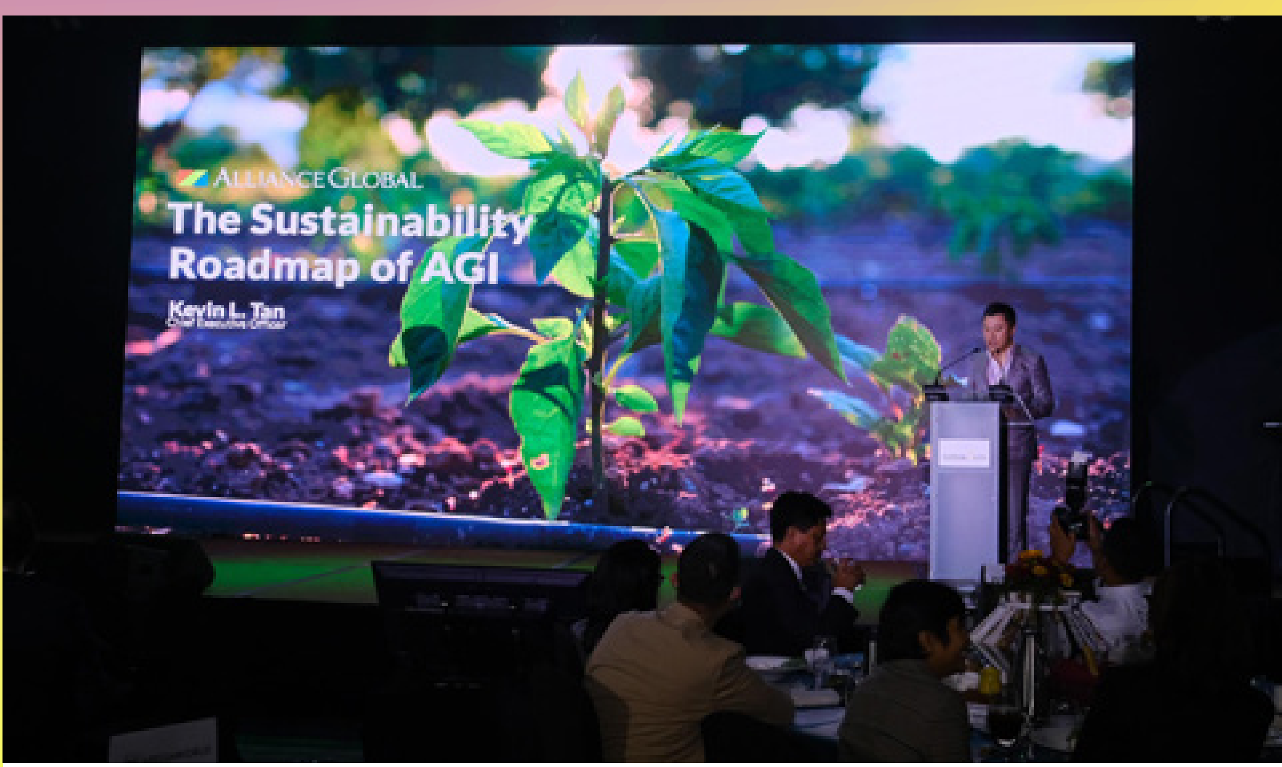
BOOZY.PH

DELIVERING HIGH SPIRITS

With the extended community quarantines, Emperador efficiently utilized its e-commerce platform with Boozy.ph, its on-demand online liquor delivery service.

Boozy is currently the country's leading online platform for liquor delivery, including beer, wine, spirits, and other related products. It offers 90- to 120-minute delivery within Metro Manila, as well as nationwide shipping through partner couriers. Boozy boasts of affordable prices for a wide range of liquor, as well as easy payment options.

To meet the growing demand for liquor delivery, Boozy invested in a rider fulfillment software to deploy their manpower more efficiently, thereby reducing carbon footprint and improving cost efficiency. It joined other e-commerce platforms—such as Lazada, Shopee, and Grab—to expand customer reach and sales.



SUSTAINABILITY AT AGI

Sustainability is the core of everything AGI does as a conglomerate. It is embedded in all aspects of the Group's operations, and continues to guide its actions in navigating an ever-changing business environment in line with the United Nations Sustainable Development Goals (UN SDGs). As AGI maintains its five-point recovery strategy to cope with the COVID-19 pandemic, it hopes that its efforts will serve as testament to its greater commitment to sustainability.

"We must start to become more conscious and responsible for the long-term social, economic, and environmental impact of our businesses. As a responsible corporate citizen, our decisions should no longer just be driven by what is good and profitable, but by what is right," says Kevin L. Tan, Chief Executive Officer of AGI. "Our collective strength as a conglomerate certainly gives us the ability to make these positive changes happen."

The UN SDGs are a call to action for governments, society, and the private sector to work together towards achieving a sustainable future. It serves as a blueprint for achieving peace and prosperity. Since its launch in 2015, the UN SDGs have gained widespread support, with the public and private sector adopting strategies and resource allocations to achieve the Goals.

As part of the Group's long-term contribution to the UN SDGs, AGI, together with all its subsidiaries, has committed to becoming carbon neutral and generate at least five million direct and indirect jobs by 2035.

To become carbon neutral by 2035

Carbon Neutrality

AGI aims to achieve carbon neutrality through the development of green real estate, as well as through manufacturing practices and environmental initiatives that offset or sequester carbon emissions.

The Group's real estate development arm leads the way through its townships and communities that utilize renewable energy and promote "plastic neutrality" through recycling and waste management efforts. As evidenced with the COVID-19 pandemic, Megaworld's township model, where one's live-work-play needs can be found within the community, is suitable not just for public health and safety, but also for overall sustainable development.

Megaworld's office buildings, all of which are Grade A, have also been branded as "healthy buildings". Most of these office buildings have been certified by LEED (Leadership in Energy and Environmental Design), an internationally recognized green building certification system, which allows AGI to command premium rent in the market. Lifestyle malls and retail areas have also been designed with sustainability in mind, with architecture that makes the most out of natural lighting and greenery

For Emperador's operations in the Philippines, steps towards the conscious reduction of carbon footprint include taking advantage of sugar cane bagasse as coal substitute, utilizing biogas from the biomethanation process, switching to LED light in its facilities, and implementing energy efficiency and optimization of equipment with variable speed drives. Recycling is also being implemented in Emperador's local operations from reducing single-use plastic in packaging and using recycled and green bottles, as well as optimizing water use in the distillation and fermentation processes.

Overseas, the carbon neutrality initiatives of Emperador's international subsidiaries in the United Kingdom/Scotland, Spain, and Mexico include shifting to green energy with electricity from biomass, hydro, and wind, as well as shifting to electric cars, and eliminating non-recyclable components and plastics in its operations. Studies on energy consumption in the facilities and Carbon Footprint mapping were conducted as well. Investments on a photovoltaic solar plant in the bottling center and green hydrogen-powered energy are also being considered..

Decent Work and Employee Well-being

Through the scale and reach of the Group's diverse businesses across segments and geographies, AGI has the capacity to generate jobs for millions of people locally and internationally. To date, it currently employs over 85,000 people in its various businesses.

For Golden Arches, it has more than 24,000 employees throughout the 655 branches of McDonald's Philippines nationwide. Travellers International Hotel Group Inc., on the other hand, has close to 6,000 employees in its integrated resorts property at Resorts World Manila (RWM).

Megaworld has over 5,000 employees and has committed to creating around 3 million direct and indirect jobs in its various developments within 10 years. Emperador, on the other hand, currently employs over 3,000 individuals.

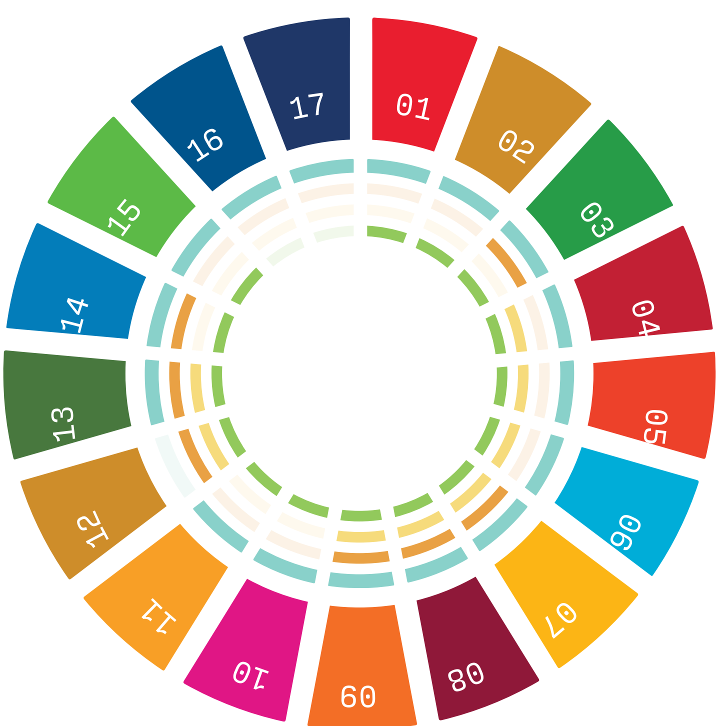
Despite the challenges of the COVID-19 pandemic, AGI ensured its commitment to its employees, reporting no lay-offs across the conglomerate. The Group continues to take care of its employees through health and wellness programs, a supply of vitamins and personal protective equipment (PPE), and the strengthening of employee health insurance coverage and benefits.

To generate at least 5 million direct and indirect jobs by 2035

Mapping our Contributions to Sustainable Development

AGI consolidates the work of its subsidiaries in a Group-wide move to achieve the United Nations' vision of a fairer future for humanity. Across its subsidiaries, more than 100 relevant programs and initiatives address and contribute to the attainment of sustainable development.

OUR CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT



- Megaworld Corporation*
- Emperador, Inc.
- Golden Arches Development Corporation
- Travellers International Hotel Group

SDGs

1 No Poverty
2 Zero Hunger
3 Good Health and Well-being
4 Quality Education
5 Gender Equality
6 Clean Water and Sanitation
7 Affordable and Clean Energy
8 Decent Work and Economic Growth
9 Industry, Innovation, and Infrastructure
10 Reduced Inequalities
11 Sustainable Cities and Communities
12 Responsible Consumption and Production
13 Climate Action
14 Life Below Water
15 Life on Land
16 Peace, Justice, and Strong Institutions
17 Partnerships for the Goals

Likewise, issues material to the AGI operations, particularly those relevant to its different business segments, geographies, and financial performance, have corresponding contributions and implications towards the attainment of specific UN SDGs.

*Megaworld includes its subsidiaries Empire East Land Holdings, Inc.; Global Estates Resorts, Inc.; and Suntrust Properties, Inc.

OUR MATERIAL TOPICS

SDG	Material Issues
SDG 3 Good Health and Well-being	1. Employee health and safety 2. Safety management
SDG 7 Affordable and Clean Energy	1. Electricity consumption 2. Use of renewable and clean sources of energy for assets and operations
SDG 8 Decent Work and Economic Growth	1. Labor practices 2. Equal employment 3. Employee training and development 4. Talent attraction and retention
SDG 12 Responsible Consumption and Production	1. Wastewater management 2. Water scarcity 3. Production efficiency 4. Waste management 5. Water withdrawn 6. Product design and packaging 7. Materials sourcing and efficiency 8. Supply chain management 9. Product quality and safety 10. Customer privacy 11. Data security 12. Customer welfare 13. Selling practices and product labeling 14. Responsible gaming 15. Business model and product innovation
SDG 13 Climate Action	1. GHG emissions 2. Employee commuting and other business travel
SDG 16 Peace, Justice, and Strong Institutions	1. Community relations 2. Business ethics Government policy compliance

Sustainability and Well-Being

PROMOTING SUSTAINABILITY AND WELL-BEING

AGI's sustainability strategy hinges on two vital sustainability commitments, namely: (1) to be carbon neutral, and (2) to generate at least five million direct and indirect jobs by 2035. Through the collective efforts of our diverse subsidiaries, we can forward these sustainability ambitions in a mindful and strategic manner and amplify the positive impact of our operations.

GREENING AGI'S ASSET PORTFOLIO

AGI continues to embed sustainability into its operations to green its asset portfolio. The combined sustainability initiatives of Megaworld, Travellers, and Golden Arches contribute to the Group's overall ambition of carbon neutrality and build resilience for the new reality.

Megaworld Corporation

Through its subsidiaries, Empire East Land Holdings, Inc., Global-Estate Resorts, Inc., and Suntrust Properties, Inc., Megaworld continues to pave the way towards creating sustainable townships and communities. To date, the township model remains to be the best example of sustainable real estate, with its well-contained residential communities.

The safety and ability of Megaworld's townships to make the most out of urban living were brought to the fore during the COVID-19 pandemic. The residential arm's live-work-play concept allowed clients to have easy access to essentials without venturing too far and compromising their health.

These residential communities are already utilizing renewable energy and promoting plastic neutrality. Moving forward, AGI continuously explores innovations in designing townships that are more sustainable, with the inclusion of urban farming within its major developments nationwide.

In the development of work spaces, Megaworld sets the standard with all office buildings acquiring a Grade-A rating, highlighting it as a premium, professionally-managed facility that was sustainably built and boasts all of the requisite infrastructure. Along with this, 11 of Megaworld's office buildings are LEED-certified. LEED, which stands for Leadership in Energy and Environmental Design, is the gold standard in green building rating systems and certifications globally.

On the retail front, future plans for AGI's well-themed malls and retail developments include incorporating solar panel roofings, maximizing the use of natural light, and utilizing escalators with slow-start features. The developments will also be equipped with rainwater harvesting and hydroponic farming systems.

Travellers International

Travellers utilizes renewable energy, such as solar energy, for its casino and hotel operations. The integrated tourism operator also implements various energy and water conservation programs, and promotes plastic neutrality in its operations.

Its hotel operations, for one, boast of numerous energy conservation measures. With the installation of solar panel roofings in integrated entertainment complex, it is expected to generate 2,400 megawatt-hours (MWh) of electricity per year, which is enough to power 1,008 homes. This is also projected to save PHP16.3 million in electricity costs per year.

The district cooling system, which uses excess chiller capacity to cool its hotels, saves 5,700 MWh per year, amounting to PHP49 million in actual savings per year. The descaling system, on the other hand, which maintains the high efficiency of chilled water plants, saves 3,000 MWh per year, bringing PHP21 million in actual annual savings on both electricity costs and chemicals expenses.

For the hotel rooms, occupancy sensors are installed, which automatically turns off lights and cooling in unoccupied rooms; this saves 1,727 MWh per year, bringing in PHP8.8 million in actual savings per year. The hotel room faucets and shower heads, on the other hand, have aerators or restrictors, which reduces water flow rate from 2.6 gallons per minute (GPM) to 1.6 GPM, saving 331,000 gallons of water per year, and bringing PHP1.4 million in savings. Additionally, the boiler system, which uses steam instead of conventional electric heating for our pools and hot water systems, saves 3,400 MWh per year, bringing in PHP29 million in actual annual savings.

Travellers also promotes plastic neutrality and waste reduction through its hotel and food service operations. Through the continued use of reusable glass bottles, it eliminates the use of 2.7 million plastic water bottles per year. Through the use of biodegradable alternatives such as paper and cornstarch straws, it also eliminates the use of 480,000 plastic straws in its hotels and food establishments.

In addition, Travellers also continues to practice sustainable food sourcing as well. For hotel and food service operations, around 52% of its seafood is sustainably sourced, such as mangrove shrimps and other products of single-line fishing. Moreover, around 70% of produce used is also sustainably sourced locally, most of which are products of organic farming, rooftop farming, and adopted farms.

Initiatives	Annual Energy/ Resource Savings	Actual Annual Savings
Installation of solar panel roofings in integrated entertainment complex	2,400MWh generated	PHP16.3 million
District cooling system	5,700MWh	PHP49 million
Descaling system	3,000MWh	PHP21 million
Steam boiler system	3,400MWh	PHP29 million
Hotel room occupancy sensors	1,727MWh	PHP8.8 million
Aerated/restricted hotel faucets and showerheads	331,000 gallons of water	PHP1.4 million
Plastic neutrality and waste reduction	331,000 gallons of water	PHP1.4 million

Golden Arches

McDonald's Philippines remains committed to uphold responsible production and consumption to deliver only the gold standard in food. This is done through responsible product sourcing and compliance to stringent food safety standards in all restaurants, while ensuring the affordability of its menu offers. McDonald's has also demonstrated its commitment to food permissibility and quality by removing artificial ingredients and flavors in its food products, and supporting consumer transparency by making the nutritional information of its products available.

McDonald works towards achieving carbon neutrality through the mindful construction of its restaurants, as well as the conscientious innovations in its food-service operations. The company has begun the study of incorporating the use of solar panels on restaurant rooftops and eco-bricks for pavers, as well as updating waste segregation systems, across all our branches nationwide.

McDonald's restaurants have also begun the use of reusable cutlery and have minimized the use of plastics through paper bags and straws, as well as recyclable food packaging materials. Moving forward, GADC will continue to find and implement environment-friendly solutions for our restaurants and operations.

Finally, in response to the growing social issue of hunger, McDonald's through its Kindness Kitchen initiative, partnered with the government's Task Force Zero Hunger for its program, Pilipinas Kontra Gutom or PKG. PKG is a multi-sectoral drive to beat hunger through strategic plans and projects on food availability, accessibility, adequacy, and assistance. The Kindness Kitchen exceeded its initial support to provide 100,000 meals in 2020 to marginalized communities

GREENING OUR MANUFACTURING OPERATIONS

Alliance Global also continues to green its operations through the sustainable procurement and manufacturing practices of Emperador. With its vast vineyard properties across Spain, and its state-of-the-art distilleries in Scotland, it utilizes technologies toward water conservation and reduced carbon emissions in the various countries it operates in.

Efficient energy use. Emperador's energy efficiency programs are anchored on the use of natural lighting, natural ventilation, renewable energy, as well as the use of light-emitting diode (LED) bulbs. This is an on-going process as it incorporates these in the design of the existing and upcoming facilities globally, all of which reduce carbon emissions and lower energy consumption.

In the distilleries in Nasugbu and Balayan, Batangas, Emperador has invested in an Anaerobic Digester. This process reduces wastewater while generating a useful by-product, biogas. The biogas produced through this process is used by the plant as a source of renewable energy. Waste which is not otherwise turned into biogas is converted into liquid fertilizer, while residual sugar cane fibers are also converted into solid fertilizers. These enable the distilleries to be self-sufficient and self-sustaining.

Biomass and solar energy powers the vineyards and distilleries. In the waste treatment facility for the distillation process, Bodegas Fundador in Spain has increased its biogas consumption by 15%. The facility currently holds an ISO 14000 certification, the gold standard in environmental management systems. In Mexico, Emperador plans on shifting to solar energy for the winery operations that will reduce 63 tons of carbon dioxide equivalent (tCO2e) and lower electricity consumption by 30%.

Water conservation. Clean and clear water is a primary ingredient for all of our liquor products; as such, it endeavors to use water efficiently in all its processes. Its water conservation programs are anchored on controlled deficit irrigation and rainwater recovery systems.

Deficit irrigation is used for vineyards in Spain, while rainwater recovery systems in Mexico help bring about a 19% reduction in water consumption during the harvest season, totalling 38% savings for the rest of the year. Other facilities undergo wastewater treatment and recycling.

Recycling. AGI's recycling programs are focused on responsible plastic use and the strategic recycling of materials. The Group predominantly uses recyclable and reusable materials for its products, such as glass bottles, fiber boxes, and paper labels.

ENVIRONMENTAL PERFORMANCE

Direct (Scope 1) GHG Emissions

Direct emissions are GHG emissions from organizational operations are direct (or scope 1) emissions derived from propane, diesel, natural gas consumption for boiler, gas turbine, diesel generators, owned transportation and refrigeration processes. In 2020, AGI's Scope 1 emissions was 148,825 tCO_2e, and the intensities of GHG emissions normalized by square meter of floor area, employees and revenue were **0.02 tCO_2e/m^2, 3.77 tCO_2e/employee and 1.16 tCO_2e/PHP million, respectively.**

Indirect (Scope 2) GHG Emissions

A second component of GHG emissions related to organizational operations are indirect (or scope 2) emissions primarily from the consumption of purchased electricity. 100% of electricity was purchased from an electric grid. In 2020, AGI's Scope 2 emissions were 295,399 tCO_2e. 100% of the electricity was purchased from an electric grid. The intensities of GHG emissions normalized by square meter floor area, employees and revenue were 0.04 tCO_2e/m^2, 7.49 tCO_2e/employee and 2.29 tCO_2e/PHP million, respectively.

OPERATIONAL GHG EMISSIONS

Scope	Absolute Emissions (in tCO_2e)	Carbon Intensity		
		tCO_2e per m^2 of floor area	tCO_2e per employee	tCO_2e per PHP millions in revenue
Scope 1	148,825	0.02	3.77	1.16
Scope 2	295,399	0.04	7.49	2.29
Scope 3	21,291	0.003	0.54	0.17
TOTAL	**465,515**	**0.063**	**11.8**	**3.62**

ABSOLUTE GHG EMISSIONS, BY SUBSIDIARY

Subsidiary	GHG Emission (in tCO_2e)	
	2019	2020
Megaworld	286,006	**101,981**
Travellers	123,172	**99,217**
Emperador	104,753	**146,928**
Golden Arches	71,281	**117,388**
TOTAL	585,212	**465,514**

Indirect (Scope 3) GHG Emissions

A final component of GHG emissions related to organizational operations are indirect (or scope 3). Calculated based on waste generated in operations, and business travel. In 2020, AGI's Scope 3 emissions totaled 21,291 tCO_2e. The intensities of GHG emissions normalized by square meter floor area, employees and revenue were 0.003 tCO_2e/m^2, 0.54 tCO_2e/employee and 0.17 tCO_2e/PHP million.

WATER USE

AGI has received permits for water extraction, or has permit applications in progress for all sites. In 2020, AGI's absolute water use totaled 9,944,669 cubic meters (m^3) with 5,340,874 m^3 from supplied water from local utilities, 4,603,794 cubic meters of water abstracted directly, with 2.94%% (or 292,836 m^3) of total water reused. AGI has received permits for water extraction, or has permit applications in progress for all sites. Water use intensity normalized by square meter of floor area, employee and revenue were 1.21m^3/m^2, 252.17 m^3/employee and 77.22 m^3/PHP million respectively.

WATER USE, BY SUBSIDIARY

Subsidiary	Total Water Volume (in m^3)	
	2019	2020
Megaworld	3,935,238	**2,667,859**
Travellers	1,785,727	**920,287**
Emperador	5,472,306	**4,849,803**
Golden Arches	1,200,850	**1,506,720**
TOTAL	12,394,121	**9,944,668**

WASTE GENERATION AND RECYCLING

Major types of waste that contributed to the total mass were solid waste, metal, plastic and paper. In 2020, absolute non-hazardous waste and hazardous waste generated was 58,233, with 53,184 tonnes of non- hazardous waste and 5,050 tonnes of hazardous waste, with 37% of all waste (or 21,826 tonnes) being recycled. Major types of waste that contributed to the total mass were solid waste, metal, plastic and paper. The intensity of total waste generated normalized by square meter of floor area, employee and revenue were 0.01 tonnes/m^2, 1.48 tonnes/employee and 0.45 tonnes/PHP million.

WASTE GENERATED, BY SUBSIDIARY

SUBSIDIARY	TOTAL WASTE (IN TONNES)	
	2019	2020
Megaworld	14,085	**11,583**
Travellers	975	**1,255**
Emperador	22,588	**22,822**
Golden Arches	46,192	**22,575**
TOTAL	83,840	**58,233**

Well-Being

ENSURING THE WELL-BEING OF OUR EMPLOYEES

Through its diverse subsidiaries, AGI operates with an integrated ecosystem of businesses that can accelerate its nationwide job creation by 2035. The Group follows through with responsible employment practices by implementing programs for the physical and mental well-being of employees.

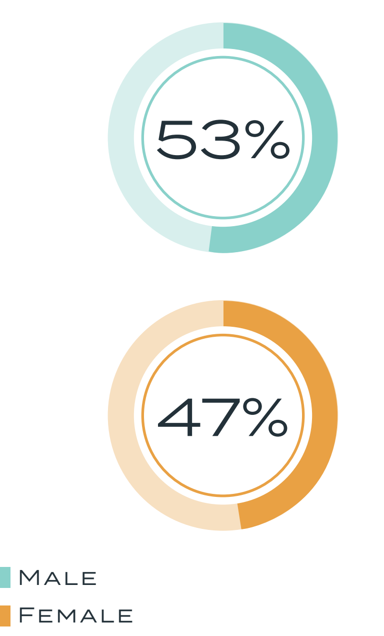
Megaworld commits to creating around 3 million direct and indirect jobs in its various developments across the country within 15 years. Emperador's global businesses employ both white-collar and blue-collar workers in the Philippines, Europe, and South America, as well as support local farmers. Travellers, on the other hand, prioritizes local hires in its casino and hotel operations.

Golden Arches Development Corporation, which operates McDonald's Philippines sees an average of 80 to 100 additional workers employed for every branch opened. This also includes job opportunities offered to students and out-of-school youth through their special employment program.

AGI worked towards safeguarding the health of all its employees during the pandemic. Ensuring the well-being of the Group's employees proved crucial as it also ensured continued business operations despite the challenges posed by the pandemic.

To address this, AGI implemented work-from-home arrangements, as well as developed stringent health and safety protocols and provisions for on-site employees and other frontline workers. Additionally, health and medical support for all employees throughout the pandemic were provided. Through mobile apps and other internal online communication plans, AGI improved employee productivity, engagement, and morale.

WORKFORCE DIVERSITY



39,437
DIRECT EMPLOYEES

100%
OF EMPLOYEES RECEIVE REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

GROUP DIVERSITY AND EMPLOYEE REPRESENTATION

SUBSIDIARY	MALE	FEMALE	TOTAL
Megaworld	2,510	2,924	**5,434**
Travellers	3,341	2,554	**5,895**
Emperador	2,679	820	**3,499**
Golden Arches	12,208	12,401	**24,609**
TOTAL	**20,738**	**18,699**	**39,437**

TRAINING AND DEVELOPMENT

AGI recognizes that training and education form an important part in the development of employee skills and supporting career development. In 2020, AGI dedicated 3,494,444 hours on training employees, which entailed a total expenditure of PHP37,745,859.

Additionally, performance reviews are scheduled bi-annually to support in career development, promotion and merit enhancement. AGI also provides several government mandated and voluntary benefits to its employees such as leaves, salary loans, saving benefits, several loans options, medical benefits, flexible working hours, among other benefits.

*Estimated base

Subsidiary	Total number of training hours for all employees	Investment (in PHP)
Megaworld	886,934	9,734,048
Travellers	1,927,518	9,391,409
Emperador	657,812	13,619,013
Golden Arches	22,480	5,001,389

TAKING CARE OF OUR LOCAL COMMUNITIES

Despite difficulties that surfaced in 2020, AGI was able to provide COVID-19 response and relief operations to local communities and continue the Group's flagship corporate social responsibility (CSR) projects.

Megaworld Foundation's main programs are divided into Charitable Causes, Environmental Care, Academic Scholarships, and Local Cultural Promotions. For 2020, Megaworld Foundation supported the Department of Education's Distance Learning System: "Adapting to the New Normal" program by donating printers and other necessary materials for educational modules. These were used in public schools in several provinces and charitable institutions that care for street girls recovering from trauma and abuse through education and empowerment.

To improve the basic knowledge in English and Mathematics of orphaned children aged 5 to 11, tutorials and weekly monitoring during the summer break took place through the Eskwela ng Bayan program with a partner institution. Learning materials were distributed, while pre and post-tests were conducted to measure the progress of the learners. The Megaworld Foundation further sponsored one e-learning facility for orphaned children in Alabang.

Almost 1,000 education scholarships were awarded to deserving youth, with 65% being girls and underprivileged children. For 2021, Megaworld intends to increase the number of scholarships by 10%.

Various programs for the youth in the new normal were launched, including the Mega Summer Venture #RoamFromHome—a social-media based group organized by Megaworld Foundation's highschool and college scholars. The project allowed the scholars to encourage each other and provide support to the frontliners.

In Sulu and Bulacan, the Taking the Extra Mile for the Last Mile support on access to education program supplied motorized

school boats to communities, sparing students from swimming back and forth to attend school.

Empire East's The Gift of SMILE brought joy to the students of New Little Baguio Elementary School through the goodie bags filled with toys and food. The students also received special piggy banks with a year's worth of savings from the employees. The DMG group of HRAD Department donated school supplies, including a printer and other materials, for the students of Balye Mangyan Elementary School in Oriental Mindoro.

Okura at Home also gave back to the community by allocating a donation of PHP200 for every minimum order of PHP2,000. The proceeds went directly to Virlanie Foundation's Parola Community Program in Tondo, Manila, and gave hygiene kits and education materials to children learning at home.

To complement these initiatives, Resorts World Manila's League of Volunteer Employees of LOVE Plus, launched the LOVE Ukay Ukay Bazaar. The clothes donation for charity meets both the environmental and social thrusts of the Group.

Donated second hand clothes from the Thrillmakers and Lost and Found items cleared for disposal were sold at a charity bazaar with proceeds used for subsequent relief drives and unsold items donated to Caritas Manila's Segunda Mana initiative. Travellers' Hilton Hotel also re-purposed condemned linens and bath towels, donating these to the Social Development Center of Pasay City for recycling.

For Golden Arches's CSR programs, the Ronald McDonald House Charities (RMHC) and the Ronald McDonald Bahay Bulilit Training Centers, have been consistently helping the lives of Filipino children as it has done for decades.

One of its flagship programs is the Ronald McDonald Read to Learn that continued its commitment for the school year 2020 - 2021, despite the pandemic. The program was held in 25 schools in Batangas and 22 schools in Marawi City. All 47 schools were provided with Ronald McDonald Read to Learn Kit which consists of 34 big books, worksheets, lesson plans, pocket charts, and ABC banners. Nationwide, the Read to Learn program has been adopted by 10,832 public schools. Since it was launched in 2002, the program has benefitted 12.5 million Grade 1 and Grade 2 public school students.

Another program is the Ronald McDonald Bahay Bulilit Learning Center. In 2020, RMHC built its third learning center in Davao City and the first Ronald McDonald Bahay Bulilit Learning Center in Taguig City. These centers are learn-and-play spaces where children are taught basic skills in preparation for formal schooling, while also developing social skills and sportsmanship through play. Overall, there are currently 36 Bahay Bulilit Learning Centers in 33 cities and municipalities nationwide.

GADC and RMHC ended the year by serving 351,635 meals for 399 hospitals and quarantine centers and 391 communities through the McDonald's Kindness Kitchen project. This was in partnership with the Pilipinas Kontra Gutom or PKG—a multi-sectoral drive to address the social issue of hunger in the country—as its private sector lead.

Corporate Governance

LEADERSHIP IN CHALLENGING TIMES

The COVID-19 pandemic has pushed companies and its leaders to make strategic decisions in a complex new reality. This new business environment is characterized by competing demands from various stakeholder groups, heightened expectations for social responsibility and corporate citizenship, and prevailing uncertainty about the future of business and society at large.

These factors, further exacerbated by the challenges of the post-COVID reality, are not only complicating Board-level decision-making but are also challenging the traditional shareholder-centric model of corporate governance. AGI's leadership's ability to deliberate and arrive at key decisions in a thorough, thoughtful, and timely manner will be a critical aspect of the Group's effectiveness, agility, and resilience in a post-COVID world.

Through the years, even during times of seemingly insurmountable crises, AGI's Manual on Corporate Governance has served as its guide and anchor in navigating an ever-changing business environment. AGI's Manual on Corporate Governance serves the following purpose:

1. A guide in fulfilling its long-term economic, moral, legal, and social obligations towards all its stakeholders.
2. An integrated system of direction, feedback, and control through rules and regulations, policies and processes, performance standards, and ethical guidelines.

The Manual also holds the Board of Directors and senior management accountable for reconciling long-term customer satisfaction with shareholder value. In their commitment to upholding good corporate governance principles, the Board has mandated several committees to enact these principles and practice strategic business management in every division.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee assists the Board in the performance of its corporate governance responsibilities. It oversees the implementation and periodic review of the corporate governance framework; oversees the periodic performance evaluation of the members of the Board; recommends the continuing relevant education and training programs for directors; assigns tasks or projects to board committees; plans for the succession of the board members and senior officers, as well as the remuneration packages for corporate and individual performance; determines the nomination and election process for the general profile and composition of the Board; and ensures that the nomination and election policy and procedures for the Board are conducted properly. It is composed of at least three (3) members, two of whom are independent directors, including the Chairman.

AUDIT COMMITTEE

The Audit Committee has oversight over financial reporting, internal control systems, internal and external audit processes, and compliance with applicable laws and regulations. It is responsible for assessing the integrity and independence of external auditors. It monitors and evaluates the adequacy and effectiveness of our internal control systems, including financial reporting control and information technology security, and reviews the reports submitted by the internal and external auditors.

It is composed of at least three (3) members of the Board who, preferably, have accounting, auditing, and finance backgrounds, the majority of whom shall be Independent Directors and another with auditing experience. The chair of the Audit Committee must be an Independent Director.

BOARD RISK OVERSIGHT COMMITTEE

The Board Risk Oversight Committee has oversight over the Enterprise Risk Management System to ensure its functionality and effectiveness. It shall develop, oversee the implementation, and evaluate a formal enterprise risk management plan; advise the Board on its risk appetite levels and risk tolerance limits; and provide oversight over the Management's activities in managing credit, market, liquidity, operational, legal, and other risk exposures of the Group.

It is composed of at least three (3) members of the Board, the majority of whom must be Independent Directors, including the Chairman. The Chairman of this Committee must not be the Chairman of the Board or of any other committee.

RELATED PARTY TRANSACTION COMMITTEE

The Related Party Transaction (RPT) Committee reviews all material related party transactions of the Group. It evaluates existing relations between and among business and counterparties on an ongoing basis; ensures that appropriate disclosure is made, or information is provided to regulatory and supervisory authorities relating to the Group's RPT exposures; reviews and enforces policies on conflicts of interest or potential conflicts of interest; ensures that transactions with related parties, including a write-off of exposures, are subject to a periodic independent review or audit process; and oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

It is composed of at least three (3) members of the Board, two of whom must be Independent Directors, including the Chairman.

OUR BOARD OF DIRECTORS

DR. ANDREW L. TAN

Chairman of the Board

Dr. Tan has served as Chairman of the Board since September 2006 and as Vice Chairman of the Board from August 2003 to September 2006. He is also the Chairman of Emperador Inc. Dr. Tan is the Chairman and President of Megaworld Corporation from August 1989 to the present. He is also the Chairman of two subsidiaries of Megaworld, Global-Estate Resorts, Inc., and Empire East Land Holdings, Inc. He was also elected as Director of Travellers International Hotel Group, Inc. in July 2008. He is concurrently the Chairman of the Board and President of Megaworld Land, Inc., Richmonde Hotel Group International Limited, and Yorkshire Holdings, Inc. He is also chairman of Emperador Distillers, Inc.; Alliance Global Brands, Inc.; Consolidated Distillers of the Far East, Inc.; Eastwood Cyber One Corporation; Megaworld Central Properties, Inc.; Megaworld Foundation, Inc.; Townsquare Development, Inc.; and Adams Properties, Inc. He also serves as Vice Chairman and Treasurer of Golden Arches Development Corporation and Golden Arches Realty Corporation. He sits on the boards of Andresons Global, Inc. and Twin Lakes Corporation.

Dr. Tan pioneered the live-work-play-learn model in real estate development through Megaworld's integrated township communities, fueling the growth of the business process outsourcing (BPO) industry, food and beverage, and quick-service restaurants Industries.

Dr. Tan graduated magna cum laude from the University of the East, with a Bachelor of Science degree in Business Administration.

KEVIN ANDREW L. TAN

Director and Chief Executive Officer

Mr. Tan has been elected as Chief Executive Officer since June 2018 and Vice-Chairman since September 2018. He has served as Director since April 2012. He also serves as Director of Emperador Inc. and of two subsidiaries of Megaworld Corporation, Global-Estate Resorts, Inc. and Empire East Land Holdings, Inc. He is concurrently a Director of Emperador Distillers, Inc.; Alliance Global Brands, Inc.; Anglo Watsons Glass, Inc.; Yorkshire Holdings, Inc.; The Bar Beverage, Inc.; Emperador Brandy, Inc.; and New Town Land Partners, Inc.

He has over 11 years of experience in retail leasing, marketing, and operations. He currently heads the Commercial Division of Megaworld Corporation, which markets and operates the Megaworld Lifestyle Malls, including Eastwood Mall and The Clubhouse at Corinthian Hills in Quezon City; Venice Grand Canal at McKinley Hill and Burgos Circle at Forbes Town, both in Fort Bonifacio; Newport Mall at Resorts World Manila in Pasay City; Lucky Chinatown Mall in Binondo, Manila; Uptown Mall in Uptown Bonifacio; and Southwoods Mall in Laguna.

Mr. Tan holds a Bachelor of Science degree in Business Administration, major in Management, from the University of Asia and the Pacific.

KINGSON U. SIAN

Director and President

Mr. Sian has served as Director and President since February 2007. He also serves as Executive Director of Megaworld Corporation. He is also the Director and President of Travellers International Hotel Group, Inc. since June 2008, and is the Chief Executive Officer since October 2014. Mr. Sian also served as the Director of Emperador, Inc. from August 2013 to 2017. He is also the Chairman & President of Asia Finest Hotels & Resorts, Inc.; Megaworld Resort Estates, Inc.; Prestige Hotels & Resorts, Inc.; and Manila Bayshore Property Holdings, Inc. He is the Director & President of Adams Properties, Inc.; Eastwood Cyber One Corporation; Eastwood Locator's Assistance Center, Inc.; and Forbestown Properties Holdings, Inc. He is also a Director of Asia E-Commerce, Inc.; Citywalk Building Administration, Inc.; Eastwood Corporate Plaza Building Administration, Inc.; Eastwood City Estates Association, Inc.; Forbes Town Commercial Center Administration, Inc.; ICITE Building Administration, Inc.; Paseo Center Building Administration, Inc.; Techno Plaza One Building Administration, Inc.; and World Café, Inc. He is also the Senior Vice President & Chief Executive Officer of Megaworld Land, Inc.

Mr. Sian graduated from the University of the Philippines, with a Bachelor of Science degree in Business Economics. He obtained his Master's degree in Business Administration for Finance and Business Policy from the University of Chicago.

KATHERINE L. TAN

Director and Treasurer

Ms. Tan has served as Director and Treasurer since February 2007. She also serves as Director and Treasurer of Emperador, Inc. since August 2013. She has served as Director of Megaworld Corporation from August 1989 up to the present, where she previously was the Treasurer from August 1989 to June 1995. Ms. Tan is also the Chairman and President of Andresons Global, Inc., and Choice Gourmet Banquet, Inc. She is also the Director & President of Consolidated Distillers of the Far East, Inc.; Raffles and Company, Inc.; and The Andresons Group, Inc. She is the Director & Treasurer of Alliance Global Brands, Inc.; Emperador Brandy, Inc.; Emperador Distillers, Inc.; and Yorkshire Holdings, Inc.

Ms. Tan is a Director of Emperador International Limited; Kenrich Corporation; McKester Pik-Nik International Limited; Megaworld Cayman Islands, Inc.; Venezia Universal Limited; and The Bar Beverage, Inc. She is also the Treasurer of Newtown Land Partners, Inc.

Ms. Tan graduated from St. Scholastica's College with a Bachelor of Science degree in Nutrition.

WINSTON S. CO

Director

Mr. Co has served as Director since 1998, where he previously was Vice Chairman of the Board from November 1999 to August 2003, and then Chairman from June 1998 to October 1999. He also holds the position of President and Chief Executive Officer of Emperador, Inc. since August 2013.

He is the Chairman and President of New Town Land Partners, Inc.; Chairman of Anglo Watsons Glass, Inc.; and Director & President of Emperador Distillers, Inc. He sits on the boards of Alliance Global Brands, Inc.; Forbes Town Properties & Holdings, Inc.; McKester Pik-Nik International Limited; Raffles & Company, Inc.; and The Bar Beverage, Inc. He is also the Senior Vice President of The Andresons Group, Inc.

Mr. Co is a magna cum laude graduate of Jose Rizal College, with a Bachelor of Science degree in Commerce. and Business Policy from the University of Chicago.

SERGIO R. ORTIZ-LUIS, JR.

Independent Director

Mr. Ortiz-Luis, Jr. has served as an Independent Director and Vice Chairman of the Board since September 2007. He is the President of the Philippine Exporter Confederation, Inc.

(PHILEXPORT) and the Honorary Chairman and Treasurer of the Philippine Chamber of Commerce and Industry (PCCI). He is also the Honorary Chairman of Integrated Concepts & Solutions, Inc., and Vice Chairman of Export Development Council. He is a Director of Waterfront Philippines, Inc.; Philippine Estate Corporation; B.A. Securities; Manila Exposition Complex, Inc.; Calapan Ventures, Inc.; and Jolliville Holdings Corporation. He is also an Independent Director of Forum Pacific, Inc.

ALEJO L. VILLANUEVA JR.

Independent Director

Mr. Villanueva has served as an Independent Director since August 2001. He also served as an Independent Director of Emperador, Inc. from August 2013 up to the present; of Empire East Land Holdings, Inc. from June 2007 up to the present; and of Suntrust Home Developers, Inc. from October 2012 up to the present. He is the Chairman of Ruru Courier Systems, Inc. and Vice Chairman of the Public Relations Counsellors Foundation of the Philippines, Inc. He is a Director of First Capital Condominium Corporation, a non-stock non-profit corporation.

Mr. Villanueva obtained his bachelor's degree in Philosophy from San Beda College, graduating summa cum laude. He has a master's degree in Philosophy from the University of Hawaii, under an East-West Center Fellowship. He also took up special studies in the Humanities at Harvard University. He studied Organizational Behavior at INSEAD in Fontainebleau, France. He taught at the Ateneo Graduate School of Business, the UST Graduate School, and the Asian Institute of Journalism.

ENTERPRISE RISK MANAGEMENT

The Board, through the Audit Committee, reviews the effectiveness of the Group's risk management system, including its subsidiaries and affiliates, with emphasis on monitoring existing and emerging risks, as well as implementing risk mitigation measures and identifying risks before they cause negative impacts on the business.

Based on the set guidelines, directors are assigned specific subsidiaries, affiliates, or businesses where they monitor compliance with the risk management system. A review of the risk management system is ongoing, awaiting reports from each subsidiary, affiliate, and business segment. Criteria used for review comply with established guidelines and controls, and the appropriate risk management and risk mitigation measures were undertaken.

COMPANY		
Risk Exposure	Risk Management Policy	Objective
Hazards and natural or other catastrophes	Have an emergency response plan/action	Allow the different business segments to continue operations or minimize downtime during natural disaster or calamity
Regulatory developments	Review of new laws and regulations	Ensure the Company is compliant with all laws and regulations
Philippine economic and political conditions	Review of business and political situation	Ensure the Company can immediately adapt to changes in economic and political conditions and can devise strategies to meet these changes
Liquidity	Minimize exposure to financial markets	Actively secure short-to-medium-term cash flow

GROUP		
Risk Exposure	Risk Management Policy	Objective
Hazards and natural or other catastrophes	Have an emergency response plan or action	Allow the different business segments to continue operations even during natural disaster or calamity
Regulatory developments	Review of new laws and regulations	Ensure the different business segments are compliant with all laws and regulations
Money laundering and cheating at gaming areas	• Constant security check and monitoring • A system of checks and balances	Minimize situations where these activities can happen
Supply of raw materials and packaging materials	• Maintain a diverse group of suppliers • Get at least three quotations from suppliers	• Prevent overdependence on a single supplier • Ensure the best price possible
Consumer taste, trends, and preferences	Market study and analysis	Be aware of trends and preferences to develop new products or adapt existing strategy
Competition	• Market study and analysis • Maintain a diversified earnings base • Constant product innovation	• Be aware of trends and preferences to develop new products or adapt existing strategy • Revenue and property diversification
Interests of joint development partners	• Use of pre-selling as a project financing tool • Entering into joint development agreements for the acquisition of land	• Minimize cash outlays for projects, control development costs, and maintain a net cash position • Maximize cost efficiencies and resources
Land for future developments	• Use of pre-selling as a project financing tool • Entering into joint development agreements for the acquisition of land	• Minimize cash outlays for projects, control development costs, and maintain a net cash position • Maximize cost efficiencies and resources
Philippine economic and political conditions	Review of business and political situation	Ensure the different business segments can immediately adapt to changes in economic and political conditions, and can devise strategies to meet these changes

MINORITY SHAREHOLDERS Risk to Minority Shareholders
The majority shareholder's voting power in the Company may affect the ability of minority shareholders to influence and determine corporate strategy.

Control System Set-Up

	COMPANY	
Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Hazards and natural or other catastrophes	Have an emergency response plan or action	Allow the different business segments to continue operations or minimize downtime during natural disaster or calamity
Regulatory developments	Review of new laws and regulations	Ensure the Company is compliant with all laws and regulations
Philippine economic and political conditions	Review of business and political situation	Ensure the Company can immediately adapt to changes in economic and political conditions and can devise strategies to meet these changes
Liquidity	Minimize exposure to financial markets	Actively secure short- to medium-term cash flow

COMPANY POLICIES

Whistle-Blowing Policy

The Committee on Ethics accepts reports of wrongdoing by the Company's directors, senior management, and employees and investigates them while, at the same time, ensures the confidentiality of information.

Conflict of Interest Policy

A director must not use his position to profit or gain some benefit or advantage for himself and/or his related interest. If an actual or potential conflict of interest may arise on the part of a director, he must fully and immediately disclose it and must not participate in the decision-making process.

Before an employee enters into an official transaction with a supplier or contractor, he must disclose in writing to his immediate supervisor any relationship or association that binds him to the supplier or contractor or its authorized representative to avoid possible conflict of interest.

Insider Trading Policy

A director must keep secure and confidential all non-public information he may acquire or learn because of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.

Policy and Data Relating to the Health, Safety, and Welfare of Employees

The Company maintains a safety and security program for its employees, which is periodically updated and revised. The Company provides free health care coverage to its employees, and periodically upgrades its security procedures and facilities to ensure the safety of its employees in the workplace.

Related Party Transactions Policy

Related Party Transactions	Policies and Procedures
Parent Company	Ensure that transactions are entered into on terms comparable to those available from unrelated third parties
Joint Ventures	Ensure that transactions are entered into on terms comparable to those available from unrelated third parties. These are similar to cash advances made to landowners for pre-development expenses. Repayment in full is made upon completion of the project.
Subsidiaries	Ensure that transactions are entered into on terms comparable to those available from unrelated third parties.
Entities Under Common Control	Ensure that transactions are entered into on terms comparable to those available from unrelated third parties.
Substantial Stockholders	Ensure that transactions are entered into on terms comparable to those available from unrelated third parties.
Officers, including their spouse, children, siblings, or parents	Ensure that transactions are entered into on terms comparable to those available from unrelated third parties. Disclosure of relationship or association is required before entering into a transaction. A director, who has an interest in the transaction, shall have no participation in the approval of the transaction.
Interlocking director relationship of Board of Directors	Ensure that transactions are entered into on terms comparable to those available from unrelated third parties. Disclosure of relationship or association is required before entering into a transaction. No participation on the part of an interested director shall be allowed in the approval of the transaction.

Financial Statements

ALLIANCE GLOBAL

Alliance Global Group, Inc.
7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark
188 E. Rodriguez Jr. Avenue, Bagumbayan, 1110 Quezon City
Tel. Nos. 87092038-41 Fax Nos. 87091966

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of ***Alliance Global Group, Inc. and Subsidiaries*** (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing 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 to do so.

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, have audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audits.

ANDREW L. TAN
Chairman of the Board

KEVIN ANDREW L. TAN
Chief Executive Officer

DINA D.R. INTING
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this APR 30 2021 MAKATI CITY, affiants exhibiting to me their Passport/ SSS No., as follows:

Names	PassportNo./ SSS No.	Date	Place of Issue
Andrew L. Tan	P9281984A	Oct. 24, 2018 to Oct. 23,2028	Manila
Kevin Andrew L. Tan	P8166916A	Aug. 1, 2018 to July 31, 2028	Manila
Dina D.R. Inting	SSS 03-5204775-3		

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Series of 2021

ATTY. MARK EBENEZER A. BERNARDO NOTARY PUBLIC ROLL NO. 74096 MAKATI CITY, PHILIPPINES

ATTY. MARK EBENEZER A. BERNARDO
Notary Public for Makati City until December 31, 2022
Notarial Commission No. M-02
Roll No. 74096
IBP Number: 121153 12/28/2020, PPLM
PTR No. 8530392 01/04/2021, Makati City
MCLE Compliance No.

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors and the Stockholders
Alliance Global Group, Inc. and Subsidiaries
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits 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.

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Offices in Cavite, Cebu, Davao
BOA/PRC Cert of Reg. No. 0002
SEC Accreditation No. 0002

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Emphasis of Matter

We draw attention to Note 1 to the consolidated financial statements, which describes management's assessment of the continuing impact on the Group's consolidated financial statements of the business disruptions brought by the COVID-19 pandemic. 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 these matters.

(a) Consolidation Process

Description of the Matter

The Group's consolidated financial statements comprise the financial statements of Alliance Global Group, Inc. and its subsidiaries, as enumerated in Note 1 to the consolidated financial statements, after the elimination of material intercompany transactions. The Group's consolidation process is significant to our audit because of the complexity of the process. It involves several layers of consolidation, identification and elimination of voluminous intercompany transactions to properly reflect realization of profits and measurement of controlling and non-controlling interests.

The Group's policy on consolidation process is more fully described in Note 2 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Among others, our audit procedures to address the risk associated with the Group's consolidation process are as follows:

- Obtained an understanding of the Group structure and its consolidation policy and process, including the procedures for identifying intercompany transactions and reconciling intercompany balances;
- Tested the mathematical accuracy of the consolidation done by management, verified financial information used in the consolidation based on the audited financial statements of the components of the Group, and evaluated the consistency of the accounting policies applied by the entities within the Group;
- Tested the accuracy and appropriateness of intercompany elimination entries, the translation of the financial statements of foreign subsidiaries of the Group, and other significant consolidation adjustments;
- Performed analytical procedures at the consolidated level; and,
- Evaluated the sufficiency and adequacy of disclosures in the Group's consolidated financial statements in accordance with PFRS.

(b) Revenue Recognition for Sale of Consumer Goods and Sales from Company-operated Quick-service Restaurants

Description of the Matter

Sale of consumer goods amounting to P52.2 billion, which is mainly from its Emperador business segment, represents 40.5% of the Group's total revenues and income. Revenue from sale of goods is recognized when control over the goods has been transferred at a point in time to the customer, i.e., generally when the customer has acknowledged receipt of the goods.

Sale from company-operated quick-service restaurants amounting to P18.0 billion, which is mainly from its GADC business segment, represents 14.0% of the Group's total revenues and income. The Group recognizes revenue from restaurant sales at a point in time when services are rendered, that is, when food and beverage products or promotional items purchased by customers have been delivered and accepted by the customers.

We considered revenue recognition from both sources as a key audit matter since it involves significant volume of transactions, requires proper observation of cut-off procedures, and directly impacts the Group's profitability.

The Group's disclosures on its revenue recognition policy and details of total revenues are presented in Notes 2 and 24, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others, the following:

On sale of consumer goods:

- Tested the design and operating effectiveness of the Group's processes and controls over revenue recognition, approval and documentation, including the implemented information technology general and application controls over automated systems that record the revenue transaction;
-
- Evaluated the appropriateness of the Group's revenue recognition policy in accordance with the requirements of PFRS 15, *Revenue from Contracts with Customers*;
- Tested, on a sample basis, sales invoices, delivery receipts and cash receipts of sales transactions throughout the current period to determine whether sale of goods is valid and existing;
- Confirmed trade receivables using positive confirmation, on a sample basis, and performed alternative procedures for non-responding customers, such as, examination of evidence of subsequent collections, or corresponding sales invoices and proof of deliveries;
- Tested sales invoices and delivery receipts immediately prior and subsequent to the current period to determine whether the related sales transactions are recognized in the proper reporting period; and,

- Performed substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of sales per product/brand and location, and sales mix composition based on our expectations and following up variances from our expectations; and, verified that the underlying data used in the analyses are valid.

On sales from company-operated quick-service restaurants:

- Tested the design and operating effectiveness of the Group's internal controls over the recognition and measurement of revenues from sales from company-operated quick-service restaurants, including test of information technology general controls (ITGC) over relevant automated controls;

- Performed test of completeness and cut-off testing by obtaining store reports, on a sample basis, and matching with system wide sales report;

- Obtained an understanding of the revenue recognition policy regarding quick-service restaurant and the related significant business processes of the Group; and,

- Performed substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of sales per product/brand and location, and sales mix composition based on our expectations and following up variances from our expectations; and, verifying that the underlying data used in the analyses are valid.

(c) Revenue Recognition on Real Estate Sales and Determination of Related Costs

Description of the Matter

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve the application of significant judgment and estimation. In addition, real estate sales and costs of real estate sales amounted to P24.9 billion or 19.3% of the consolidated Revenues and Income and P13.8 billion or 12.1% of the consolidated Costs and Expenses, respectively, for the year ended December 31, 2020. The areas affected by revenue recognition, which requires significant judgments and estimates, include determining when a contract will qualify for revenue recognition, measuring the progress of the development of real estate projects which defines the amount of revenue to be recognized and determining the amount of actual costs incurred as cost of real estate sales. These areas were significant to our audit as an error in application of judgments and estimates could cause a material misstatement in the consolidated financial statements.

The Group's policy for revenue recognition on real estate sales are more fully described in Note 2 to the consolidated financial statements. The significant judgments applied and estimates used by management related to revenue recognition are more fully described in Note 3 to the consolidated financial statements. The breakdown of real estate sales and costs of real estate sales are disclosed in Notes 24 and 25, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatements relating to the recognition of revenue from real estate sales and related costs include, among others, the following:

- Obtained an understanding of the revenue recognition policy regarding real estate sales transactions and the related significant business processes of the Group;
- Performed test of design and operating effectiveness on controls regarding real estate revenues and costs recognition, including test of ITGC over relevant automated controls;
- Performed test of mathematical accuracy and completeness of supporting contract summary, examination of supporting documents of a sample of agreements, and performing overall analytical review of actual results;
- Inspected sample agreements for compliance with a set of criteria for revenue recognition and test of controls over contract approval;
- Tested the reasonableness of management's judgment in determining the probability of collection of the consideration in a contract which involves a historical analysis of customer payment pattern and behaviour;
- Tested the progress reported for the year in reference to the actual costs incurred relative to the total budgeted project development costs, which includes testing of controls over the recognition and allocation of costs per project and direct examination of supporting documents. In testing the reasonableness of budgetary estimates, we have ascertained the qualifications of project engineers who prepared the budgets and reviewed the actual performance of completed projects with reference to their budgeted costs;
- Performed physical inspection of selected projects under development to assess if the completion based on costs is not inconsistent with the physical completion of the project;
- In relation to cost of real estate sales, we obtained an understanding of the Group's cost accumulation process. On a sampling basis, we traced costs accumulated to supporting documents such as invoices and accomplishment reports from the contractors and official receipts; and,
- Tested the adequacy of financial statement disclosures.

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(d) Revenue Recognition on Gaming Operations

Description of the Matter

The Group, through its Travellers business segment, is the operator of integrated gaming resorts and tourist destination, Resorts World Manila. The total revenue from gaming operations amounted to P9.4 billion in 2020, representing 7.0% of the Group's total revenues. Gaming transactions of the Group with fixed-odds wagers known at the time of bet are considered derivative transactions wherein the Group takes a position against a patron and the resulting unsettled position becomes a derivative instrument under PFRS 9, *Financial Instruments*. In our view, gaming transaction is significant to our audit because the amount is material and it involves voluminous transactions at any given period of time, which undergo complex automated and manual gaming processes and controls under the Group's principal gaming and gaming-related systems.

The Group's disclosures on its revenue recognition policy and details of total revenues are presented in Notes 2 and 24, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition on gaming operations, which was considered to be a significant risk, included the following:

- Updated our understanding of the Group's gaming revenue processes and controls over the recognition and measurement of gaming revenues;
- Tested and evaluated the design and operating effectiveness of controls over ITGC and application controls over major casino processes namely: buy-in and pay-out, float maintenance, end-of-day recording, casino credit billing and collection and month-end reconciliation procedures;
- Performed analytical review procedures on gaming revenues, drops and win rates from both gaming tables and slot machines based on our expectations, and resolved variances from our expectations through discussion with the management and corroboration of their responses whether plausible under such circumstances;
- Tested the recognition and measurement of gaming revenues by tracing a sample of transactions throughout the current period to source data to verify the accuracy of reported gaming revenues; and,
- Performed detailed observation of cash count procedures at the end of the reporting period to verify the appropriateness of the Group's cut-off procedures on gaming revenues.

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(e) Impairment Evaluation of Property and Equipment and Investment Properties

The Group's hotel operations segment continues to be adversely affected by the lower number of guests and reduced room rates, which significantly impacted the revenues reported for this segment. Meanwhile, the Group's rental segment, both office and retail, are also affected due to temporary closures of non-essential stores during community quarantine, reduced foot traffic, lease concessions and restructuring and, more particularly for office rental, transition to work-from-home arrangements. Similarly, the Group's gaming segment was adversely affected due to temporary closure of casino operations during the enhanced community quarantine, and, subsequently, when it resumed operations, capacity was only limited to 30%, then 50%. Likewise, the Group's company-operated quick-service restaurants segment are also affected due to restrictions in operating capacity and store hours, which also caused lower foot traffic and closure of some stores. The impairment of real properties under the hotel operations, rental segments and company-operated quick-service restaurants segment is significant to our audit because the aforementioned events and conditions are impairment indicators requiring the assessment of the recoverable amount of property and equipment and investment properties, which involves significant judgment, estimation and assumptions. In addition, because of the COVID-19 pandemic, there is a heightened level of uncertainty on the future economic outlook and market forecast. Real properties and right-of-use assets under hotel operations, gaming and company-operated quick-service restaurants (part of property, plant and equipment - net), and rental segments (part of investment properties) are significant to the financial statements and totalled P169.4 billion or 25.3% of consolidated total assets as of December 31, 2020.

The Group's policy for impairment of non-financial assets, which include property and equipment and investment properties, are more fully described in Note 2 to the consolidated financial statements. The significant judgments applied and estimates used by management related to impairment are more fully described in Note 3 to the consolidated financial statements. The segment information, carrying amount of property and equipment and carrying amount of investment properties are disclosed in Notes 4, 13 and 14, respectively.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the impairment evaluation of property and equipment and investment properties included, among others, the following:

- Evaluated the appropriateness of the Group's policy on impairment of non-financial assets particularly in the determination of recoverable amount of real properties under hotel operations and rental segments, which includes key inputs such as cash flow forecast and discount rates;

- Tested the cash flow forecast considering the judgments, estimation and assumptions about occupancy rates, average room rates, average lease rates, restructuring and termination of lease contracts with consideration of the effect of COVID-19 pandemic, used in determining the recoverable amount;

- Reviewed the growth rates and discount rate used in determining the cash flow forecast by comparing it with current market data; and,

- Involved our internal specialist in evaluating the appropriateness of methodologies used in estimating the recoverable amount and the reasonableness of assumptions used.

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(f) Impairment of Goodwill and Trademarks with Indefinite Useful Life

Description of the Matter

Under Philippine Accounting Standard 36, *Impairment of Assets*, the Group is required to annually test the carrying amounts of its goodwill and trademarks with indefinite useful lives for impairment. As of December 31, 2020, goodwill amounted to P19.8 billion, while the trademarks with indefinite useful lives amounted to P19.4 billion. We considered the impairment of these assets as a key audit matter because the amounts of goodwill and trademarks are material to the consolidated financial statements. In addition, management's impairment assessment process involved significant judgement and high estimation uncertainty based on the assumptions used. The significant assumptions include the determination of the discount rate, growth rate and cash flow projections used in determining the value-in-use of the trademarks and the cash-generating units over which the goodwill was allocated. The assumptions used by management are generally affected by expected future market and economic conditions.

The Group's policy on impairment assessment of goodwill and trademarks with indefinite useful lives is more fully described in Note 2 to the consolidated financial statements; the estimation uncertainty on impairment of non-financial assets, including trademarks and goodwill with indefinite useful lives, is presented in Note 3 to the consolidated financial statements; while their corresponding carrying amounts are presented in Note 15 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the goodwill and trademarks with indefinite useful lives included, among others, the following:

- Evaluated the appropriateness and reasonableness of methodology and assumptions used in determining the value-in-use of cash-generating units attributable to the trademarks and goodwill, which include the discount rate, growth rate and the cash flow projections, by comparing them to external and historical data, with assistance from our Firm's valuation specialists;

- Tested the calculation of valuation model for mathematical accuracy and validating the appropriateness and reliability of inputs and amounts used;

- Performed independent sensitivity analysis of the projections and discount rate using the valuation model used to determine whether a reasonably possible change in assumptions could cause the carrying amount of cash generating units to exceed the recoverable amount; and,

- Evaluated the adequacy of the financial statement disclosures relating to goodwill, trademarks and impairment, including disclosure of key assumptions and judgments.

(g) Existence and Valuation of Inventories

Description of the Matter

Inventories amounted to P140.0 billion as at December 31, 2020, which are mainly from the Group's Megaworld and Emperador business segments. The valuation of inventories is at the lower of cost or net realizable value (NRV).

Real estate inventories principally comprise of land for future development, property development costs, raw land inventory, and golf and resort shares for sale while consumable inventories mostly comprise of alcoholic beverages. Future realization of inventories is affected by price changes in the costs incurred necessary to complete and make a sale. Due to the significant volume and carrying amount of inventories, and the high level of judgment in estimating its NRV, we considered the existence and valuation of inventories as significant to our audit.

The Group's disclosures on accounting policy, estimation uncertainty, and Inventories account are presented in Notes 2, 3, and 8, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the existence and valuation of inventories included, among others, the following:

On existence of inventories:

- Performed, on a sample basis, physical inspection of real estate properties held as inventories;
- Observed physical inventory count procedures on consumer goods, obtained relevant cut-off information and copy of count control documents, and verified inventory movements during the intervening periods between the actual count date and reporting date to further test the quantities of inventory items as of the end of the reporting date; and,
- Performed substantive analytical review procedures over inventory-related ratios such as, but not limited to, inventory turnover and current period's components of inventories; and, verified that the underlying data used in the analyses are valid.

On valuation of inventories:

- Tested the design and operating effectiveness of processes and controls over inventory costing, reconciliation, data entry and review, including test of ITGC over relevant controls;
- Evaluated the appropriateness of the method used by management for inventory costing and valuation of the lower of cost or NRV and assessed the consistency of their application from period to period;
- Performed, on a sample basis, a price test of inventory items by examining supporting documents such as, but not limited to, purchase contracts and invoices, and relevant importation documents;

- Performed detailed analysis of the Group's standard costing of inventories through analytical review procedures of actual costs during the current period against the budgeted standard, and tested significant actual costs, on a sample basis, by agreeing with contracts and invoices; and,

- Evaluated the appropriateness and sufficiency of the amount of allowance for inventory write-down by testing the key assumptions used on the expected realization of inventories.

(h) Conduct of Remote Audit

Description of the Matter

As disclosed in Note 1 of the consolidated financial statements, the Group has been significantly exposed to the risks brought about by COVID-19, which has rapidly spread worldwide and caused governments across the world to implement community quarantine and social distancing measures and restrictions. This prompted management and the audit team to conduct a significant portion of the audit remotely.

The current working arrangements are relevant and significant to our audit since it created an increased risk of material misstatement due to less in-person communication with the Group's management and personnel, and lack of access to the physical records and original documents. Given the changes in how the audit was performed, the audit necessitated exercising enhanced professional skepticism.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of performing a significant portion of the audit remotely included the following:

- Considered the nature of the engagement and the engagement team's knowledge of the entity and its environment when we decided whether it is possible to perform a significant portion of the audit remotely;

- Intensified the application of PSA requirements, especially in respect of providing proper supervision and review;

- Obtained information through electronic means, which includes sending and receiving of confirmation electronically, obtaining calculations in electronic form to check the mathematical accuracy, scanning of hard-copy items for review and using real-time inspection technology such as video and screen-sharing;

- Determined the reliability of audit evidence provided electronically using enhanced professional skepticism and techniques designed to reinforce the skills of assistants in evaluating audit evidence obtained electronically;

- Performed inquiries through video conference calls in order to more effectively assess the facial expressions and body language of people being interviewed as well as to make the interaction more effective;

- Reviewed workpapers of component auditors remotely through share screening and constant and regular communication to clarify certain matters;

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- Examined critical hard copy documents (e.g., contracts, billing invoices, purchase invoices and official receipts) physically in response to the risk in revenues and costs, which is considered to be significant; and,

- Adhered to and applied strictly the Firm's reinforced and enhanced quality control process.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, 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 PSA, 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

The engagement partner on the 2020 audit resulting in this independent auditors' report is Romualdo V. Murcia III.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8533234, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 30, 2021

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2020	2019
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	P 69,697,688,432	P 51,270,580,951
Trade and other receivables - net	6	67,316,976,331	73,766,084,747
Contract assets	24	13,265,242,603	10,857,180,128
Financial assets at fair value through profit or loss	7	9,788,321,208	12,045,110,108
Inventories - net	8	140,025,856,105	135,869,915,236
Other current assets	9	16,302,863,173	17,367,583,144
Total Current Assets		316,396,947,852	301,176,454,314
NON-CURRENT ASSETS			
Trade and other receivables - net	6	16,176,300,006	16,406,358,749
Contract assets	24	6,115,483,710	7,785,824,559
Advances to landowners and joint operators	10	7,513,380,172	7,058,884,461
Financial assets at fair value through other comprehensive income	11	396,914,433	416,657,341
Investments in associates and joint ventures	12	6,760,790,295	6,558,943,348
Property, plant and equipment - net	13	140,156,527,643	136,262,546,247
Investment properties - net	14	116,364,208,432	112,338,187,564
Intangible assets - net	15	39,399,635,484	39,943,371,103
Deferred tax assets - net	29	6,351,607,385	5,477,329,211
Other non-current assets	9	7,869,369,362	7,021,891,772
Total Non-current Assets		347,104,216,922	339,269,994,355
NON-CURRENT ASSETS HELD FOR SALE	16	4,991,620,393	4,029,879,798
TOTAL ASSETS		P 668,492,785,167	P 644,476,328,467

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	Notes	2020	2019
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	17	P 72,161,288,500	P 61,394,887,255
Interest-bearing loans	18	49,545,524,642	40,869,676,836
Lease liabilities	13	1,427,669,658	1,297,248,962
Contract liabilities	24	2,647,780,045	1,703,947,321
Income tax payable		1,817,658,321	2,387,377,900
Redeemable preferred shares	20	251,597,580	251,597,580
Advances from related parties and joint operator partners	30	2,181,442,496	2,244,180,653
Other current liabilities	21	25,800,354,438	20,550,029,609
Total Current Liabilities		155,833,315,680	130,698,946,116
NON-CURRENT LIABILITIES			
Interest-bearing loans	18	124,371,416,317	138,283,436,876
Bonds payable	19	40,282,855,986	24,623,883,690
Lease liabilities	13	15,864,238,579	14,623,215,469
Contract liabilities	24	3,195,849,258	3,509,607,722
Retirement benefit obligation	28	2,432,312,926	2,201,371,108
Redeemable preferred shares	20	1,464,659,539	1,580,915,329
Deferred tax liabilities - net	29	17,792,304,155	16,374,273,704
Other non-current liabilities	21	11,436,372,526	15,463,882,949
Total Non-current Liabilities		216,840,009,286	216,660,586,847
Total Liabilities		372,673,324,966	347,359,532,963
EQUITY			
Equity attributable to owners of the parent company	22	183,276,765,473	179,373,807,626
Non-controlling interest	22	112,542,694,728	117,742,987,878
Total Equity		295,819,460,201	297,116,795,504
TOTAL LIABILITIES AND EQUITY		P 668,492,785,167	P 644,476,328,467

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
REVENUES AND INCOME				
Sale of goods	24	P 77,414,663,788	P 95,526,260,375	P 85,275,240,081
Rendering of services	24	47,840,714,287	81,042,850,217	66,170,080,409
Share in net profits of associates and joint ventures - net	12	115,185,780	180,320,326	203,178,124
Finance and other income	27	4,419,730,880	5,245,340,571	5,050,120,715
		129,790,085,855	179,909,871,010	156,704,551,209
COSTS AND EXPENSES				
Cost of goods sold	25	49,667,709,343	57,084,800,440	51,609,290,621
Cost of services	25	27,289,298,321	41,200,478,219	34,962,232,030
Other operating expenses	26	29,277,010,282	38,453,310,580	31,577,455,027
Finance costs and other charges	27	7,686,563,820	7,120,531,413	6,852,003,756
		113,884,481,468	144,119,890,518	125,001,023,017
PROFIT BEFORE TAX		14,905,339,300	35,409,914,671	31,772,608,202
TAX EXPENSE	29	4,645,709,657	8,309,844,365	8,107,504,537
NET PROFIT		10,259,630,753	27,100,070,266	23,665,103,725
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains (losses) on remeasurement of retirement benefit obligation	28	(204,928,467)	(418,204,791)	190,620,038
Net unrealized fair value gain (loss) on financial assets at fair value through other comprehensive income	11	(17,674,910)	43,342,602	26,515,089
Share in other comprehensive income (loss) of associates	12	1,474,520	(31,497,050)	83,452,065
Deferred tax income (expense) relating to retirement benefit plan	29	(208,421,230)	20,807,812	(75,012,032)
		(631,847,545)	(322,141,505)	157,538,608
Items that will be reclassified subsequently to profit or loss				
Translation adjustments	2	(1,895,872,210)	(508,524,258)	(320,080,097)
Net unrealized fair value gain (loss) on cash flow hedge	21	(344,749,968)	(293,309,320)	230,004,589
Deferred tax income (expense) relating to components of other comprehensive income	29	4,485,239	930,055	(710,975)
		(2,035,940,888)	(801,903,711)	(90,091,483)
TOTAL COMPREHENSIVE INCOME		P 7,602,522,837	P 25,986,944,870	P 23,729,551,102
Net profit attributable to:				
Owners of the parent company		P 8,829,250,379	P 17,721,319,071	P 15,114,293,790
Non-controlling interest		1,430,317,374	9,378,551,095	8,550,811,005
		P 10,259,630,753	P 27,100,870,266	P 23,665,103,725
Total comprehensive income attributable to:				
Owners of the parent company		P 6,758,090,180	P 17,038,992,431	P 14,870,950,290
Non-controlling interest		850,245,179	8,947,952,439	8,840,550,802
		P 7,602,522,837	P 25,986,944,870	P 23,729,551,102
Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company:	23			
Basic		P 0.9283	P 1.8300	P 1.5265
Diluted		P 0.9283	P 1.8264	P 1.5225

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, IN
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	Notes	Attributab					
		Capital Stock	Additional Paid-in Capital	Treasury Shares – at Cost	Net Actuarial Losses on Retirement Benefit Plan	Net Fair Value Gains (Losses) on Financial Assets at FVOCI	Accumulated Translation Adjustments
Balance at January 1, 2020		P 10,269,827,979	P 34,518,916,029	(P 6,792,114,766)	(P 237,009,622)	P 399,058,137	(P 4,510,575,979)
Transactions with owners:							
Change in percentage of ownership		-	-	-	-	-	-
Acquisition of treasury shares	22	-	-	(802,024,656)	-	-	-
Dividend paid by investee	22	-	-	-	-	-	-
Cash dividends declared	22	-	-	-	-	-	-
Share-based compensation	22	-	-	-	-	-	-
		-	-	(802,024,656)	-	-	-
Changes in legal reserves during the year		-	-	-	-	-	-
Appropriation of retained earnings	22	-	-	-	-	-	-
Reversal of appropriation	22	-	-	-	-	-	-
Total comprehensive income (loss)		-	-	-	(396,487,094)	103,360,806	(1,526,992,818)
Balance at December 31, 2020		P [illegible]	P [illegible]	(P [illegible])	(P [illegible])	P [illegible]	(P [illegible])
Balance at January 1, 2019, after effect of PFRS 16 adoption		P 10,269,827,979	P 34,395,380,979	(P 4,130,664,509)	(P 37,007,081)	P 292,058,325	(P 4,186,081,952)
Transactions with owners:							
Change in percentage of ownership		-	-	-	-	-	-
Acquisition of treasury shares	22	-	-	(2,661,450,257)	-	-	-
Acquisition of perpetual capital securities	22	-	-	-	-	-	-
Dividend paid by investee	22	-	-	-	-	-	-
Acquisition and incorporation of new subsidiaries	1	-	-	-	-	-	-
Share-based compensation	22, 28	-	-	-	-	-	-
Recycling due to disposal and dilution		-	-	-	-	-	-
		-	-	(2,661,450,257)	-	-	-
Disposal of financial asset at fair value through other comprehensive income	11	-	-	-	-	67,709,000	-
Unexercised share options reclassified to additional paid-in capital	22	-	123,535,050	-	-	-	-
Additional legal reserves during the year		-	-	-	-	-	-
Appropriation of retained earnings	22	-	-	-	-	-	-
Reversal of appropriation	22	-	-	-	-	-	-
Total comprehensive income (loss)		-	-	-	(200,002,542)	39,290,812	(324,494,027)
Balance at December 31, 2019		P 10,269,827,979	P 34,518,916,029	(P 6,792,114,766)	(P 237,009,622)	P 399,058,137	(P 4,510,575,979)
Balance at January 1, 2018		P 10,269,827,979	P 34,395,380,979	(P 1,566,196,040)	(P 36,827,680)	P 259,101,730	(P 3,761,964,930)
Transactions with owners:							
Acquisition of treasury shares	22	-	-	(2,564,468,469)	-	-	-
Share-based compensation	22, 28	-	-	-	-	-	-
Acquisition and incorporation of new subsidiaries	1	-	-	-	-	-	-
Change in percentage of ownership		-	-	-	-	-	-
Dividend paid by investee	22	-	-	-	-	-	-
Issuance of perpetual capital securities	22	-	-	-	-	-	-
Retirement of preferred shares		-	-	-	-	-	-
Cash dividends declared	22	-	-	-	-	-	-
		-	-	(2,564,468,469)	-	-	-
Reclassification adjustment		-	-	-	-	-	-
Additional legal reserves during the year		-	-	-	-	-	-
Appropriation of retained earnings	22	-	-	-	-	-	-
Reversal of appropriation	22	-	-	-	-	-	-
Total comprehensive income (loss)		-	-	-	([illegible])	32,956,595	(424,117,022)
Balance at December 31, 2018		P 10,269,827,979	P 34,395,380,979	(P 4,130,664,509)	(P 37,007,081)	P 292,058,325	(P 4,186,081,952)

See Notes to Consolidated Fi

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Revaluation Reserves on Cash Flow Hedge	Share Options	Other Reserves	Retained Earnings Appropriated	Retained Earnings Unappropriated	Retained Earnings Total	Total	Noncontrolling Interest	Total Equity
(P 72,970,297)	P 430,425,162	P 11,001,006,871	P 3,551,650,000	P 120,245,674,104	P 124,077,328,104	P 170,272,007,626	P 117,742,907,878	P 287,116,715,504
-	-	(1,560,412,791)	-	-	-	(1,560,412,791)	(5,343,757,820)	(6,904,171,611)
-	-	-	-	-	-	(802,828,656)	-	(802,828,656)
-	-	-	-	-	-	-	(755,117,991)	(755,117,991)
-	-	-	-	(479,414,226)	(479,414,226)	(479,414,226)	-	(479,414,226)
-	-	-	-	-	-	-	48,240,082	48,240,082
-	-	(1,560,412,791)	-	(479,414,226)	(479,414,226)	(2,840,655,771)	(6,050,635,129)	(8,894,290,900)
-	-	(3,249,500)	-	-	-	(3,249,500)	-	(3,249,500)
-	-	-	3,337,550,000	(3,337,550,000)	-	-	-	-
-	-	-	(3,275,650,000)	3,275,650,000	-	-	-	-
(99,240,372)	-	-	-	8,820,250,270	8,820,250,270	6,776,990,965	850,262,170	7,602,222,227
(P [illegible])	P [illegible]	P [illegible]	P [illegible]	P [illegible]	P [illegible]	P [illegible]	P [illegible]	P [illegible]
P 126,320,576	P 744,676,052	P 17,107,104,985	P 3,320,000,000	P 112,992,076,976	P 116,312,136,976	P 170,173,752,547	P 117,537,624,927	P 288,511,367,274
-	(315,040)	(6,291,050,241)	-	-	-	(6,292,466,081)	(4,748,497,782)	(11,041,963,864)
-	-	-	-	-	-	(2,662,450,257)	-	(2,662,450,257)
-	-	-	-	-	-	-	(2,900,232,782)	(2,909,232,782)
-	-	-	-	-	-	-	(1,463,490,160)	(1,463,490,160)
-	-	-	-	-	-	-	221,718,658	221,718,658
-	-	-	-	-	-	-	45,675,979	45,675,979
-	-	-	-	11,417,039	11,417,039	11,417,039	-	11,417,039
-	(315,040)	(6,291,050,241)	-	11,417,039	11,417,039	(8,942,499,279)	(8,842,800,488)	(17,786,200,767)
-	-	-	-	(67,769,000)	(67,769,000)	-	-	-
-	(122,325,050)	-	-	-	-	-	-	-
-	-	104,572,127	-	-	-	104,572,127	-	104,572,127
-	-	-	3,448,650,000	(3,448,650,000)	-	-	-	-
-	-	-	(3,024,000,000)	3,024,000,000	-	-	-	-
(197,290,872)	-	-	-	17,721,319,071	17,721,319,071	17,608,993,451	8,047,962,429	25,886,944,879
(P 72,970,297)	P 430,425,162	P 11,001,006,871	P 3,551,650,000	P 120,245,674,104	P 124,077,328,104	P 170,272,007,626	P 117,742,907,878	P 287,116,715,504
(P 30,896,566)	P 744,676,052	P 20,029,128,973	P 2,748,722,000	P 100,958,827,802	P 103,707,549,802	P 168,020,950,162	P 105,944,642,080	P 273,965,592,262
-	-	-	-	-	-	(2,364,310,469)	-	(2,364,310,469)
-	-	-	-	-	-	-	33,437,042	33,437,042
-	-	(2,863,746,187)	-	-	-	(2,863,746,187)	832,779,117	(2,031,967,070)
-	-	-	-	-	-	-	(2,470,040,942)	(2,470,040,942)
-	-	-	-	-	-	-	(1,346,490,244)	(1,346,490,244)
-	-	-	-	-	-	-	2,903,232,782	2,903,232,782
-	-	-	-	-	-	-	(2,075,000)	(2,075,000)
-	-	-	-	(1,281,702,238)	(1,281,702,238)	(1,281,702,238)	-	(1,281,702,238)
-	-	(2,863,746,187)	-	(1,281,702,238)	(1,281,702,238)	(6,712,044,074)	(425,572,380)	(7,187,610,220)
-	-	9,689,175	-	(9,689,175)	(9,689,175)	-	-	-
-	-	6,102,024	-	(5,739,354)	(5,739,354)	362,670	-	362,670
-	-	-	3,026,000,000	(3,026,000,000)	-	-	-	-
-	-	-	(2,262,722,000)	2,262,722,000	-	-	-	-
153,217,162	-	-	-	15,114,201,790	15,114,201,790	26,876,919,260	8,044,301,602	33,752,531,102
P 126,320,576	P 744,676,052	P 17,107,104,985	P 3,320,000,000	P 114,004,320,725	P 117,324,320,725	P 172,104,224,938	P 118,573,662,697	P 290,561,000,715

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ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 14,505,320,390**	P 35,860,914,471	P 31,772,608,262
Adjustments for:				
Depreciation and amortization	25, 26	**10,542,387,970**	9,730,433,947	6,883,063,196
Interest expense	27	**6,840,950,833**	6,292,708,219	4,084,166,535
Interest income	27	**(2,160,829,212)**	(2,874,346,544)	(2,830,780,509)
Gain from rent concessions	27	**(474,320,704)**	-	-
Recognition of impairment losses - net	26, 27	**267,634,714**	230,818,401	145,684,511
Loss (gain) on disposal of property, plant and equipment and investment properties	27	**176,757,449**	11,601,932	(53,517,450)
Unrealized foreign currency loss (gain) - net	27	**161,859,461**	(674,805,749)	344,806,454
Share in net profits of associates and joint ventures	12	**(115,185,290)**	(180,330,026)	(295,378,124)
Gain from derecognition of right-of-use assets and lease liabilities	13	**(30,149,396)**	-	-
Stock option benefit expense	28	**49,340,892**	45,675,579	53,457,042
Dividend income	27	**(7,117,804)**	(20,870,837)	(63,757,349)
Fair value loss (gain) on financial assets at fair value through profit or loss	27	**(150,149)**	1,508,528	36,629,368
Gain on sale of investments in an associate	27	**-**	(340,809,382)	-
Reversal of pre-acquisition income	27	**-**	-	166,615,784
Gain from deconsolidation of subsidiaries	27	**-**	-	(15,479,802)
Operating profit before working capital changes		**30,410,757,364**	48,091,308,539	40,222,809,637
Decrease (increase) in trade and other receivables		**1,345,907,739**	(9,523,414,180)	(4,600,288,800)
Increase in inventories		**(3,054,023,476)**	(3,400,437,049)	(11,172,191,719)
Decrease (increase) in contract assets		**(757,721,626)**	3,584,275,000	(3,871,792,742)
Decrease in financial assets at fair value through profit or loss		**329,750,678**	361,367,591	527,194,229
Decrease (increase) in other current assets		**1,090,163,303**	(1,749,653,611)	(2,560,470,447)
Increase in trade and other payables		**11,370,724,709**	8,305,399,849	5,728,950,014
Increase (decrease) in contract liabilities		**630,874,260**	(150,112,252)	396,001,988
Increase (decrease) in retirement benefit obligation		**(374,405,332)**	35,064,502	(100,543,358)
Increase in other current liabilities		**5,250,324,859**	5,301,094,705	2,307,730,946
Increase (decrease) in other non-current liabilities		**(4,006,312,015)**	(1,660,636,588)	2,587,463,084
Cash generated from operations		**42,663,322,515**	49,179,871,502	27,454,932,832
Cash paid for taxes		**(4,906,590,957)**	(5,345,768,301)	(4,073,223,082)
Net Cash From Operating Activities		**37,756,731,558**	43,834,108,201	23,381,609,750
Balance carried forward		**P 37,756,731,558**	P 43,834,108,201	P 23,381,609,750

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	Notes	2020	2019	2018
Balance brought forward		P 37,756,734,538	P 43,834,118,201	P 23,389,609,750
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property, plant and equipment	13	(7,336,608,850)	(12,018,740,610)	(17,456,201,408)
Investment properties	14	(6,731,614,968)	(10,390,591,440)	(14,280,652,677)
Intangible assets	15	(14,931,794)	(30,343,308)	(60,050,430)
Subsidiaries and associates	1, 12	-	(1,350,850,080)	(2,243,566,862)
Proceeds from:				
Disposal of property, plant and equipment	13	122,652,848	482,072,447	393,966,277
Collections of advances from associates and other related parties	30	35,609,643	129,918,481	250,426,945
Sale of investment in financial asset at FVOCI	11	1,960,000	100,250,000	-
Disposal of investment property	14	793,500	756,363	2,464,208
Sale of an investment in an associate	12	-	1,017,844,908	-
Disposal of subsidiary	1	-	-	10,837,209
Interest received		1,166,157,587	1,704,951,850	1,090,959,788
Increase in other non-current assets		(851,036,259)	(766,373,764)	(616,837,261)
Advances to landowners, joint ventures and other related parties - net		(434,495,711)	(148,706,558)	(921,285,309)
Additional advances granted to associates	30	(268,769,849)	(578,117,425)	(500,136,212)
Cash dividends received		7,817,184	303,370,802	157,081,637
Net Cash Used in Investing Activities		(14,495,218,459)	(21,535,848,250)	(34,156,844,095)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from interest-bearing loans and bonds	18, 19, 36	39,984,853,872	30,677,150,000	59,942,342,396
Payment of interest-bearing loans	18, 19, 36	(26,834,969,977)	(16,580,138,650)	(46,436,304,182)
Interest paid		(11,390,215,092)	(10,953,777,226)	(6,295,480,058)
Buyback of shares from non-controlling interest by a subsidiary	22	(3,892,492,056)	(11,573,166,064)	(1,528,683,170)
Dividends paid	22	(836,785,875)	(678,132,636)	(2,628,200,582)
Payment of lease liabilities	13	(813,602,312)	(1,056,891,797)	-
Acquisition of treasury shares	22	(803,824,656)	(2,662,430,257)	(2,564,518,469)
Redemption of preferred shares	20, 36	(251,397,580)	(250,397,580)	(251,397,580)
Advances granted and paid to related parties	30	(249,649,665)	(413,151,385)	(925,735,618)
Advances collected and received from related parties	30	48,795,703	190,873,852	675,467,194
Acquisition of perpetual capital securities	22	-	(2,506,213,782)	-
Proceeds from issuance of perpetual capital securities	22	-	-	2,506,213,782
Net Cash From (Used in) Financing Activities		(4,834,408,638)	(15,806,900,524)	2,492,723,715
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		18,427,107,481	6,491,369,418	(8,282,420,630)
CASH AND CASH EQUIVALENTS OF NEW SUBSIDIARY		-	-	273,032,001
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		51,270,380,951	44,779,011,533	52,784,408,162
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 69,697,488,432	P 51,270,380,951	P 44,779,011,533

Supplemental Information on Non-cash Investing and Financing Activities –

In the normal course of business, the Group enters into noncash activities which are not reflected in the cash flows, including but not limited the following: (a) exchanges or purchases or sale on account of real estate and other assets that remain unpaid at end of period; (b) reclassifications or transfers of property between Inventories, Property and Equipment and Investment Properties; and (c) borrowing costs under capitalized Inventories or Construction in Progress.

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 General Information

Alliance Global Group, Inc. (the "Company", "Parent Company", or "AGI") was registered with the Philippine Securities and Exchange Commission ("SEC") on October 12, 1993 and began operations in 1994 as a glass-container manufacturer. On March 12, 1999, it obtained approval from the SEC to broaden its primary business into that of a holding company. Given a wider scope of business, AGI immediately diversified its investment holdings and on April 19, 1999, AGI listed its shares in the Philippine Stock Exchange ("PSE"). Currently, the Company and its subsidiaries, associates and joint ventures (collectively referred to as the "Group") operate businesses in real estate property development, tourism-entertainment and gaming, food and beverage, and quick–service restaurant under the following entities (see Notes 4 and 12).

As at December 31, the Parent Company holds beneficial ownership interests in the following subsidiaries, associates and joint ventures:

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI 2020	2019	2018
Subsidiaries					
Megaworld and subsidiaries					
Megaworld Corporation	Megaworld	(a)	**69%**	67%	67%
Megaworld Resort Estates, Inc.		(b)	**84%**	83%	83%
Townsquare Development, Inc.	TDI		**50%**	50%	50%
Golden Panda-ATI Realty Corporation			**50%**	50%	50%
Arcovia Properties, Inc.	API		**69%**	67%	67%
Belmont Newport Luxury Hotels, Inc.			**69%**	67%	67%
Davao Park District Holdings Inc.			**69%**	67%	67%
Eastwood Cyber One Corporation	ECOC		**69%**	67%	67%
Global One Hotel Group, Inc.			**69%**	67%	67%
Global One Integrated Business Services, Inc.			**69%**	67%	67%
Hotel Lucky Chinatown, Inc.		(c)	**69%**	67%	67%
Landmark Seaside Properties, Inc.			**69%**	67%	67%
Luxury Global Hotels and Leisures, Inc.			**69%**	67%	67%
Luxury Global Malls, Inc.			**69%**	67%	67%
Mactan Oceanview Properties and Holdings, Inc.			**69%**	67%	67%
Megaworld Cayman Islands, Inc.		(d)	**69%**	67%	67%
Megaworld Cebu Properties, Inc.			**69%**	67%	67%
Megaworld Land, Inc.			**69%**	67%	67%
Citywalk Building Administration, Inc.			**69%**	67%	67%
Forbestown Commercial Center Administration, Inc.			**69%**	67%	67%
Iloilo Center Mall Administration, Inc.			**69%**	67%	67%
Newtown Commercial Center Administration, Inc.			**69%**	67%	67%
Paseo Center Building Administration, Inc.			**69%**	67%	67%
San Lorenzo Place Commercial Center Administration, Inc.			**69%**	67%	67%
Southwoods Lifestyle Mall Management, Inc.		(c)	**69%**	67%	67%
Uptown Commercial Center Administration, Inc.			**69%**	67%	67%
Valley Peaks Property Management, Inc.			**69%**	67%	67%

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Subsidiaries/ Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI 2020	2019	2018
Subsidiaries					
Megaworld and subsidiaries					
Megaworld Newport Property Holdings, Inc.			**69%**	67%	67%
Oceantown Properties, Inc.			**69%**	67%	67%
Piedmont Property Ventures, Inc.			**69%**	67%	67%
Prestige Hotels and Resorts, Inc.			**69%**	67%	67%
Richmonde Hotel Group International Ltd.	RHGI	(g)	**69%**	67%	67%
San Vicente Coast, Inc.			**69%**	67%	67%
Savoy Hotel Manila, Inc.		(e)	**69%**	67%	67%
Savoy Hotel Mactan, Inc.		(e)	**69%**	67%	67%
Kingsford Hotel Manila, Inc.		(f)	**69%**	-	-
Agile Digital Ventures, Inc.		(f)	**69%**	-	-
Stonehaven Land, Inc.			**69%**	67%	67%
Streamwood Property, Inc.			**69%**	67%	67%
Megaworld Bacolod Properties, Inc.			**63%**	62%	62%
Manila Bayshore Property Holdings, Inc.	MBPHI	(h)	**62%**	62%	60%
Megaworld Capital Town, Inc.	MCTI		**52%**	51%	51%
Megaworld Central Properties, Inc.			**52%**	51%	51%
Soho Cafe and Restaurant Group, Inc.			**51%**	50%	50%
La Fuerza, Inc.	LFI		**46%**	45%	45%
Megaworld-Daewoo Corporation			**41%**	40%	40%
Northwin Properties, Inc.			**41%**	40%	40%
Gilmore Property Marketing Associates Inc.			**36%**	35%	35%
Integrated Town Management Corporation			**34%**	34%	34%
Maple Grove Land, Inc.			**34%**	34%	34%
Megaworld Globus Asia, Inc.	MGAI		**34%**	34%	34%
Suntrust Properties, Inc.	SPI		**69%**	67%	67%
Governor's Hills Science School, Inc.			**69%**	67%	67%
Sunrays Property Management, Inc.			**69%**	67%	67%
Suntrust Ecotown Developers, Inc.	SEDI		**69%**	67%	67%
Suntrust One Shanata, Inc.			**69%**	67%	67%
Suntrust Two Shanata, Inc.			**69%**	67%	67%
Stateland, Inc.	STLI	(i, j)	**66%**	65%	65%
Global-Estate Resorts, Inc.	GERI	(k)	**56%**	55%	55%
Southwoods Mall Inc.			**62%**	61%	61%
Twin Lakes Corp.	TLC	(l)	**62%**	61%	61%
Twin Lakes Hotel, Inc.	TLHI	(i, m)	**62%**	61%	61%
Megaworld Global-Estate, Inc.		(n)	**61%**	60%	60%
Fil-Estate Golf and Development, Inc.			**56%**	55%	55%
Golforce, Inc.			**56%**	55%	55%
Southwoods Ecocentrum Corp.	SWEC		**34%**	33%	33%
Philippine Aquatic Leisure Corp.			**34%**	33%	33%
Fil-Estate Properties, Inc.	FEPI		**56%**	55%	55%
Aklan Holdings Inc.			**56%**	55%	55%
Blu Sky Airways, Inc.			**56%**	55%	55%
Fil-Estate Subic Development Corp.			**56%**	55%	55%
Fil-Power Concrete Blocks Corp.			**56%**	55%	55%
Fil-Power Construction Equipment Leasing Corp.			**56%**	55%	55%
Golden Sun Airways, Inc.			**56%**	55%	55%
La Compaña De Sta. Barbara, Inc.			**56%**	55%	55%
MCX Corporation			**56%**	55%	55%
Pioneer L-5 Realty Corp.			**56%**	55%	55%
Prime Airways, Inc.			**56%**	55%	55%
Sto. Domingo Place Development Corp.			**56%**	55%	55%
Fil-Estate Industrial Park, Inc.			**45%**	44%	44%
Sherwood Hills Development Inc.			**31%**	30%	30%
Fil-Estate Urban Development Corp.			**56%**	55%	55%
Global Homes and Communities, Inc.			**56%**	55%	55%
Savoy Hotel Boracay, Inc.		(e)	**56%**	55%	-
Belmont Hotel Boracay, Inc.		(e)	**56%**	55%	-
Novo Sierra Holdings Corp.			**56%**	55%	55%
Elite Communities Property Services, Inc.	ECPSI	(i, m)	**56%**	55%	55%
Oceanfront Properties, Inc.	OFPI		**28%**	28%	28%
Empire East Land Holdings, Inc.	EELHI		**56%**	55%	55%
Sonoma Premiere Land, Inc.		(o)	**74%**	73%	73%
Pacific Coast Mega City, Inc.	PCMI	(p)	**83%**	82%	71%

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Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI 2020	2019	2018
Subsidiaries					
Megaworld and subsidiaries					
Empire East Land Holdings, Inc.					
Valle Verde Properties, Inc.			**56%**	55%	55%
Laguna BelAir School, Inc.			**41%**	40%	40%
20th Century Nylon Shirt, Inc.			**56%**	55%	55%
Eastwood Property Holdings, Inc.			**56%**	55%	55%
Empire East Communities, Inc.			**56%**	55%	55%
Sherman Oak Holdings, Inc.			**56%**	55%	55%
Subsidiaries					
Emperador and subsidiaries					
Emperador Inc.	EMP or Emperador	(q)	**84%**	85%	83%
Emperador Distillers, Inc.	EDI		**84%**	85%	83%
Alcazar de Bana Holdings Company, Inc.			**84%**	85%	83%
ProGreen AgriCorp, Inc.	PAI		**84%**	85%	83%
South Point Science Park, Inc.			**84%**	85%	83%
Anglo Watsons Glass, Inc.	AWGI		**84%**	85%	83%
Cocos Vodka Distillers Philippines, Inc.			**84%**	85%	83%
The Bar Beverage, Inc.			**84%**	85%	83%
Tradewind Estates, Inc.	TEI	(r)	**84%**	85%	83%
BoozyLife, Inc.		(t)	**52%**	43%	42%
Zabana Rum Company Inc.			**84%**	85%	83%
Emperador International Ltd.	EIL	(g)	**84%**	85%	83%
Emperador Asia Pte Ltd.	EA	(s)	**84%**	85%	83%
Grupo Emperador Spain, S.A.	GES	(s)	**84%**	85%	83%
Bodega San Bruno, S.L.	BSB	(s)	**84%**	85%	83%
Bodegas Fundador, S.L.U.	BFS	(s, t)	**84%**	85%	83%
Complejo Bodeguero San Patricio, S.L.U.	CBSP	(s, t)	-	85%	83%
Destilados de la Mancha S.L.	DDLM	(s)	**84%**	85%	83%
Grupo Emperador Gestion S.L.	GEG	(s)	**84%**	85%	83%
Domecq Bodega Las Copas, S.L.	DBLC	(s)	**42%**	42%	41%
Stillman Spirits, S.L.	SSSL	(e, s)	**84%**	85%	-
Bodega Domecq S.A. de C.V.	BDSC	(s, t)	-	-	41%
Domecq Distribucion De Bebidas S.A. de C.V.	DDDB	(s)	**42%**	42%	41%
Pedro Domecq S.A. de C.V.	PDSC	(s, t)	**42%**	42%	41%
Emperador Europe SARL	EES	(s)	**84%**	85%	83%
Emperador Holdings (GB) Limited	EGB	(s)	**84%**	85%	83%
Emperador UK Limited	EUK	(s)	**84%**	85%	83%
Whyte and Mackay Global Limited	WMGL	(c, s)	**84%**	85%	83%
Whyte and Mackay Group Limited	WMG	(s)	**84%**	85%	83%
Whyte and Mackay Limited	WML	(s)	**84%**	85%	83%
Whyte and Mackay Warehousing Ltd.	WMWL	(s)	**84%**	85%	83%
GADC and subsidiaries					
Golden Arches Development Corporation	GADC		**49%**	49%	49%
Advance Food Concepts Manufacturing, Inc.			**49%**	49%	49%
Golden Arches Realty Corporation	GARC	(u)	**49%**	49%	49%
Red Asian Food Solutions, Inc.			**37%**	37%	37%
Clark Mac Enterprises, Inc.			**49%**	49%	49%
Golden Laoag Foods Corporation			**38%**	38%	38%
Davao City Food Industries, Inc.			**37%**	37%	37%
First Golden Laoag Ventures, Inc.			**34%**	34%	34%
McDonald's Anonas City Center			**34%**	34%	34%
McDonald's Puregold Taguig			**29%**	29%	29%
Golden City Food Industries, Inc.			**29%**	29%	29%
McDonald's Bonifacio Global City			**27%**	27%	27%
Molino First Golden Foods Inc.			**26%**	26%	26%
GY Alliance Concepts, Inc.			**19%**	19%	19%
Retiro Golden Foods, Inc.	RGFI	(v)	-	-	34%
Travellers and subsidiaries					
Travellers International Hotel Group, Inc.	Travellers	(w)	**50%**	50%	47%
Agile Fox Amusement and Leisure Corporation			**50%**	50%	47%

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Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI 2020	2019	2018
Subsidiaries					
Travellers and subsidiaries					
APEC Assets Limited			**50%**	50%	47%
Aquamarine Delphinium Leisure and Recreation Corporation			**50%**	50%	47%
Bright Pelican Leisure and Recreation, Inc.			**50%**	50%	47%
Brightleisure Management, Inc.			**50%**	50%	47%
Brilliant Apex Hotels and Leisure Corporation			**50%**	50%	47%
Captain View Group Limited	Captain View	(f)	**50%**	-	-
Coral Primrose Leisure and Recreation Corporation			**50%**	50%	47%
Deluxe Hotels and Recreation, Inc.	DHRI		**50%**	50%	47%
Entertainment City Integrated Resorts & Leisure, Inc.			**50%**	50%	47%
FHTC Entertainment & Productions, Inc.	FHTC		**50%**	50%	47%
Golden Peak Leisure and Recreation, Inc.			**50%**	50%	47%
Grand Integrated Hotels and Recreation, Inc.			**50%**	50%	47%
Grandservices, Inc.			**50%**	50%	47%
Grandventure Management Services, Inc.			**50%**	50%	47%
Lucky Star Hotels and Recreation, Inc.	LSHRI		**50%**	50%	47%
Lucky Panther Amusement and Leisure Corporation			**50%**	50%	47%
Luminescent Vertex Hotels and Leisure Corporation			**50%**	50%	47%
Magenta Centaurus Amusement and Leisure Corporation			**50%**	50%	47%
Majestic Sunrise Leisure & Recreation, Inc.			**50%**	50%	47%
Netdeals, Inc.			**50%**	50%	47%
Newport Star Lifestyle, Inc.			**50%**	50%	47%
Royal Bayshore Hotels & Amusement, Inc.			**50%**	50%	47%
Sapphire Carnation Leisure and Recreation Corporation			**50%**	50%	47%
Scarlet Milky Way Amusement and Leisure Corporation			**50%**	50%	47%
Sparkling Summit Hotels and Leisure Corporation			**50%**	50%	47%
Valiant Leopard Amusement and Leisure Corporation			**50%**	50%	47%
Vermillion Triangulum Amusement and Leisure Corporation			**50%**	50%	47%
Westside City Resorts World, Inc.	WCRWI	(w)	**49%**	49%	47%
Purple Flamingos Amusement and Leisure Corporation			**49%**	49%	47%
Red Falcon Amusement and Leisure Corporation			**49%**	49%	47%
Westside Theatre Inc.			**50%**	50%	47%
Corporate and Others					
Alliance Global Brands, Inc.			**100%**	100%	100%
McKester Pik-nik International Limited	MPIL	(g)	**100%**	100%	100%
Great American Foods, Inc.		(y)	**100%**	100%	100%
New Town Land Partners, Inc.	NTLPI		**100%**	100%	100%
Alliance Global Group Cayman Islands, Inc.	AG Cayman	(d)	**100%**	100%	100%
Boracay Newcoast Resorts, Inc.		(e)	**100%**	100%	100%
Dew Dreams International, Inc.		(e)	**100%**	100%	100%
First Centro, Inc.	FCI		**100%**	100%	100%
ERA Real Estate Exchange, Inc.			**100%**	100%	100%
Oceanic Realty Group International, Inc.			**100%**	100%	100%
Greenspring Investment Holdings Properties Ltd.		(g)	**100%**	100%	100%
Infracorp Development, Inc.		(r)	**100%**	100%	100%
Shiok Success International, Inc.			**100%**	100%	100%
Travellers Group Ltd.		(g)	**100%**	100%	100%
Venezia Universal Ltd.		(g)	**100%**	100%	100%
Dew Dreams International, Ltd.		(g)	**100%**	100%	100%
Shiok Success International, Ltd.		(g)	**100%**	100%	100%
Adams Properties, Inc.	Adams		**60%**	60%	60%

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI 2020	2019	2018
Associates					
First Premiere Arches Restaurant Inc.	FPARI		**49%**	49%	49%
Bonifacio West Development Corporation	BWDC		**32%**	31%	31%
Suntrust Home Developers, Inc.	SHDI	(aa), 12.2	**23%**	23%	31%
Citylink Coach Services, Inc.	CCSI	(bb)	**6%**	6%	31%
First Oceanic Property Management, Inc.	FOPMI	(bb)	**6%**	6%	31%
Palm Tree Holdings and Development Corporation	PTHDC		**27%**	27%	27%
SWC Project Management Limited	SPML	(bb)	**23%**	-	-
WC Project Management Limited	WPML	(bb)	**23%**	-	-
Fil-Estate Network, Inc.	FENI		**11%**	11%	11%
Fil-Estate Sales, Inc.	FESI		**11%**	11%	11%
Fil-Estate Realty and Sales Associates, Inc.	FERSAI		**11%**	11%	11%
Fil-Estate Realty Corp.	FERC		**11%**	11%	11%
Boracay Newcoast Hotel Group, Inc.	BNHGI	(cc), 12.3	**-**	-	8%
Nasugbu Properties, Inc.	NPI		**8%**	8%	8%
Joint Ventures					
Bodegas Las Copas, S.L.	BLC	(dd), 12.4	**42%**	42%	41%
Front Row Theatre Management, Inc.	FRTMI	(ee)	**25%**	25%	24%

Explanatory notes:

(a) AGI's effective ownership interest is derived from its 46% direct ownership, 3% direct holdings of FCI, 18% direct holdings of NTLPI and 2% holdings of other subsidiaries.
(b) AGI and Megaworld directly own 49% and 51%, respectively.
(c) Incorporated subsidiaries in 2018.
(d) Foreign subsidiaries operating under the laws of the Cayman Islands.
(e) Incorporated subsidiaries in 2019.
(f) Newly incorporated subsidiaries in 2020.
(g) Foreign subsidiaries operating under the Business Companies Act of the British Virgin Islands.
(h) A subsidiary through 50/50 ownership of Travellers and Megaworld in 2017. In 2018, ownership interest changed to 67% and 33% for Megaworld and Travellers, respectively.
(i) Acquired subsidiaries in 2018 accounted for as business acquisitions. [See Note 1.2(a)].
(j) In June 2018, Megaworld and SPI acquired common shares of STLI from previous stockholders equivalent to 17.40% and 79.74% ownership interest, respectively. [See Note 1.2(a)].
(k) AGI's effective ownership interest represents its indirect holdings through Megaworld, which owns 82% of GERI as at December 31, 2020 and 2019.
(l) In 2018, Megaworld acquired additional shares of TLC from previous stockholders, thereby increasing the Group's effective ownership to 61%.
(m) In 2018, GERI acquired all shares of BCPSI and TLHI through TLC.
(n) A subsidiary through 60% and 40% direct ownership of GERI and Megaworld, respectively.
(o) A subsidiary through 60% and 40% direct ownership of EELHI and FCI, respectively.
(p) PCMI was considered as an associate of the Group in prior years. As of December 31, 2018, PCMI is 71% effectively owned by the Group. In January 2019, the remaining 20% was acquired by the Group, thus, the Group gained 100% rights over PCMI. The effective ownership of the Group over PCMI after these transactions is 82%. See Notes 1.2(a) and 30.7.
(q) In line with its buy-back program which started in 2017, EMP repurchased common shares which resulted in the increase in AGI's effective ownership over EMP. On February 5, 2020, EMP reissued a portion of its treasury shares which decreased AGI's effective ownership. (See Note 21).
(r) In 2018, TEI acquired 51% ownership and in January 2020, TEI increased ownership to 62%.
(s) Subsidiaries under EIL, EA, EES and EGB are direct subsidiaries of EIL. EA is operating under the laws of Singapore. A subsidiary of EA, GES and its subsidiaries BSB, BFS, GEG, CBSP, DBLC, SSSL and DDLM (a subsidiary of BFS) are operating under the laws of Spain. DBLC's subsidiaries PDSC, BDSC and DDDB are operating under the laws of Mexico. EES is operating under the laws of Luxembourg. EGB is the ultimate UK parent of EUK, WMG, WMGL, WML and WMWL which are operating under the laws of Scotland.
(t) On January 1, 2020, CBSP was merged with BFS by absorption wherein the latter is the absorbing entity. On June 30, 2019, BDSC was merged with PDSC by absorption wherein the latter is the absorbing entity. The Group accounted for these business combinations under common control using pooling-of-interests method [see Note 2.11(b)].
(u) GARC was acquired together with GADC.
(v) In 2018, GADC sold its full ownership in RPGI which resulted in a gain of P19.5 million. [See Note 1.2(b)].
(w) Travellers' common shares are directly owned 16% by AGI, 3% by FCI, 1% by Megaworld, 49% by Adams, 30% by Genting Hongkong Limited ("GHL") and 1% by the public.

(x) AGI's effective ownership is through 7% direct ownership, 47% through 95% ownership of Travellers, and 7% through ownership of other subsidiaries within the Group (i.e., FCI, Megaworld and Adams).
(y) Foreign subsidiary of MPIL operating under the laws of United States of America.
(z) Infracorp is a subsidiary incorporated to engage in infrastructure business.
(aa) In 2019, Megaworld and TDI disposed of certain number of shares over SHDI. In addition, Megaworld and a third party investor subscribed to the increase in the capitalization of SHDI, and the third party became the controlling shareholder. The foregoing transactions decreased AGI's effective ownership over SHDI to 23%. (See Notes 12.2 and 31.9).
(bb) Subsidiaries of SHDI, an associate of Megaworld. In addition to the change in Megaworld's ownership over SHDI, the latter disposed certain number of shares over CCSI and PCPMI, resulting to further dilution of AGI's effective ownership to 6%. SPML and WPML are newly-incorporated, wholly-owned subsidiaries of SHDI in 2020. These companies are engaged in project management and consultancy services.
(cc) In 2019, FEPI sold 15% ownership interest over BNHGI to third parties. The effective ownership interest of the Company decreased from 8% in 2018 to nil in 2019.
(dd) A foreign joint venture under GERI and operating under the laws of Spain.
(ee) A joint venture through FHTC.

The Company, its subsidiaries, associates and joint ventures are incorporated and operating in the Philippines, except for such foreign subsidiaries and a joint venture as identified in the preceding table (see explanatory notes d, g, s, t, y and dd above).

AGI's shares of stock and those of Megaworld, EMP, GERI, EELHI and SHDI are listed in and traded through the PSE as of December 31, 2020. Travellers applied for voluntary delisting and was officially delisted in the PSE on October 21, 2019.

The principal activities of the Group are further described in Note 4.

The Company's registered office and primary place of business is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

1.2 Business and Asset Acquisitions and Disposals

(a) 2018 Acquisitions

In 2018, the Group obtained control over various entities to expand its operations as disclosed in Note 1.1(i)(r). These were accounted for under the acquisition method, except for the acquisition of PCMI [see Note 1.1(p)] which is accounted for under the pooling-of-interest method [see Notes 2.2(a) and 2.11].

The provisional and final fair values of identifiable net assets acquired and total considerations transferred under the acquisition method as at the dates of acquisition are presented below.

	Final Fair Value	Provisional Fair Value
Tangible assets acquired	P 3,173,829,458	P 3,279,496,359
Liabilities assumed	(1,376,876,569)	(1,376,876,569)
Net assets acquired	1,796,952,889	1,902,619,790
Non-controlling interest	(84,000,072)	(84,000,072)
Pre-acquisition loss	166,615,784	166,615,784
Net equity acquired	1,879,568,601	1,985,235,502
Fair value of cash consideration transferred	1,974,460,838	1,974,460,838
Goodwill (gain) on acquisition	P 94,892,237	(P 10,774,664)

A significant portion of tangible assets acquired pertains to real estate inventories. Tangible assets acquired also include cash, trade and other receivables, contract assets, property and equipment and other current assets. The acquired trade and other receivables mainly pertain to trade receivables from real estate sales.

As of December 31, 2018, the accounting for the acquisition of STLI was not yet complete. The fair values of assets acquired and liabilities presented at that time were only provisionally determined pending the finalization of necessary market valuations. As allowed under PFRS 3, *Business Combinations*, the Group determined the final fair values of identifiable assets and liabilities within 12 months from the acquisition date. In 2018, STLI recognized revenues and net profit amounting to P800.2 million and P293.7 million, respectively. Of these amounts, revenues and net profit of P744.1 million and P258.7 million, respectively, were recognized from acquisition date.

In 2019, management completed the assessment of the fair values of STLI's net assets and determined adjustments resulting in P246.9 million decrease in its net assets valuation. The adjustments to the provisionary amounts likewise resulted in a recognition of goodwill amounting to P94.9 million and additional deferred tax assets of P141.2 million. The goodwill comprises the fair value of expected synergies arising from the acquisition, which mainly pertain to real estate development expertise of the Group and the strategic location of real properties for development provided by STLI. In 2019, the 2018 consolidated financial statements were restated to reflect the final fair value measurement of the net assets of STLI.

There were no contingent consideration arising from the foregoing transaction. Also, acquisition related-costs were deemed immaterial on this transaction.

As to PCMI which became a subsidiary in December 2018, the acquisition was accounted for using the pooling-of-interest method [see Note 2.11(b)]. In 2019, EELHI increased its ownership interest, and the Group gained full rights over PCMI. Significant assets acquired from PCMI pertain to real estate inventories (land for future development).

Aggregate financial information, at historical cost, of PCMI as at acquisition date is presented below.

Total assets acquired	P 2,429,036,789
Total liabilities assumed	(8,447,960)
Net assets acquired	P 2,420,588,829

(b) *2018 Disposals*

In 2018, the Group disposed of full ownership interests over RGFI thereby losing control [see Notes 1.1(v) and 2.2(a)]. The carrying amount of net assets of the entities at the date of disposal and the resulting gain on deconsolidation are presented in the succeeding page.

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Current assets (excluding cash)	P	1,502,687
Non-current assets		3,819,450
Current liabilities	(	12,966,403)
Non-current liabilities	(	998,328)
Total net liabilities	(	8,642,594)
Total consideration received in cash		15,500,000
Cash on hand and in banks	(	4,662,791)
Net cash received		10,837,209
Gain on deconsolidation	P	19,479,803

The gain on deconsolidation is presented as Gain on deconsolidation of subsidiaries under Finance and Other Income in the 2018 consolidated statement of comprehensive income (see Note 27).

1.3 Impact of COVID-19 Pandemic on the Group's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

The impact of these government-instituted restrictions, which ease out into four phases of community quarantine ("CQ"), to the Group's revenue streams are as follows:

Sale of Goods

Real estate sales were lower by 42% year-on-year due to limited selling activities and restricted construction activities resulting in fewer reservations from a year ago. Construction activities were suspended during the Enhanced CQ ("ECQ") and slowly resumed as CQ protocols were relaxed. Most new project launches were put on hold as work stoppage on site could result in delayed project completion. The Group noted a shift in market demand to lot sales and vacation homes instead of vertical developments.

Contrary to the impact on other revenue streams, the sale of consumer goods was 2% higher as compared to 2019. Off-trade sales expanded while on-trade sales were greatly affected by the restrictions on customers' operating capacity and hours (and temporary closure at the onset).

Rendering of Services

Sales by company-operated quick-service restaurants and franchise revenues declined by 37% and 45%, respectively, due to restrictions in operating capacity and store hours which caused lower foot traffic and closure of stores. Stores inside malls were hardest hit when only essential business was allowed to operate in malls and this caused few stores to permanently close.

Rental income declined by 24% primarily due to temporary closure of mall and commercial spaces except for what-is-considered-as essential establishments, and rent concessions granted to retail tenants and partners like waiver of certain rental charges and restructuring of lease contracts. Business process outsourcing (BPO) offices remained operational even during the ECQ.

Gaming revenues declined by 56% from a year ago since the Group's sustainability and profitability of operations significantly depended on customer foot traffic, local and international travel and tourism, and the ability to deliver commendable accommodation and dining experiences, which have been temporarily restricted by the CQ measures. Further, there was a temporary closure of casino operations from March 16, 2020 to May 31, 2020, and, subsequently, when operations resumed, capacity was only limited to 30%, then 50%.

Hotel revenues dropped by 53% as a result of temporary closure of hotels, travel bans and limited hotel operations in accordance with CQ guidelines. Occupancy dropped significantly due to travel restrictions and cancellation of bookings and meetings, incentives, conventions and exhibitions activities. With limited operations allowed, in-city hotels were offered as lodging for BPO employees and quarantine facilities for inbound/outbound overseas Filipino workers.

During this time, the safety and protection of the Group's employees and workers is our utmost concern. Health guards, vitamin C, and transport services are being provided free to employees. Physical distancing is strictly observed and laid out on the premises as well as no-contact greeting and no-visitors-allowed policies are put in place. The Group has refocused its business strategies to adapt to the changing market trends and customer behavior. It has implemented and undertaken the following actions:

- decentralized business operations as satellite offices were opened;
- maximized the use of digital platforms to limit face-to-face engagements;
- accelerated digitalization, which was started couple of years ago, that enabled the launch of online and mobile apps and platforms such as Pick-A-Roo, e-Concierge, iFAE, Boozy.ph, RWM Mobile App and McDonald's Apps, that allow contactless interactions;
- assisted tenants in implementing social distancing measures; and
- implemented work-from-home, rotation and skeletal shifts based on nature of work.

The Group's management believes it has quickly adapted to the unprecedented pandemic time and has mitigated its adverse effect to the business. It projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, it has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

1.4 Approval of the Consolidated Financial Statements

The Board of Directors ("BOD") approved on April 30, 2021 the issuance of the consolidated financial statements of the Group as at and for the year ended December 31, 2020 (including the comparative consolidated financial statements as at December 31, 2019 and for the years ended December 31, 2019 and 2018).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards ("PFRS") which include the availment of financial reporting reliefs issued and approved by the SEC discussed in Note 2.2(e). PFRS are adopted by the Financial Reporting Standards Council ("FRSC") from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard ("PAS") 1, *Presentation of Financial Statements*. The Group presents all items of income, expenses and other comprehensive income or loss in a single consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to such third consolidated statement of financial position are not required to be disclosed. The Group presented only one comparative period as none of these situations are applicable.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using the Parent Company's functional currency (see Note 2.19). Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Basis of Consolidation

The Group's consolidated financial statements comprise the financial statements of the Company and its subsidiaries, as enumerated in Note 1, after the elimination of material intercompany transactions. All material intercompany balances and transactions with subsidiaries, including income, expenses, dividends and unrealized profits and losses from intercompany transactions that are recognized in assets are eliminated in full.

Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

In addition, shares of stock of the Parent Company acquired by any of its subsidiaries are recognized as treasury shares at cost and these are presented as deduction in the consolidated statement of changes in equity (see Note 2.15). Any changes in their market values, as recognized separately by the subsidiaries, are likewise eliminated in full. Gain or loss on the sale of these treasury shares is presented as addition to or deduction from additional paid-in capital ("APIC").

The financial statements of subsidiaries are prepared for the same reporting period as that of the Parent Company, using consistent accounting principles. Financial statements of entities in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

The Group accounts for its investments in subsidiaries and associates, interests in joint arrangements, and transactions with non-controlling interest as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when (i) it is exposed, or has rights, to variable returns from its involvement with the entity and (ii) it has the ability to affect those returns through (iii) its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The acquisition method is applied to account for acquired subsidiaries (see Note 2.11).

Subsidiaries are consolidated from the date the Group obtains control until such time that such control ceases. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of the related goodwill (see Note 2.12).

(b) Investments in Associates

Associates are those entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint arrangement. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method from the date on which the entity becomes an associate.

Goodwill, which is the excess of the acquisition cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities, is included in the carrying amount of the investment. When the Group's share in the fair value of identifiable assets and liabilities is higher than the acquisition cost, the excess is included as income in the determination of the Group's share in net income of the associate in the period of acquisition.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Share in Net Profits of Associates and Joint Ventures account in the consolidated statement of comprehensive income. These changes include subsequent depreciation, amortization and impairment of the fair value adjustments of the associates' assets and liabilities.

Impairment loss is provided when there is objective evidence that the investments in associates will not be recovered (see Note 2.20).

Changes resulting from other comprehensive income of the associates or items recognized directly in the associates' equity, for example, resulting from the associates' accounting for financial assets at fair value through other comprehensive income ("FVOCI"), are recognized in other comprehensive income of the Group, as applicable.

Any non-income related equity movements of the associates that arise, for example, from the distribution of dividends or other transactions with the associates' shareholders, are charged against the proceeds received or granted. No effect on the Group's net result or equity is recognized in the course of these transactions. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeded the accumulated share of losses that has previously not been recognized. Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) *Interests in Joint Arrangements*

For interest in a joint operation, the Group recognizes in its consolidated financial statements its share of the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint operation. No adjustments or other consolidation procedures are required since the assets, liabilities, income and expenses of the joint operation are recognized in the separate financial statements of the operators.

For interest in a joint venture, the Group recognizes in its consolidated financial statements its interest using the equity method. Under the equity method, the interest in a joint venture is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share in the profit or loss of the joint venture after the date of acquisition. Unrealized gains arising from transactions with joint venture are eliminated to the extent of the Group's interest in joint venture against the related investment. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred. Distributions received from an investee reduce the carrying amount of the investment. Impairment loss is provided when there is objective evidence that the investments in joint arrangement will not be recovered (see Note 2.20).

(d) Transactions with Non-Controlling Interest

The Group's transactions with non-controlling interest that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interest that result in gains and losses for the Group are also recognized in equity. (See Note 2.15).

The Parent Company holds beneficial interests in various subsidiaries, associates and joint ventures as presented in Notes 1.1 and 12.

2.3 Adoption of New and Amended PFRS

(a) Effective in 2020 that are Relevant to the Group

The Group adopted for the first time the following pronouncements, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

Conceptual Framework	:	Revised Conceptual Framework for Financial Reporting
PAS 1 and PAS 8 (Amendments)	:	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
PFRS 3 (Amendments)	:	Business Combinations – Definition of a Business
PFRS 7 and PFRS 9 (Amendments)	:	Financial Instruments: Disclosures and Financial Instruments – Interest Rate Benchmark Reform
PFRS 16 (Amendments)	:	Leases – COVID-19-Related Rent Concessions

Discussed in the succeeding pages are the relevant information about these pronouncements.

(i) *Revised Conceptual Framework for Financial Reporting.* The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. The application of the revised conceptual framework had no significant impact on the Group's consolidated financial statements.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements*, and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material.* The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendments have also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(iii) PFRS 3 (Amendments), *Business Combinations – Definition of a Business.* The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(iv) PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 9 (Amendments), *Financial Instruments – Interest Rate Benchmark Reform.* The amendments clarify that an entity would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The application of these amendments had no significant impact on the Group's consolidated financial statements.

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(v) PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions*. The Group elected to adopt early PFRS 16 (Amendments), which is effective for annual reporting periods beginning on or after June 30, 2020. The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those eligible rent concessions as if they are not lease modifications, i.e., as a variable lease payment. The amendments do not affect accounting for lessors. By applying the practical expedient, the Group is no longer required to remeasure the lease liabilities to reflect the revised consideration using a revised discount rate. Instead, the effect of the change in the lease liabilities is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs. The amount of reduction in lease liabilities that was recognized in profit or loss amounted to P474.3 million and is presented as Gain on COVID-19-related rent concessions under the Finance and Other Income account in the 2020 consolidated statement of comprehensive income (see Notes 13.3 and 27).

(b) *Effective Subsequent to 2020 but not Adopted Early*

There are pronouncements effective for annual periods subsequent to 2020, which are adopted by the FRSC. Management will adopt the relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements.

(i) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.

(ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit 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 cost of producing those items, in profit or loss.

(iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The improvements merely remove from the example the illustration of the reimbursement of leasehold improvements by lessor in order to resolve any potential confusion regarding the treatment of lease incentives.

(v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

(vi) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(c) SEC Financial Reporting Reliefs Availed by the Group

The Group has availed of several financial reporting reliefs granted by the SEC under Memorandum Circular (MC) No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*, MC No. 3-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*, and MC No. 4-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*, relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry. These MCs deferred the implementation of the relevant accounting pronouncements until December 31, 2020.

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In December 2020, the SEC issued MC 34-2020, *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry*, providing another relief by further deferring until December 2023 the implementation of certain issues under MC No. 14-2018 and MC No. 4-2020.

Presented below and in the succeeding pages are the financial reporting reliefs availed of by the Group, including the descriptions of the implementation issues and their qualitative impacts to the consolidated financial statements. The Group opted to avail the reliefs until the end of the deferment period as provided under the relevant MC.

Relief	Description and Implication	Deferral Period
IFRIC Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry	The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories. Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact in the consolidated financial statements: (i) interest expense would have been higher; (ii) cost of real estate inventories would have been lower; (iii) total comprehensive income would have been lower; (iv) retained earnings would have been lower; and, (v) the carrying amount of real estate inventories would have been lower.	Originally until December 31, 2020 under MC 4-2020; further deferred until December 31, 2023 under MC 34-2020
PIC Q&A No. 2018-12-D, *Concept of the significant financing component in the contract to sell*	PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.	Originally until December 31, 2020 under MC 4-2020; further deferred until December 31, 2023 under MC 34-2020

Relief	Description and Implication	Deferral period
PIC Q&A No. 2018-12-D, *Concept of the significant financing component in the contract to sell (continued)*	Had the Group elected not to defer this provision of the standard, it would have an impact in the financial statements as there would have been a significant financing component when there is a difference between the percentage of completion ("POC") of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense would be calculated using the effective interest rate method. These would have affected the retained earnings, real estate sales, and profit or loss in 2020 and 2019.	

The SEC Memorandum Circulars also provided the required disclosures in the notes to the financial statements should an entity decide to avail of any relief, which include the following:

- the accounting policies applied;
- a discussion of the deferral of the subject implementation issues in the PIC Q&A;
- a qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted; and,
- the corresponding required quantitative disclosures should any of the deferral options result into a change in accounting policy.

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

- The financial statements are not considered to be in accordance with PFRS and should specify in the "Basis of Preparation of the Consolidated Financial Statements" section of the consolidated financial statements that the accounting framework is PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic; and,
- The auditor's report shall reflect in the opinion paragraph that the consolidated financial statements are prepared in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC. In addition, the external auditor shall include an Emphasis of Matter paragraph in the auditor's report to draw attention to the basis of accounting that has been used in the preparation of the consolidated financial statements.

(d) *PIC Q&As Relevant to the Real Estate Industry*

In 2020, the PIC has issued four PIC Q&As which are relevant to the real estate industry.

(a) PIC Q&A No. 2020-02, *Conclusion on PIC Q&A No. 2018-12-E: On the Treatment of Materials Delivered on Site but not yet Installed in Measuring the Progress of the Performance Obligation*

In recognizing revenue using a cost-based input method, the cost incurred for customized materials not yet installed are to be included in the measurement of progress to properly capture the efforts expended by the Group in completing its performance obligation. In the case of uninstalled materials that are not customized, since the Group is not involved in their design and manufacture, revenue should only be recognized upon installation or use in construction. The Group does not include uninstalled materials that are not customized in determining the measure of progress; hence, the adoption of this PIC Q&A will not have a significant impact on the Group's consolidated financial statements.

(b) PIC Q&A No. 2020-03, *Conclusion on PIC Q&A No. 2018-12-D: On the Accounting Treatment for the Difference when the POC is Ahead of the Buyer's Payment*

The difference when the POC is ahead of the buyer's payment can be accounted for either as a contract asset or receivable. The PIC has concluded that both views are acceptable as long as this is consistently applied in transactions of the same nature. The Group intends to continue its current treatment of accounting for the difference when the POC is ahead of the buyer's payment as a contract asset.

(c) PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments*

There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Group does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant. The adoption of this PIC Q&A will be consistent with PIC Q&A 2018-12-D.

(d) PIC Q&A No. 2020-05, *Accounting for Cancellation of Real Estate Sales (PIC Q&A No. 2020-05 will supersede PIC Q&A No. 2018-14)*

There are three acceptable approaches in accounting for sales cancellation and repossession of the property as follows:

(a) repossessed property is recognized at fair value less cost to repossess;
(b) repossessed property is recognized at fair value plus repossession cost; or,
(c) cancellation is accounted for as a modification of the contract.

The Group accounts for cancellation of sales contract as modification of contract; hence, the adoption of this PIC Q&A will not have significant impact on the Group's consolidated financial statements.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instruments. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

The classification and measurement of financial assets is driven by the Group's business model for managing the financial assets ("business model test") and the contractual cash flow characteristics of the financial assets ("cash flow characteristics test") to achieve a particular business objective. The business model is determined at a higher level of aggregation (portfolio or group of financial assets managed together) and not on an instrument-by-instrument approach to classification (i.e., not based on intention for each or specific characteristic of individual instrument) in order to achieve the stated objective and, specifically, realize the cash flows.

Financial assets are initially measured at fair value and then subsequently measured either at amortized cost, fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL"), depending on the classification determined at initial recognition. Financial assets designated and effective as hedging instruments are classified as financial assets at FVTPL.

(i) Financial Assets at Amortized Cost

Financial assets are classified at amortized cost if both of the following conditions are met:

- Business model test: the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- Cash flow characteristics test: the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Except for trade and other receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are initially measured at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets at amortized cost are presented as Cash and Cash Equivalents (see Note 5), Trade and Other Receivables (except Advances to suppliers) (see Note 6), Restricted short-term placements, Time deposits and Refundable deposits, and Property mortgage receivable [included under Other Current Assets and Other Non-current Assets accounts (see Note 9)].

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statement of comprehensive income as part of Finance and Other Income.

(ii) Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets are classified at FVOCI if both of the following conditions are met:

- Business model test: they are held under a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset ("hold to collect and sell"); and,

- Cash flow characteristics test: SPPI on the principal amount outstanding.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as Net Fair Value Gains (Losses) on Financial Assets at FVOCI account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Interest income on debt instruments is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statements of comprehensive income as part of Finance and Other Income.

Equity instruments that are not held for trading may be irrevocably designated at FVOCI at initial recognition on an instrument-by-instrument basis; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as FVTPL or it is a contingent consideration recognized arising from a business combination.

Dividends received are recognized in the profit or loss (when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably), unless they clearly represent a recovery of the part of investment.

(iii) Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified under FVTPL if they do not meet the conditions for measurement at amortized cost or FVOCI; instead, these are held within a business model whose objective is to realize changes in fair values through the sale of the assets. These include financial assets that are held for trading, which are acquired for the purpose of selling or repurchasing in the near term; designated upon initial recognition as FVTPL; or mandatorily required to be measured at fair value. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at FVTPL are measured at fair value with gains or losses recognized in profit or loss as part of Finance and Other Income account in the consolidated statement of comprehensive income. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group occasionally uses derivative financial instruments, such as foreign exchange forward contracts, to manage its risks associated with fluctuations in foreign currency. Derivative assets and derivative liabilities arise from foreign exchange margins trading spot and forward contracts entered into by the Group. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (see Note 2.13). The term of these forward contracts is usually one month to one year.

The Group's financial assets at FVTPL consist mainly of investments in marketable debt and equity securities and derivative instruments which are held for trading purposes (see Note 7).

Interest and dividend earned on these investments are recognized as part of Finance and Other Income account in the consolidated statement of comprehensive income.

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(b) *Reclassification of Financial Assets*

The Group can only reclassify financial assets if the business model for managing those financial assets changes. A change in the business model will take effect only at the beginning of the next reporting period following the change.

- From amortized cost to FVTPL: Fair value is measured at reclassification date, with the difference between the amortized cost and fair value recognized as gain or loss in profit or loss.

- From amortized cost to FVOCI (debt instruments): Fair value is measured at reclassification date, with the difference between the amortized cost and the fair value recognized as gain or loss in other comprehensive income ("OCI"). The effective interest rate and the measurement of expected credit losses ("ECL") remain the same.

- From FVTPL to amortized cost: Fair value at the reclassification date becomes its new gross carrying amount. The effective interest rate is determined on the basis of the fair value at reclassification date, which is now treated as the date of initial recognition.

- From FVTPL to FVOCI: The financial asset continues to be measured at fair value.

- From FVOCI to amortized cost: Fair value at the reclassification date becomes its new gross carrying amount. The cumulative gain or loss previously recognized in OCI is removed from equity and adjusted against the fair value of the financial asset at reclassification date. As a result, the measurement at reclassification date is as if the financial asset had always been measured at amortized cost. This adjustment affects OCI but does not affect profit or loss and therefore is not a reclassification adjustment. The effective interest rate and the measurement of ECL remain the same.

- From FVOCI to FVTPL: The financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in OCI is reclassified to profit or loss as a reclassification adjustment at reclassification date.

There were no reclassification of financial assets in 2020 and 2019.

(c) *Impairment of Financial Assets*

The Group assesses impairment using ECL model on a forward-looking basis for financial assets carried at amortized cost and debt instruments measured at FVOCI. The carrying amount of the financial asset at amortized cost are adjusted for impairment through a loss allowance account. The loss allowance for financial assets at FVOCI; however, is carried in OCI and does not reduce the carrying amount of the financial assets.

The Group considers a broad range of information in assessing credit risk and measuring ECL, including past events, current conditions, and reasonable and supportable forecasts that affect collectibility of the future cash flows of the financial assets. The Group considers all reasonable and supportable information that is available without undue cost or effort, as well as observable market information about the credit risk of the particular financial instrument or similar financial instruments.

The Group applies the simplified approach in measuring ECL, which uses a lifetime ECL allowance for all trade and other receivables and contract assets using provision matrix approach and loss rates approach, as the case may be. The lifetime ECL is estimated based on the expected cash shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. To calculate the ECL, the Group uses its historical experience, external indicators and forward-looking information. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Notes 3.2(b) and 32.2].

For the other financial assets measured at amortized cost, the Group applies the low credit risk simplification and measures the ECL on the financial assets based on the credit losses expected to result from default events that are possible within the next 12 months (12-month ECL) until there is a significant increase in credit risk since origination, at which point, the loss allowance will be based on lifetime ECL. When there has been a significant increase in credit risk on a financial asset 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 (lifetime ECL).

To calculate the ECL of related parties, the Group determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of advances to related parties can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. The key elements used in the calculation of ECL are as follows:

- *Probability of Default ("PD")* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

- *Loss Given Default ("LGD")* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at Default ("EAD")* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation which pertains to its amortized cost.

Impairment loss on financial assets at amortized cost are presented as part of Other Operating Expenses accounts in the consolidated statement of comprehensive income (see Note 26).

(d) *Put Option Accounted for as a Financial Guarantee Contract*

The put option on a co-development agreement meets the definition of financial guarantee contract, wherein it provides the holder of the instrument with protection against an adverse event (put option event). The put option transfers a risk to the Group, in which the Group is obligated to pay a specified amount if the holder chooses to exercise the put option upon the happening of any put option event [see Note 31.8(iv)].

In accounting for financial guarantee, the Group considers whether the financial risk transferred is significant or not. When the financial risk is considered significant, it should be accounted for under PFRS 9; otherwise, under PFRS 4, *Insurance Contracts*, wherein the general provision for accounting of insurance contracts shall apply.

When accounted for in accordance with PFRS 9, the financial guarantee is initially recognized at fair value, which is equivalent to the premium received at inception of the contract. Subsequent to initial recognition, financial guarantee is measured at the higher of the amount initially recognized or at the amount determined in accordance with the ECL model.

In measuring the put option under ECL model, the Group applies the general approach of ECL measurement, wherein the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. However, if the risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12 months after the end of the reporting period.

(e) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Derivative Financial Instruments and Hedge Accounting

A derivative is a financial instrument wherein its value changes in response to a specified change in variable; it requires no initial net investment or on an initial investment that is smaller than what would be required for other types of financial instruments that would be expected to have a similar response to changes in market factors; and, it is settled on a future date. The Group occasionally uses derivative financial instruments to manage its risks associated with foreign currency and interest rates. Derivatives are recognized initially and subsequently at fair value. Such derivatives are carried as assets when there is gain in the net fair value and as liabilities when there is loss in net fair value. Any gains or losses arising from changes in fair value of derivative financial instruments which are not designated as accounting hedges are recognized directly in profit or loss [see Note 2.4(a)].

The Group uses hedge accounting when it assigns hedging relationships between a hedging instrument, usually a derivative financial instrument, and a hedged item. The hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness to qualify for hedge accounting. The hedging relationship must be expected to be highly effective over the period for which it is designated as cash flow hedge.

Changes in fair value of derivatives designated as hedging instruments in cash flow hedges are recognized in other comprehensive income and included under Revaluation Reserves on Cash Flow Hedge in equity to the extent that the hedge is effective. Any ineffectiveness in the hedge relationship is recognized immediately in profit or loss.

If the hedged future cash flows are no longer expected, the amount that has been accumulated in Revaluation Reserves on Cash Flow Hedge shall be immediately reclassified to profit or loss.

Gaming transactions of the Group with fixed-odds wagers known at the time of bet are considered derivative transactions wherein the Group takes a position against a patron and the resulting unsettled position becomes a derivative instrument under PFRS 9 that is settled by the Group to or collected from the patron when the outcome of the wager has been determined. See Note 2.16 for the accounting policy regarding gaming transactions covered under PFRS 9.

The derivative liability arising from accrual of unsettled wagers related to the expected and eventual payouts of slot machine jackpot is recognized as Slot jackpot liability included under Trade and Other Payables account in the consolidated statement of financial position (see Note 17).

2.6 Inventories

Inventories are valued at the lower of cost and net realizable value ("NRV"). Cost is determined using weighted average method, except for food, paper, and promotional materials and supplies, which use the first-in, first-out method. Finished goods and work-in-process include the cost of raw materials, direct labor and a proportion of manufacturing overhead (including an element of depreciation) based on normal operating capacity. The cost of raw materials includes all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities. (See Note 8).

NRV of finished goods is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. NRV of raw materials, spare parts and other operating supplies is the current replacement cost. [See Note 3.2(c)]

Accounting policies for real estate inventories and transactions are discussed in Note 2.7.

2.7 Real Estate Inventories and Transactions

Cost of inventories includes acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of the property to the Group; related property development costs; and, borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Group (see Note 2.17). All costs relating to the real estate property sold are recognized as expense as the work to which they relate is performed. Costs of inventories are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

Repossessed property arising from sales cancellation is recognized at cost (see Note 2.16). The difference between the carrying amount of the receivable or contract asset to be derecognized and the cost of the repossessed property is recognized in the consolidated statement of comprehensive income.

2.8 Other Assets

Other assets, presented either under current or non-current assets classification in the consolidated statement of financial position, pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably (see Note 9).

Where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), such assets are classified as non-current assets.

Advances to suppliers that will be applied as payment for purchase of inventories or services to be rendered in the future are classified and presented under the Trade and Other Receivables account. On the other hand, advances to suppliers that will be applied as payment for purchase of items under property and equipment are classified and presented under the Other Non-current Assets account. These classification and presentation are based on the eventual realization of the asset to which it was advanced for.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.20).

2.9 Property, Plant and Equipment

Property, plant and equipment ("PPE") are stated at cost and, except for land, less accumulated depreciation, amortization and any impairment in value. As no finite useful life for land can be determined, the related carrying amount is not depreciated. Land held for use in production or administration is stated at cost less any impairment in value. (See Note 13).

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use, including borrowing costs (see Note 2.17) and asset retirement obligation relating to property and equipment installed/constructed on leased properties [see Note 3.2(n)].

Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows [see Note 3.2(h)]:

Buildings and land improvements	5 to 50 years
Condominium units	10 to 25 years
Machinery and equipment	2 to 12 years
Fixtures and other equipment	3 to 10 years
Transportation equipment	3 to 10 years

Leasehold improvements are amortized over the useful life of the assets or the term of the lease, whichever is shorter.

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.17) and other direct costs. The account is not depreciated or amortized until such time that the assets are completed and available for use.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.20).

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

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

An item of PPE, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon sale or disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in profit or loss in the year the item is derecognized.

2.10 Investment Properties

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Properties and are carried at cost less accumulated depreciation and any impairment in value, except for land which is not subjected to depreciation [see Notes 2.20, 3.1(g), and 14].

Cost capitalization, depreciation, impairment loss and asset derecognition are recorded in the same manner as in Property, Plant and Equipment (see Note 2.9). Depreciation of investment property (excluding land) is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 50 years [see Note 3.2(h)].

Transfers to, or from, investment property shall be made when and only when there is a change in use for such property.

2.11 Business Combinations and Asset Acquisitions

(a) Accounting for Business Combination using the Acquisition Method

A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participant. When a unit acquired does not constitute a business, it is accounted for as an asset acquisition. Under the asset purchase accounting, the purchase costs are allocated to identifiable assets and liabilities based on relative fair values of individual items, goodwill or gain on bargain purchase is not recognized, and transaction costs are capitalized.

Business acquisitions [see Note 3.1(k)] are accounted for using the acquisition method of accounting. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. Identifiable assets acquired and liabilities, including contingent liabilities, assumed are measured initially at their fair values at the acquisition date [see Note 3.2(q)]. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly either in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any existing equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed (see Note 2.20). Negative goodwill, which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost, is recognized directly to income [see Note 2.2(a)]. For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the date of acquisition that if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously-held equity interest in the acquiree at its fair value at the date of acquisition (the date the Group attains control) and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the date of acquisition that have previously been recognized in other comprehensive income are reclassified to profit or loss in the consolidated statement of comprehensive income, where such treatment would be appropriate if such interests were disposed of.

(b) Accounting of Business Combination using the Pooling-of-interests Method

Business combinations arising from transfers of interests in entities that are under the common control of the principal stockholder are accounted for under the pooling-of-interests method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities are reflected in the consolidated financial statements at carrying values and no adjustments are made to reflect fair values or recognize any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method.

No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under PIC Q&A No. 2012-01, PFRS 3.2 – *Application of Pooling of Interest Method for Business Combination of Entities under Common Control in Consolidated Financial Statements* (as amended by PIC Q&A No. 2015-01,*Conforming Changes to PIC Q&As – Cycle 2015*, and PIC Q&A No. 2018-13. *Conforming Changes to PIC Q&As – Cycle 2018)*; hence, the profit and loss of the acquiree is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Also, no goodwill is recognized as a result of the business combination and any excess between the net assets of the acquiree and the consideration paid is accounted for as "equity reserves", which will eventually be closed to additional paid-in capital. Also, any pre-acquisition income and expenses of a subsidiary are no longer included in the consolidated financial statements. The Group used this method in accounting for the merger between BFS and CBSP in 2020, the merger between PDSC and BDSC in 2019, and the restructuring of WMG in 2019 [see Note 1.1(s) and (t)].

2.12 Intangible Assets

Intangible assets include goodwill, trademarks, leasehold rights, computer software and franchise fee. Except goodwill and some specific trademarks, all other intangible assets have finite lives and are carried at cost less accumulated amortization and any impairment in value. Goodwill and trademarks with indefinite useful lives are not amortized, but are reviewed for impairment at least annually (see Notes 2.11, 2.20 and 15).

The cost of trademarks, leasehold rights, computer software and franchise fee includes the acquisition price and other direct costs. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of the assets as follows [see Note 3.2(h)]:

Trademarks [except those with indefinite useful lives (see Note 15)]	10 years
Franchise fee	10 years
Computer software	3 years

Leasehold rights are amortized over the useful life of 20 years or the term of the lease, whichever is shorter.

When an intangible asset is retired or otherwise disposed of, the carrying value value is removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

Costs associated with maintaining computer software and any costs associated with research activities are recognized as expense in profit or loss as incurred.

2.13 Financial Liabilities

Financial liabilities, which include Interest-bearing Loans (see Note 18), Bonds Payable (see Note 19), Lease Liabilities (see Note 13.3), Trade and Other Payables (except tax-related payables) (see Note 17), Advances from Related Parties (see Note 30.6), Redeemable Preferred Shares (see Note 20), and Equity-linked debt securities ("ELS"), Derivative liability, Guarantee deposits, Commission payable, Subscription payable and Retention payable [which are presented as part of Other Current Liabilities and Other Non-Current Liabilities accounts (see Note 21)] are recognized when the Group becomes a party to the contractual agreements of the instrument.

Except for capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.17), all interest-related charges incurred on financial liabilities are recognized as an expense in profit or loss under Finance Costs and Other Charges in the consolidated statement of comprehensive income (see Note 27).

Interest-bearing Loans, Bonds Payable and Equity-linked debt securities are raised for support of long-term funding of operations. These are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, except for capitalized borrowing costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and Other Payables, Advances from Related Parties, ELS, Guarantee deposits, Commission Payable and Retention Payable are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Redeemable Preferred Shares of GADC and TLC, which are mandatorily redeemable at the option of the holder, are recognized at fair value, net of transaction costs, on inception date and presented as a liability in the consolidated statement of financial position; the liability is subsequently measured at amortized cost (see Note 20). The corresponding accretion of the liability and the dividends paid on those shares are charged as part of Interest expense under Finance Costs and Other Charges account (see Note 27) in the consolidated statement of comprehensive income.

Dividend distributions to shareholders are recognized as financial liabilities on the record date set upon declaration by the BOD.

The Group's derivative liability arising from financial instruments designated as cash flow hedges is recognized and subsequently measured in accordance with its hedge accounting policy (see Note 2.5). All other derivative liabilities are measured at fair value (see Note 21).

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized as gain or loss in profit or loss.

2.14 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. [see Note 3.1(o)].

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision. Contingent assets are not recognized, but disclosed where an inflow of economic benefits is probable. The asset is only recognized when it is virtually certain that the inflow of economic benefits will arise to the Group.

2.15 Equity

Capital stock represents the nominal value of shares that have been issued (see Note 22.1).

APIC includes any premiums received on the issuance or reissuance of capital stock. Any transaction costs associated with such issuances of shares are deducted from APIC, net of any related income tax benefits. Excess of proceeds from sale of treasury shares over acquisition cost of such treasury shares, and amounts of unexercised share options are also added to APIC. (See Note 22.2).

Treasury shares refer to AGI shares reacquired by the Company but not cancelled and AGI shares held by subsidiaries for investment purposes. These are carried at cost of reacquiring such shares (see Notes 2.2 and 22.3).

Net actuarial gains or losses on post-employment benefit plan pertain to actuarial gains or losses from remeasurement of post-employment benefit obligation and the Group's share in other comprehensive income or loss of associates and joint ventures.

Net unrealized fair value gains or losses on financial assets at FVOCI pertains to cumulative mark-to-market valuations on such securities [see Note 2.4(a)(ii)].

Accumulated translation adjustments represent the translation adjustments resulting from the translation of foreign currency denominated financial statements of certain subsidiaries into the Group's presentation currency [see Note 2.19(b)(iii)].

Revaluation reserves on cash flow hedges pertain to the cumulative effective portion of gains and losses recognized on hedging instruments in a cash flow hedge (see Note 2.5).

Other reserves include legal reserves and reserves from changes in ownership interest in subsidiaries that do not result in a loss of control. Legal reserves represent the statutory requirements in Luxembourg, which comprise of net wealth tax reserve and capital reserve. Certain statutory requirements based on Spanish legislation were also included as part of this account.

Dilution gain or loss (presented as part of Other Reserves) arises when an investor or the Group exercises its pre-emptive rights to maintain its ownership interest in an investee. This represents the difference between the book value per share in an investee versus the Group's offer price at the time the rights are exercised. This also includes the Group's share in previous period's profit (loss) as a result of the current increase (decrease) in equity ownership over its subsidiaries. Dilution gain or loss is recognized on investments of which the Group continues to exercise control (see Note 22.4).

Share options represent the value of share options during vesting period upon recognition of share-based remuneration expense in profit or loss, net of any share options exercised or expired [see Notes 2.21(e) and 22.6].

Retained earnings, the appropriated portion of which is not available for dividend declaration, represent all current and prior period results of operations as reported in the profit and loss section of the consolidated statement of comprehensive income, reduced by the amount of dividends declared (see Note 22.7).

Non-controlling interests represent the portion of the net assets and profit or loss not attributable to the Parent Company's shareholders, which are presented separately in the Group's consolidated statement of comprehensive income and within the equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity. [See Notes 2.2(d), 2.11 and 22.8].

2.16 Revenue and Expense Recognition

Revenue arises mainly from sale of consumer goods and real properties and rendering of services which include quick-service restaurants, gaming-related activities, hotel operations and franchise revenues.

Revenue is recognized in a manner that depicts the pattern of goods and services to customers at an amount to which the Group expects to be entitled in exchange for those goods and services. The focus of revenue recognition is on the transfer of control of goods or services, which could be at a point in time or over time, following this five-step process:

1. Identify the contract with a customer;
2. Identify the performance obligation (distinct goods or services promised);
3. Determine the transaction price (including fixed amounts or variable amounts, or both, financing components, non-cash consideration, consideration payable to customer, if any);
4. Allocate the transaction price to the performance obligations; and,
5. Recognize revenue when (or as) performance obligations are satisfied (at a point in time or over time).

In identifying whether a contract with a customer exists, the following five gating criteria must be present:

a. the parties to the contract have approved the contract either in writing or in accordance with other customary business practices and committed to perform their respective obligations;
b. each party's rights regarding the goods or services to be transferred or performed can be identified;
c. the payment terms for the goods or services to be transferred or performed can be identified;
d. the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
e. collection of the consideration in exchange of the goods and services is probable (i.e., more likely than not to occur).

A contract, for purposes of revenue recognition, does not exist if each party has a unilateral enforceable right to terminate a wholly unperformed contract without compensating the other party.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

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

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue.

The following specific recognition criteria must also be met before revenue is recognized (see Note 24):

(a) *Sale of consumer goods (under Sale of Goods)* – Revenues from sale of goods are recognized at a point in time when the customer has acknowledged the receipt of the goods.

(b) *Real estate sales (under Sale of Goods)* – The Group develops real properties such as developed land, house and lot, and condominium units. The timing of revenue recognition is based on whether the real estate sold is pre-completed or completed. The significant judgment used in determining the timing of satisfaction of the Group's performance obligation with respect to its contracts to sell real properties is disclosed in Note 3.1(a).

The Group often enters into contracts to sell real properties as they are being developed. On such *pre-completed real estate properties*, revenue is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development. On *completed real estate properties*, revenue is recognized at point in time when the control over the real estate property is transferred to the buyer.

Sales cancellations are accounted for on the year of forfeiture. Any gain or loss on cancellation is charged to profit or loss.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from sales is used by Megaworld, GERI, EELHI, SPI, ECOC, MBPHI, SEDI, LFI, API, MGAI, MCTI and STLI.

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(c) *Sale of undeveloped land and golf and resort shares (included under Real Estate Sales)* – Revenues on sale of undeveloped land and golf and resort shares for sale are recognized at point in time when control on the undeveloped land and golf and resort shares have passed to the buyer and the amount of revenue can be measured reliably.

(d) *Food, beverage and others (included in Hotel Operations under Rendering of Services)* – Revenues are recognized at point in time upon delivery to and receipt of consumer goods by the customer. Invoices for consumer goods transferred are due upon receipt by the customer.

(e) *Hotel accommodation (included in Hotel Operations under Rendering of Services)* – Revenues are recognized over time during the occupancy of hotel guest and end when the scheduled hotel room accommodation has lapsed (i.e., the related room services have been rendered). As applicable, invoices for hotel accommodations are due upon receipt by the customer.

(f) *Sales from Company-operated quick-service restaurants (under Rendering of Services)* – Revenues are recognized at point in time upon delivery to and receipt of consumer goods by the customer, and the Group has no obligation that could affect the customer's acceptance of the goods. Invoices for consumer goods transferred are due upon receipt by the customer.

(g) *Franchise revenues (under Rendering of Services)* – Revenues from franchised McDonald's restaurants (including the restaurant operated by a joint venture) include royalty and management fees. These are recognized in the period earned.

(h) *Rendering of other services* – Revenue is recognized over time (i.e., time-and-materials basis as the services are provided) until the performance of contractually agreed tasks has been substantially rendered. Revenue from other services include commissions, cinema and production shows and other activities incidental to the Group's main operations.

Revenues and expenses are recognized excluding the amount of value-added tax ("VAT"). As applicable, when the Group is required to refund the related purchase price for returned goods, it recognizes a refund liability for the expected refunds by adjusting the amount of revenues recognized during the period. Also, if applicable, the Group recognizes a right of refund asset on goods to be recovered from customers with a corresponding adjustment to Cost of Goods Sold account. However, there were no contracts that contain significant right of return arrangements that remain outstanding as of the end of the reporting periods.

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets [see Note 2.4(c)].

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If a transaction does not yet qualify as contract revenue under PFRS 15, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue on real estate sales, consideration received from buyers are presented as Customers' deposits under Other Liabilities account in the consolidated statement of financial position (see Note 21).

The Group provides a membership card for its gaming patrons (i.e., of Travellers). Members earn points on gaming activity and such points are redeemable for complimentary goods and services such as room accommodations, food, beverages and others. Members may also earn special coupons or awards as determined during marketing promotions. The Group records revenue for the original transaction and a provision (and a corresponding recognition of promotional allowances in profit or loss) for the value of the points earned by members by reference to the relative fair values of the complimentary goods or services.

Gaming revenues from table games and slot machines are recognized from net wins (losses) from gaming activities, which represent the difference between coins and currencies deposited into the gaming machines or operations and the payments to customers; and for other games, the difference between gaming wins and losses, less sales incentives and other adjustments (i.e., promotional allowances) (see Note 24). The payout for wagers placed on gaming activities typically is known at the time the wager is placed (i.e., fixed odds wagering). These gaming transactions are accounted for as derivative transactions in accordance with PFRS 9 (see Note 2.5). Gaming revenues from these transactions are recognized at fair value, which represents the price that would be received to sell a wager position or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Promotional allowances include rebates under the casino rebates program and the provision for the value of the gaming points earned by members, i.e. in using a membership card provided by the Group, by reference to the relative fair values of the complimentary goods or services. Promotional allowances are presented as a reduction of gaming revenues.

The Group also administers games in which the Group receives a fee rather than the Group being at risk to win or lose based on the outcome of the game, i.e. tournaments including card games and bingo operations. Revenues from these gaming-related activities, which are accounted for in accordance with PFRS 15, are recognized over time as the services for administering the games are rendered, at an amount equivalent to the fee collected.

Cost and expenses (other than cost of real estate sales) are recognized in profit or loss upon utilization of the services or receipt of the goods or at the date they are incurred (see Notes 25 and 26). Incremental costs of obtaining a contract to sell a real estate property to a customer are recognized as an asset and are subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized. Incremental costs in obtaining other customer contracts are expensed as incurred since amortization period of these costs, if capitalized, would be less than one year (a practical expedient in PFRS 15).

2.17 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred (see Note 27), except to the extent that they are capitalized (see Notes 2.7, 2.9 and 2.10). Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.18 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

(i) Accounting for Leases in Accordance with PFRS 16 (2020 and 2019)

For any new contracts, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

The Group assesses whether the contract meets the following three key evaluations:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- there is a right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- there is a right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At commencement date of the lease, a right-of-use asset ("ROUA") and a lease liability are recognized in the consolidated statement of financial position. For short-term leases and leases of low-value assets, the Group uses the practical expedients where related lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

The ROUA is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the ROUA is depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROUA or the end of the lease term. The Group also assesses the ROUA for impairment when such indicators exist (see Note 2.20). The ROUA is also adjusted for any re-measurement of the related lease liabilities, except for changes in lease payments in which the practical expedient on COVID-19-related rent concessions is applied.

On the other hand, the lease liability is measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily available, or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed payments) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the consolidated statement of financial position, ROUA are included as part of Property, Plant and Equipment account. On the other hand, Lease Liabilities are presented as a separate line item under Current Liabilities and Non-current Liabilities sections.

GADC is legally required under various lease agreements to dismantle the installations and restore the leased sites at the end of the lease term. It is also a Group's policy to remove permanent improvements or additions which contain designs and configurations inherent to GADC's business signs, trademarks, trade names, patent and other similar intellectual property rights belonging to McDonald's Corporation ("McDonald's") upon the termination or expiration of lease contract. The present value of these estimated costs is recognized and being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term [see Note 3.2(n)]. The carrying values of these costs which were previously taken up as part of buildings and leasehold improvements were transferred to ROUA on January 1, 2019 (see Note 13). The asset retirement obligation ("ARO") is recognized at fair value, with the periodic accretion recognized in profit or loss as part of interest expense. The outstanding ARO as at the end of the reporting period is presented as part of Other Non-Current Liabilities account in the consolidated statement of financial position (see Note 21).

(ii) Accounting for Leases in Accordance with PAS 17 (2018)

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the consolidated statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability.

Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Moreover, the Group derecognizes ROUA pertaining to subleases classified as finance lease and recognizes a corresponding finance lease receivable in its consolidated statement of financial position. The difference between the derecognized ROUA and recognized finance lease receivable is recognized in the consolidated profit or loss.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

Prior to adoption of PFRS 16 in 2019, the Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

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2.19 Foreign Currency Transactions and Translation

(a) Transactions and Balances

Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of foreign subsidiaries (see Note 1), which are measured using the United States ("U.S.") dollars, British pound sterling and European Union euro, their functional currencies, are translated to Philippine pesos, the Parent Company's functional currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) Income and expenses for each profit or loss account are translated at the average exchange rates over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

(iii) All resulting exchange differences are recognized in other comprehensive income and in a separate component of equity under Accumulated Translation Adjustments account.

When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale.

The translation of the financial statements into Philippine peso should not be construed as a representation that the foreign currency amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

2.20 Impairment of Non-Financial Assets

The Group's Investments in Associates and Joint Ventures [see Notes 2.2(b), 2.2(c) and 12], Intangible Assets (see Notes 2.12 and 15), Investment Properties (see Notes 2.10 and 14), Property, Plant and Equipment (including right-of-use assets) (see Notes 2.9, 2.18, and 13) and other non-financial assets (see Notes 2.8 and 9) are subject to impairment testing [see Note 3.2(i)]. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts, which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Except for intangible assets with indefinite useful life or those not yet available for use, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.21 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, as well as a defined contribution plan, and other employee benefits which are recognized as follows (see Note 28):

(a) Short-term Employee Benefits

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in the profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued employee benefits under Trade and Other Payables account in the consolidated statement of financial position.

(b) Post-employment Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment defined benefit pension plans cover all regular full-time employees. The respective pension plans are tax-qualified, noncontributory and administered by respective trustees of four significant subsidiaries.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation ("DBO") less the fair value of plan assets at the end of the reporting period. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. The interest rates are based from the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation ("BVAL"). BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance and Other Income or Finance Costs and Other Charges account in the consolidated statement of comprehensive income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(c) *Post-employment Contribution Plan*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity (i.e., Social Security System). The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(d) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or, (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(e) *Share-based Employee Remuneration*

The Group grants share options to key executive officers and employees eligible under each share option plan of the Parent Company, Megaworld, GERI, EMP and Travellers. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in profit or loss and the corresponding share option is recorded in the Equity section of the consolidated statement of financial position.

Expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vested on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as APIC, and the cost of the share option under Share Options account is reclassified to APIC.

Upon expiration of share option, the value assigned to the Share Options is reclassified to the APIC account in the Equity section of the consolidated statement of financial position.

(f) *Bonus Plans*

The Group recognizes a liability and an expense for bonuses, based on a formula that takes into consideration the Group's profits after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(g) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.22 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any (see Note 29).

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in consolidated profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.23 Non-current Assets Held for Sale

Non-current assets classified as held for sale refers to construction in progress, and land and buildings that the Group intends to sell within one year from the date of reclassification as held for sale (see Note 16).

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Non-current asset held for sale is measured at the lower of its carrying amount, immediately prior to their classification as held for sale, and its fair value less costs to sell. The Group shall recognize an impairment loss for any initial or subsequent write-down of the asset at fair value less cost to sell. Gain from any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held for sale are not subject to depreciation.

If the Group has classified an asset as held for sale, but the criteria for it to be recognized as held for sale are no longer satisfied, the Group shall cease to classify the asset as held for sale.

The gain or loss arising from the sale or remeasurement of held for sale assets is recognized in profit or loss in the consolidated statement of comprehensive income.

2.24 Earnings per Share

Basic earnings per share ("EPS") is computed by dividing net profit attributable to equity holders of the parent company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period (see Note 23).

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potentially dilutive shares [e.g., vested share options (see Note 22.6)].

2.25 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Strategic Steering Committee ("SSC"), its chief operating decision-maker. The SSC is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally considers the Group's major subsidiaries, as disclosed in Note 4, which represent the main products and services provided by the Group and the line of business in which the Group operates. Each of these operating segments, which represents the major subsidiaries within the Group, is managed separately by each respective officers and management. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements. However, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to any segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.26 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged (see Note 30).

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

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

Transactions individually or in aggregate over a 12-month period with the same related party, amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with related parties are considered material. This is based on the requirements of SEC MC No. 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Companies.*

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

2.27 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements. There are no post year-end events that occurred up to date of issuance of the financial statements that would require adjustment (see Note 37).

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates 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. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Evaluating the Timing of Satisfaction of Performance Obligations

(i) Real Estate Sales

The Group exercises critical judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time.

In making this judgment, the Group considers the following:

- any asset created or enhanced as the Group performs;
- the ability of the customer to control such asset as it is being created or enhanced;
- the timing of receipt and consumption of benefits by the customer; and,
- the Group's enforceable right for payment for performance completed to date.

The Group determined that its performance obligation for pre-completed real estate properties is satisfied over time since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose. Further, the Group has rights over payment for development completed to date as the Group can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments.

(ii) Sales of Consumer Goods

The Group determines that revenue is recognized at a point in time when the control of the goods has passed to the customer, i.e. generally when the customer acknowledged delivery of goods.

(iii) Hotel Accommodations

The Group determines that its revenue from hotel accommodations shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other entities. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of hotel services as it performs.

(iv) Food and Beverages, and Others

In determining the appropriate method to use in recognizing the Group's revenues from food, beverage and other consumer goods, the Group determines that revenue is recognized at a point in time when the control of the goods has passed to the customer, i.e., generally when the customer acknowledged delivery of goods. The service component of the restaurant operations is deemed as an insignificant cause on the timing of satisfaction of performance obligation since it is only passage of time until the customer receives and consumes all the benefits after delivery of the food and beverage items.

(v) Forfeited Collections and Deposits

The Group determines that its revenue from forfeited collections and deposits shall be recognized at point in time in the year the contract was cancelled.

(vi) Property Management Services

The Group determines that its revenue from property management services shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group applies the practical expedient to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date, i.e., generally when the customer has acknowledged the Group's right to invoice.

(b) Estimating Collection Threshold for Real Estate Revenue Recognition

The Group uses judgment in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold over which the Group determines that collection of total contract price is reasonably assured.

(c) *Determining the Accounting Treatment of Gaming Revenues under PFRS 9 and PFRS 15*

The Group exercises judgment in determining whether its gaming transactions and gaming-related activities are within the scope of PFRS 9 or PFRS 15. In making this judgment, management considers whether both the Group and the patrons have the chance to win or lose money or other items of economic value based on the outcome of the game; or, only the patron has the chance to win or lose money or other items of economic value, with the Group only receiving a fee for administering the game (PFRS 15), rather than the Group being at risk to win or lose based on the outcome of the game (PFRS 9). When the Group takes a position against a patron, the resulting unsettled wager or position is a financial instrument that would likely meet the definition of derivative financial instrument and is accounted for under PFRS 9.

Relative to this, the management has determined that its gaming revenues from table games and slot machines are within the scope of PFRS 9, while gaming-related revenues from administering bingo and tournament games are within the scope of PFRS 15.

(d) *Evaluating the Business Model and Cash Flow Characteristics of Financial Assets*

The Group applies the business model test and cash flow characteristics test at a portfolio of financial assets (i.e., group of financial instruments that are managed together to achieve a particular objective) and not on an instrument-by-instrument approach (i.e., not based on intention for each or specific characteristic of individual instrument) as these relate to the Group's investment and trading strategies.

The business model assessment is performed on the basis of reasonably expected scenarios (and not on reasonably expected not to occur, such as the so-called 'worst case' or 'stress case', scenarios). A business model for managing financial assets is typically observable through the activities that the Group undertakes to achieve the objective of the business model.

The Group uses judgment when it assesses its business model for managing financial assets and that assessment is not determined by a single factor or activity. Instead, the Group considers all relevant evidence that is available at the date of assessment which includes, but not limited to:

- How the performance of the business model and the financial assets held within the business model are evaluated and reported to key management personnel;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and,

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

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(e) *Determining the ECL on Trade and Other Receivables and Advances to Related Parties*

The Group applies the ECL methodology which requires certain judgments in selecting the appropriate method of measuring ECL. In measuring ECL, the Group considers a broad range of information which include past events, current conditions, and reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Group uses a provision matrix to calculate ECL for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance). The provision matrix is based on historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). The Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. Details about the ECL on the Group's trade and other receivables are disclosed in Notes 2.4(c) and 32.2.

For advances to related parties, the management determined that the use of liquidity analysis model is applicable in the ECL assessment. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. Details about the ECL on the Group's financial assets at amortized cost are disclosed in Note 32.2.

(f) *Determining Lease Term of Contracts with Renewal and Termination Options (2020 and 2019)*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

The Group determines whether any non-cancellable period or notice period in a lease would meet the definition of a contract and thus, would be included as part of the lease term. A contract would be considered to exist only when it creates rights and obligations that are enforceable.

In assessing the enforceability of a contract, the Group considers whether the lessor can refuse to agree to a request from the Group to extend the lease. In contrast, a lessor's right to terminate a lease is ignored when determining the lease term because, in that case, the lessee has an unconditional obligation to pay for the right to use the asset for the period of the lease, unless and until the lessor decides to terminate the lease.

The Group also considers any potential cost of dismantling and restoration of buildings and leasehold improvements for which the Group might be held liable in evaluating whether to renew the lease.

(g) Distinguishing Investment Properties, Owner-Occupied Properties and Real Estate Inventories

The Group determines whether a property qualifies as investment properties (see Note 2.10), owner-occupied properties or inventories. The Group applies judgment upon initial recognition of the asset based on the intention and also when there is a change in use. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Investment properties comprise of properties held to earn rental or for capital appreciation. Owner-occupied properties (see Note 2.9) generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process, while inventories (see Note 2.7) are properties that are held for sale in the ordinary course of business. The Group considers each property separately in making its judgment.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the Group's main line of business or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the Group's main line of business or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(h) Distinguishing Investments in Financial Instruments and Golf and Resort Shares Inventories

In determining whether golf and resort shares shall be accounted for as either inventories or financial instruments, the Group considers its role in the development of the club and its intent for holding these shares. The Group classifies such shares as inventories when the Group acts as the developer and it intends to sell a developed property together with the club share.

(i) Classifying Perpetual Debt Securities

The Group exercises judgment in classifying its perpetual debt securities as financial liabilities or equity instruments. In making its judgment, the Group considers the terms of the securities including any restrictions on the Group's ability to defer interest payments. As of December 31, 2020 and 2019, Megaworld has perpetual capital securities that do not appear in the consolidated statement of financial position because all were bought back by subsidiaries of AGI in 2019. Previously, based on management's assessment, the perpetual debt securities were classified as equity securities and presented as part of NCI as the Group has the ability to defer payments of principal and interest indefinitely (see Note 22.8).

(j) *Determining Control, Joint Control or Significant Influence*

Judgment is exercised in determining whether the Group has control, joint control or significant influence over an entity, even though the Group holds less than 50% or less than 20% of the investee's voting shares. In assessing control or significant influence over investees, the Group considers voting rights, representation on the board of directors or equivalent governing body of the investee, presence of interlocking directors, participation in policy-making process and all other facts and circumstances, including terms of any contractual arrangement.

(k) *Distinguishing Asset Acquisition and Business Combinations*

At the time of acquisition, the Group determines whether the acquisition represents the acquisition of a business or of assets (see Notes 1.2 and 2.11). The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g., for Megaworld - maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in PAS 40, *Investment Property*, on ancillary services.

In 2018, the Group gained control over various entities as described in Note 1.2 which, based on management's assessment, are accounted for as business combinations.

Moreover, the transfer of ownership interest over WML and WMWL from WMG to WMGL, the merger between CBSP and BFS and between PDSC and BDSC are accounted for as business combinations using pooling-of-interest method as these are transfers of interests in entities that are under the common control and there is no change of control before and after the restructuring or mergers [see Note 1.1 (t)].

(l) *Distinguishing Between Operating and Finance Lease Contracts where the Group is the Lessor*

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's assessment, the Group's lease agreements, as lessor, are classified as operating leases, except for one which has been classified as a finance lease.

(m) *Determining Whether Lease Concessions Granted Constitute a 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 lease concessions it granted to certain lessees, such as lease payment holidays or lease payment reductions.

In making this 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 lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, are not lease modifications under PFRS 16.

The rent concessions granted by the Group for the year ended December 31, 2020 amounted to P2.2 billion.

(n) *Determining the Accounting Treatment of Put Option*

The Group determined that the put option contract entered by the Group meets the definition of financial guarantee under PFRS 4. Although a financial guarantee meets the definition of insurance contract under PFRS 4, if the risk transferred is significant, the issuer of the guarantee contract should apply PFRS 9.

The Group determined that the risk transferred to the Group is significant; hence, the put option is accounted for under PFRS 9 [see Notes 2.4(d) and 31.8(iv)].

(o) *Classification of Non-current Assets as Held for Sale*

The Group classifies an asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal group) and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except when delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group). The actions required to complete the plan should also indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Based on management's assessment, the letter of intent in 2020, which provides the Group's commitment to sell certain land and buildings to a related party, is the main consideration for classifying these assets as non-current assets held for sale (see Note 13).

(p) *Recognizing Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.14 and disclosures on relevant provisions and contingencies are presented in Note 31.

3.2 Key Sources of Estimation Uncertainty

Presented below and in the succeeding pages are the key 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 reporting period.

(a) Revenue Recognition for Performance Obligation Satisfied Over Time

In determining the amount of revenue from real estate sales to be recognized for performance obligations satisfied over time, the Group measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligation. Specifically, the Group estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and apply changes as necessary. A significant change in estimated total development costs would result in a significant change in the amount of revenue recognized in the year of change.

(b) Impairment of Financial Assets at Amortized Cost and Measurement of Put Option

In measuring allowance for ECL, the Group uses significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses), as further detailed in Note 2.4(c). The Group evaluated impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties, the counterparties' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6.

Further, the measurement of the put option value under the ECL model required the use of significant assumptions with regard to the possibility of any of the option events from happening in the future and the possible change in the evaluation of the collateral within the 12-month assessment period, as further detailed in Note 31.8.

(c) Valuation of Inventories

In determining the NRV of inventories (see Notes 2.6 and 2.7), management takes into account the most reliable evidence available at the dates the estimates are made. NRV is one of the key variables used in analyzing possible impairment. The Group's core business is subject to changes in market factors that directly affect the demand for inventories, such as purchasing power of consumers, degree of competition, and other market-related factors. Future realization of the carrying amounts of these assets is also affected by price changes in the costs incurred necessary to produce the inventories and make a sale as well as market trends. Changes in the sources of estimation may cause significant adjustments to the Group's inventories and real estate properties within the next financial reporting period.

The amounts of allowance for inventory obsolescence provided by management are based on, among others, age and status of inventories and the Group's past experience. The NRV of inventories and an analysis of allowance for inventory write-down are presented in Note 8.

Considering the Group's pricing policy, the net realizable values of real estate properties are higher than their related costs.

(d) Fair Value Measurement of Financial Assets at FVOCI

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement are determined using verifiable objective evidence such as foreign exchange rates, interest rates and volatility rates. However, the amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect other comprehensive income.

Management estimates the fair value of financial instruments where active market quotes are not available based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see Note 2.4).

The carrying amounts of financial assets at FVOCI are disclosed in Note 11 [see Note 2.4(a)(iii)].

(e) Fair Value Measurement of Investment Properties

Investment properties are measured using the cost model (see Note 2.10). The fair value disclosed in Note 14 to the consolidated financial statements was estimated either by: (i) using the fair value of similar properties in the same location and condition; or, (ii) using the discounted cash flows valuation technique since the information on current or recent prices of certain investment property is not available.

The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and, appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

The Group determines the fair value of idle properties through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

A significant change in these elements may affect prices and the value of the assets. As of December 31, 2020 and 2019, the Group determined that there were no significant circumstances that may affect the fair value measurement of these properties. The fair value of the investment properties is disclosed in Notes 14 and 34.4.

(f) *Fair Value Estimation of Share Options*

The fair value of the Executive Share Option (the "Options") recognized as part of Salaries and employee benefits is shown under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). A corresponding credit to Share Options for options related to the Group is presented in the Equity section of the consolidated statements of financial position (see Note 22.6).

The Group estimates the fair value of the Options by applying an option valuation model, considering the terms and conditions on which the Options were granted. The estimates and assumptions used are presented in Note 22.6 which include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the share price (i.e., the Parent Company, Megaworld, GERI, TRAV and EMP) and fair value of the specific common shares. Changes in these factors can affect the fair value of share options at grant date.

(g) *Fair Value Measurement of Derivative Financial Instruments*

Fair value measurement for gaming revenues under PFRS 9 represents the price that would be received to sell a wager position or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date, less any promotional allowances and other similar adjustments.

For other derivative financial instruments, management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. The determination of the fair value of derivatives is dependent on the selection of certain assumptions used by third party experts in calculating such amounts. Those assumptions include, among others, expected movements in the index cumulative performance as defined in the swap agreement. Changes in assumptions could affect reported fair value of financial instruments. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(h) *Estimation of Useful Lives of Property, Plant and Equipment, Investment Properties and Intangible Assets*

The Group estimates the useful lives of property, plant and equipment (including right-of-use assets) (see Notes 2.9 and 2.18), investment properties (see Note 2.10) and intangible assets (see Note 2.12) with finite lives based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, investment properties and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

Specific trademarks mentioned in Note 15 were assessed to have indefinite useful lives considering that there is no foreseeable limit to the period over which such trademarks are expected to generate cash inflows for the Group (i.e., trademarks for The Dalmore and Jura have been in existence for more than 100 years). Moreover, there are no legal or similar limits imposed on the period over which the Group has control or can use the said trademarks.

The carrying amounts of property, plant and equipment, investment properties and intangible assets are presented in Notes 13, 14 and 15, respectively. Actual results, however, may vary due to changes in factors mentioned above.

Based on management's assessment, no change in the estimated useful lives of property, plant and equipment, investment properties and intangible assets is necessary in 2020 and 2019.

(i) Impairment of Non-Financial Assets

Goodwill and specific intangible assets with indefinite useful life are reviewed annually for impairment. An impairment review on all other non-financial assets is performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.20. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment losses recognized on property, plant and equipment and certain trademarks are discussed in Notes 13 and 15, respectively. There is no other impairment loss recognized on the Group's investment properties, goodwill and other intangible assets, and other non-financial assets based on management's evaluation for the years ended December 31, 2020, 2019 and 2018.

(j) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. An analysis of the recognized and unrecognized deferred tax assets is presented in Note 29.1.

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(k) Valuation of Post-Employment Defined Benefit Obligation

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 28.2.

(l) Measurement of Gaming Points and Estimation of Liability for Unredeemed Gaming Points

The Group provides gaming points to its patrons based on gaming activity. Gaming points are redeemable in a wide selection of redemption categories. The Group recognizes the fair values of gaming points, based on redemption terms, historical redemption pattern of patrons and the fair value of promotional activities per source (i.e., hotel, food and beverage, and others). The Group reassesses the measurement basis used for calculating the fair value of gaming points on a regular basis. The carrying value of the gaming points accrued by the Group is presented as Unredeemed gaming points under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

(m) Recognition of Financial Liability and Equity Components of Compound Financial Instruments

The ELS instrument (see Note 21) contains both a financial liability, which is the Group's contractual obligation to pay cash, and an equity component, which is the holder's option to convert it into an equity instrument of the issuer. The equity component is assigned the residual value after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Valuation techniques are used to determine fair values, which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as own credit risk, volatilities and correlations require management to make estimates. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on conditions existing at the end of each reporting period.

In 2017, as a result of the amendments on the ELS, management reassessed the compound instrument and recomputed the fair values of the components at the time of amendment, which resulted in a revalued financial liability component and an equity component with value. Accordingly, the Group presented the components separately as Equity-linked debt securities under Other Non-current Liabilities account (see Note 21) and as part of Non-controlling Interest account under Equity section, respectively, in the consolidated statements of financial position.

On December 4, 2019, the Group exercised the option to extend the redemption date of ELS until December 4, 2021 which did not result to substantial modification of terms.

(n) *Provision for Restoration of Leased Property*

Determining the provision for leased property restoration requires estimation of the cost of dismantling and restoring leased properties (building and leasehold improvements) to their original condition for which the Group is liable (see Note 2.9). The estimated cost was initially determined based on a recent cost to restore the facilities and is being adjusted to consider the estimated incremental annual costs up to the end of the lease term. The estimated dismantling cost was discounted using the prevailing market rate at the inception of the lease for an instrument with maturity similar to the term of the lease.

The carrying amount of ARO and provision for dilapidation are presented as part of Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 21).

(o) *Provision for Onerous Lease*

The Group determines the provision for leasehold properties which are no longer used in the business for which the recoverable amount of the interest in the property is expected to be insufficient to cover future obligations relating to the lease using discounted cash flows and assumptions relating to future sublease income expectations. A significant change in the credit-adjusted risk-free rate used in discounting the estimated cost and sublease assumptions would result in a significant change in the amount of provision recognized with a corresponding effect on consolidated profit or loss.

In 2019, these provisions were directly adjusted against the beginning balance of the Group's right-of-use assets in accordance with PFRS 16. In 2020, additional provision was recognized due to changes in assumptions arising from the impact of COVID-19. The carrying amount of provision for onerous lease is presented as part of Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 21).

(p) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities (2020 and 2019)*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(q) *Business Combinations*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment (see Note 2.11).

4. SEGMENT INFORMATION

4.1 Business Segments

The Group is organized into major business segments, which are the major subsidiaries of the Group. These represent the main products and services provided by the Group and the line of business in which the Group operates (see Note 2.25). Presented below is the basis of the Group in reporting its primary segment information.

(a) The *Megaworld* segment consists of development of real estate, integrated resorts, leasing of properties and hotel operations business, which is primarily undertaken by Megaworld Corporation and subsidiaries, the Group's forerunner in the real estate industry.

(b) The *Emperador* segment refers to the manufacture and distribution of distilled spirits, including the production of glass containers, which is undertaken by Emperador Inc. and subsidiaries.

(c) The *Travellers* segment relates to tourism-oriented business that integrates entertainment, hospitality and leisure, including gaming, as that of Resorts World Manila, which is operated by Travellers International Hotel Group, Inc. and subsidiaries.

(d) The *GADC* segment refers to operations of McDonald's restaurants in the Philippines in accordance with the franchise agreement between GADC and McDonald's Corporation, USA.

The Group disaggregates revenues recognized from contracts with customers into these segments that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This same disaggregation is used in earnings releases, annual reports, and investor presentations.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, contract assets, inventories, property, plant and equipment, intangible assets and investment properties. Segment liabilities include all operating liabilities and consist principally of trade and other payables, contract liabilities, lease liabilities, interest-bearing loans and bonds payable.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4.4 Analysis of Segment Information

Segment information can be analyzed as follows for the years ended December 31, 2020, 2019 and 2018:

	2020				
	Megaworld	Travellers	GADC	Emperador	Total
REVENUES					
Sales to external customers	P 40,359,723,561	P 12,167,008,299	P 19,872,519,690	P 51,395,295,032	P 123,794,546,582
Intersegment sales	379,396,452	302,114,071	60,894,560	20,935,609	763,340,692
Finance and other income	2,731,878,167	(176,954,741)	781,791,127	1,324,441,878	4,661,156,431
Segment revenues	43,470,998,180	12,292,167,629	20,715,205,377	52,740,672,519	129,219,043,705
Cost of sales and expenses excluding depreciation and amortization	(23,499,228,103)	(12,030,590,679)	(17,267,508,300)	(40,791,074,691)	(93,588,401,773)
	19,971,770,077	261,576,950	3,447,697,077	11,949,597,828	35,630,641,932
Depreciation and amortization	(3,104,661,233)	(3,415,318,051)	(2,871,924,719)	(1,567,325,817)	(10,959,229,820)
Finance cost and other charges	(2,902,210,084)	(2,122,927,402)	(1,203,893,047)	(513,380,443)	(6,742,410,976)
Profit before tax	13,964,898,760	(5,276,668,503)	(628,120,689)	9,868,891,568	17,929,001,136
Tax benefit (expense)	(3,347,906,258)	(26,305,278)	145,292,878	(1,399,085,656)	(4,628,004,314)
SEGMENT PROFIT	P 10,616,992,502	(P 5,302,973,781)	(P 482,827,811)	P 8,469,805,912	P 13,300,996,822
SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 374,893,702,823	P 116,426,830,157	P 34,826,330,061	P 117,650,258,379	P 643,797,121,410
Segment liabilities	148,742,486,482	84,390,957,849	29,262,553,333	52,427,534,132	314,823,531,796
OTHER SEGMENT INFORMATION					
Share in net profit (loss) of associates and joint ventures	(69,879,672)	(42,607)	-	185,108,059	115,185,780
Interest income	1,815,477,035	78,077,879	51,261,830	181,474,347	2,126,291,091
Interest expense	1,612,876,982	2,118,900,450	1,028,710,347	527,374,333	5,287,862,112
Investment property and PPE acquisition	7,162,324,039	8,896,976,635	742,674,846	818,549,748	17,620,525,268

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	2019				
	Megaworld	Travellers	GADC	Emperador	Total
REVENUES					
Sales to external customers	P 63,342,918,434	P 28,267,765,663	P 32,008,231,692	P 50,287,604,713	P 173,906,520,502
Intersegment sales	492,157,146	624,157,769	-	39,622,750	1,155,937,665
Finance and other income	3,477,664,373	170,650,370	246,811,141	1,219,630,451	5,114,756,335
Segment revenues	67,312,739,953	29,062,573,802	32,255,042,833	51,546,857,914	180,177,214,502
Cost of sales and expenses excluding depreciation and amortization	(35,954,821,728)	(22,873,552,664)	(26,126,976,615)	(40,133,921,654)	(125,089,272,661)
	31,357,918,225	6,189,021,138	6,128,066,218	11,412,936,260	55,087,941,841
Depreciation and amortization	(2,718,633,788)	(3,170,381,239)	(2,400,921,516)	(1,545,659,310)	(9,835,595,853)
Finance cost and other charges	(3,232,333,913)	(1,763,599,201)	(818,097,750)	(752,870,374)	(6,566,901,238)
Profit before tax	25,406,950,524	1,255,040,698	2,909,046,952	9,114,406,576	38,685,444,750
Tax expense	(6,081,657,290)	(90,504,543)	(910,956,200)	(1,647,434,352)	(8,730,552,385)
SEGMENT PROFIT	P 19,325,293,234	P 1,164,536,155	P 1,998,090,752	P 7,466,972,224	P 29,954,892,365
SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 347,968,101,289	P 115,651,536,817	P 31,959,120,433	P 122,233,919,740	P 617,812,678,279
Segment liabilities	132,846,602,884	76,439,478,594	25,704,962,190	57,392,889,576	292,383,933,244
OTHER SEGMENT INFORMATION					
Share in net profit (loss) of associates and joint ventures	(58,832,233)	(15,811)	-	239,168,070	180,320,026
Interest income	2,328,813,700	180,038,942	69,759,950	345,272,714	2,923,885,306
Interest expense	1,512,905,580	1,940,416,252	834,903,457	661,591,381	4,949,816,670
Investment property and PPE acquisition	10,740,708,282	12,223,857,190	2,170,458,185	2,158,685,600	27,293,709,257

	2018				
	Megaworld	Travellers	GADC	Emperador	Total
REVENUES					
Sales to external customers	P 54,881,328,733	P 20,532,703,973	P 28,415,529,909	P 46,358,326,003	P 150,187,888,618
Intersegment sales	532,091,812	109,819,621	-	-	641,911,433
Finance and other income	2,013,790,171	1,879,662,536	204,209,303	679,322,390	4,776,984,400
Segment revenues	57,427,210,716	22,522,186,130	28,619,739,212	47,037,648,393	155,606,784,451
Cost of sales and expenses excluding depreciation and amortization	(30,130,763,120)	(18,213,082,209)	(24,823,471,642)	(36,671,149,630)	(109,838,466,601)
	27,296,447,596	4,309,103,921	3,796,267,570	10,366,498,763	45,768,317,850
Depreciation and amortization	(2,268,838,880)	(2,289,286,602)	(1,191,150,982)	(1,076,907,317)	(6,826,183,781)
Finance cost and other charges	(3,261,109,497)	(404,826,256)	(109,105,809)	(818,680,240)	(4,593,721,802)
Profit before tax	21,766,499,219	1,614,991,063	2,496,010,779	8,470,911,206	34,348,412,267
Tax expense	(5,544,362,408)	(144,909,807)	(758,056,178)	(1,607,414,678)	(8,054,743,071)
SEGMENT PROFIT	P 16,222,136,811	P 1,470,081,256	P 1,737,954,601	P 6,863,496,528	P 26,293,669,196
SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 322,180,697,342	P 104,709,932,153	P 19,580,530,142	P 114,542,338,652	P 561,013,498,289
Segment liabilities	123,368,102,367	58,430,773,061	11,656,147,656	54,404,692,853	247,859,715,937
OTHER SEGMENT INFORMATION					
Share in net profit (loss) of associates and joint ventures	92,307,592	(39,263)	-	198,909,795	291,178,124
Interest income	1,767,928,629	146,572,618	80,456,941	265,325,794	2,260,283,982
Interest expense	1,310,256,912	259,292,385	179,443,956	820,750,262	2,569,742,515
Investment property and PPE acquisition	14,880,116,974	19,454,736,037	1,937,820,265	2,342,743,988	38,615,417,264

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4.5 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	2020	2019	2018
Revenues			
Total segment revenues	**P 129,219,043,705**	P 180,177,214,502	P 155,606,784,451
Unallocated corporate revenue	**334,098,842**	967,734,232	1,809,658,261
Elimination of intersegment revenues	**(763,340,692)**	(1,155,937,665)	(641,911,433)
Revenues as reported in consolidated comprehensive income	**P 128,789,801,855**	P 179,989,011,069	P 156,774,531,279
Profit or loss			
Segment operating profit	**P 13,300,996,822**	P 29,954,892,365	P 26,293,669,196
Unallocated corporate loss	**(2,278,045,377)**	(1,698,884,594)	(1,986,654,038)
Elimination of intersegment revenues	**(763,340,692)**	(1,155,937,665)	(641,911,433)
Profit as reported in consolidated comprehensive income	**P 10,259,610,753**	P 27,100,070,106	P 23,665,103,725
Assets			
Segment assets	**P 643,797,121,410**	P 617,812,678,279	P 561,013,498,289
Unallocated corporate assets	**24,695,663,757**	26,663,650,188	27,226,921,775
Total assets reported in the consolidated statements of financial position	**P 668,492,785,167**	P 644,476,328,467	P 588,240,420,064
Liabilities			
Segment liabilities	**P 314,823,531,796**	P 292,383,933,244	P 247,839,715,937
Unallocated corporate liabilities	**57,849,793,170**	54,975,599,719	49,838,815,332
Total liabilities reported in the consolidated statements of financial position	**P 372,673,324,966**	P 347,359,532,963	P 297,678,531,269

Concentration of revenue is considered when at least 10% of total segment revenue is generated from a single customer. There is no concentration of the Group's revenue in a single customer as the 10% threshold has not been met in any of the years presented.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

	2020	2019
Cash on hand and in banks	**P 29,085,987,191**	P 27,797,566,966
Short-term placements	**40,611,701,241**	23,473,013,985
	P 69,697,688,432	P 51,270,580,951

Cash in banks generally earn interest based on daily bank deposit rates [see Notes 27 and 32.1(b)].

Short-term placements are made for varying periods up to 90 days and earn effective interest per annum ranging from 0.3% to 4.9% in 2020, 1.0% to 6.6% in 2019, and 1.0% to 7.0% in 2018.

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The Group has Restricted short-term placements and Time deposits, which are shown under Other Current Assets account in the consolidated statements of financial position (see Note 9).

Interest income from Cash and Cash Equivalents for the years ended December 31, 2020, 2019 and 2018 is presented under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of:

	Notes	2020	2019
Current:			
Trade receivables	18(p, x), 24.2	**P 42,770,552,610**	P 48,092,680,186
Advances to contractors and suppliers		**16,808,912,784**	18,378,671,303
Due from related parties	30.4, 30.5	**4,063,987,929**	3,693,710,918
Advances to condominium associations		**607,672,180**	577,430,568
Receivable from sale of land		**378,391,250**	398,391,250
Accrued interest receivable		**127,923,540**	150,728,714
Finance lease receivable		**52,663,520**	86,786,949
Note receivable		**21,040,182**	54,173,080
Others	13.2, 31.4	**3,891,621,270**	3,513,676,600
		68,722,765,265	74,946,249,568
Allowance for impairment	32.2	**(1,405,788,934)**	(1,180,164,821)
		67,316,976,331	73,766,084,747
Non-current:			
Trade receivables	24.2	**7,779,783,780**	7,865,065,213
Advances to contractors and suppliers		**6,739,828,296**	7,407,644,127
Finance lease receivable		**540,640,642**	585,969,480
Receivable from employees		**118,254,343**	118,254,343
Loans receivable		**58,695,652**	84,782,609
Note receivable		**52,080,930**	50,498,400
Others	13.2	**899,241,299**	306,369,513
		16,188,524,942	16,418,583,685
Allowance for impairment	32.2	**(12,224,936)**	(12,224,936)
		16,176,300,006	16,406,358,749
		P 83,493,276,337	P 90,172,443,496

Trade receivables are non-interest bearing. Most trade receivables, particularly those relating to real estate sales, are covered by post-dated checks. As at December 31, 2020 and 2019, the Group has outstanding receivables assigned to local banks amounting to P1.4 billion and P1.3 billion, respectively [see Note 18(p and x)].

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The installment period of real estate sales contracts averages from one to five years. Noninterest-bearing trade receivables with maturity of more than one year after the end of the reporting period are remeasured at amortized cost using the effective interest rate of similar financial instruments. The fair values of noninterest-bearing contracts are determined by calculating the present value of the cash inflows anticipated to be received until the end of the contract term using the effective interest rate. This resulted in the recognition of day one loss amounting to P269.8 million, P494.9 million and P329.2 million in 2020, 2019 and 2018, respectively, which is presented under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). Interest income from unwinding the day one losses on noninterest-bearing receivables amounted to P408.3 million, P697.2 million and P474.5 million in 2020, 2019 and 2018, respectively. These amounts are presented as part of Interest income under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

Advances to contractors and suppliers pertain to noninterest-bearing and unsecured advances or downpayments to the Group's contractors and suppliers as initial payment or mobilization funds for services to be rendered and goods to be delivered to the Group. These are reduced proportionately upon receipt of progress billings from said suppliers. The current portion pertains to inventories while the non-current advances pertain to the construction of property, plant and equipment and investment properties.

Note receivable pertains mainly to a three-year unsecured interest-bearing advances granted by Travellers in 2018 to a certain third party.

Due from related parties and Receivable from employees pertain to noninterest-bearing, unsecured and immediately demandable advances, settlement of which is generally made in cash, or through deduction from employees' salary or employees' liquidation of business-related expenses (see Notes 30.4 and 30.5).

In 2019, a certain sublease of the Group qualified as a finance lease, as a result of which, the Group recognized finance lease receivable amounting to P669.3 million and a gain on finance lease amounting to P350.2 million, which is presented as Gain on finance lease under Finance and Other Income account in the 2019 consolidated statement of comprehensive income (see Note 27). Accordingly, the related right-of-use asset amounting to P319.1 million was derecognized (see Note 13.2).

Other receivables include other non-trade receivables.

All of the Group's trade and other receivables have been assessed for impairment using the ECL model required under PFRS 9 [see Notes 32.2 and 2.4(c)]. Certain past due accounts from real estate sales are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer as the titles to the real estate properties remain with the Group until the receivables are fully collected; hence there is no loss given default in case of non-payment (see Note 32.2).

A reconciliation of the allowance for impairment at the beginning and end of the reporting periods is shown in the succeeding page.

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	Notes	2020	2019
Balance at beginning of year		P 1,192,389,757	P 1,392,294,371
Impairment losses during the year	26	234,331,971	12,453,267
Reversal of impairment previously recognized	27, 30.5	(8,332,950)	(142,414,348)
Write-off of trade receivables previously provided with allowance		(374,908)	(69,943,533)
Balance at end of year		P 1,418,013,870	P 1,192,389,757

Impairment losses are presented under Other Operating Expenses account (see Note 26), while the reversal of impairment, which pertains to recovery of receivables previously provided with allowance, is presented as Reversal of impairment losses on receivables under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

All trade receivables are subject to credit risk exposure (see Note 32.2). However, the Group does not identify specific concentrations of credit risk with regard to trade and other receivables as the amounts recognized consist of a large number of receivables from various customers.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of local and foreign investments, held for trading, as follows:

	2020	2019
Marketable debt securities	P 6,928,122,903	P 9,345,588,134
Quoted equity securities	2,807,647,073	2,699,521,974
Derivative financial assets	52,551,232	-
	P 9,788,321,208	P 12,045,110,108

Marketable debt securities, which bear interest ranging from 4.3% to 7.5%, 4.3% to 7.7% and 4.3% to 7.7% per annum as at December 31, 2020, 2019 and 2018, respectively, are measured at their fair values determined directly by reference to published prices quoted in an active market. The net changes in fair values of these financial assets are presented as part of Fair value gains under Finance and Other Income account or Fair value losses under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). Interest income is shown as part of Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

Derivative financial assets arise from foreign exchange forward contracts and cash flow hedge entered into by the Group. The term of these forward contracts is usually one month to one year. Changes in foreign currency value arising from such forward contracts are taken up in profit or loss and are recorded either as part of Fair value gains under Finance and Other Income account or Fair value losses under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). On the other hand, changes in the fair value of cash flow hedge are presented as part of other comprehensive income in the consolidated statements of comprehensive income. As of December 31, 2020, the hedging instrument has a positive fair value of P52.6 million. As of December 31, 2020 and 2019, there are hedging instruments which resulted in derivative liability of P849.0 million and P463.2 million, respectively (see Note 21).

8. INVENTORIES

The details of inventories are shown below [see Notes 2.6, 2.7, 3.1(g) and 3.2(c)].

	Notes	2020	2019
At cost:			
Real estate for sale	18(p)	P 82,297,303,262	P 80,146,970,366
Property development costs		8,746,972,339	7,483,371,952
Raw land inventory		12,151,377,975	12,297,389,904
Golf and resort shares for sale		2,951,286,629	2,929,635,312
		106,146,940,205	102,857,367,534
At net realizable value:			
Finished goods		5,754,997,339	5,883,428,376
Work-in-process goods		21,071,773,814	20,746,632,386
Raw materials		3,956,319,534	3,221,149,805
Food, supplies and other consumables		3,460,631,092	3,438,374,952
		34,243,721,779	33,289,585,519
Allowance for inventory write-down	2.6	(364,805,879)	(277,037,817)
	18(ll)	33,878,915,900	33,012,547,702
		P 140,025,856,105	P 135,869,915,236

Real estate for sale pertains to the accumulated costs incurred in developing residential houses, lots and condominium units for sale which refer to the Group's horizontal and condominium projects and certain integrated tourism projects. Total cost includes capitalized borrowing costs amounting to P793.7 million and P932.5 million in 2020 and 2019, respectively (see Note 18). The amount capitalized was determined using a capitalization rate of 4.25%, 4.48% and 4.55% in 2020, 2019, and 2018, respectively.

Certain real estate for sale are subject to negative pledge on certain loans obtained by the Group [see Note 18(p and ll)].

Property development costs pertain to accumulated costs incurred for properties undergoing development. The relative cost of a unit sold under development is charged to cost of sales in the same manner as revenue is recognized. The relative costs of units completed prior to sale are reclassified to Real estate for sale.

Raw land inventory pertains to properties which the Group intends to develop into residential properties to be held for sale.

Golf and resort shares for sale comprise of proprietary or membership shares (landowner resort shares and founders shares) that are of various types and costs. The cost of the landowner resort shares is based on the acquisition and development costs of the land and the project. The cost of the founders shares is based on the par value of the resort shares which is P100.0 per share.

Work-in-process pertains mainly to substantial inventory of aged whisky stocks in Scotland which mature over periods of up to 60 years. These maturing whisky stock inventory amounted to P17,038.7 million and P16,688.9 million as of December 31, 2020 and 2019, respectively, which included capitalized depreciation costs (see Note 13).

Food, supplies and other consumables include paper and packaging, promotional materials, membership program items, operating supplies, spare parts, fuel and lubricants.

A reconciliation of the allowance for inventory write-down at the beginning and end of the reporting periods is shown below.

	Notes	2020	2019
Balance at beginning of year		P 277,037,817	P 234,473,864
Additional losses during the year	25, 26	109,688,887	51,971,745
Reversals of write-down	27	(21,920,825)	(9,407,792)
Balance at end of year		P 364,805,879	P 277,037,817

The additional losses were recognized to reduce the carrying values of inventories in 2020 and 2019. These are shown as part of Other direct and overhead costs under Cost of Goods Sold account (see Note 25) while the losses pertaining to promotional supplies are shown as Write-down of inventories under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). The reversals of write-down are shown as part of Miscellaneous under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

9. OTHER ASSETS

The composition of this account is shown below.

	Notes	2020	2019
Current:			
Input VAT		P 6,644,898,072	P 7,634,492,454
Restricted short-term placements	5, 31.2(a)	2,954,766,368	3,283,129,738
Prepayments		2,640,680,112	3,040,049,543
Deferred commission	24.3	1,805,210,470	1,206,488,729
Creditable withholding taxes		1,413,355,529	1,323,580,538
Office supplies		202,287,593	271,110,894
Time deposits	5	122,840,813	118,531,543
Refundable deposits		80,219,250	62,180,524
Others		438,604,966	428,019,181
Balance brought forward		P 16,302,863,173	P 17,367,583,144

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	Notes	2020	2019
Balance carried forward		P 16,302,863,173	P 17,367,583,144
Non-current:			
Refundable deposits		2,004,150,671	1,804,338,685
Deferred commission	24.3	1,554,862,853	906,925,987
Advances for future investment	31.2(a)	1,538,277,765	2,732,900,470
Deposit for cancellation of perpetual securities		1,200,900,000	-
Property mortgage receivable		613,935,936	636,946,200
Advance payments for assets acquisition		246,254,633	98,276,647
Deferred input VAT		102,716,712	168,223,855
Claims for tax refund		49,954,694	112,282,175
Others		558,316,098	561,997,753
		7,869,369,362	7,021,891,772
		P 24,172,232,535	P 24,389,474,916

Restricted short-term placements [see Note 31.2(a)] are made for varying periods ranging from 30 to 90 days in 2020 and 2019, and earn effective interest of 0.3% per annum in 2020, 5.6% to 6.2% per annum in 2019 and 4.0% to 4.1% per annum in 2018 (see Note 27).

Time deposits pertain to placements with maturity of 360 days, which earn an effective interest of 1.9% in 2020, 2.6% in 2019, and 1.5% in 2018.

Prepayments include prepaid taxes, insurance, rentals and advertising, which are expected to be realized in the next reporting period.

Advances for future investment pertain to the advances made by the Group to Philippine Amusement and Gaming Corporation ("PAGCOR") starting 2014 in connection with the development of Site A. In 2020 and 2019, the Group made additional payments to PAGCOR amounting to P588.2 million in each year to fulfill the future investment. [See Note 31.2(a)]. In 2020, the Group received parcels of land with a fair value of P1.8 billion. As consideration for the transfers, the advances for future investment was reduced by the value of the land received.

On December 23, 2020, Megaworld advanced an amount of P1,200.9 million for on-market purchase of its own perpetual capital securities (see Notes 22.8 and 37.2). As the securities are under the trusteeship of a third party, the amount was presented as Deposit for cancellation of perpetual securities as of December 31, 2020.

In 2016, the Group purchased from one of its property lessors an outstanding mortgage debt on one of the Group's leased properties. The purchased mortgage asset entitles the Group to full security over the leased property and to monthly interest payments from the property lessor. However, the Group remains as lessee over the property; hence, it is still required to make monthly lease payments to the property lessor until 2036. Following the adoption of the PFRS 16 in 2019, the Group recognized ROUA and lease liabilities from this leased property (see Notes 13.2 and 13.3).

The advance payment for assets acquisition represents the deposits made for future purchase of machinery and equipment.

Current others include payroll funds and food and beverage supplies while non-current others include various security and other deposits.

10. ADVANCES TO/FROM LANDOWNERS AND JOINT OPERATORS

10.1 Advances to Landowners and Joint Operators

The Group enters into numerous joint arrangements for the joint development of various real estate projects. The joint operation agreements stipulate that the Group's joint operator shall contribute parcels of land while the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of residential and condominium units to be constructed on the properties. In addition, there were no separate entities created by these joint arrangements. Costs incurred by the Group on these projects are recorded under the Inventories account in the consolidated statements of financial position (see Notes 2.7 and 8).

The Group also grants noninterest-bearing, secured cash advances to a number of landowners and joint operators under agreements they entered into with the landowners covering the development of certain parcels of land. Under the terms of the arrangements, the Group, in addition to providing specified portion of total project development costs, also commits to advance mutually agreed-upon amounts to the landowners to be used for pre-development expenses such as the relocation of existing occupants.

The total amount of advances made by the Group less amounts liquidated is presented as Advances to Landowners and Joint Operators account in the consolidated statements of financial position.

As at December 31, 2020 and 2019, management has assessed that the advances to joint ventures are fully recoverable. Further, there has been no outstanding commitment for cash advances under the joint agreements.

The net commitment for construction expenditures amounts to:

	2020	2019
Total commitment for construction expenditures	**P 34,237,388,185**	P 33,268,029,905
Total expenditures incurred	**(24,563,557,032)**	(22,896,502,186)
Net commitment	**P 9,673,831,153**	P 10,371,527,719

The Group's interests in joint operations and projects, ranging from 57% to 90% in 2020 and 2019, are as follows:

Megaworld:
- McKinley Hill
- McKinley West
- Newport City
- Manhattan Garden City
- Noble Place
- Uptown Bonifacio
- Northill Gateway
- The Maple Grove
- Vion Tower

GERI:
- Alabang West
- Caliraya Spring
- Forest Hills
- Kingsborough
- Monte Cielo de Peñafrancia
- Mountain Meadows
- Pahara at Southwoods
- Sta. Barbara Heights Phase 2 & 3
- Holland Park
- Sta. Barbara Heights Shophouse District

SPI:
- Capitol Plaza
- Governor's Hills
- Mandara
- Sta. Rosa Heights
- Sta. Rosa Hills
- Sentosa
- Asmara
- 88 Gibraltar
- One Lakeshore
- Two Lakeshore
- Riva Bella
- Solana
- Gentri Heights
- Fountain Grove
- Palm City
- The Mist Residence

EELHI:
- Pioneer Woodlands
- San Lorenzo Place
- Various Metro Manila and Calabarzon Projects

The aggregate amounts of the current assets, long-term assets, current liabilities and long-term liabilities as at December 31, 2020 and 2019, and income and expenses for each of the three years in the period ended December 31, 2020 related to the Group's interests in these joint arrangements are not presented or disclosed in the consolidated financial statements as these are only joint operations in which the Group is an operator [see Note 2.2(e)].

As at December 31, 2020 and 2019, the Group has assessed that the probability of loss that may arise from contingent liabilities is remote and there are no other contingent liabilities with regard to these joint operations.

10.2 Advances from Joint Operators

This account represents the share of joint venture partners in the proceeds from the sale of certain projects in accordance with various joint venture agreements entered into by the Group. The total outstanding balance is presented as part of Advances from Related Parties account in the consolidated statements of financial position (see Note 30.6).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of December 31, 2020 and 2019, financial assets at FVOCI [see Note 2.4(a)(ii)], which pertain to equity securities, are comprised of the following:

	Note	2020	2019
Quoted		P 58,847,908	P 64,874,067
Unquoted		338,066,525	351,783,274
	34.2	P 396,914,433	P 416,657,341

The reconciliation of the carrying amounts of these financial assets are as follows:

	Notes	2020	2019
Balance at beginning of year		P 416,657,341	P 459,974,884
Fair value gain (loss)		(17,674,933)	65,542,492
Disposals	30	(1,960,000)	(100,250,000)
Foreign currency losses	27	(107,975)	-
Reclassification		-	(8,610,035)
Balance at end of year		P 396,914,433	P 416,657,341

Quoted equity securities consist of listed local shares of stock and various proprietary club shares which are denominated in Philippine pesos. Golf club shares are proprietary membership shares of Travellers from certain golf clubs. Unquoted equity securities pertain to investments in shares of stock of local, privately-held companies.

The fair values of the quoted financial assets have been determined by reference to published prices in an active market. The fair value of unquoted equity securities were determined through valuation techniques (see Note 34.2). The changes in the fair value amounted to loss of P17.7 million in 2020, and gain of P65.5 million in 2019 and P26.5 million in 2018 and are presented as Net Unrealized Fair Value Gain (Loss) on Financial Assets at FVOCI in the consolidated statements of comprehensive income.

In 2019, the Group sold a total of P100.3 million of its investment in equity securities at P1.00 per share. As a result, realized fair value changes amounting to P67.8 million were directly reclassified from Net Fair Value Gains on Financial Assets at FVOCI to Retained Earnings account. In 2020, investment in equity securities with a total cost of P2.0 million were sold at cost to The Andresons Group, Inc. ("TAGI"), a stockholder of the Group (see Note 30).

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12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

12.1 Breakdown of Carrying Values

The details of investments in associates and interest in joint ventures, which are carried at equity method, are presented below and in the succeeding pages.

	Note	2020	2019
Investments of Megaworld in Associates:			
Acquisition costs:			
SHDI	12.2	**P 2,619,800,008**	P 2,619,800,008
NPI		**734,396,528**	734,396,528
BWDC		**199,212,026**	199,212,026
PTHDC		**64,665,000**	64,665,000
		3,618,073,562	3,618,073,562
Accumulated share in net losses:			
Balance at beginning of year		**(317,003,883)**	(258,418,167)
Share in net profits (losses) for the year		**(69,879,672)**	(58,832,233)
Disposal during the year		**-**	246,517
Balance at end of year		**(386,883,555)**	(317,003,883)
Accumulated equity in other comprehensive income:			
Balance at beginning of year		**46,720,168**	58,137,227
Share in other comprehensive income (loss) of associate		**1,474,538**	(11,417,059)
Balance at end of year		**48,194,706**	46,720,168
Other changes in carrying amount:			
Balance at beginning of year		**163,711,989**	-
Effect of dilution in percentage ownership	12.2	**-**	152,294,930
Recycling due to disposal and dilution		**-**	11,417,059
Balance at end of year		**163,711,989**	163,711,989
Balance carried forward		**P 3,443,096,702**	P 3,511,501,836

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	Note	2020	2019
Balance brought forward		P 3,443,096,702	P 3,511,501,836
Investment of EMP in BLC,			
a joint venture – acquisition cost	12.4	2,845,367,065	2,845,367,065
Accumulated share in net profits:			
Balance at beginning of year		178,200,678	432,240,327
Share in net profits for the year		185,108,059	239,168,070
Reductions during the year		-	(282,499,965)
Balance at end of year		363,308,737	388,908,432
Translation gain (loss)		85,186,629	(210,707,754)
		3,293,862,431	3,023,567,743
Investment of Travellers in FRTMI,			
a joint venture – acquisition cost		10,000,000	10,000,000
Accumulated share in net losses:			
Balance at beginning of year		(826,231)	(810,421)
Share in net losses for the year		(42,607)	(15,810)
Balance at end of year		(868,838)	(826,231)
		9,131,162	9,173,769
Investment of FCI in FPARI,			
an associate – acquisition cost		14,700,000	14,700,000
		P 6,760,790,295	P 6,558,943,348

The total share in net profits amounts to P115.2 million, P180.3 million and P291.2 million for the years ended December 31, 2020, 2019 and 2018, respectively. These amounts are shown as Share in Net Profits of Associates and Joint Ventures – Net account in the consolidated statements of comprehensive income.

Management assessed that the recognition of impairment loss on investments in associates and joint ventures in 2020, 2019 and 2018 is not necessary, except for those investments in joint ventures discussed in Note 12.5.

12.2 SHDI

The shares of stock of SHDI are listed in the PSE. In October 2019, Megaworld acquired additional 115.0 million shares of SHDI at market price during that time, totaling P100.1 million. Subsequently, Megaworld disposed of certain number of shares. In December 2019, Megaworld subscribed to additional 2,177.0 million shares from SHDI at P1.00 par value. Megaworld paid P1.25 billion out of the P2.20 billion additional subscribed capital. However, another investor subscribed to more new shares and, as a result, Megaworld's effective ownership was diluted to 34% and dilution gain amounting to P152.3 million was recognized as part of Gain on sale and dilution of investment in associates under Finance and Other Income in the 2019 consolidated statement of comprehensive income (see Note 27). The unpaid portion of subscription is presented as Subscription payable under Other Current Liabilities account in the consolidated statements of financial position (see Note 21).

12.3 BNHGI

In 2019, FEPI sold 15% ownership interest over BNHGI for P297.5 million. Gain on sale of investment in BNHGI amounting to P188.5 million was recognized in 2019 and is presented as part of Gain on sale and dilution of investment in associates under Finance and Other Income in the 2019 consolidated statement of comprehensive income (see Note 27). The Group has no more ownership interest in BNHGI after the disposal in 2019.

12.4 BLC

BLC is a foreign joint venture under GES and operating under the laws of Spain. The Group has no other commitments made with regard to this joint venture that are not recognized at the reporting date..

12.5 Summarized Financial Information

The aggregated amounts of assets, liabilities, revenues and net profit (loss) of the associates are as follows as at and for the years ended December 31, 2020 and 2019 (in thousands):

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenues	Net Profit (Loss)	Other Comprehensive Income (Loss)
2020:							
SHDI	P 5,934,436	P 16,559,530	P 350,879	P 13,816,021	P 15,197	(P 211,545)	P 4,337
NPI	200,528	5,411,009	1,317,006	-	-	-	-
BWDC	730,779	1,878,640	873,746	41,797	66,587	5,048	-
PTHDC	1,134,248	277	1,009,910	-	5	(705)	-
	P 8,069,691	**P 23,849,456**	**P 3,550,541**	**P 13,857,818**	**P 81,789**	**(P 207,202)**	**P 4,337**
2019:							
SHDI	P 1,307,765	P 141,145	P 57,503	P -	P 582,956	(P 314,779)	(P 9,232)
NPI	200,528	5,411,009	1,317,006	-	P	(726)	-
BWDC	728,777	1,859,781	843,760	69,418	165,496	104,863	-
PTHDC	1,134,934	828	1,009,742	-	13	(462)	-
	P 3,432,004	P 7,412,763	P 3,228,011	P 69,418	P 748,474	(P 211,104)	(P 9,232)

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A reconciliation of the above summarized financial information to the carrying amount of the investment in associates are shown below:

	SHDI	NPI	BWDC	PTHDC
December 31, 2020				
Net assets	P8,327,065,945	P4,354,530,488	P1,702,875,266	P 125,315,140
Subscription receivable	1,387,499,990	-	-	-
Convertible bonds	(4,592,867,070)	-	-	-
	5,121,698,865	4,354,530,488	1,702,875,266	125,315,140
Proportion of ownership interest by the Group	34%	14%	46%	40%
Ownership share of the Group in the net asset	1,741,377,614	609,634,268	785,195,785	50,126,056
Nominal goodwill	-	122,513,422	-	-
Valuation adjustments	177,270,895	(3,777,810)	(56,474,761)	17,231,232
Carrying amount of investment	**P1,918,648,509**	**P 728,369,880**	**P 728,721,025**	**P 67,357,288**
December 31, 2019				
Net assets	P1,391,407,257	P4,354,530,488	P1,675,380,335	P 126,020,007
Subscription receivable	3,937,500,000	-	-	-
	5,328,907,257	4,354,530,488	1,675,380,355	126,020,007
Proportion of ownership interest by the Group	34%	14%	46%	40%
Ownership share of the Group in the net asset	1,811,828,467	609,634,268	772,517,872	50,408,003
Nominal goodwill	-	122,513,422	-	-
Valuation adjustments	173,493,086	-	(46,124,514)	17,231,232
Carrying amount of investment	P1,985,321,553	P 732,147,690	P 726,393,358	P 67,639,235

The summarized financial information of BLC, a joint venture, as of December 31, 2020 and 2019 and for the years then ended are presented below (in thousands).

	2020	2019
Cash and cash equivalents	**P 46,095**	P 175,176
Trade and other receivables	**985,946**	1,967,037
Financial assets	**P 1,032,041**	P 2,142,213
Current assets	**P 1,674,212**	P 2,421,905
Non-current assets	**2,364,174**	1,653,886
Total assets	**P 4,038,386**	P 4,075,791
Current liabilities	**P 430,529**	P 1,050,467
Non-current liabilities	**2,345**	2,398
Total liabilities	**P 432,874**	P 1,052,865
Current financial liabilities (excluding trade and other payables and provisions)	**P 195,399**	P 327,529
Non-current financial liabilities	**2,345**	2,398
Total financial liabilities	**P 197,744**	P 329,927

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	2020	2019
Revenues	P 5,798,133	P 5,641,501
Depreciation and amortization	P 78,671	P 75,037
Net profit for the year	P 370,216	P 478,336

A reconciliation of the above summarized financial information to the carrying amount of the investment in BLC is shown below (in thousands):

	2020	2019
Net assets of BLC	P 3,605,512	P 3,022,926
Proportion of ownership interest by the Group	50%	50%
Ownership share of the Group in net assets of BLC	1,802,756	1,511,463
Fair value and translation adjustments	1,491,106	1,512,105
Carrying amount of investment	P 3,293,862	P 3,023,568

12.6 Write-off of Investments

In 2018, the Group had written off its investments in FERC, FENI, FESI and FERSAI. The carrying amount of the investments amounting to P44.9 million was recognized as impairment loss and is presented as part of Miscellaneous under Other Operating Expenses account in the 2018 consolidated statement of comprehensive income (see Note 26).

13. PROPERTY, PLANT AND EQUIPMENT

The carrying amount of this account is composed of the following:

	Notes	2020	2019
Property, plant and equipment	13.1	P 126,599,135,738	P 123,672,312,981
Right-of-use assets	13.2	13,557,391,905	12,590,233,266
		P 140,156,527,643	P 136,262,546,247

13.1 Carrying Values of Property, Plant and Equipment

The gross carrying amounts and accumulated depreciation, amortization and impairment of property, plant and equipment at the beginning and end of the reporting periods are shown below. [See Notes 2.9, 3.1(g) and 3.2(h)(i)].

	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Condominium Units, Fixtures and Other Equipment	Construction in Progress	Total
December 31, 2020							
Cost	P 13,412,006,314	P 71,255,207,852	P 32,122,388,427	P 1,621,260,671	P 17,601,149,500	P 35,699,233,434	P 171,711,246,198
Accumulated depreciation, amortization and impairment	(334,917,463)	(17,370,224,979)	(17,354,334,868)	(1,200,734,773)	(8,851,898,377)	-	(45,112,110,460)
Net carrying amount	**P 13,077,088,851**	**P 53,884,982,873**	**P 14,768,053,559**	**P 420,525,898**	**P 8,749,251,123**	**P 35,699,233,434**	**P 126,599,135,738**
December 31, 2019							
Cost	P 14,153,085,791	P 69,489,075,792	P 31,763,065,154	P 1,616,805,812	P 16,549,026,376	P 29,335,143,553	P 162,906,202,478
Accumulated depreciation, amortization and impairment	(288,957,872)	(14,932,440,177)	(15,497,884,848)	(1,017,447,714)	(7,497,158,886)	-	(39,233,889,497)
Net carrying amount	P 13,864,127,919	P 54,556,635,615	P 16,265,180,306	P 599,358,098	P 9,051,867,490	P 29,335,143,553	P 123,672,312,981
January 1, 2019							
Cost	P 14,606,121,143	P 60,368,660,615	P 28,643,555,824	P 1,503,903,069	P 14,430,580,074	P 31,509,507,398	P 151,062,328,123
Accumulated depreciation, amortization and impairment	(243,771,951)	(12,526,574,394)	(13,635,832,315)	(821,069,323)	(6,333,436,904)	-	(33,560,684,887)
Net carrying amount	P 14,362,349,192	P 47,842,086,221	P 15,007,723,509	P 682,833,746	P 8,097,143,170	P 31,509,507,398	P 117,501,643,236

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A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the reporting periods is shown below.

	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Condominium Units, Fixtures and Other Equipment	Construction in Progress	Total
Balance at January 1, 2020, net of accumulated depreciation amortization and impairment	P 13,864,127,919	P 54,556,635,615	P 16,265,180,306	P 599,358,098	P 9,051,867,490	P 29,335,143,553	P 123,672,312,981
Transfer from investment property	-	-	-	-	169,332,500	-	169,332,500
Additions	107,808,533	745,080,350	958,244,449	48,079,766	948,094,877	8,075,319,836	10,882,627,811
Disposals – net	-	(94,951,243)	(129,061,453)	(23,377,041)	(16,946,473)	(33,083,287)	(297,419,497)
Transfer to non-current asset as held for sale (see Note 16)	(848,888,010)	(112,852,585)	-	-	-	-	(961,740,595)
Reclassifications – net	-	1,575,261,731	64,202,409	-	(7,031,438)	(1,678,146,668)	(45,713,966)
Impairment reversal (loss)	-	163,413,461	(78,925,153)	-	-	-	84,488,308
Depreciation and amortization charges for the year	(45,959,591)	(2,947,604,456)	(2,311,586,999)	(203,534,925)	(1,396,065,833)	-	(6,904,751,804)
Balance at December 31, 2020, net of accumulated depreciation, amortization and impairment	P 13,077,088,851	P 53,884,982,873	P 14,768,053,559	P 420,525,898	P 8,749,251,123	P 35,699,233,434	P 126,599,135,738

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	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Condominium Units, Fixtures and Other Equipment	Construction in Progress	Total
Balance at January 1, 2019, net of accumulated depreciation amortization and impairment, as previously reported	P 14,362,349,192	P 47,842,086,221	P 15,007,723,509	P 682,833,746	P 8,097,143,170	P 31,509,507,398	P 117,501,643,236
Effect of PFRS 16 adoption	-	(65,414,011)	-	-	-	-	(65,414,011)
As restated	14,362,349,192	47,776,672,210	15,007,723,509	682,833,746	8,097,143,170	31,509,507,398	117,436,229,225
Transfer from investment property	286,841	1,056,210	-	-	400,488,452	-	401,831,503
Additions	78,676,324	1,350,024,935	3,636,368,233	135,708,023	1,145,789,847	10,514,502,710	16,861,070,072
Disposals – net	(218,832,143)	(10,406,698)	(179,802,646)	(5,828,010)	(2,812,057)	(75,992,829)	(493,674,383)
Transfer to non-current asset as held for sale (see Note 10)	(313,714,726)	-	-	-	-	(3,716,165,072)	(4,029,879,798)
Reclassifications – net	548,352	8,058,329,862	223,588,957	-	614,241,483	(8,896,708,654)	-
Impairment loss	-	(66,114,248)	-	-	-	-	(66,114,248)
Depreciation and amortization charges for the year	(45,185,921)	(2,552,926,656)	(2,422,697,747)	(213,355,661)	(1,202,983,405)	-	(6,437,149,390)
Balance at December 31, 2019, net of accumulated depreciation, amortization and impairment	P 13,864,177,919	P 54,556,635,615	P 16,265,180,306	P 599,358,098	P 9,051,867,490	P 29,335,143,563	P 123,672,312,981
Balance at January 1, 2018, net of accumulated depreciation amortization and impairment	P 13,826,830,022	P 37,825,622,252	P 11,234,985,946	P 558,776,633	P 6,234,556,887	P 28,345,712,887	P 98,026,484,627
Transfer from investment property	188,327,685	3,995,657,527	-	-	779,754,000	-	4,963,739,212
Additions	400,611,838	1,736,357,067	3,567,034,502	305,532,305	1,921,481,657	12,054,504,344	19,985,611,713
Disposals – net	-	(106,041,493)	(195,259,103)	(12,995,619)	(5,066,502)	(26,842,756)	(346,205,473)
Reclassifications – net	(19,996,253)	6,476,513,167	2,372,336,312	18,588,239	70,991,204	(8,863,957,077)	54,475,592
Reversal of impairment loss	-	19,258,000	-	-	-	-	19,258,000
Depreciation and amortization charges for the year	(33,424,100)	(2,105,280,299)	(1,971,374,148)	(187,067,812)	(904,574,076)	-	(5,201,720,435)
Balance at December 31, 2018, net of accumulated depreciation, amortization and impairment	P 14,362,349,192	P 47,842,086,221	P 15,007,723,509	P 682,833,746	P 8,097,143,170	P 31,509,507,398	P 117,501,643,236

Construction in progress includes accumulated costs incurred on the casino and hotel sites being constructed as part of Travellers' investment commitment in accordance with its Provisional License Agreement with PAGCOR [see Note 31.2(a)]. In 2019 and 2018, Travellers has completed the construction of Hilton Manila and Sheraton Manila, respectively. Accordingly, the respective accumulated costs incurred for these facilities were reclassified from Construction in progress to Buildings and leasehold improvements in 2019 and 2018.

In 2020 and 2019, the following Property, Plant and Equipment amounting to P1.0 billion and P4.0 billion, respectively, were reclassified to Non-current Assets Held for Sale account in the consolidated statements of financial position, to reflect the intention of the management to recover these assets through sale rather than continuing use as of December 31, 2020 and 2019 (see Notes 16 and 31.9):

- On October 28, 2019, a co-development agreement was entered into by WCRWI and Travellers with SHDI, wherein WCRWI and Travellers are to lease the portion of Site A to SHDI for the development and management of the hotel casino. Accordingly, construction activities at Site A was suspended on October 31, 2019, following such agreement. As part of the agreement, the construction costs already incurred by the Group on Site A are to be reimbursed by SHDI.

- In 2020, the Group has discontinued the use of certain land and buildings previously occupied by a business unit. On December 27, 2020, management approved their sale through the signed letter of intent with Global One Real Estate Spain, SAU ("Global One"). The letter of intent stated that the Group will sell and Global One will purchase the assets at a purchase price equivalent to the net book value of the property, at any time until three years after the COVID-19 pandemic has ended.

Moreover, construction in progress also includes the accumulated costs incurred in the construction of new McDonald's stores and construction of distillery plant in Batangas. The corresponding costs of completed projects were transferred to specific property, plant and equipment accounts.

Total property, plant and equipment includes capitalized borrowing costs amounting to P2,864.5 million and P2,175.4 million in 2020 and 2019, respectively, representing the actual borrowing costs, net of related investment income, incurred on specific and general borrowings obtained to fund the construction project (see Note 18). The capitalization rate used was based on effective interest rates of applicable specific and general borrowings ranging from 4.5% to 8.8% and 5.3% to 8.3% in 2020 and 2019, respectively.

In 2020 and 2018, GADC's annual impairment testing of its stores resulted in recognition of gain on reversal of impairment losses amounting to P296.0 million and P19.3 million, respectively, and are presented as Reversal of impairment losses on PPE under Finance and Other Income account in the 2020 and 2018 consolidated statements of comprehensive income (see Note 27). GADC and Travellers recognized impairment losses in 2020 and 2019 amounting to P211.5 million and P66.1 million, respectively, to write down to recoverable amount the carrying value of certain property and equipment and is presented as part of Impairment of PPE and intangible assets under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). The value in use was computed using weighted average cost of capital of 5.0% in both 2020 and 2019.

In 2020 and 2019, the Group recognized net losses on disposal of various property, plant and equipment amounting to P174.8 million and P11.6 million, respectively, which are presented as Loss on disposal of PPE – net under Finance Costs and Other Charges account in the 2020 and 2019 consolidated statements of comprehensive income (see Note 27). In 2018, the Group recognized net gain on disposal of various property, plant and equipment totaling P53.9 million, which is presented as part of Gain on disposal of PPE and investment properties – net under Finance and Other Income account in the 2018 consolidated statement of comprehensive income (see Note 27).

The amount of depreciation and amortization charges is presented as part of Depreciation and amortization which is presented under Cost of Goods Sold, Cost of Services and Other Operating Expenses accounts (see Notes 25 and 26). In 2020, 2019 and 2018, depreciation expense amounting to P329.3 million, P320.4 million and P303.8 million, respectively, was capitalized to form part of the work-in-process inventory. Such capitalized amount represents depreciation expense on barrels and warehouse buildings wherein the maturing bulk stocks of whisky are held (see Note 8).

As of December 31, 2020 and 2019, certain land and building with carrying values of P112.1 million and P113.0 million, respectively, are held as collateral by a local bank for a loan obtained by GADC in 2011 [see Note 18(qq)].

13.2 Right-of-Use Assets

The Group has leases for certain land, commercial space, buildings and warehouses, gaming equipment and transportation and other equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statements of financial position as ROUA under Property and Equipment account and Lease Liabilities account. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and ROUA.

The table below describes the nature of the Group's leasing activities by type of ROUA recognized in the consolidated statements of financial position.

	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
December 31, 2020					
Land	2	16 to 19 years	18 years	1	-
Commercial space	585	1 to 27 years	14 years	530	491
Buildings and warehouses	54	2 to 13 years	8 years	20	17
Gaming equipment	1	4 years	4 years	-	-
Transportation and other equipment	72	1 to 4 years	3 years	-	-
December 31, 2019					
Land	2	16 to 19 years	18 years	1	-
Commercial space	556	1 to 28 years	14 years	554	465
Buildings and warehouses	48	1 to 14 years	7 years	20	17
Gaming equipment	1	4 years	4 years	-	-
Transportation and other equipment	72	1 to 5 years	3 years	-	-

The carrying amounts of the Group's ROUAs as at December 31, 2020 and the movements during the year are shown below.

	Land	Commercial Space	Building and Warehouses	Gaming Equipment	Transportation and Other Equipment	Total
Balance at January 1, 2020	P 562,583,724	P11,226,356,917	P 259,882,975	P 77,091,490	P 64,318,160	P12,590,233,266
Additions	-	2,922,801,170	30,130,997	-	-	2,952,932,167
Effect of lease modification	-	(32,482,473)	-	-	-	(32,482,473)
Translation adjustment	-	(63,171,043)	-	-	-	(63,171,043)
Derecognition	-	(77,871,407)	-	-	-	(77,871,407)
Impairment	-	(126,124,001)	-	-	-	(126,124,001)
Amortization	(49,140,234)	(1,479,701,586)	(126,333,774)	(25,002,645)	(5,946,395)	(1,686,124,634)
Net carrying amount	P 513,443,490	[illegible]	P 163,680,198	P 52,088,845	P 58,371,765	[illegible]

The carrying amounts of the Group's ROUAs as at December 31, 2019 and the movements during the year are shown below.

	Land	Commercial Space	Building and Warehouses	Gaming Equipment	Transportation and Other Equipment	Total
Effect of PFRS 16 adoption	P 1,011,723,958	P10,042,348,599	P 358,688,293	P 102,094,135	P 71,236,714	P11,586,082,699
Additions	-	2,629,527,645	20,461,156	-	-	2,649,988,801
Derecognition	-	(319,136,009)	-	-	-	(319,136,009)
Impairment	-	(22,263,234)	-	-	-	(22,263,234)
Amortization	(449,140,234)	(1,136,132,086)	(119,266,472)	(25,002,645)	(6,918,554)	(1,304,438,991)
Net carrying amount	P 562,583,724	P11,226,356,917	P 259,882,975	P 77,091,490	P 64,318,160	P12,590,233,266

The Group has relied on its historical assessments as to whether leases were onerous immediately before the date of initial application as alternative to performing an impairment review on right-of-use assets, and accordingly reclassified portion of its provision for onerous lease amounting to P355.6 million against the January 1, 2019 balance of ROUA. In 2020, additional onerous lease provisions amounting to P56.3 million were recognized and are presented as part of Miscellaneous under Other Operating Expenses account in the 2020 consolidated statement of comprehensive income (see Note 26).

Moreover, estimated cost of dismantling and restoration of certain leased properties amounting to P65.4 million was reclassified from Buildings and leasehold improvements to ROUA upon adoption of PFRS 16 [see Notes 2.9, 3.2(n) and 13.1]. The carrying amount of ARO and provision for dilapidation are presented as part of Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 21).

The derecognition of ROUA in 2020 amounting to P77.9 million pertains to termination of certain lease contracts during the year, while the derecognized ROUA in 2019 amounting to P319.1 million resulted from a certain sublease that qualified as a finance lease (see Note 6).

In 2020 and 2019, GADC's impairment testing of its ROUA resulted in recognition of impairment losses amounting to P126.1 million and P22.3 million, respectively, and is presented as part of Impairment of PPE and intangible assets under Other Operating Expenses account in the 2020 and 2019 consolidated statements of comprehensive income (see Note 26).

As at December 31, 2020 and 2019, none of the Group's ROUAs are used as collateral for any of the Group's interest-bearing loans and borrowings.

The amount of depreciation on ROUAs is presented as part of Depreciation and amortization which is presented under Cost of Goods Sold, Cost of Services and Other Operating Expenses accounts (see Notes 25 and 26).

13.3 Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as at December 31 as follows:

	2020	2019
Current	**P 1,427,669,658**	P 1,297,248,962
Non-current	**15,864,238,579**	14,623,215,469
	P 17,291,908,237	P 15,920,464,431

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

As at December 31, 2020, the Group has committed to lease contracts which has not yet commenced. The total future cash outflows for leases that had not yet commenced amounted to P1,135.5 million in 2020 (nil in 2019).

The maturity analysis of lease liabilities at December 31 is as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More Than 5 years	Total
December 31, 2020							
Lease liabilities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance charges	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net present values	P1,427,669,658	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	P 17,291,908,237
December 31, 2019							
Lease liabilities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance charges	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net present values	P1,297,248,962	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	P 15,920,464,431

The movements in the lease liabilities recognized in the consolidated statements of financial position are as follows:

	Notes	2020	2019
Balance at beginning of year		**P15,920,464,431**	P14,323,470,960
Additions during the year		**2,926,260,202**	2,659,594,115
Accretion of interest	27	**926,438,279**	790,593,640
Gain on COVID-19-related rent concessions	2.3(a)(v)	**(474,320,704)**	-
Derecognition		**(129,021,193)**	-
Offset against finance lease receivable		**(93,931,898)**	-
Lease modifications		**(32,482,473)**	-
Foreign exchange gains		**(11,457,816)**	(5,718,846)
Repayments of lease liabilities		**(1,740,040,591)**	(1,847,475,438)
Balance at end of year		**P17,291,908,237**	P15,920,464,431

Interest expense incurred on the lease liabilities amounting to P926.4 million and P790.6 million in 2020 and 2019, respectively, is presented as part of Interest expense under Finance Costs and Other Charges account in the 2020 and 2019 consolidated statements of comprehensive income (see Note 27).

13.4 Lease Payments Not Recognized as Lease Liabilities

The Group has elected not to recognize lease liabilities for short-term leases or for leases of low value assets; instead, expenses relating to these leases, which are significantly from short-term leases, amounting to P1,786.0 million and P3,703.7 million in 2020 and 2019, respectively, are presented as Rentals under Cost of Services and Other Operating Expenses in the consolidated statements of comprehensive income (see Notes 25 and 26).

The future minimum rentals payable of the Group arising from short-term leases amounted to P1,534.6 million and P1,534.6 million as of December 31, 2020 and 2019, respectively.

14. INVESTMENT PROPERTIES

The Group's investment properties include several parcels of land, buildings and improvements which are held for investment purposes only, either to earn rental income or for capital appreciation or both. The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of the reporting periods are shown below. [See Notes 2.10, 3.1(g), 3.2(e) and 3.2(h)].

	Land	Buildings and Improvements	Total
December 31, 2020			
Cost	P 27,143,977,662	P 104,888,844,599	P 132,032,822,261
Accumulated depreciation	-	(15,668,613,829)	(15,668,613,829)
Net carrying amount	**P 27,143,977,662**	**P 89,220,230,770**	**P 116,364,208,432**
December 31, 2019			
Cost	P 26,982,515,398	P 98,481,730,336	P 125,464,245,734
Accumulated depreciation	-	(13,126,058,170)	(13,126,058,170)
Net carrying amount	P 26,982,515,398	P 85,355,672,166	P 112,338,187,564
January 1, 2019			
Cost	P 26,682,755,078	P 88,807,163,753	P 115,489,918,831
Accumulated depreciation	-	(10,854,385,090)	(10,854,385,090)
Net carrying amount	P 26,682,755,078	P 77,952,778,663	P 104,635,533,741

A reconciliation of the carrying amounts of investment property at the beginning and end of the reporting periods is shown below.

	Land	Buildings and Improvements	Total
Balance at January 1, 2020, net of accumulated depreciation	P 26,982,515,398	P 85,355,672,166	P 112,338,187,564
Transfer from inventories	34,421	14,402,577	14,436,998
Transfer to property, plant and equipment	-	(169,332,500)	(169,332,500)
Additions	161,427,843	6,570,187,125	6,731,614,968
Disposals	-	(793,598)	(793,598)
Depreciation charges for the year	-	(2,549,905,000)	(2,549,905,000)
Balance at December 31, 2020, net of accumulated depreciation	**P 27,143,977,662**	**P 89,220,230,770**	**P 116,364,208,432**
Balance at January 1, 2019, net of accumulated depreciation	P 26,682,755,078	P 77,952,778,663	P 104,635,533,741
Transfer to property, plant and equipment	(286,841)	(401,544,662)	(401,831,503)
Additions	300,047,161	10,090,544,279	10,390,591,440
Disposals	-	(716,363)	(716,363)
Depreciation charges for the year	-	(2,285,389,751)	(2,285,389,751)
Balance at December 31, 2019, net of accumulated depreciation	P 26,982,515,398	P 85,355,672,166	P 112,338,187,564
Balance at January 1, 2018, net of accumulated depreciation	P 26,312,251,257	P 70,916,575,692	P 97,228,826,949
Transfer to property, plant and equipment	(187,391,998)	(4,776,347,214)	(4,963,739,212)
Additions	557,895,819	13,722,756,858	14,280,652,677
Disposals	-	(2,464,208)	(2,464,208)
Depreciation charges for the year	-	(1,907,742,465)	(1,907,742,465)
Balance at December 31, 2018, net of accumulated depreciation	P 26,682,755,078	P 77,952,778,663	P 104,635,533,741

Rental income earned from the investment property amounted to P13.2 billion, P17.3 billion and P14.7 billion for the years ended December 31, 2020, 2019 and 2018, respectively, are presented as Rental income under Rendering of Services account in the consolidated statements of comprehensive income (see Note 24.1). The direct operating costs, exclusive of depreciation, incurred by the Group relating to the investment property that generates income amounted to P884.7 million, P737.2 million and P661.0 million in 2020, 2019 and 2018, respectively, are presented as part of Cost of Services account in the consolidated statements of comprehensive income (see Note 25). The direct operating costs, which mostly pertain to real property taxes, of investment properties that did not generate rental income in 2020, 2019 and 2018 amounted to P37.2 million, P34.7 million, and P35.5 million, respectively. The operating lease commitments of the Group as a lessor are fully disclosed in Note 31.1.

In 2020, the Group reclassified investment properties with a carrying amount of P169.3 million to property, plant and equipment as such properties were used for operations (see Note 13.1). The Group also reclassified inventories with a carrying amount of P14.4 million to investment properties as use for such properties changed to earn rentals (see Note 8).

Investment property includes capitalized borrowing costs amounting to P1,846.8 million and P1,810.0 million in 2020 and 2019, respectively, representing the actual borrowing costs, net of related investment income, incurred on specific and general borrowings obtained to fund the construction project (see Note 18 and 19). The capitalization rate used was based on effective interest rates of applicable specific and general borrowings ranging from 2.9% to 4.3% and 4.0% to 4.5% in 2020 and 2019, respectively.

In 2019 and 2018, the Group used certain properties for hotel operations and administrative purposes. The Group occupied the properties and transferred the carrying values of those properties amounting to P0.4 billion and P5.0 billion, respectively, from Investment Property account to Property, Plant and Equipment account (see Note 13.1).

Depreciation charges are presented as part of Depreciation and amortization under Cost of Services account in the consolidated statements of comprehensive income (see Note 25).

As at December 31, 2020 and 2019, none of the Group's investment properties are held as collateral.

The fair market values of these properties amounted to P454.2 billion and P440.7 billion as at December 31, 2020 and 2019, respectively. These are estimated either by reference to current prices for similar properties or by calculation of the present values of the estimated cash inflows anticipated until the end of the life of the investment property using discount rates that reflect the risks and uncertainty in cash flows (see Note 34.4).

15. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of the reporting periods are shown below (see Notes 2.12 and 2.20).

	Goodwill	Trademarks	Leasehold Rights	Computer Software	Franchise Fee	Total
December 31, 2020						
Cost	P 20,044,019,140	P20,954,169,481	P 187,149,568	P 46,090,094	P 100,485,210	P41,302,595,403
Translation adjustment	(246,918,866)	(280,852,237)	-	-	-	(527,771,103)
Accumulated amortization	-	(1,297,159,414)	(85,059,782)	(46,090,094)	(25,875,596)	(1,454,185,216)
Net carrying amount	P 19,797,100,274	P19,376,157,830	P 101,875,786	P -	P 124,609,614	P39,395,635,484
December 31, 2019						
Cost	P 20,296,474,629	P21,762,915,053	P 187,049,568	P 46,090,097	P 146,082,416	P42,438,460,273
Translation adjustment	(252,455,489)	(808,350,172)	-	-	-	(1,060,805,661)
Accumulated amortization	-	(1,295,744,042)	(78,241,228)	(40,505,795)	(18,801,438)	(1,433,292,503)
Net carrying amount	P 20,044,019,140	P19,658,821,438	P 108,804,340	P 4,474,238	P 127,280,978	P39,943,871,103
January 1, 2019						
Cost	P 20,185,059,123	P21,566,106,941	P 1,159,753,886	P 46,090,097	P 115,718,897	P43,077,640,004
Translation adjustment	111,415,506	226,808,712	-	-	-	338,224,218
Accumulated amortization	-	(1,021,726,652)	(259,327,766)	(35,996,522)	(11,340,204)	(1,362,395,444)
Net carrying amount	P 20,296,474,629	P20,741,189,001	P 900,426,120	P 10,093,485	P 104,368,693	P42,053,472,838

A reconciliation of the carrying amounts at the beginning and end of the reporting periods of intangible assets is shown below.

	Goodwill	Trademarks	Leasehold Rights	Computer Software	Franchise Fee	Total
Balance at January 1, 2020, net of accumulated amortization	P 20,044,019,140	P19,658,801,438	P 108,804,339	P 4,474,398	P 127,251,978	P39,943,371,303
Additions	-	-	500,000	-	14,431,794	14,931,794
Translation adjustment	(246,918,862)	(280,852,237)	-	-	-	(527,771,099)
Amortization for the year	-	(1,615,391)	(7,728,553)	(4,474,398)	(17,078,158)	(30,896,500)
Balance at December 31, 2020, net of accumulated amortization	P 19,797,100,278	P19,376,333,810	P 101,575,786	P -	P 124,605,614	P39,399,615,488
Balance at January 1, 2019, net of accumulated amortization, as previously reported	P 20,296,474,629	P20,741,189,001	P 900,456,120	P 10,983,485	P 104,369,603	P42,053,472,838
Effect of PFRS 16 adoption	-	-	(783,333,333)	-	-	(783,333,333)
As restated	20,296,474,629	20,741,189,001	117,122,787	10,983,485	104,369,603	41,270,139,505
Additions	-	-	-	-	30,343,308	30,343,308
Impairment loss	-	(272,402,000)	-	-	-	(272,402,000)
Translation adjustment	(252,455,489)	(808,353,172)	-	-	-	(1,060,808,661)
Amortization for the year	-	(1,615,391)	(8,318,448)	(6,509,087)	(7,460,933)	(23,903,859)
Balance at December 31, 2019, net of accumulated amortization	P 20,044,019,140	P19,658,801,438	P 108,804,339	P 4,474,398	P 127,251,978	P39,943,371,303
Balance at January 1, 2018, net of accumulated amortization	P 20,090,166,886	P20,516,629,680	P 958,793,098	P 18,510,761	P 53,567,853	P41,637,688,271
Additions	94,892,237	-	-	-	61,060,430	155,952,667
Disposals	-	-	-	(25,000)	-	(25,000)
Translation adjustment	111,415,506	226,808,712	-	-	-	338,224,218
Amortization for the year	-	(2,249,391)	(58,336,978)	(7,502,276)	(10,258,680)	(78,347,325)
Balance at December 31, 2018, net of accumulated amortization	P 20,296,474,629	P20,741,189,001	P 900,456,120	P 10,983,485	P 104,369,603	P42,053,472,838

Goodwill primarily relates to growth expectations arising from operational efficiencies and synergies that will be achieved by combining the resources, skills and expertise of the individual components of the Group and by improving the Group's market reach and industry visibility both in the local and global market.

Trademarks pertain to trademarks registered under the Group for the manufacture and sale of distilled spirits, mostly brandy, which include brand names 'Emperador Brandy', 'Generoso Brandy', 'Emperador Deluxe', and 'The Bar.'

In 2014, from the Group's acquisition of WMG Group, the trademarks "Jura" and "The Dalmore" (collectively, "WMG brands") were recorded for a total of P9.6 billion. In 2016, the Group's acquisition of Bodegas Fundador in Jerez resulted in the recognition of four trademarks amounting to P6.7 billion, namely "Fundador Brandy", "Terry Centenario Brandy", "Tres Cepas Brandy", and "Harveys" sherry wine (collectively, "Fundador brands"). In 2017, the Group acquired various trademarks amounting to P3.5 billion including "Domecq" brands of Mexican and Spanish brandies which include "Presidente", "Azteca de Oro" and "Don Pedro"; "Grupo Garvey brands" which include "Garvey Brandy" and "Fino San Patricio"; and, other well-known sherries and liquors brands. These trademarks have indefinite useful lives; hence, are not subject to amortization.

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The Group monitors goodwill and trademarks with indefinite useful lives on the cash generating units to which these assets were allocated [see Notes 2.20 and 3.2(i)]. An analysis of the value-in-use and the amount of intangible assets allocated to such groups of cash generating units is presented as follows (amounts in billions of pesos):

	2020				2019			
	Allocated Intangible Assets	Value in Use	Terminal Growth Rate	Discount Rate	Allocated Intangible Assets	Value in Use	Terminal Growth Rate	Discount Rate
Goodwill:								
Megaworld	P 9.14	P 333.33	1.00%	4.59%	P 9.14	P 378.44	1.00%	7.37%
GADC	1.25	9.65	1.00%	5.34%	1.25	34.03	1.00%	7.42%
WMG*	7.36	12.28	2.00%	9.75%	7.65	12.17	2.00%	9.75%
GES*	1.63	3.81	1.60%	7.51%	1.59	10.23	1.60%	7.51%
Trademarks with indefinite lives:								
WMG brands*	9.20	40.34	2.00%	9.75%	9.48	41.83	2.00%	9.75%
Fundador brands	7.43	22.83	1.60%	7.51%	7.24	10.57	1.60%	8.06%
Domecq brands**	2.66	3.92	1.50%	6.50%	2.84			
Grupo Garvey brands**	0.09	0.10	0.50%	7.65%	0.09			

* *Amounts are translated at closing rate as of the end of the reporting periods in accordance with PAS 21, The Effects of Changes in Foreign Exchange Rates.*

** *As of December 31, 2019, management believes that Domecq brands are not impaired as DBLC's operations, which carry the Domecq brands, have reported revenue of P3.0 billion in 2019. Moreover, management believes that after the impairment provided for Grupo Garvey brands in 2019, the value-in-use as of 2019 approximates its carrying value. As of December 31, 2019, management believes that the carrying value of Domecq and Grupo Garvey brands approximate their value-in-use as of those dates since these were only acquired in 2017.*

The value-in-use of each group of cash generating unit was determined using cash flow projections for five years, taking into consideration the impact of COVID-19, and extrapolating cash flows beyond the projection period using a perpetual terminal growth rate. The discount rates and growth rates are the key assumptions used by management in determining the value-in-use of the cash generating units.

In 2019, due to continuous decline of the Group's revenue from the products, the management assessed that a portion of trademarks under Grupo Garvey brands are impaired. Accordingly, the Group recognized an impairment loss amounting to P272.4 million which is presented as part of Impairment of PPE and intangible assets under Other Operating Expenses account in the 2019 consolidated statement of comprehensive income (see Note 26). Further, no impairment loss is required to be recognized on the carrying value of the other intangible assets (goodwill, leasehold rights, computer software and franchise fee) in 2020, 2019 and 2018 (see Note 2.20).

The amortization of trademarks with finite useful lives amounted to P1.6 million in 2020 and 2019 while the amount of amortization in 2018 was P2.2 million. These are shown as part of Depreciation and amortization under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26).

As of December 31, 2020 and 2019, the remaining useful life of the Group's "Emperador Deluxe" trademark with definite life is 2.5 years and 3.5 years, respectively [see Note 3.2(h)].

The "The BaR", "Emperador Brandy" and "Generoso Brandy" trademarks were fully amortized since 2018. Consequently, the Group renewed the trademark application of Emperador Brandy with the Intellectual Property Office of the Philippines.

In 2014, WCRWI entered into a lease agreement with Nayong Pilipino Foundation ("NPF") covering certain parcels of land located at the Manila Bay Reclamation Area in Parañaque City for a period of 25 years, renewable for another 25 years under the terms mutually acceptable to the parties. Upon effectivity of the lease agreement, WCRWI has paid NPF P1.0 billion (presented under Leasehold rights) covering the first 20 years of the lease. The amount of amortization charges amounted to P50.0 million in 2018, which is presented as part of Depreciation and amortization under Other Operating Expenses account in the 2018 consolidated statement of comprehensive income (see Note 26). The carrying amount of P783.3 million was reclassified as part of Right-of-use assets upon adoption of PFRS 16 in 2019.

As at December 31, 2020 and 2019, the Group has no contractual commitments for the acquisition of any additional trademarks, leasehold rights, computer software and franchise fee.

No intangible assets have been pledged as security for liabilities as of December 31, 2020 and 2019.

16. NON-CURRENT ASSETS AS HELD FOR SALE

In 2019, non-current assets held for sale pertain to the land development cost made for the construction of Site A that WCRWI has discontinued in the same year, following the Co-Development Agreement with SHDI. The sale did not take place in 2020 since certain obligations under the Co-Development Agreement relating to the development of properties, project management and other conditions have not yet been performed as of December 31, 2020. The Group, however, remains committed to its plan to sell the asset and estimates that the sale will take effect in 2021 [see Note 31.8(ii)]. The carrying value of the non-current asset held for sale amounting to P4.0 billion is presented under the Travellers segment (see Note 4.4).

In 2020, the Group has discontinued the use of land and buildings called as "Complejo Bellavista" and "Cerro Viejo Vineyards" previously classified under property, plant and equipment (see Note 13.1). On December 27, 2020, management approved their sale through the signed letter of intent with Global One (see Note 31.9). The carrying value of the non-current asset held for sale amounting to P1.0 billion is presented under the Emperador segment (see Note 4.4).

The breakdown of these assets as of December 31, 2020 and 2019 are as follows:

	2020	2019
Construction in progress	**P 3,716,165,072**	P 3,716,165,072
Land and land improvements	**1,162,602,736**	313,714,726
Buildings	**112,852,585**	-
	P 4,991,620,393	P 4,029,879,798

The carrying value of the assets as of December 31, 2020 and 2019 is equal to their fair value less cost to sell (see Note 13.1). Accordingly, the Group did not recognize any loss in connection with the reclassification of the assets.

The Group believes that the sale of these assets is highly probable in 2021(see Note 31.8).

17. TRADE AND OTHER PAYABLES

The breakdown of this account follows (see Note 2.13):

	Notes	2020	2019
Trade payables	30.1, 30.2	P **33,191,985,612**	P 36,185,457,475
Accrued expenses	30.3, 31.2, 31.4(e), 31.5	**15,872,123,007**	12,944,062,804
Deposit from SHDI	30, 31.8	**9,901,072,000**	-
Retention payable		**5,526,451,618**	4,602,091,363
Accrued interest payable	18, 19	**1,488,658,449**	1,231,918,126
Refund liability		**1,042,344,049**	676,136,137
Dividends payable	22.5	**807,540,407**	180,104,245
Gaming license fees payable	29.3	**516,846,603**	501,653,588
Output VAT payable		**485,066,543**	397,978,309
Due to related parties	30.5	**412,878,940**	412,878,940
Slot jackpot liability	2.5	**259,221,496**	346,234,075
Unredeemed gaming points	3.2(l)	**201,492,558**	256,299,339
Withholding tax payable		**113,269,541**	204,933,193
Deferred output VAT		**110,005,463**	461,947,714
Others	30.7	**2,232,332,214**	2,993,191,947
		P 72,161,288,500	P 61,394,887,255

Trade payables significantly comprise of obligations to subcontractors and suppliers of construction materials for the Group's projects and suppliers of raw materials. These also include unredeemed gaming chips determined as the difference between total gaming chips placed in service and the actual inventory of gaming chips under control or in custody, casino deposit certificates from patrons and other gaming-related liabilities.

Accrued expenses include accruals for salaries and other benefits, utilities, local and overseas travel, training and recruitment, dues and subscriptions, advertising, rentals, marketing and other operating expenses of the Group.

Retention payable pertains to amount withheld from payments made to contractors for construction work performed to ensure compliance and completion of contracted projects. Upon completion of the contracted projects, the retained amounts are returned to the contractors.

Refund liability pertains to amounts payable to customers due to real estate sales cancellation in respect of instalment sales contracts as covered by the Republic Act ("R.A.") No. 6552, *Realty Installment Buyer Protection Act*, otherwise known as the Maceda Law.

The unredeemed gaming points liability represents the estimated costs of unredeemed casino gaming points issued, which are redeemable for complimentary goods or services of the Group [see Notes 2.16 and 3.2(l)].

Dividends payable represents the non-controlling interest share on the dividends declared by AGI and Megaworld in 2020 payable in January 2021, and by Emperador in 2019 payable and paid in January 2020 (see Note 22.5).

Others include unearned rental, payables to government and other regulatory agencies, and various unreleased checks which are reverted to liability.

18. INTEREST-BEARING LOANS

The composition of the Group's outstanding interest-bearing loans is shown below.

	2020	2019
Current:		
Philippine Pesos	**P 45,078,795,464**	P 35,235,234,123
Foreign currencies	**4,466,729,178**	5,634,442,713
	49,545,524,642	40,869,676,836
Non-current:		
Philippine Pesos	**65,693,853,000**	76,785,738,344
Foreign currencies	**58,677,563,317**	61,497,698,532
	124,371,416,317	138,283,436,876
	P 173,916,940,959	P 179,153,113,712

The summarized terms and conditions of each availed loan as at December 31, 2020 and 2019 are as follows:

Outstanding Principal Balance 2020	Outstanding Principal Balance 2019	Explanatory Notes	Interest Rate	Security	Maturity Date
Megaworld					
P 2,083,333,333	P 3,750,000,000	(a)	Fixed at 5.6286%	Unsecured	2022
2,374,728,101	3,762,902,908	(b)	Floating rate on a 3-month LIBOR plus a certain spread	Unsecured	2022
4,992,347,917	4,979,470,301	(c)	5-day average reference plus a certain spread	Unsecured	2021
4,982,878,786	4,972,616,301	(d)	Fixed at 7.8488%	Unsecured	2023
1,996,105,616	3,982,128,155	(e)	Floating rate plus a certain spread	Unsecured	2021
1,250,000,000	2,500,000,000	(f)	Fixed at 6.4274%	Unsecured	2021
1,538,461,539	2,307,692,308	(g)	Fixed at 5.25%	Unsecured	2022
-	1,250,000,000	(h)	Fixed at 5.035%	Unsecured	2020
769,230,769	1,538,461,538	(i)	Fixed at 5.3812%	Unsecured	2021
500,000,000	1,166,666,667	(j)	Fixed at 5.2632%	Unsecured	2021
4,681,307,504	4,963,334,356	(k)	Higher of 4.75% fixed rate and floating rate plus certain spread	Unsecured	2024
4,285,282,788	4,818,842,821	(l)	Floating rate on a 3-month LIBOR plus a certain spread	Unsecured	2024
4,970,284,838	-	(m)	Floating rate based on a 5-day average reference rate plus a certain spread	Unsecured	2025
P 34,422,961,201	P 39,992,115,355				

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Outstanding Principal Balance		Explanatory Notes	Interest Rate	Security	Maturity Date
2020	2019				
EELHI					
P 583,333,335	P 916,666,667	(n)	Fixed at 5.4% for 2 tranches; floating rate of 3.2% - 3.5% subject to quarterly repricing for the third tranche	Unsecured	2022
100,000,000	500,000,000	(o)	Floating rate of 4.5%	Unsecured	2021
384,610	384,610	(p)	Fixed at range of 7.0% and 9.0%	Secured	Upon collection of assigned receivables
500,000,000	-	(q)	Fixed at 3.12%	Unsecured	2021
P 1,183,717,945	P 1,417,051,277				
LFI					
P -	P 125,000,000	(r)	Fixed at 5.0% subject to repricing	Unsecured	2020
SPI					
P 2,200,000,000	P 2,200,000,000	(s)	Floating rate of 4.5% subject to repricing every 30 to 180 days	Unsecured	2025
300,000,000	600,000,000	(t)	3.50% subject to repricing every 30-180 days	Unsecured	2021
-	375,000,000	(u)	3.15% to 5.15% subject to repricing	Unsecured	2020
100,000,000	200,000,000	(v)	Floating rate of 3.5% repricing 30-180 days	Unsecured	2021
300,000,000	-	(w)	Fixed at 5.25%	Unsecured	2021
14,238,281	18,984,375	(w)	Fixed at range of 5.50% to 5.75%	Unsecured	2021
-	42,000,000	(w)	Floating	Unsecured	2020
1,422,690,170	1,261,285,752	(x)	Variable prevailing market rate of 5.5% to 15.0%	Secured	Upon collection of related assigned receivables
300,000,000	-	(y)	Floating rate of 4.5% subject to repricing	Unsecured	2027
P 4,636,928,451	P 4,697,270,127				
GERI					
P 1,647,058,820	P 2,000,000,000	(z)	Floating interest rate	Unsecured	2024
1,000,000,000	1,500,000,000	(aa)	Floating rate	Unsecured	2022
250,000,000	750,000,000	(bb)	Fixed based on 5-year PDST-R2 plus spread at 3% floor	Unsecured	2021
-	231,502,563	(cc)	Fixed based on 5-year PDST-R2 fixed plus spread at 5% floor	Unsecured	2020
1,000,000,000	-	(dd)	Fixed at 5.26%	Unsecured	2025
500,000,000	-	(ee)	Floating interest rate	Unsecured	2027
P 4,397,058,820	P 4,481,502,563				
OFPI					
P -	P 5,536,667	(ff)	Fixed at 5.035%	Unsecured	2020
SWEC					
P -	P 38,000,000	(gg)	Fixed at 4.2%	Unsecured	2020
TLC					
P 281,250,000	P 300,000,000	(hh)	Floating interest rate	Unsecured	2024
187,500,000	200,000,000	(hh)	Floating interest rate	Unsecured	2024
468,750,000	-	(hh)	Floating interest rate of 5%-5.3% subject to 30-180 days repricing	Unsecured	2024
P 937,500,000	P 500,000,000				

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Outstanding Principal Balance 2020	Outstanding Principal Balance 2019	Explanatory Notes	Interest Rate	Security	Maturity Date
EIL					
P 23,490,000,729	P 22,882,500,021	(ii)	1.05% plus EURIBOR	Unsecured	2024
EDI					
P 62,500,000	P 312,500,000	(jj)	Fixed at 5.245%	Unsecured	2021
62,500,000	312,500,000	(jj)	Fixed at 5.113%	Unsecured	2021
150,000,000	350,000,000	(kk)	Fixed at 5.9641%	Unsecured	2021
41,666,667	208,333,333	(jj)	Fixed at 5%	Unsecured	2021
105,000,000	245,000,000	(kk)	Fixed at 6.1277%	Unsecured	2021
P 421,666,667	P 1,428,333,333				
WMG					
P 3,917,012,288	P 5,047,206,120	(ll)	0.5% over LIBOR	Secured	2021
DBLC					
P 2,151,664,921	P 2,581,799,112	(mm)	Fixed at 1.6%	Unsecured	2022
PAI					
P 400,000,000	P -	(nn)	Fixed at 5.0%	Unsecured	2021
GADC					
P 118,571,429	P 276,666,667	(oo)	Fixed at 4.18% and 5.17%	Unsecured	2021
37,142,857	86,666,666	(pp)	Fixed at 4.71%	Unsecured	2021
17,142,857	34,285,714	(qq)	Fixed at 5%	Secured	2021
-	26,000,000	(rr)	Fixed at 6%	Unsecured	2020
949,071,146	-	(ss)	Fixed at 4.5%	Unsecured	2025
500,000,000	-	(tt)	Fixed at 4.5%	Unsecured	2025
450,000,000	-	(uu)	Fixed at 4.5%	Unsecured	2025
P 2,071,928,289	P 423,619,047				
Travellers					
P 12,096,667,284	P 14,927,842,919	(vv)	Fixed at 7.0%	Unsecured	2025
7,355,143,470	8,449,638,259	(vv)	Fixed at 8.6% for two years and at 9% in the next five years	Unsecured	2025
-	7,500,000,000	(vv)	Fixed at 5.5%	Unsecured	2020
7,446,357,741	-	(vv)	Fixed at 4.75%	Unsecured	2027
6,112,975,966	6,980,426,886	(ww)	Fixed at 6.6% to date	Unsecured	2024
3,641,402,975	4,970,795,355	(xx)	Fixed at 7.3%, subject to 5.3% floor both plus 1.15% spread	Unsecured	2024
4,045,164,093	4,638,054,676	(xx)	Fixed at 8.2%	Unsecured	2024
3,985,416,244	3,979,968,597	(yy)	Floating rate subject to repricing plus a spread of 1.0% in 2019; with a floor rate of 5.25% in 2020	Unsecured	2023
3,483,766,803	3,475,703,320	(zz)	Fixed at 5.7%	Unsecured	2024
2,167,830,435	-	(vv)	Fixed at 4.75%	Unsecured	2021
2,000,000,000	-	(xx)	Floating rate subject to repricing	Unsecured	2021
1,000,000,000	-	(xx)	Floating rate subject to repricing	Unsecured	2021
1,000,000,000	-	(xx)	Floating rate subject to repricing	Unsecured	2021
1,000,000,000	-	(xx)	Floating rate subject to repricing	Unsecured	2021
1,000,000,000	1,000,000,000	(yy)	Fixed at 5.8%	Unsecured	2021
1,000,000,000	1,000,000,000	(aaa)	Fixed at 6.2%	Unsecured	2021
-	2,000,000,000	(zz)	Fixed at 6.0%	Unsecured	2020
-	1,000,000,000	(xx)	Fixed at 5.8%	Unsecured	2020
P 57,334,024,911	P 59,923,030,012				

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Outstanding Principal Balance 2020	Outstanding Principal Balance 2019	Explanatory Notes	Interest Rate	Security	Maturity Date
AGI					
P 4,966,862,880	P -	(bbb)	Fixed at 4.5%; subject to repricing at the end of fifth year	Unsecured	2027
AG Cayman					
P 23,993,272,553	P 25,441,328,174	(ccc)	Fixed at 4.1456%	Unsecured	2022
4,798,045,435	5,088,075,098	(ccc)	Fixed at 3.9%	Unsecured	2022
4,794,296,569	5,080,746,806	(ccc)	Fixed at 3.8330%	Unsecured	2022
P 33,585,614,557	P 35,610,150,078				
P 173,916,940,959	P 170,153,113,712				

Explanatory Notes:

(a) Seven-year loan obtained by Megaworld from a local bank in two tranches in March and June 2015 totalling P10,000.0 million to fund various real estate projects and retire currently maturing obligations. Quarterly principal repayment on this seven-year loan commenced in June 2016 and interest is paid quarterly.

(b) Five-year foreign-currency denominated loan obtained by Megaworld from a local bank in December 2017 amounting to U.S. $98.87 million payable quarterly with a grace period of one year upon availment. The principal repayment shall commence in March 2019 and a floating interest is paid quarterly. Megaworld entered into a cross-currency swap agreement to hedge the U.S. dollar exposure of the loan (see Note 21).

(c) Three-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in July 2018. The principal is payable upon maturity while interest is payable quarterly and commenced in October 2018.

(d) Five-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in December 2018. The principal repayment is quarterly after two years from availment. Interest is payable quarterly.

(e) Three-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in December 2018. The principal repayments commenced in September 2019 and interest is paid quarterly.

(f) Five-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in November 2016. The principal repayments commenced in February 2018 and interest is paid quarterly.

(g) Seven-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in November 2015. The principal repayments commenced in November 2016 and interest is payable semi-annually.

(h) Five-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in December 2015. The principal repayments commenced in March 2017 and interest is paid quarterly. In 2020, the Megaworld has paid in full its outstanding loan balance.

(i) Seven-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in August 2014. The principal repayments commenced in August 2015 while interest is paid semi-annually.

(j) Five-year loan amounting to P2,000.0 million obtained by Megaworld in August 2016 from a local bank with a grace period of two years from availment. The principal repayment commenced in November 2018 and interest is paid quarterly.

(k) Five-year loan amounting to P5,000.0 million obtained by Megaworld in December 2019 from a local bank. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayments on this loan shall commence in December 2020 and interest is payable quarterly.

(l) Five-year loan amounting to U.S.$95.62 million obtained by Megaworld in September 2019 from a local bank. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayments on this loan commenced in December 2020 and interest is payable quarterly. Megaworld entered into a cross-currency agreement to hedge the U.S. Dollar and interest rate exposure of the loan (see Note 21).

(m) Five-year loan amounting to P5,000.0 million obtained by Megaworld in March 2020 from a local bank. The loan is payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayments on the loan shall commence in June 2022 and interest is paid quarterly.

(n) Seven-year loan amounting to P2,000.0 million obtained by EELHI in 2015 from a local bank released in three tranches from 2015-2016. Proceeds were used to fund development of various real estate projects.

(o) Three-year loan obtained by EELHI from a local bank in February 2018 where the proceeds of the loan were used to fund various real estate projects. The principal is payable quarterly with a one-year grace period together with interest payable monthly in arrears.

(p) Loans obtained by EELHI from local banks by assigning trade receivables on a with recourse basis (see Note 6). The loans are secured by certain residential and condominium units for sale with carrying value of P28.5 million as of both December 31, 2020 and 2019 (see Note 8). Interest is being paid as the related receivables are collected.

(q) 90-day unsecured loans obtained by EELHI from local banks in 2020. The proceeds of the loan were used to fund the development of EELHI's various real estate projects. The principal of the loan is payable upon maturity and interest is payable monthly.

(r) Five-year loan amounting to P500.0 million obtained by LFI from a local bank in December 2015. Quarterly installments began in March 2017, plus interest. In 2020, LFI paid in full the outstanding loan balance.

(s) Seven-year loan amounting to P2,200.0 million obtained by SPI from a local bank in 2018 to fund the acquisition of STLI. Principal repayments is payable on a monthly basis after a grace period of three years from the date of availment.

(t) Five-year loan totalling P900.0 million obtained by SPI from a local bank in 2017 and 2016, payable on a monthly basis after a grace period of two years from the date of availment. The loan bears floating interest which is subject to repricing every 30-180 days.

(u) Five-year loan amounting to P1,500.0 million obtained by SPI from a local bank in 2015, payable in monthly installments after two years from initial drawdown. In 2020, SPI has paid the outstanding loan balance in full.

(v) Three-year loan amounting to P300.0 million obtained by SPI from a local bank in 2018. The principal repayment is payable on a monthly basis after a grace period of two years from date of availment.

(w) Outstanding balance of short-term loans availed in 2020 by SPI from local banks.

(x) Loans obtained by SPI from a local bank in 2015 through assignment of trade receivables (see Note 6). The loans are being paid as the receivables are collected.

(y) Seven-year loan amounting to P300.0 million obtained by SPI in 2020 from a local bank. The loan bears a floating interest and is payable upon maturity.

(z) Five-year loan amounting to P2,000.0 million obtained by GERI in 2019 from a local bank payable quarterly for a term of five years, plus interest.

(aa) Five-year loan amounting to P2,000.0 million obtained by GERI in December 2017 from a local bank payable quarterly commencing on the beginning of the fifth quarter from the initial drawdown date. Interest is payable quarterly.

(bb) Five-year loan amounting to P2,000.0 million obtained by GERI in 2016 from a local bank, with a grace period of two years on principal installment. The loan is payable in quarterly installments of P125.0 million commencing on the 9th quarter from the date of initial drawdown and balloon payment at the end of five years.

(cc) Five-year loan amounting to P1,500.0 million obtained by GERI in 2015 from a local bank payable quarterly commencing on the 9th quarter from the date of initial drawdown. In 2020, the GERI paid in full the outstanding loan balance.

(dd) Five-year loan amounting to P1,000.0 million obtained by GERI in 2020 from a local bank payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayment on the loan shall commence in December 2022. The loan bears a fixed interest rate and is payable quarterly.

(ee) Seven-year loan amounting to P500.0 million obtained by GERI in 2020 from a local bank. The loan is payable quarterly with a grace period of one year upon availment. The principal repayment on the loan shall commence in March 2022. The loan bears a floating interest rate and is payable quarterly.

(ff) Five-year loan obtained by OFPI from a local bank in 2015. In 2020, OFPI has paid the outstanding loan balance in full.

(gg) In 2018, SWEC renewed its credit line facility with a local bank amounting to P150.0 million, for working capital purposes. In December 2018, SWEC's initial loan drawdown amounted to P50.0 million, payable within 180 days. Upon expiration, SWEC paid the P12.0 million portion of the loan and extended the remaining P38.0 million for another 180 days. In 2020, SWEC paid in full the outstanding loan balance.

(hh) Five-year loan amounting to P300.0 million and P200.0 million obtained by TLC in August and November 2019, respectively, from a local bank. The loans are payable in quarterly installments commencing in November 2020. In March 2020, TLC obtained additional interest-bearing loan amounting to P500.0 million. The loan bears floating interest rates and quarterly installments beginning in November 2020 are due until the loan is fully settled in 2024.

(ii) Five-year foreign-currency denominated loan obtained by EIL in 2016 from international financial institutions was prepaid in 2019. A new five-year foreign-currency denominated loan was obtained in 2019 from a syndicate of foreign financial institutions at a lower margin to prepay existing loans. The loans are repayable in full at maturity.

(jj) Five-year loan obtained by EDI in three tranches totaling P2,000.0 million in 2016 from a local bank. Principal repayment is in 12 equal quarterly payments starting on the ninth quarter after the initial drawdown.

(kk) In 2018, EDI obtained additional unsecured, interest-bearing loans at a total amount of P850.0 million from a local bank for working capital purposes. The loans shall be payable in 12 equal quarterly amortizations commencing on the beginning of the ninth quarter from the initial drawdown. The principal repayments are expected to commence on April 10, 2019. In 2020 and 2019, total payments on the loan amounted to P340.0 and 255.0 million, respectively.

(ll) Three-year foreign-currency denominated facility obtained by WMG from a foreign bank. The loan is secured by way of floating charge against WMG's inventories (see Note 8).

(mm) Five-year foreign-currency-denominated loans of DBLC totaling P3,000.0 million used in relation to asset acquisition in 2017.

(nn) In 2020, PAI obtained short-term loans at a total amount of P400.0 million from a local bank for working capital purposes. The loan shall be payable on January 6, 2021.

(oo) Loans obtained by GADC from a local bank in 2014 payable in 21 quarterly principal payments commencing in September 2016.

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(pp) Loan obtained by GADC from a local bank in June 2015 in relation to a P500.0 million loan facility. Principal repayments began in June 2016 for 21 quarters.

(qq) Ten-year loan granted to GADC in December 2011 by a local bank for the purchase of land and building from the latter, payable monthly starting on the third year of the loan until December 2021. The acquired land and building served as collateral on the loan (see Note 13.1).

(rr) Short-term loan obtained by GADC from a local bank in December 2019 payable in 4 equal monthly installments commencing in March 2020. The amount was already settled as of the end of 2020.

(ss) Five-year US dollar loan with a principal amount of P1,000.0 million obtained by GADC from a local bank in March 2020. GADC has a Cross Currency Swap (CCS) agreement with the local bank, whereby GADC will receive and settle the dollar loan and its interest at a fixed foreign exchange rate of P50.60 per US$1 or total of P1,000.0 million (see Note 21). The loan is payable quarterly and bears a fixed interest rate.

(tt) Five-year loan obtained by GADC from a local bank in June 2020 payable quarterly starting from September 2021. The loan bears a fixed interest.

(uu) Five-year loan obtained by GADC from another local bank in June 2020 payable in 20 quarters from September 2020 to June 2025. Interest payments are fixed.

(vv) In prior years, a local bank approved a credit line which grants Travellers to borrow P33,500.0 million. In 2019, Travellers made an additional drawdown amounting to P7,500.0 million as a short-term loan. In 2020, it converted some of the omnibus loans into a long-term loan and made additional borrowings amounting to P2,200.0 million. The loans are outstanding as of December 31, 2020 and 2019.

(ww) Seven-year loans totalling P7,000.0 million obtained by Travellers in 2017 from a P7,000.0 million credit line with a local bank. In 2018, Travellers opened a P5,000.0 million omnibus credit facility with the bank, drew P1,000.0 million which was paid in the same year. The omnibus credit facility remains fully unutilized as of both December 31, 2020 and 2019.

(xx) In 2017, Travellers entered into various credit line agreements with a total maximum loanable amount of P10,000.0 million from a local bank. As of December 31, 2018, drawdowns totaled P10,000.0 million, half of which pertains to term loans and the other half to omnibus loans. In 2019, the Group obtained another term loan facility with the bank amounting to P5,000.0 million. This was utilized through the conversion of the P5,000.0-million omnibus loan to a long-term loan. Following the conversion, the Group obtained various short-term loans in 2019 amounting to P3,000.0 million, which remained outstanding as of December 31, 2020 and 2019. In 2020, additional omnibus loans amounting to P2,000.0 million were borrowed. These loans also remained outstanding as of December 31, 2020.

(yy) Five-year loan amounting to P4,000.0 million obtained by Travellers from a P5,000.0 million credit line with a local bank in 2018. In 2019, Travellers obtained a P1,000.0 million omnibus loan from the remaining unutilized credit line. The loans remained outstanding as of December 31, 2020 and 2019.

(zz) In 2018, Travellers obtained a P3,500.0 million credit line from a local bank, which it had fully utilized in 2018 and settled P2,500.0 million in the same year. The remaining P1,000.0 million was settled early in 2019. Further, in 2019, Travellers renewed the credit line and drew down three omnibus loans, which upon maturity were converted into a five-year term loan for the same amount. Said loan remained outstanding as of December 31, 2020.

(aaa) In 2019, Travellers procured a P2,000.0 million omnibus line with a local bank in which it utilized P1,000.0 million in same year. This remained to be outstanding as of December 31, 2020.

(bbb) Seven-year loan amounting to P5,000.0 million obtained by AGI in July 2020 from a local bank. The loan is payable quarterly commencing after the one-year grace period, as provided in the loan agreement. The loan bears a fixed rate for the first five years, subject to repricing at the end of the fifth year. The interest is payable quarterly in arrears.

(ccc) Five-year U.S. dollar-denominated loans obtained by AG Cayman in 2017 from a foreign bank totaling to US$700.0 million with interest payable semi-annually in arrears. The loans are unconditionally and irrevocably guaranteed by AGI.

As at December 31, 2020 and 2019, the Group has complied with related loan covenants, including maintaining certain financial ratios, at the reporting dates. However, in 2020 and 2019, Travellers was not able to meet some financial covenants of its long-term loans but it was able to secure debt covenant waivers certified by the said local banks prior to December 31, 2020 and 2019, except for the waiver from one bank that Travellers received in 2021; hence, there was no default on the loans. There was also no written demand notice from the said bank, which is provided in the loan agreement, to constitute reclassification of the loan as current.

Total interest expense attributable to these loans, including amortization of capitalized transaction costs, amounted to P4,684.9 million, P4,536.9 million and P2,875.8 million for the years ended December 31, 2020, 2019 and 2018, respectively, and are presented as part of Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). Interest charges capitalized for the years ended December 31, 2020, 2019 and 2018 are included as part of additions to Construction in progress under Property, Plant and Equipment account (see Note 13.1), Investment Properties (see Note 14) and Real estate for sale under Inventories account (see Note 8). The amounts of outstanding accrued interest as at December 31, 2020 and 2019 are presented as part of Accrued interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

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19. BONDS PAYABLE

This account consists of bonds payable of the Company's subsidiary as follows:

	2020	2019
U.S. Dollar	**P28,308,952,890**	P 12,658,010,411
Philippine peso	**11,973,903,096**	11,965,873,279
	P40,282,855,986	P 24,623,883,690

The significant terms of the bonds are discussed below.

Face Amount	Outstanding Principal Balance 2020	2019	Explanatory Notes	Interest Rate	Nature	Maturity
$250.0 million	**P 12.0 billion**	P 12.7 billion	(a)	Fixed at 4.25%	Unsecured	2023
P 12.0 billion	**12.0 billion**	11.9 billion	(b)	Fixed at 5.3535%	Unsecured	2024
$350.0 million	**16.3 billion**	-	(c)	Fixed at 4.125%	Unsecured	2027
	P 40.3 billion	P 24.6 billion				

(a) On April 17, 2013, Megaworld issued 10-year term bonds with semi-annual interest payments every April 17 and October 17. The proceeds of the bond issuance are being used by Megaworld for general corporate purposes. The notes are listed in the Singapore ExchangeSecurities Trading Limited (SGX-ST).

(b) On March 28, 2017, Megaworld issued seven-year term bonds totaling P12.0 billion, inclusive of P4.0 billion oversubscription. The bond carries a coupon rate of 5.3535% per annum and interest is payable semi-annually in arrears every March 28 and September 28. The notes are listed in the Philippine Dealing & Exchange Corporation (PDEx).

(c) On July 30, 2020, Megaworld issued seven-year term senior unsecured notes totaling to U.S. $350 million. The notes carry a coupon rate of 4.125% per annum and interest is payable semi-annually in arrears on January 30 and July 30. The notes are listed in the SGX-ST.

Megaworld has complied with the bond covenants, including maintaining certain financial ratios, at the end of the reporting periods.

Total interest incurred on these bonds amounted to P1,496.5 million, P1,201.8 million and P1,443.2 million in 2020, 2019 and 2018, respectively. Of these amounts, portion charged as expense amounted to P872.2 million, P717.4 million and P800.8 million in 2020, 2019 and 2018, respectively, and are presented as part of Interest expense under Finance Cost and Other Charges account in the consolidated statements of income (see Note 27). Interest charges capitalized for the years ended December 31, 2020, 2019 and 2018 are included as part of additions to Construction in progress under Property, Plant and Equipment account (see Note 13.1), Investment Properties account (see Note 14) and Real estate for sale under Inventories account (see Note 8). The outstanding interest payable as at December 31, 2020 and 2019 is presented as part of Accrued interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17). Unrealized foreign currency gains in relation to these foreign bonds are presented as part of Foreign currency gains – net under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

Interest capitalized amounted to P581.2 million, P484.4 million and P642.4 million in 2020, 2019 and 2018, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 2.89% in 2020, 4.05% in 2019 and 5.37% in 2018.

20. REDEEMABLE PREFERRED SHARES

The Group's redeemable preferred shares pertain to preferred shares issued by GADC and TLC as presented below and in the succeeding pages. The preferred shares are considered as financial liabilities. Accordingly, the redeemable preferred shares are recognized at fair value on the date of issuance and are classified in the consolidated statements of financial position as presented below.

	Notes	2020	2019
Current –			
TLC	20.2	P 251,597,580	P 251,597,580
Non-current:			
GADC	20.1	1,213,061,959	1,077,720,169
TLC	20.2	251,597,580	503,195,160
		1,464,659,539	1,580,915,329
		P 1,716,257,119	P 1,832,512,909

20.1 GADC's Redeemable Preferred Shares

The shares were issued in March 2005 to McDonald's Restaurant Operations ("MRO"), a company incorporated in the U.S.A. and is a subsidiary of McDonald's Corporation. The features of these preferred shares with par value per share of P61,066 each are presented below (in exact amounts).

Class	Voting	No. of Shares Authorized and Issued	Total Par Value (Undiscounted)	Additional Payment in the Event of GADC's Liquidation
A	No	778	P 47,509,348	U.S.$1,086 per share or the total peso equivalent of U.S.$845,061
B	Yes	25,000	1,526,650,000	U.S.$1,086 per share or the total peso equivalent of U.S.$27,154,927

Additional features of the preferred shares are as follows:

(a) Redeemable at the option of the holder after the beginning of the 19th year from the date of issuance (March 2005) for a total redemption price equivalent to the peso value on the date that the shares were issued;

(b) Has preference as to dividends declared by the BOD, but in no event shall the dividends exceed P1 per share; and,

(c) The holder of preferred shares is entitled to be paid a certain amount of peso equivalent for each class of preferred shares, together with any unpaid dividends, in the event of liquidation, dissolution, receivership, bankruptcy or winding up of GADC.

The redeemable preferred shares are recognized at fair values on the date of issuance which were determined as the sum of all future cash payments, discounted using the prevailing market rates of interest as of the transaction date for similar instruments with similar term of 18 years.

The accretion of GADC's redeemable preferred shares in 2020, 2019 and 2018 amounted to P135.3 million, P120.3 million and P106.8 million, respectively, and is presented as part of Interest expense under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). The fair value of these shares amounting to P1,437.4 million in 2020 and P1,307.6 million in 2019 are determined by discounting the sum of all future cash flows using prevailing market rates of interest for instrument with similar maturities at a discount rate of 2.32%.

20.2 TLC's Redeemable Preferred Shares

These were issued by TLC in September 2012 consisting of 1,258.0 million shares which are nonvoting and earn dividend at a fixed annual rate of 2.50% subject to the existence of TLC's unrestricted retained earnings. These were issued in exchange for certain parcels of land with total fair value of P1,338.2 million. The issuance through the exchange of land was approved by the SEC on April 17, 2013.

The preferred shares have a maturity of 10 years and shall be redeemed every anniversary date beginning on the sixth anniversary date until expiration of the 10-year period. Only 1/5 of the aggregate face value of preferred shares may be redeemed per year during such redemption period, with all remaining shares to be redeemed on the 10th anniversary date.

The accrued dividends on these preferred shares amounting to P0.9 million and P1.4 million as at December 31, 2020 and 2019, respectively, are presented as part of Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 21). The related interest expense recognized for the years ended December 31, 2020, 2019 and 2018 amounting to P16.9 million, P22.7 million and P28.4 million, respectively, is presented as part of Interest expense under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). As at December 31, 2020 and 2019, the fair values of the redeemable preferred shares on the date of issuance approximate their par values.

21. OTHER LIABILITIES

The composition of this account is shown below.

	Notes	2020	2019
Current:			
Customers' deposits	2.16	**P 11,458,223,060**	P 10,726,411,469
Deferred rental income		**3,668,867,976**	3,055,770,143
Equity-linked debt securities	3.2(m)	**3,443,750,000**	1,836,250,000
Commission payable		**3,164,723,364**	1,700,760,516
Advances from customers		**1,993,994,411**	1,591,767,093
Subscription payable	12.2	**1,114,665,008**	1,114,665,008
Derivative liability	2.5, 2.13, 7	**849,006,544**	463,169,411
Others		**107,124,075**	61,235,969
Balance brought forward		**P 25,800,354,438**	P 20,550,029,609

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	Notes	2020	2019
Balance carried forward		**P25,800,354,438**	P 20,550,029,609
Non-current:			
Deferred rental income		**4,005,898,409**	4,112,190,641
Retention payable		**3,255,790,866**	3,698,890,599
Customers' deposit	2.16	**2,968,470,263**	3,083,064,985
Guaranty deposits		**495,325,739**	494,948,325
Provision for dilapidations	3.2(n)	**157,351,424**	150,691,002
Asset retirement obligation	2.9, 2.18, 13.2	**93,634,802**	91,148,725
Provision for onerous lease	3.2(o), 13.3	**65,648,128**	14,223,198
Accrued rent		**11,538,105**	24,284,786
Equity-linked debt securities	3.2(m)	**-**	3,443,750,000
Others	20.2	**382,714,790**	350,690,688
		11,436,372,526	15,463,882,949
		P37,236,726,964	P 36,013,912,558

Deferred rental income refers to the rental payments advanced by the lessee at the inception of the lease which will be applied to the remaining payments at the end of the lease term.

Derivative liability included the effect of change in foreign currency exchange rates in 2020 and 2019 that arises from the hedging instruments designated as cash flow hedges entered into by Megaworld with the same local bank in 2019 and 2017 (see Note 2.5). Under the cross currency swap agreement in 2017, Megaworld would receive a total of $98.87 million to be paid on a quarterly basis beginning March 2019 up to December 2022 plus interest based on 3-month LIBOR plus a certain spread. In exchange, Megaworld would make fixed quarterly payments in Philippine pesos plus a fixed interest of 4.91%. In the other cross currency swap agreement in 2019, Megaworld will receive $95.62 million to be paid on a quarterly basis beginning December 2020 up to September 2024 plus interest based on three-month LIBOR plus a certain spread. Megaworld shall make fixed quarterly payments in Philippine pesos plus a fixed interest of 4.82%.

Megaworld has designated the cross currency swap as a hedging instrument to hedge the risk in changes in cash flows of its loan denominated in U.S. dollar as an effect of changes in foreign currency exchange rates and interest rates [see Note 18(b) and (l)]. The hedging instruments have a negative fair value of P758.0 million and P242.4 million at end of 2020 and 2019, respectively. The Group recognized unrealized loss on cash flow hedges amounting to P144.7 million and P293.4 million in 2020 and 2019, respectively, and unrealized gain on cash flow hedges amounting to P230.8 million in 2018. These are presented as part of other comprehensive income in the consolidated statements of comprehensive income.

GADC also has a derivative liability which arose from a cross currency swap agreement related to foreign currency denominated loan payable in 2020. The terms of the agreement provide for the repayment of the principal and interest to be made in fixed peso amounts [see Note 18(ss)]. As of the end of 2020, this instrument has a negative fair value of P91.0 million and the change in fair value resulted to unrealized loss of the same amount that is presented as part of Miscellaneous under the Other Operating Expenses account in the 2020 consolidated statement of comprehensive income (see Note 26).

As of December 31, 2020 and 2019, the Group has assessed that the cross currency swaps designated as cash flow hedges will continue to be highly effective over the term of the agreement; hence, the Group used hedge accounting on the hedging relationship of its cross currency swaps and on its interest-bearing loans [see Note 3.1(n)].

Equity-linked debt securities ("ELS") instrument arises from the subscription agreement between EMP and Arran Investment Private Limited ("the Holder") for the issuance of additional common shares of EMP. The ELS may be converted into a fixed number of common shares ("conversion shares") of EMP. The ELS bears a fixed annual interest rate (5.0% initially; 0% as amended in 2017) and variable interest (equal to the same dividend price declared and payable to common shareholders). On June 15, 2017, the ELS was amended, stipulating among others the change in the fixed number of Conversion Shares (728,275,862 new and fully paid-up) and in the Share Market Price (greater than P7.25 per share) for the mandatory conversion at any time from Redemption Date and ending on the Extended Redemption Date (December 4, 2021). On December 23, 2019, the parties further agreed to give the Holder the right to two tranches of conversion and allowed the Holder to transfer ELS to an affiliate of EMP. Futhermore, on January 31, 2020, the parties agreed to remove the mandatory conversion of the ELS when the Share Market Price is reached; and on February 5, 2020, the Holder exercised its Tranche 1 Conversion for P1,836,250,000 into 253,275,862 shares. As of December 31, 2020, the Holder has not yet exercised its Tranche 2 Conversion right corresponding to P3,443,750,000 into 475,000,000 shares.

The carrying amounts of the liability and equity components of the ELS instrument are presented in the consolidated statements of financial position as part of Other Current and Non-current Liabilities and as part of Non-controlling Interest, respectively. The related interest expense amounted to P52.3 million, P36.4 million and P108.4 million in 2020, 2019 and 2018, respectively, and is presented as part of Interest expense under Finance Cost and Other Charges account in the consolidated statements of comprehensive income (see Note 27).

Guaranty deposits consist of rental deposits and utility deposits.

Provision for dilapidations is recognized for the present value of the costs to be incurred by WML for the restoration of the leased properties to a specified condition at the end of the lease term in 2029 as provided in the tenant repairing clauses of lease agreements. Additional provisions are capitalized as part of ROUA in 2020 and 2019.

Provision for onerous lease pertains to WML's existing non-cancellable lease agreements on leasehold properties located in Glasgow and Edinburgh, Scotland, covering manufacturing plant facilities, buildings and parking spaces, which are vacant or subleased at a discount. The provision takes into account the current market conditions, expected future vacant periods, and expected future sublet benefits and are calculated by discounting expected net cash outflows on a pre-tax basis over the remaining period of the lease, which as of December 31, 2020 and 2019, is between one to 10 years and one to 11 years, respectively. In line with the adoption of PFRS 16 in 2019, the Group adjusted a portion of its provision amounting to P399.0 million against the beginning balance of right-of-use assets (see Note 13.3). In 2020, the Group recognized additional provision amounting to P56.3 million because of certain changes in assumptions arising from the impact of COVID-19. The additional provision is presented as part of Miscellaneous under Other Operating Expenses account in the 2020 consolidated statement of comprehensive income since the related right-of-use assets were fully impaired as of December 31, 2019 (see Note 26). The outstanding provision pertains to the remaining services expected to be settled with third party.

Others, which are currently due, include liabilities on stocks purchases and due to condominium unit holders arising from condo hotel operations while Others, which are not currently due, include accrued dividends on redeemable preferred shares (see Note 20.2) and security and miscellaneous deposits.

22. EQUITY

22.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2020	2019	2018	2020	2019	2018
Common shares – P1 par value						
Authorized	12,950,000,000	12,950,000,000	12,950,000,000	P 12,950,000,000	P 12,950,000,000	P 12,950,000,000
Issued	10,269,827,979	10,269,827,979	10,269,827,979	P 10,269,827,979	P 10,269,827,979	P 10,269,827,979
Treasury stock – at cost	(686,257,600)	(569,464,200)	(355,364,600)	(7,596,939,422)	(6,783,114,268)	(4,130,654,506)
Total outstanding	9,583,570,379	9,700,363,779	9,914,463,379	P 2,672,888,557	P 3,486,713,711	P 6,139,173,473

On March 12, 1999, the SEC approved the initial public offering of the Company's 336.1 million shares (248.1 million then outstanding and 88.0 million new issues) at P1.27 per share. The shares were initially listed in the PSE on April 19, 1999.

A 10% stock dividend was approved by the SEC and listed in September 1999. Three private placements ensued up to January 2011, of which 1.5 billion shares were listed in 2006. Then, a 10% rights offering of 200.47 million shares and 1:1 stock rights of 2.2 billion shares were approved and listed in 2005 and 2007, respectively. In 2007, there were also a share-swap transaction and a follow-on international offering wherein 4.1 billion and 1.8 billion shares, respectively, were issued and listed.

As at December 31, 2020 and 2019, the quoted closing price per share was P10.6 and P11.7, respectively. There are 999 holders, which include nominees, of the Company's total issued and outstanding shares as at December 31, 2020. The percentage of the Company's shares of stock owned by the public is 32.72% and 26.92% as at December 31, 2020 and 2019, respectively.

22.2 Additional Paid-in Capital

APIC consists mainly of P21.9 billion from the stock rights offering, share swap transaction and international offering in 2007. In prior years, the Group reissued treasury shares, resulting to an increase in APIC amounting to P7,237.7 million.

In 2019, P123.5 million was reclassified from Share Options account following the expiration of share options granted on December 19, 2011.

22.3 Treasury Shares

On September 19, 2017, the BOD approved a two-year share repurchase program of up to P5.0 billion worth of shares in the open market, to enhance shareholder value. On September 18, 2019, the BOD approved another share repurchase program for P2.5 billion over a 12-month period ending on September 23, 2020. And on September 21, 2020, the BOD approved another one-year share repurchase program for P2.5 billion to end on September 23, 2021. As of December 31, 2020, the Parent Company has repurchased 563,293,200 shares for P6,660.8 million, which included transaction costs.

Under the Revised Corporation Code of the Philippines, a stock corporation can purchase or acquire its own shares provided that it has unrestricted retained earnings to cover the shares to be purchased or acquired. Accordingly, the Parent Company's ongoing share repurchase program restricts the Parent Company's retained earnings for distribution as dividends up to the cost of the treasury shares.

There are 122.96 million shares held by subsidiaries at a total cost of P936.2 million that were reported as part of Treasury Shares in the consolidated statements of changes in equity (see Notes 2.15 and 22.5).

22.4 Dilution Gain

The movement in dilution gain is a direct result of dilution in the Parent Company's ownership interest in certain subsidiaries when such subsidiaries offer pre-emptive stock rights, underwent international stock offering, and acquire additional shares, in years prior to 2011.

22.5 Dividends

On November 26, 2018, the BOD approved the declaration of cash dividends of P0.10 per share. Total dividends amounting to P1,003.74 million in 2018 were paid to stockholders of record as at December 11, 2018. The said dividends were fully paid on December 21, 2018.

On December 1, 2020, the BOD approved the declaration of cash dividends of P0.05 per share. Total dividends amounting to P485.6 million were payable on January 6, 2021 to stockholders of record as at December 15, 2020. The unpaid dividends as of December 31, 2020, net of P26.5 million final tax, were presented as part of Dividends payable under Trade and Other Payables account in the 2020 consolidated statement of financial position (see Note 17).

The amounts presented in the consolidated statements of changes in equity are net of dividends paid to subsidiaries (see Note 22.3). The Parent Company did not declare any dividends in 2019.

22.6 Share Options

(a) Of the Company

On July 27, 2011, the BOD approved an Executive Share Option Plan ("ESOP") for the Company's key executive officers, which was subsequently ratified by the stockholders on September 20, 2011. Under the ESOP, the Company shall initially reserve for exercise of share options up to 300.0 million common shares, or 3% of the outstanding capital stock, which may be issued out of the authorized but unissued shares. Share options may be granted within 10 years from the adoption of the ESOP and continue to be exercisable in accordance with terms of issue. Modification of any part of the ESOP is subject to approval by the stockholders before such modification can take effect.

The options shall vest within three years from date of grant ("offer date") and the holder may exercise only a third of the option at the end of each year of the three-year vesting period. The vested option may be exercised within seven years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company's shares for nine months immediately preceding the date of grant.

On December 19, 2011, pursuant to this ESOP, the Company granted share options to certain key executives to subscribe to 46.5 million common shares of the Company, at an exercise price of P9.175 per share. As at December 31, 2019, all of the said options have expired and the related value of the stock option amounting to P123.5 million was reclassified to Additional Paid-in Capital account (see Note 22.2).

On March 14, 2013, the Company granted additional 59.1 million share options to certain key executives at an exercise price of P12.9997. On March 12, 2020, the BOD affirmed the resolution of the Corporate Governance Committee to extend the exercise period for this grant until March 15, 2025 under the same terms and exercise price, and on August 6, 2020, this was ratified by the stockholders. As at December 31, 2020 and 2019, all of the said options vested and none have been exercised.

The fair values of the option granted were estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation of the March 2013 grant:

Original Option life		7 years
Share price at grant date	P	21.65
Exercise price at grant date	P	12.9997
Average fair value at grant date	P	9.18
Average standard deviation of share price returns		35.29%
Average dividend yield		2.10%
Average risk-free investment rate		2.92%

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The underlying expected volatility was determined by reference to historical prices of the Company's shares over a period of four years.

(b) Of Megaworld

On April 26, 2012, Megaworld's BOD approved an ESOP for its key executive officers, and on June 15, 2012, the stockholders adopted it.

The options shall generally vest on the 60th birthday of the option holder and may be exercised until the date of his/her retirement from Megaworld. The exercise price shall be at a 15% discount from the volume weighted average closing price of Megaworld's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2012, Megaworld granted share options to certain key executives to subscribe to 235.0 million of its common shares, at an exercise price of P1.77 per share.

In 2013, additional share options were granted to certain key executives to subscribe to 20.0 million common shares of Megaworld at an exercise price of P2.33 per share. In 2014, additional 40.0 million share options were granted in 2014 at an average exercise price of P3.00 per share. In 2019, additional 10 million share options were granted at an exercise price of P1.77. There were no grants in 2015 to 2018.

Further, in 2019, 10.0 million share options were forfeited due to resignation of certain key executive officers. There was no forfeiture due to resignation in 2020 and 2018.

A total of 5.0 million and 10.0 million have vested in 2020 and 2019, respectively.

In 2020 and 2019, 1.0 million and 0.5 million share options were exercised, respectively, at a price of P1.77 per share.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Option life	6.08 to 30.17 years
Share price at grant date	P2.54 to P4.52
Exercise price at grant date	P1.7731 to P3.2299
Fair value at grant date	P0.98 to P2.15
Average standard deviation of share price return	10.98 %
Average dividend yield	0.82 %
Average risk-free investment rate	3.93 %

The underlying expected volatility was determined by reference to historical date of Megaworld's shares over a period of time consistent with the option life.

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(c) Of GERI

On September 23, 2011, GERI's BOD approved an ESOP for its key executive officers. This was approved on November 8, 2011 by stockholders holding at least 2/3 of the outstanding capital stock. The purpose of the ESOP is to enable the key executives and senior officers of GERI, who are largely responsible for its further growth and development, to obtain an ownership interest and thereby encourage long-term commitment to GERI. The ESOP is being administered by the Executive Compensation Committee of GERI's BOD.

Under the ESOP, GERI shall initially reserve for exercise of share options up to 500.0 million common shares of its outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Share options may be granted within 10 years from the adoption of the ESOP and may be exercised within seven years from date of grant.

The exercise price shall be at a 15% discount from the volume weighted average closing price of GERI's shares for twelve months immediately preceding the date of grant. The options shall vest within three years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three-year period.

As of December 31, 2020, pursuant to this ESOP, GERI has granted the options to its key executive officers to subscribe to 400.0 million GERI shares. An option holder may exercise in whole or in part his vested option provided, that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. All 400.0 million options were fully vested as of December 31, 2019, but none of these have been exercised yet by any of the option holders as at the end of both reporting periods.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Average option life	7 years
Share price at grant date	P1.02 to P2.10
Exercise price at grant date	P1.00 to P1.93
Fair value at grant date	P0.24 to P2.27
Standard deviation of share price return	12.16% to 57.10%
Risk-free investment rate	2.14% to 2.59%

The underlying expected volatility was determined by reference to historical date of GERI's shares over a period of time consistent with the option life.

(d) Of EMP

On November 7, 2014, EMP's BOD approved an ESOP for qualified employees of EMP Group.

The options shall generally vest on the 60th birthday of the option holder and may be exercised until the date of his/her retirement from the Group provided that the employee has continuously served for 11 years after the option offer date. The exercise price shall be at a 15% discount from the volume weighted average closing price of EMP's shares of nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2015, EMP granted share options to certain key executives of EDI to subscribe to 118.0 million common shares of EMP at an exercise price of P7.0 per share.

The fair value of the options granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Average option life	20.23 years
Average share price at grant date	P8.90
Average exercise price at grant date	P7.00
Average fair value at grant date	P4.09
Average standard deviation of share price returns	10.24%
Average dividend yield	1.08%
Average risk-free investment rate	4.89%

The underlying expected volatility was determined by reference to historical prices of EMP's shares over a period of one year.

(e) Of Travellers

Travellers has adopted an ESOP that grants share options to eligible key executive officers.

Travellers' ESOP is exempt from the registration requirements of SEC's Securities Regulation Code with respect to the issuance of the common shares, not to exceed 945,352,491 common shares, to eligible employees pursuant to Travellers' ESOP adopted by the its shareholders and BOD effective June 13, 2014.

The purpose of the ESOP is to (a) strengthen the alignment of interests between key employees and consultants of Travellers and its shareholders through the ownership of Travellers' shares of common stock and thereby increase focus on Travellers' share value; (b) motivate, attract and retain the services of key employees and consultants of Travellers, upon whose judgment, valuable work and special efforts, the day-to-day and long-term success and development of the business and the operations of Travellers are largely dependent; and, (c) encourage long-term commitment of the key employees and consultants of Travellers to contribute to the long-term financial success of Travellers.

The ESOP was being administered by the Remuneration and Compensation Committee of Travellers' BOD. The ESOP was abolished last October 21, 2019, when the Company was approved of their delisting application. The Company has not granted any option to its eligible optionees as of October 21, 2019.

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The Group recognized a total of P48.3 million, P45.7 million and P53.5 million Share-option benefit expense in 2020, 2019 and 2018, respectively, as part of Salaries and employee benefits under Other Operating Expenses account in the consolidated statements of comprehensive income and a corresponding credit to equity and through Non-controlling Interest account for the portion related to the other shareholders of the subsidiaries (see Notes 26 and 28.3).

22.7 Appropriated Retained Earnings

In 2020 and 2019, GADC's BOD approved the appropriation of P6.0 billion and P6.7 billion, respectively, for its continuing business expansion projects which include construction of new stores, renovation of existing stores, development of information technology projects and office renovations. The construction of new stores and renovation of existing stores are projected to be completed within 2022. The appropriation in 2019 was fully utilized and reversed in 2020, through opening of seven new company-owned and renovation of eight McDonald's restaurants. In 2018 and 2017, GADC's BOD appropriated P6.2 billion and P4.6 Billion for the continuing business expansion which was fully utilized and reversed in 2019 and 2018, respectively.

In 2019, AWGI's BOD approved the appropriation of an additional P200.0 million for capital expenditures for the plant. The project is expected to be completed in 2022.

In 2020, NTLPI's BOD approved the appropriation of P400.0 million for capital expenditures, including land development for the next two years.

22.8 Perpetual Capital Securities

On April 11, 2018, Megaworld issued bonds amounting $200.0 million. The bonds were issued with a nominal interest of 5.375% per annum and interest is payable semi-annually in arrears every April 11 and October 11. The bonds are currently listed in the Singapore Exchange. The financial instruments are treated as equity securities. These bonds may be voluntarily redeemed by Megaworld on April 11, 2023 or on any distribution date thereafter. The amount was previously presented as part of Non-controlling interest (NCI). As of December 31, 2020 and 2019, the perpetual capital securities do not appear in the consolidated statements of financial position because all are now held within the Group [see Notes 3.1(i), 9 and 37.2].

22.9 Subsidiaries with Material Non-controlling Interest

The subsidiaries with material NCI are shown below (in thousands).

	Proportion of Ownership Interest and Voting Rights Held by NCI		Subsidiary's Consolidated Profit Allocated to NCI		Accumulated Equity of NCI	
Name	2020	2019	2020	2019	December 31, 2020	December 31, 2019
Megaworld	31%	33%	P 3,108,155	P 5,872,539	P 83,940,265	P 81,299,044
Travellers	51%	51%	(2,782,397)	479,504	22,056,765	24,839,162
GADC	51%	51%	(293,849)	968,078	1,608,850	1,906,274
Emperador	16%	15%	1,230,112	1,008,818	13,429,678	12,537,274

Dividends paid to NCI amounted to P0.8 billion in 2020, P1.5 billion in 2019 and P1.3 billion in 2018.

The summarized financial information of the subsidiaries, before intragroup eliminations, is shown below and in the succeeding page (in thousands).

	December 31, 2020			
	Megaworld	Travellers	GADC	Emperador
Non-current assets	P 165,016,813	P 102,035,670	P 22,378,388	P 60,490,654
Current assets	210,673,607	18,708,341	14,853,146	61,961,498
Total assets	P 375,690,420	P 120,744,011	P 37,231,534	P 122,452,152
Non-current liabilities	P 90,439,790	P 40,455,481	P 18,411,734	P 29,279,460
Current liabilities	72,720,150	46,992,201	11,378,313	25,808,376
Total liabilities	P 163,159,140	P 87,447,682	P 29,790,047	P 55,087,836
Revenues	P 43,470,998	P 12,181,142	P 19,809,394	P 52,834,305
Profit for the year attributable to:				
Owners of Parent	P 9,885,989	(P 5,499,895)	(P 580,096)	P 7,967,262
NCI	702,576	(4,461)	(16,116)	69,378
Profit for the year	10,588,565	(5,504,356)	596,212	8,036,640
Other comprehensive loss attributable to:				
Owners of Parent	(201,271)	(150,207)	137,359	(3,211,809)
NCI	(27,755)	-	-	(180,399)
Other comprehensive loss for the year	(229,026)	(150,207)	137,359	(3,392,208)
Total comprehensive income for the year	P 10,359,539	(P 5,654,563)	(P 458,853)	P 4,644,432
Net cash from (used in)				
Operating activities	P 19,099,531	(P 1,424,806)	P 2,618,085	P 7,552,125
Investing activities	(6,333,457)	(3,230,337)	(823,304)	(732,972)
Financing activities	4,295,806	2,142,372	23,954	(6,998,589)

	December 31, 2019			
	Megaworld	Travellers	GADC	Emperador
Current assets	P 190,506,161	P 19,913,249	P 12,592,969	P 63,844,792
Non-current assets	159,126,914	99,114,697	21,559,785	62,141,205
Total assets	P 349,633,075	P 119,027,946	P 34,152,754	P 125,985,997
Current liabilities	P 57,544,518	P 33,823,338	P 10,665,877	P 28,445,063
Non-current liabilities	87,223,034	46,253,716	15,584,963	32,824,177
Total liabilities	P 144,767,552	P 80,077,054	P 26,250,840	P 61,269,240
Revenues	P 67,312,740	P 28,278,952	P 31,964,333	P 51,565,480
Profit for the year attributable to:				
Owners of Parent	P 17,931,417	P 945,208	P 1,889,304	P 6,725,536
NCI	1,364,612	(4,096)	4,533	107,000
Profit for the year	19,296,029	941,112	1,893,837	6,832,536

	December 31, 2019			
	Megaworld	Travellers	GADC	Emperador
Other comprehensive loss attributable to:				
Owners of Parent	(508,571)	(191,745)	(585)	(1,061,460)
NCI	(20,671)	-	-	(100,442)
Other comprehensive loss for the year	(529,242)	(191,745)	(585)	(1,161,902)
Total comprehensive income for the year	P 18,766,787	P 749,367	P 1,893,252	P 5,670,634
Net cash from (used in)				
Operating activities	P 23,381,900	P 7,485,747	P 4,670,359	P 7,444,213
Investing activities	(11,315,856)	(9,020,458)	(2,237,919)	(1,276,010)
Financing activities	(6,504,264)	3,111,040	(2,594,927)	(4,655,827)

23. EARNINGS PER SHARE

Earnings per share is computed as follows:

	2020	2019	2018
Basic:			
Net profit attributable to owners of the parent company	**P 8,829,293,379**	P 17,721,519,071	P 15,114,291,790
Divided by the weighted average number of outstanding common shares	**9,583,570,579**	9,700,363,779	9,914,463,379
	P 0.9213	P 1.8269	P 1.5245
Diluted:			
Net profit attributable to owners of the parent company	**P 8,829,293,379**	P 17,721,519,071	P 15,114,291,790
Divided by the weighted average number of outstanding common shares and potentially dilutive shares	**9,583,570,579**	9,702,914,942	9,928,424,379
	P 0.9213	P 1.8264	P 1.5223

The actual number of outstanding common shares approximates the weighted average for each year. There are 2.6 million and 14.0 million potentially dilutive shares as at December 31, 2019 and 2018, respectively, from the Group's ESOP (see Note 22.6). However, such number of dilutive shares has no significant effect on the weighted average number of outstanding common shares and, consequently, has little effect on the 2019 and 2018 diluted EPS.

The basic and diluted earnings per share are the same for the year ended December 31, 2020, as the potentially dilutive shares from the Group's ESOP are considered to be antidilutive since their conversion to ordinary shares would increase earnings per share. Thus, the number of issued and outstanding common shares presented above does not include the effect of the potential common shares from the ESOP.

24. REVENUES

24.1 Disaggregation of Revenues

The Group disaggregates revenues recognized from contracts with customers into the operating business segments presented in Notes 4.1 and 4.4 that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The same disaggregation is used in earnings releases, annual reports and investor presentations.

The breakdown of revenues from sale of goods and rendering of services is presented below:

	Notes	2020	2019	2018
Sale of Goods:				
Sales of consumer goods	2.16(a)	**P 52,156,126,415**	P 50,916,284,803	P 47,607,702,279
Real estate sales	2.16(b, c)	**24,858,537,303**	42,603,984,572	37,667,540,752
		P 77,014,663,718	P 93,520,269,375	P 85,275,243,031
Rendering of Services:				
Sales by company-operated quick-service restaurants	2.16(f)	**P 18,045,120,784**	P 28,769,278,450	P 25,605,114,481
Rental income	2.18, 14	**13,170,220,536**	17,326,063,085	14,741,266,661
Net Gaming	2.16	**9,398,336,935**	21,545,613,743	15,881,465,964
Hotel operations	2.16(d, e)	**3,581,296,104**	7,545,578,746	5,005,152,260
Franchise revenues	2.16(g), 31.5	**1,764,272,777**	3,105,054,315	2,728,432,374
Others	2.16(h)	**1,581,467,111**	2,661,270,958	2,215,548,669
		P 47,540,714,247	P 81,042,859,297	P 66,176,980,409

Other revenues include income from commissions, construction, property management operations, cinema operations, parking, bingo, tournaments and production shows.

The disaggregation of revenues for each reportable segment is presented below.

2020	Megaworld	Travellers	GADC	Emperador	Unallocated	Total
Sale of goods	P 24,858,537,303	P -	P -	P 51,395,295,032	P 760,838,383	P 77,014,663,718
Rendering of services	15,501,186,258	12,167,608,295	19,872,519,050	-	-	47,540,714,247
	P 40,359,723,561	P 12,167,608,295	P 19,872,519,050	P 51,395,295,032	P 760,838,383	P 124,555,377,965

2019	Megaworld	Travellers	GADC	Emperador	Unallocated	Total
Sale of goods	P 42,603,984,572	P -	P -	P 50,259,676,533	P 656,608,170	P 93,520,269,375
Rendering of services	20,738,933,862	28,267,765,663	32,008,231,692	27,928,080	-	81,042,859,297
	P 63,342,918,434	P 28,267,765,663	P 32,008,231,692	P 50,287,604,613	P 656,608,170	P 174,563,128,672

2018	Megaworld	Travellers	GADC	Emperador	Unallocated	Total
Sale of goods	P 37,665,233,060	P -	P -	P 46,345,675,140	P 1,264,334,832	P 85,275,243,031
Rendering of services	17,216,095,673	20,532,703,973	28,415,529,900	12,650,894	-	66,176,980,409
	P 54,881,328,733	P 20,532,703,973	P 28,415,529,900	P 46,358,326,034	P 1,264,334,832	P 151,452,223,440

24.2 Contract Accounts

The significant changes in the contract assets and contract liabilities balances as of December 31 are as follows:

	2020		2019	
	Contract Assets	Contract Liabilities	Contract Assets	Contract Liabilities
Balance at beginning of year	P18,643,004,687	P5,213,555,043	P22,227,279,687	P 5,368,667,295
Transfers from contract assets recognized at the beginning of year to trade receivables	(4,684,255,960)	-	(13,872,777,770)	-
Increase due to satisfaction of performance obligation over time, net of cash collection	5,421,977,586	-	10,288,502,770	-
Revenue recognized that was included in contract liabilities at the beginning of year	-	(1,195,609,872)	-	(2,124,864,709)
Increase due to cash received in excess of performance to date	-	1,825,684,132	-	1,969,752,457
Balance at end of year	P19,380,726,313	P5,843,629,303	P18,643,004,687	P 5,213,555,043

The current and non-current classification of the Group's Contract Assets account as presented in the consolidated statements of financial position is shown below.

	2020	2019
Current	P 13,265,242,603	P 10,857,180,128
Non-current	6,115,483,710	7,785,824,559
	P 19,380,726,313	P 18,643,004,687

The current and non-current classification of the Group's Contract Liabilities account as presented in the consolidated statements of financial position is shown below.

	2020	2019
Current	P 2,647,780,045	P 1,703,947,321
Non-current	3,195,849,258	3,509,607,722
	P 5,843,629,303	P 5,213,555,043

The outstanding balance of trade receivables arising from contracts with real estate and hotel customers amounted to P25.7 billion and P28.8 billion as of December 31, 2020 and 2019, respectively, are presented as part of Trade receivables (see Note 6).

24.3 Direct Contract Costs

The Group incurs sales commissions upon execution of contracts to sell real properties to customers. Incremental costs of commission incurred to obtain contracts are capitalized and presented as Deferred commission under Other Current Assets and Other Non-current Assets accounts in the consolidated statements of financial position (see Note 9). These are amortized over the expected construction period on the same basis as how the Group measures progress towards complete satisfaction of its performance obligation in its contracts. The total amount of amortization is presented as part of Commissions under Other Operating Expenses (see Note 26).

The movement in balances of deferred commission in 2020 and 2019 is presented below.

	2020	2019
Balance at beginning of year	P 2,113,414,716	P 1,142,601,641
Additional capitalized costs	1,898,751,533	2,492,199,784
Reversals due to back out	(12,545,654)	(23,324,369)
Amortization for the year	(639,547,272)	(1,498,062,340)
Balance at end of year	P3,360,073,323	P 2,113,414,716

24.4 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts amounted to P41.8 billion and P31.1 billion as of December 31, 2020 and 2019, respectively, which the Group expects to recognize as follows:

	2020	2019
Within a year	P 17,112,265,610	P 16,005,879,940
More than one year to three years	19,283,075,464	11,284,401,763
More than three years to five years	5,426,500,143	3,774,194,420
	P 41,821,841,217	P 31,064,476,123

25. COST OF GOODS SOLD AND SERVICES

The components of cost of goods sold and services are as follows:

	Notes	2020	2019	2018
Cost of Goods Sold:	2.16			
Cost of consumer goods sold:				
Direct materials used		P 20,559,491,636	P 27,045,305,943	P 25,758,007,484
Change in work in process and finished goods		10,746,888,171	2,201,004,997	1,094,652,302
Salaries and employee benefits	28.1	1,404,287,077	1,495,018,481	1,324,506,139
Depreciation and amortization	13	1,188,804,363	902,861,094	917,072,273
Indirect materials and other consumables		279,932,536	333,823,318	321,029,304
Utilities		269,051,436	240,089,684	347,138,447
Repairs and maintenance		255,517,639	285,073,846	284,322,367
Outside services	30.1	240,130,937	234,555,623	253,244,690
Taxes and licenses		191,844,422	169,487,067	153,458,507
Supplies		73,696,771	243,509,236	124,640,547
Other direct and overhead costs	8	668,338,522	554,348,157	695,883,912
		35,877,183,510	33,705,077,446	31,273,935,372
Cost of real estate sales:				
Contracted services		9,505,319,098	17,531,181,959	16,536,692,619
Land costs		3,590,926,519	4,927,689,375	3,253,659,078
Borrowing costs		462,338,695	549,543,413	473,001,664
Other costs		223,941,120	371,404,253	91,911,888
	2.7	13,790,525,832	23,379,819,000	20,335,265,249
		P49,667,709,342	P 57,084,896,446	P 51,609,200,621

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	Notes	2020	2019	2018
Cost of Services:	2.16			
Food, supplies and other consumables		**P 8,364,214,634**	P 13,799,782,530	P 11,918,809,205
Salaries and employee benefits	28.1	**5,465,068,304**	8,419,165,899	7,064,302,241
Depreciation and amortization	13, 14	**5,020,699,064**	4,413,068,746	2,484,703,912
Gaming license fees	29.3	**2,636,024,717**	5,908,762,626	4,380,228,290
Rental		**1,417,386,202**	3,196,427,509	4,353,601,170
Outside services		**1,245,013,053**	810,865,489	686,663,019
Hotel operations		**669,681,357**	1,381,156,365	820,752,636
Casino operating expenses		**318,695,528**	1,056,185,565	917,762,234
Entertainment, amusement and recreation		**31,548,612**	88,024,085	61,803,637
Flight operations		**19,138,932**	45,164,401	401,669,099
Other direct and overhead costs		**2,102,844,358**	2,381,871,398	1,871,988,190
		P 27,289,295,321	P 41,260,475,153	P 34,862,283,633

Other direct and overhead costs include, among others, costs incurred for real property taxes, insurance, repairs and maintenance, utilities, other operating supplies, service fees charged by online ordering platforms and waste disposal.

26. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

	Notes	2020	2019	2018
Salaries and employee benefits	22.6, 28.1	**P 6,010,147,091**	P 7,344,731,793	P 6,590,129,223
Advertising and promotions		**5,442,500,371**	9,733,284,262	8,060,090,864
Depreciation and amortization	13, 14, 15	**4,633,694,543**	4,414,504,107	3,481,239,011
Professional fees and outside services		**1,754,679,361**	2,230,438,343	1,612,069,996
Taxes and licenses		**1,580,851,219**	1,419,368,580	1,150,742,613
Commissions	24.3	**1,261,848,815**	2,496,225,421	1,727,459,061
Utilities		**950,790,359**	1,523,080,666	1,588,180,506
Royalty	30.5, 31.5	**889,229,840**	1,411,937,403	1,257,196,109
Transportation and travel		**757,193,546**	1,255,802,420	1,150,349,456
Freight and handling		**539,511,059**	470,860,051	470,887,793
Dues and subscriptions		**524,970,782**	470,115,202	370,878,507
Repairs and maintenance		**497,323,933**	627,031,314	571,651,807
Representation and entertainment		**378,253,305**	560,602,339	252,028,984
Rental		**369,647,671**	507,267,828	637,441,531
Impairment of PPE and intangible assets	13, 15	**337,678,063**	300,779,482	-
Impairment of receivables	6	**234,331,971**	12,453,267	169,501,339
Management fees	30.3, 31.4	**167,636,873**	508,866,877	314,538,929
Write-down of inventories	8	**64,913,811**	34,242,266	4,926,653
Communication and office expenses		**59,837,455**	74,462,512	66,116,681
Insurance		**57,369,713**	30,062,799	31,973,829
Miscellaneous	12.6, 13.2, 15, 31.3	**2,785,576,861**	3,367,076,854	2,070,052,736
		P 29,277,193,282	P 38,653,193,586	P 31,577,455,027

Miscellaneous expenses include expenses incurred for security services, supplies and other consumables, donations, training and development, dues and subscriptions, and various other expenses.

These other operating expenses are classified by function as follows:

	2020	2019	2018
General and administrative expenses	**P 19,221,601,871**	P 22,486,207,787	P 18,048,986,859
Selling and marketing expenses	**10,055,591,411**	16,166,985,799	13,528,468,168
	P 29,277,193,282	P 38,653,193,586	P 31,577,455,027

27. OTHER INCOME AND CHARGES

Other income and charges provide details of Finance and Other Income account and Finance Costs and Other Charges account as presented in the consolidated statements of comprehensive income.

	Notes	2020	2019	2018
Finance and other income:				
Interest income	2.16, 5, 6, 7	P 2,160,829,212	P 2,874,346,544	P 2,833,780,509
Foreign currency gains – net	11, 19	592,921,796	893,016,567	-
Gain on COVID-19-related rent concessions	2.3(a), 13.2	474,320,304	-	-
Reversal of impairment losses on PPE	13.1	296,042,370	-	19,258,000
Gain from derecognition of right-of-use assets and lease liabilities	13.2, 13.3	51,149,786	-	-
Dividend income		7,187,304	20,870,837	63,767,349
Fair value gains - net	7	150,149	-	-
Gain on finance lease	6	-	350,218,385	-
Gain on sale and dilution of investments in associates	12.2, 12.3	-	340,809,382	-
Reversal of impairment losses on receivables	6	8,332,950	142,414,348	6,569,028
Insurance recovery	31.10	-	49,386,881	1,710,581,049
Gain on sale of financial assets at FVTPL	7	-	16,221,425	12,101,261
Gain on disposal of PPE and investment properties – net	13, 14	-	-	53,917,450
Gain on deconsolidation of subsidiaries	1.2(b)	-	-	19,479,803
Miscellaneous – net	6, 8, 13	528,394,039	538,279,002	311,685,176
		P 4,119,327,910	P 5,245,563,371	P 5,031,139,625
Finance costs and other charges:				
Interest expense	13.3, 18, 19, 20, 21, 28.2	P 6,840,980,033	P 6,292,708,219	P 4,084,166,535
Day one loss	6	269,781,190	494,929,021	329,207,293
Loss on disposal of PPE – net	13	174,787,449	11,601,932	-
Loss on sale of financial assets at FVTPL	7	818,378	-	-
Fair value losses – net	7	-	1,528,528	36,629,368
Foreign currency losses – net		-	-	1,728,894,002
Reversal of preacquisition income		-	-	366,615,784
Miscellaneous		365,916,470	319,763,363	507,470,754
		P 7,652,283,520	P 7,120,531,063	P 6,852,983,736

Interest income mainly pertains to interest earned from the Group's financial assets at amortized cost and financial assets at FVTPL.

Miscellaneous income includes gain on sale of other non-current assets, marketing fees and others.

Miscellaneous expenses pertain to amortization of discounts on security deposits, bank charges and other related fees.

28. SALARIES AND EMPLOYEE BENEFITS

28.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2020	2019	2018
Short-term employee benefits		P 12,343,924,950	P 16,466,671,687	P 14,415,205,637
Post-employment defined benefit	2.23(b), 28.2	487,237,440	546,568,907	510,274,924
Share option benefit expense	2.23(e), 22.6, 28.3, 30.8	48,340,082	45,675,579	53,457,042
		P 12,879,502,472	P 17,058,916,173	P 14,978,937,603

These are classified in the consolidated statements of comprehensive income as follows:

	Notes	2020	2019	2018
Cost of goods sold	25	**P 1,404,287,077**	P 1,495,018,481	P 1,324,506,139
Cost of services	25	**5,465,068,304**	8,419,165,899	7,054,302,241
Other operating expenses	26	**6,010,147,091**	7,144,731,793	6,500,129,223
		P 12,879,502,472	P 17,058,916,173	P 14,878,937,603

28.2 *Post-employment Defined Benefit*

(a) Characteristics of the Defined Benefit Plan

Megaworld group, EDI, EELHI, GADC and WML maintain funded, tax-qualified, noncontributory post-employment benefit plans, except that EELHI is partially-funded and GADC allows voluntary employee contribution. Each of the plans is being administered by a trustee bank that is legally separated from the Group. GERI and GADC's subsidiaries have unfunded, noncontributory post-employment benefit plans. All of plans mentioned cover all qualified regular and full-time employees.

The Parent Company and all other subsidiaries have no established corporate retirement plans. AWGI and TEI compute their retirement obligations based on the provisions of R.A. No. 7641, The Retirement Pay Law. Whereas, the Parent Company and the other subsidiaries within the Group have not accrued any post-employment benefit obligation as each entity has less than ten employees. The Group's management believes that non-accrual of the estimated post-employment benefits will not have any material effect on the Group's consolidated financial statements.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation reports obtained from independent actuaries in 2020 and 2019.

The amounts of retirement benefit obligation as of the end of the reporting periods, presented as a non-current liability in the consolidated statements of financial position, are determined as follows:

	2020	2019
Present value of the obligation	**P 18,527,265,539**	P 17,344,655,874
Fair value of plan assets	**(16,094,952,613)**	(15,143,284,766)
	P 2,432,312,926	P 2,201,371,108

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The movements in the present value of retirement benefit obligation are as follows:

	2020	2019
Balance at beginning of year	P 17,334,655,874	P 14,911,962,326
Effects of foreign currency adjustment	(410,525,122)	(182,097,017)
Current service and interest costs	881,210,464	889,863,711
Past service cost	2,476,491	-
Remeasurements –		
Actuarial losses (gains)		
Arising from changes in:		
Financial assumptions	1,205,855,326	2,010,691,704
Demographic assumptions	278,476,360	571,726,580
Experience adjustments	127,875,106	(125,507,518)
Availment of sabbatical leave		(3,886,164)
Benefits paid	(892,758,960)	(738,097,748)
Balance at end of year	P 18,527,265,539	P 17,334,655,874

The movements in the fair value of plan assets of funded retirement plans of the Group are presented below.

	2020	2019
Balance at beginning of year	P 15,143,284,766	P 13,121,942,658
Effects of foreign exchange adjustment	(412,026,001)	(268,780,601)
Return on plan assets (excluding amounts included in net interest)	1,215,280,925	2,051,615,975
Benefits paid	(734,424,352)	(699,063,635)
Contributions paid into the plan	551,215,465	517,136,793
Interest income	331,621,810	420,433,576
Balance at end of year	P 16,094,952,613	P 15,143,284,766

The plan assets of MEG, EMP, GADC and Travellers as at December 31 consist of the following:

	2020	2019
Investments in:		
Long-term equity investments	63.42%	63.94%
Debt instruments	26.15%	25.94%
Unit investment trust fund	2.29%	2.23%
Cash and cash equivalents	3.71%	3.42%
Property	4.41%	4.45%
Loans and receivables	0.02%	0.02%
	100.00%	100.00%

Actual returns on plan assets in 2020 and 2019 amounted to P1,504.5 million and P2,472.0 million, respectively.

The fair value of the investments in other securities and debt instruments, long-term equity investments and cash and cash equivalents is at Level 1 in the fair value hierarchy. Unit investment trust fund is at Level 2, while loans and receivables and property are at Level 3 (see Note 34).

The amounts of post-employment benefits expense recognized as part of Salaries and employee benefits in profit or loss (see Note 28.1) and other comprehensive income are as follows:

	2020	2019	2018
Reported in consolidated profit or loss –			
Current service cost	**P 484,760,949**	P 546,568,907	P 447,241,324
Past service cost	**2,476,491**	-	63,033,600
	P 487,237,440	P 546,568,907	P 510,274,924
Reported in consolidated other comprehensive income			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**(P1,205,855,326)**	(P2,010,691,704)	P 1,216,963,491
Demographic assumptions	**(278,476,360)**	(571,726,580)	95,290,623
Experience adjustments	**(127,875,106)**	125,507,518	(284,076,339)
Return on plan assets (excluding amounts in net interest expense)	**1,215,280,925**	2,051,615,975	(837,548,125)
	(396,925,867)	(405,294,791)	190,629,650
Tax income (expense)	**(208,421,283)**	29,007,853	(73,057,872)
	(P 605,347,150)	(P 376,286,938)	P 177,571,778

In 2020, 2019 and 2018, post-employment benefits expense amounting to P194.7 million, P180.6 million, and P180.6 million, respectively, were incurred for WML's defined contribution plan, thus will not be included in the current service cost presented under the movement of post-employment benefit obligation.

The amounts of post-employment benefits expense are included as part of Salaries and employee benefits under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26).

The interest costs are presented as part of Interest expense under Finance Costs and Other Charges account (see Note 27).

In determining the post-employment benefit obligation, the following actuarial assumptions were used:

	2020	2019
Discount rates	**3.70% - 5.12%**	4.83% - 6.08%
Expected rates of salary increases	**3.00% - 10.00%**	4.00% - 10.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The discount rates assumed were based on the yields of long-term government bonds, as of the valuation dates. The applicable period used approximate the average years of remaining working lives of the Group's employees.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk, salary risk and inflation risk.

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(i) Investment and Interest Rate Risks

Discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

Currently, the plans have placed majority of its plan assets in investments in equity and debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity and debt investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(iii) Inflation Risk

A significant portion of the defined benefit obligation is linked to inflation. The increase in inflation will increase the Group's liability.

(d) *Other Information*

(i) Sensitivity Analysis

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

		Impact on Post-employment Obligation	
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2020			
Discount rate	+/-0.25% to +/-1.00%	(P 1,400,533,254)	P 1,644,218,046
Salary increase rate	+/-1.0%	1,069,174,899	(891,874,650)
December 31, 2019			
Discount rate	+/-0.25% to +/-1.00%	(P 938,041,461)	P 1,009,321,127
Salary increase rate	+/-1.0%	604,666,020	(532,152,539)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

The Group, through its BOD, envisions that the investment positions shall be managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This aims to match the plan assets to the retirement obligations by investing and selling of equities and debt securities that match the benefit payments as they fall due and in the appropriate currency.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P2.4 billion based on the Group's latest actuarial valuations. While there is no minimum funding requirement in the Philippines, the size of the underfunding may pose a cash flow risk in about 20 years' time when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefit payments from the plan as at December 31 are as follows:

	2020	2019
Within one year	**P 612,336,840**	P 491,171,743
More than one year to five years	**2,039,505,267**	2,124,978,812
More than five years to ten years	**1,412,911,211**	2,173,103,807
More than ten years to 15 years	**769,785,844**	1,166,289,745
More than 15 years to 20 years	**1,313,404,284**	2,113,305,228
More than 20 years	**6,437,395,444**	14,648,276,818
	P 12,585,338,890	P 22,717,126,153

The Group expects to contribute P125.0 million and P40.0 million to the retirement plan maintained for Megaworld and GADC, respectively, in 2021. GERI and EMP have yet to decide the amount of future contributions to their existing retirement plans.

28.3 Share Option Benefits

The Group's share option benefit expense includes the amounts recognized by the Company, Megaworld, GERI and EMP over the vesting period of the options granted by them (Travellers has not yet granted any share options to its eligible optionees) (see Note 22.6). Options for 440.0 million shares and 431.3 million shares have vested and exercisable as at December 31, 2020 and 2019, respectively. Share option benefits expense, included as part of Salaries and employee benefits amounted to P48.3 million in 2020, P45.7 million in 2019 and P53.5 million in 2018 (see Note 28.1).

29. TAXES

29.1 Current and Deferred Taxes

The tax expense (income) reported in the consolidated statements of comprehensive income for the years ended December 31 are presented below (see Note 37.1).

	2020	2019	2018
Reported in consolidated profit or loss:			
Current tax expense:			
Regular corporate income tax ("RCIT") at 30%, 25%, 20%, 19% and 10%	**P 4,190,172,616**	P5,847,290,957	P 4,707,781,336
Minimum corporate income tax ("MCIT") at 2%	**124,145,803**	24,259,585	78,383,637
Final tax at 20% and 15%	**95,025,628**	315,964,163	128,439,560
Preferential tax rate at 5%	**2,470,548**	26,812,173	57,336,871
Others	**10,851,633**	22,348,608	27,904,342
	4,422,666,228	6,236,675,486	4,999,845,746
Deferred tax expense relating to origination and reversal of temporary differences	**223,043,409**	2,533,168,879	3,107,658,791
	P 4,645,709,637	P8,769,844,365	P 8,107,504,537
Reported in consolidated other comprehensive income –			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**P 203,940,044**	(P 29,947,808)	P 73,774,847

The Company and its Philippine subsidiaries are subject to the higher of RCIT at 30% of net taxable income or MCIT at 2% of gross income, as defined under the Philippine tax regulations. The foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the respective countries or jurisdictions where they operate.

ECOC, SEDI, Travellers, DHRI and LSHRI are Philippine Economic Zone Authority – registered entities which are entitled to 5% preferential tax rate on gross income from registered activities in lieu of all local and national taxes and to other tax privileges.

In May 2014, the Board of Investments approved SPI's application for registration on a certain project. SPI is entitled to income tax holiday for four years from May 2014 or actual start of commercial operations/selling, whichever is earlier but in no case earlier than the date of registration, with certain terms. In May 2018, the registration with Board of Investments on the certain project has expired.

The reconciliation of tax on consolidated pretax income computed at the applicable statutory rates to consolidated tax expense is as follows:

	2020	2019	2018
Tax on consolidated pretax income at 30%	**P 4,471,596,117**	P 10,760,974,341	P 9,531,782,479
Adjustment for income subjected to different tax rates	**(278,695,172)**	(392,261,409)	(345,795,938)
Tax effects of:			
Income not subject to RCIT	**(6,892,435,488)**	(11,280,631,715)	(8,201,593,447)
Nondeductible expenses	**6,048,096,449**	8,656,572,348	7,523,250,639
Tax benefit arising from unrecognized deferred tax asset	**1,369,201,783**	826,894,719	239,154,803
Adjustments in claiming Optional Standard Deduction ("OSD")	**(216,046,654)**	284,614,862	(10,889,592)
Adjustment to current tax from prior years	**-**	(7,401,358)	(27,793,181)
Others	**124,002,602**	(78,917,423)	(600,611,226)
Tax expense reported in consolidated profit or loss	**P 4,645,709,637**	P 8,769,844,365	P 8,107,504,537

The deferred tax assets and liabilities as at December 31 presented in the consolidated statements of financial position relate to the following:

	2020	2019	2018
Deferred tax assets:			
Lease liabilities	**P 4,823,535,729**	P 4,241,570,673	P -
Retirement benefit obligation	**807,752,626**	687,630,599	711,922,438
Net operating loss carry-over ("NOLCO")	**192,766,983**	5,766,629	5,399,215
Allowance for impairment losses	**165,110,241**	169,307,403	168,828,516
Difference between the fair value and carrying value of net assets acquired	**141,225,062**	141,225,062	141,225,062
MCIT	**112,734,340**	2,054,074	5,723,082
Allowance for inventory write-down	**31,677,025**	18,910,914	8,658,235
Allowance for property development costs	**9,227,732**	9,227,732	9,227,732
Unrealized foreign currency loss	**-**	1,627,464	3,988,361
Others	**67,577,647**	200,008,661	95,541,928
	P 6,351,607,385	P 5,477,329,211	P 1,150,404,549
Deferred tax liabilities – net:			
Uncollected gross profit	**P 6,623,820,829**	P 7,099,046,027	P 5,655,708,165
Capitalized interest	**4,161,467,864**	3,620,859,394	2,991,427,467
Right-of-use Asset	**3,694,709,140**	3,269,619,057	-
Brand valuation	**1,807,354,161**	1,612,067,160	1,832,968,656
Rent income differential	**1,071,596,877**	1,173,233,118	1,387,740,156
Unrealized foreign currency loss – net	**(374,269,984)**	(705,855,183)	(852,134,494)
Fair value adjustment	**290,794,649**	250,030,968	78,796,405
Retirement benefit obligation	**(86,226,360)**	(359,341,851)	(208,304,250)
Uncollected rental income	**37,264,192**	34,979,523	90,717,074
Others	**575,792,787**	439,636,491	160,602,920
	P 17,792,304,155	P 16,374,273,704	P 11,077,531,059

The net deferred tax expense (income) reported in the consolidated statements of comprehensive income is shown below.

	Consolidated Profit or Loss			Consolidated Other Comprehensive Income		
	2020	2019	2018	2020	2019	2018
Deferred tax expense (income)						
Uncollected gross profit	(P 669,620,336)	P2,119,133,707	P 1,218,405,616	P -	P -	P -
Capitalized interest	890,153,899	629,431,327	740,204,389	-	-	-
Unrealized foreign currency losses - net	335,585,199	148,303,722	179,728,927	-	-	-
Brand valuation	198,287,008	(220,901,496)	150,562,656	-	-	-
NOLCO	(187,000,284)	(207,414)	4,604,713	-	-	-
MCIT	(110,680,266)	3,609,008	(1,299,164)	-	-	-
Rent income differential	(101,636,241)	(214,516,038)	1,091,080,411	-	-	-
Retirement benefit obligation	48,321,227	(249,186,129)	(249,201,740)	208,421,283	(29,007,852)	73,057,872
Fair value adjustments	30,779,550	171,234,563	(42,086,715)	-	-	-
Allowance for impairment losses	10,536,958	(2,998,325)	29,135,301	-	-	-
Uncollected rental income	(3,685,978)	(46,869,018)	50,249,422	-	-	-
Accrued rent	3,399,573	3,299,572	-	-	-	-
Translation adjustments	-	-	-	(4,481,209)	(939,958)	714,975
Others	83,361,114	192,520,413	(8,409,152)	-	-	-
Net deferred tax expense (income)	P 223,043,809	P 2,533,148,879	P3,107,638,731	P203,940,084	(P 29,947,808)	P 73,772,847

The details of NOLCO, which can be claimed as deduction from the respective subsidiaries' future taxable income, are shown below. Specifically, NOLCO incurred in 2020 can be claimed as a deduction within five years after the year it was incurred, pursuant to Section 4 (bbbb) of R.A. No. 11494, *Bayanihan to Recover as One Act* (otherwise known as Bayanihan II) and as implemented under Revenue Regulations No. 25-2020.

Year	Original Amount	Applied	Expired Balance	Remaining Balance	Valid Until
2020	P 5,095,100,079	P -	P -	P 5,095,100,079	2025
2019	2,554,786,152	(149,305)	-	2,554,636,847	2022
2018	498,672,347	(35,976,345)	-	462,696,002	2021
2017	1,025,184,328	(20,256,947)	(1,004,927,381)	-	
	P 9,173,742,906	**(P 56,382,597)**	**(P 1,004,927,381)**	**P 8,112,432,928**	

Some companies within the Group are subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations. The details of excess MCIT over RCIT, which can be applied as deduction from the entities' respective future RCIT payable within three years from the year the MCIT was paid, are shown below.

Year	Original Amount	Applied	Expired Balance	Remaining Balance	Valid Until
2020	P 115,231,299	P -	P -	P 115,231,299	2023
2019	24,429,671	(3,070,220)	-	21,359,451	2022
2018	70,259,725	(7,861,321)	-	62,398,404	2021
2017	36,220,476	(300,745)	(35,919,731)	-	
	P 246,141,171	**(P 11,232,286)**	**(P 35,919,731)**	**P 198,989,154**	

The table in the succeeding page summarizes the amount of NOLCO and other deductible temporary differences as at the end of 2020, 2019 and 2018 for which the related deferred tax assets – net have not been recognized by certain subsidiaries within the Group based on their assessments that the related tax benefits may not be realized within the prescriptive period.

	2020		2019		2018	
	Amount	**Tax Effect**	Amount	Tax Effect	Amount	Tax Effect
NOLCO	**P 5,653,621,307**	**P 1,696,086,392**	P 4,059,420,723	P 1,217,826,217	P 1,330,940,587	P 399,282,176
Share-based compensation	**523,704,160**	**157,111,248**	523,704,160	157,111,248	647,239,210	194,171,763
Allowance for impairment	**447,338,780**	**134,201,634**	314,846,530	94,453,959	283,085,427	84,925,628
MCIT	**93,622,327**	**93,622,327**	128,858,798	128,858,798	124,154,074	124,154,074
Retirement benefit obligation	**74,443,367**	**22,333,010**	181,307,117	54,392,135	194,235,387	58,270,616
Unrealized foreign currency gains gains (losses) – net	**10,920,953**	**3,276,286**	(1,811,460)	(543,438)	(1,811,460)	(543,438)
	P 6,803,650,894	**P 2,106,630,897**	P 5,206,325,868	P 1,652,098,919	P 2,577,843,225	P 860,260,819

The total amount of MCIT for which no deferred tax assets have been recognized as of December 31, 2020 and 2019, would expire in full at the end of 2023 and 2022, respectively, while unrecognized deferred taxes from NOLCO as of December 31 2020 and 2019 will expire in full on 2025 and 2022, respectively. All other unrecognized deferred tax assets do not expire.

29.2 Optional Standard Deduction

Philippine corporate taxpayers have an option to claim either itemized deductions or OSD equivalent to 40% of gross sales. Once the option to use OSD is made at the beginning of the year, it shall be irrevocable for that particular taxable year.

In 2020, 2019 and 2018, the Philippine companies within the Group opted to continue claiming itemized deductions in computing for its income tax due, except for EDI, PAI, and AWGI, which opted to claim OSD during the same taxable years.

29.3 Taxation of Casino Operations

Under the Provisional License Agreement with PAGCOR, Travellers is subject to 25% and 15% license fees, inclusive of franchise tax and in lieu of all taxes, with reference to the income component of the gross gaming revenues. The license fees are directly remitted by Travellers to PAGCOR as required under the Provisional License Agreement.

In April 2013, the Bureau of Internal Revenue ("BIR") issued Revenue Memorandum Circular ("RMC") 33-2013 declaring that PAGCOR and its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended [see Note 31.2(c)].

In August 2016, the SC, in *Bloomberry Resorts and Hotels, Inc. vs. BIR*, (the SC Decision) confirmed that "all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos." The SC Decision has been affirmed with finality by SC in a resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR. Consistent with the decision of SC, on June 13, 2018, the Office of the Solicitor General issued a legal opinion stating that the tax exemption and imposition of 5% franchise tax in lieu of all other taxes and fees for gaming operations that was granted to PAGCOR extended to all PAGCOR contractees and licensees.

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Total license fees recognized amounted to P2.6 billion, P5.9 billion and P4.4 billion in 2020, 2019 and 2018, respectively, and are presented as Gaming license fees as part of Cost of Services account in the consolidated statements of comprehensive income (see Note 25). The outstanding liabilities are presented as Gaming license fees payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

30. RELATED PARTY TRANSACTIONS

The Group's related parties include its stockholders, associates, jointly controlled entities, the Group's key management personnel and retirement fund, and others (see Note 2.26). The summary of the Group's transactions and balances with its related parties as of and for the years ended December 31, 2020, 2019 and 2018 are as follows:

Related Party Category	Notes	Amount of Transaction 2020	Amount of Transaction 2019	Amount of Transaction 2018	Outstanding Balance Receivable (Payable) 2020	Outstanding Balance Receivable (Payable) 2019
Parent Company and subsidiaries' stockholders:						
Casino transactions	30.2	P 23,697,780	P 236,735,346	P 222,106,178	(P 66,579)	(P 742,847)
Management fees	30.3	300,326,466	312,928,400	200,375,091	(96,767,702)	(13,216,479)
Accounts payable	30.5	-	-	-	(347,670,840)	(347,670,510)
Acquisition of investment	30.7	5,098,135,038	930,000,000	3,714,285,146	-	(680,000,000)
Sale of financial asset at FVOCI – at cost	11	1,560,000	-	-	-	-
Related party under common ownership:						
Purchase of raw materials	30.1	2,773,139,348	3,709,697,815	3,348,852,355	(811,977,473)	(1,013,713,848)
Advances granted	30.4	222,908,412	474,737,422	238,678,133	2,220,600,178	1,987,695,766
Purchase of finished goods	30.1	14,824,948	28,698,321	23,643,566	(988,737)	(1,710,314)
Management services	30.1	60,000,000	60,000,000	60,000,000	(330,000,000)	(77,000,000)
Associates –						
Advances granted	30.4	2,252,794	(34,488,474)	(138,216,037)	1,099,343,294	1,097,090,500
Deposit from an associate	31.9	9,501,072,000	-	-	(9,501,072,000)	-
Others:						
Advances from joint venture partners and others	30.6	(62,738,857)	(141,282,465)	55,488,129	(2,183,442,496)	(2,244,180,353)
Accounts receivable	30.5	163,115,808	280,683,010	78,811,540	784,078,457	608,958,652
Sales of investment property		-	-	-	378,391,250	368,391,250
Accounts payable	30.5	-	-	(75,000,000)	(65,208,430)	(65,208,430)
Donations	31.3(b)	303,337,015	224,453,320	136,073,203	(30,907,256)	(20,012,801)

Unless otherwise stated, the outstanding balance of the Group's transactions with its related parties are unsecured, noninterest-bearing and payable or collectible on demand.

30.1 Purchase of Goods and Management Agreement

Emperador imports raw materials such as alcohol, flavorings and other items, and finished goods through Andresons Global, Inc., a related party under common ownership. These transactions are normally being paid within 30 days. Emperador also imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly owned subsidiary of BLC, which is considered a related party under joint control.

Moreover, Emperador had a management agreement with Consolidated Distillers of the Far East, Inc., a related pary under common ownership, for the consultancy and advisory services in relation to the operation, management, development and maintenance of its distillery plant. The total management fees incurred are presented as part of Outside services under the Costs of Goods Sold account in the consolidated statements of comprehensive income (see Note 25).

The outstanding liability related to these purchases is presented as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

30.2 Casino Transactions with GHL

Travellers recognized outstanding payables to GHL [see Note 1.1(w)] representing show money received by Travellers from foreign patrons which the counterparty will later remit to the other. The outstanding balances, which are unsecured, noninterest-bearing and payable in cash upon demand, are presented as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

30.3 Operations and Management Agreement with GHL

Some of Travellers' administrative functions are being handled by certain key officers and employees under the management of GHL as agreed by both parties under the Operations and Management Agreement. These transactions are presented as part of Management fees under the Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). The outstanding liability arising from this transaction is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

30.4 Advances to Associates and Other Related Parties

Entities within the Group grant advances to associates and other related parties for working capital purposes. These advances to associates and other related parties are unsecured, noninterest-bearing and repayable upon demand. Settlement is generally made in cash or through offsetting arrangements.

The outstanding balances of Advances to associates and other related parties, which are shown as part of Due from related parties under Trade and Other Receivables account in the consolidated statements of financial position, are presented as follows [see Notes 6 and 12.1]:

	2020	2019
Associates	P 1,099,313,294	P 1,097,060,500
Other related parties	2,210,600,178	1,987,691,766
	P 3,309,913,472	P 3,084,752,266

The movements in the advances to associates and other related parties are as follows:

	2020	2019
Advances to associates		
Balance at beginning of year	P 1,097,060,500	P 1,131,548,974
Cash advances granted	2,252,794	-
Collections	-	(34,488,474)
Balance at end of year	P 1,099,313,294	P 1,097,060,500
Advances to other related parties		
Balance at beginning of year	P 1,987,691,766	P 1,512,954,344
Cash advances granted	258,517,055	570,167,429
Collections	(35,608,643)	(95,430,007)
Balance at end of year	P 2,210,600,178	P 1,987,691,766

As at December 31, 2020 and 2019, based on management's assessment, the outstanding balances of advances to associates and other related parties are not impaired; hence, no impairment losses were recognized (see Note 32.2).

30.5 Due from/to Related Parties

Transactions with related parties include the following: financing of opening of letters of credit and payment of progress billing, royalty fees, rentals, interest and certain expenses in behalf of the entities within Group or other related parties. The amounts due from and to related parties are unsecured, noninterest-bearing and due and demandable any time. Settlement is generally made in cash or through offsetting arrangements.

The outstanding balances of Due from/to Related Parties are presented under Trade and Other Receivables (see Note 6) and Trade and Other Payables (see Note 17) accounts, respectively, in the consolidated statements of financial position as follows:

	2020	2019
Due from Related Parties		
Officers and employees	P 346,821,504	P 185,600,211
Other related parties	407,252,953	423,358,441
	P 754,074,457	P 608,958,652

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	2020	2019
Due to Related Parties		
Stockholder	P 347,670,510	P 347,670,510
Other related parties	65,208,430	65,208,430
	P 412,878,940	P 412,878,940

The details of the due from/to related parties are as follows:

	2020	2019
Due from officers and employees		
Balance at beginning of year	P 185,600,211	P 141,599,434
Additions	163,016,996	66,733,198
Collections	(1,795,703)	(22,732,421)
Balance at end of year	P 346,821,504	P 185,600,211
Due from other related parties		
Balance at beginning of year	P 423,358,441	P 186,676,208
Additions	23,894,512	235,808,087
Collections	(40,000,000)	(68,506)
	407,252,953	422,415,789
Impairment recovery	-	942,652
Balance at end of year	P 407,252,953	P 423,358,441
Due to Related Parties		
Balance at beginning and end of year	P 412,878,940	P 412,878,940

With respect to its due from related parties, the Group under the ECL model recognized an impairment recovery amounting to P0.9 million in 2019, which are presented as part of Finance and Other Income account in the 2019 consolidated statement of comprehensive income (see Note 27).

As at December 31, 2020 and 2019, based on management's assessment, the outstanding balances of Due from officers and employees and related parties are not impaired; hence, no impairment losses were recognized.

30.6 Advances from Related Parties and Joint Operator Partners

Certain expenses of entities within the Group are paid for by other related parties. The advances are unsecured, noninterest-bearing, with no repayment terms, and generally payable in cash or through offsetting arrangements.

Advances from golf share partners and lot owners which amounted to P277.2 million and P356.2 million in 2020 and 2019, respectively, and is presented as part of Advances from Related Parties in the consolidated statements of financial position (see Note 10.2).

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The amortization of deferred interest amounting to P11.3 million in 2018 is presented as part of Interest expense under the Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). No amortization was recognized in 2020 and 2019 as the deferred interest was fully amortized in 2018.

Details of Advances from Related Parties and Joint Operator Partners are presented as follows:

	2020	2019
Advances from related parties	**P1,904,227,259**	P1,887,953,399
Advances from joint operator partners	**277,215,237**	356,227,254
	P2,181,442,496	P2,244,180,653

The movements in Advances from Related Parties and Joint Operator Partners are as follows:

	2020	2019
Balance at beginning of year	**P2,244,180,653**	P2,385,463,118
Advances availed	**24,157,233**	32,361,651
Advances paid	**(86,895,390)**	(173,644,116)
Balance at end of year	**P2,181,442,496**	P2,244,180,653

30.7 Acquisition of Investments

In 2018, AGI acquired 2,250.0 million shares of PCMI for P3,714.3 million from TAGI, by way of assignment of subscription rights. The acquisition represents 60% ownership in PCMI. In 2019, AGI and TAGI amended the total consideration for the assignment of subscription rights to P4,644.3 million. This resulted in the recognition of subscription payable to Pacific Coast amounting to P930.0 million, which were paid during the same year. In 2020, AGI acquired additional 184.8 million shares of Megaworld and 524.9 million shares of Emperador at a total cost of P5.9 billion. As at December 31, 2019, the outstanding liability from this transaction amounted to P680.0 million which is shown as part of Others under Trade and Other Payables account in the 2019 consolidated statement of financial position [see Notes 1.2(a) and 17]. The outstanding liability was settled in full in 2020.

30.8 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows (see Note 28.1):

	2020	2019	2018
Short-term employee benefits	**P 664,530,027**	P1,013,451,876	P 1,051,064,363
Share-option benefit expense	**109,436,279**	132,403,058	124,009,692
Retirement benefit expense	**25,594,399**	18,717,409	26,498,871
	P 799,560,705	P1,164,572,343	P1,201,572,926

30.9 Transactions with the Retirement Plans

The Group has a formal retirement plan established separately for each significant subsidiary, particularly Megaworld, GERI, EELHI, Travellers, GADC, EDI and WML. These plans are defined benefit post-employment plan maintained for qualified employees, administered and managed by trustee banks (except for GERI which is still an unfunded plan) that are legally separated from the Group. The retirement funds do not provide any guarantee or surety for any obligation of the Group and their investments are not covered by any restrictions or liens. Plan assets do not comprise any of the Group's or its related parties' own financial instruments or any of their assets occupied and/or used in its operations. The fair value, carrying amount and the composition of the plan assets as at December 31, 2020 and 2019 are shown in Note 28.2.

31. COMMITMENTS AND CONTINGENCIES

31.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under non-cancellable operating lease agreements covering various office and commercial spaces. The leases have terms ranging from 3 to 20 years, with renewal options, and include annual escalation rate of 5% to 10%.

Future minimum lease receivables under these leases as of December 31 are as follows:

	2020	2019	2018
Within one year	**P 12,632,761,053**	P 16,115,991,723	P 13,657,827,621
After one year but not more than two years	**20,521,928,927**	18,650,355,567	15,596,904,521
After two years but not more than three years	**21,458,334,550**	20,985,308,875	17,291,315,208
After three years but not more than four years	**23,144,750,760**	21,954,423,486	19,598,624,786
After four years but not more than five years	**25,236,915,271**	23,504,678,022	20,530,728,075
More than five years	**29,407,145,172**	27,249,075,851	22,176,585,590
	P132,401,835,733	P 128,459,833,524	P108,851,985,801

31.2 Provisional License Agreement of Travellers with PAGCOR

On June 2, 2008, PAGCOR issued a Provisional License ("License)" authorizing Travellers to participate in the development of a portion of certain entertainment sites (Site A and B), which is part of a larger scale integrated tourism project envisioned by PAGCOR, and to establish and operate casinos, and engage in gaming activities in Sites A and B. The term of Travellers' License shall be co-terminus with PAGCOR's franchise which will expire on July 11, 2033, and shall be renewed subject to the terms of the PAGCOR Charter.

(a) Investment Commitments

Under the terms of the License, Travellers and WCRWI are required to complete its U.S.$1.3 billion (about P66.0 billion) investment commitment in phases, which amount is divided into Site A and Site B with the minimum investment of U.S.$1.1 billion (about P55.8 billion) and U.S.$216.0 million (about P11.0 billion), respectively (collectively, the "Project").

Since PAGCOR was only able to turnover and/or deliver possession of Site A property to the Group in 2014, PAGCOR approved a revised project implementation plan for the Westside City Resorts World Project. WCRWI held the groundbreaking rites at Site A on October 1, 2014.

As a requirement in developing the aforementioned Project, Travellers transferred U.S.$100.0 million (about P5.1 billion) to an escrow account with a local bank mutually agreed by PAGCOR and Travellers. At any given time, the escrow account shall have a maintaining balance of not lower than U.S.$50.0 million (about P2.5 billion) (see Note 9). For failure to comply with such maintaining balance requirement after a 15-day grace period, Travellers shall be charged by PAGCOR an amount equal to P2.5 million for every 15 calendar days, or a fraction thereof, until the noncompliance is corrected. All funds for the development of the Project shall pass through the escrow deposit and all drawdown therefrom must be applied to the Project, unless Travellers is allowed to use other funds.

As at December 31, 2020, Travellers has spent P92.1 billion for its casino projects pursuant to its investment commitment under the License. It has short-term placements amounting to U.S.$73.8 million (about P3.0 billion) and U.S.$64.7 million (about P3.3 billion) as at December 31, 2020 and 2019, respectively, to meet its requirements with PAGCOR in relation to these investment commitments (see Note 9).

(b) Requirement to Establish a Foundation

Travellers, in compliance with the requirement of PAGCOR to incorporate and register a foundation for the restoration of cultural heritage, incorporated Resorts World Philippines Cultural Heritage Foundation Inc. (or the "Foundation"), on September 7, 2011 primarily to engage in various activities for charitable, educational, cultural and artistic purposes, and to promote, perpetuate, preserve and encourage Filipino culture.

The Foundation shall be funded by Travellers by setting aside funds on a monthly basis equivalent to 2% of total gross gaming revenues from non-junket tables. PAGCOR sets the guidelines for the utilization of funds as it approves, monitors the implementation, and conducts a post-audit of the projects the Foundation undertakes.

Pursuant to PAGCOR's guidelines, the Foundation is tasked to undertake projects in line with the following disciplines: (i) restoration of cultural heritage; (ii) education infrastructure; and, (iii) environment and health. As of December 31, 2020, the following are the completed and on-going projects of the Foundation:

- Donation of relief goods to typhoon Yolanda victims;
- Construction of school buildings in partnership with the Philippine Department of Education ("DepEd") whereby six school buildings in various public schools in Metro Manila and Luzon were completed and turned over to DepEd and the collegiate universities;
- Computerization project with DepEd through providing a computer laboratory to various public schools in various parts of the country whereby all phases of the said project covering 27 schools have been completed;
- Funding of the construction of a cadet barracks at the Philippine Military Academy ("PMA") in Baguio City in a joint effort with another PAGCOR licensee's foundation, which was completed and turned over to PMA;
- Scholarship program for underprivileged but deserving students enrolled in the field of performing arts;
- Construction of treatment and rehabilitation centers in coordination with the Department of Health in Davao City and Taguig City;
- Donation of funds for medicines, medical supplies and equipment for Philippine National Police Camp Crame General Hospital and Paranaque City; and;
- Construction of the National Capital Region Police Office Medical Center and Administrative Processing Center;
- Donation of medical supplies and relief goods to public hospitals and various government units to aid in the COVID-19 efforts.

Donations to the Foundation are recorded as part of Miscellaneous under Other Operating Expenses account (see Note 26). The outstanding liability, representing donations due for the last month of each year, and which is unsecured, noninterest-bearing and payable in cash upon demand, as at December 31, 2020 and 2019 is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

(c) Tax Contingencies of Casino Operations

Under the Travellers' License with the PAGCOR, Travellers is subject to the 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues. In April 2013, however, the BIR issued RMC 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended (see Note 29.3).

In August 2016, the SC confirmed that "all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos." The SC Decision has been affirmed with finality by the SC in a Resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR. Consistent with the decision of SC, on June 15, 2018, the Office of the Solicitor General issued a legal opinion stating that the tax exemption and imposition of 5% franchise tax in lieu of all other taxes and fees for gaming operations that was granted to PAGCOR extended to all PAGCOR contractees and licensees.

31.3 Participation in the Incorporation of Entertainment City Estate Management, Inc. ("ECEMI")

As a PAGCOR licensee, Travellers committed itself to take part in the incorporation of ECEMI in 2012, a non-stock, non-profit entity that shall be responsible for the general welfare, property, services and reputation of the Bagong Nayong Pilipino Entertainment City Manila. As at December 31, 2020 and 2019, contributions made to ECEMI booked in favor of Travellers amounted to P1.3 million and is presented as part of Others under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

31.4 Various Hotel Agreements Entered by Travellers

(a) Marriott Group (Marriott and Courtyard Iloilo)

Travellers has various service, license and royalty agreements with Marriott International B.V., Marriott International Design and Construction Services Inc., and International Hotel Licensing Company S.A.R.L., and Marriott International Licensing Company B.V. (collectively hereafter referred to as "Marriott Group") for the license, supervision, direction, control and management of operations of the Travellers' Marriott, including the monitoring of its compliance with Marriott Group's standards.

The service agreements also include certain services in support of Marriott outside the Philippines. Such services are generally made available to hotels in the Marriott System and shall include the international advertising, promotion and sales programs, core training programs and other training programs for the benefit of the Marriott employees, special services and programs for the benefit of the Marriott System, and the reservations system, property management system and other systems.

Further, the license and royalty agreement with Marriott Group grants Travellers a non-exclusive and non-transferable right and license within Metro Manila and Iloilo to use the Marriott Trademarks for hotel services and other related goods and services offered only in connection with Travellers' Marriott hotels and brands.

(b) Holiday Inn

In 2017, Travellers also entered into a Hotel Management Agreement ("HMA") with Holiday Inns (Philippines), Inc. for the license, supervision, direction, control and management of operations of Holiday Inn Express (formerly Remington Hotel), including the monitoring of its compliance with the hotel group standards.

The HMA includes security arrangements, refurbishment of the existing structure, rebranding, advertising, promotion and sales programs, core training programs and other training programs for the benefit of the employees, special services, the reservations system, property management system and other systems.

The parties also entered into a Franchise Agreement for the non-exclusive use and non-transferable license to use the brand marks for the hotel services and other related goods offered in connection with Travellers' Holiday Inn Express.

(c) *Hotel Okura Manila*

Also in 2017, Travellers and Hotel Okura Co., Ltd ("Okura") signed another HMA for the license, supervision, direction, control and management of operations of the Hotel Okura Manila, which includes advertising, promotion and sales programs, core training programs and other training programs for the benefit of the employees, special services, the reservations system, property management system and other systems.

The HMA with Okura grants Travellers a non-exclusive and non-transferable right to use the Okura trademarks for hotel services and other related goods and services offered only in connection with the Hotel Okura Manila, which is expected to open in 2021.

(d) *Sheraton Manila Hotel*

In 2017, an Operating Services Agreement ("OSA") was executed between LSHRI and Starwood Asia Pacific Hotels & Recreation PTE. LTD ("Starwood"), a fully-owned company of Marriott Group, for the license, supervision, direction, control and management of operations of the Sheraton Manila Hotel, including the monitoring of its compliance with Marriott Group's standards.

The OSA also includes certain services similar to those covered by the existing agreement with the Marriott Group. Likewise, the license and royalty agreement with Starwood grants LSHRI similar rights provided by Marriott Group to Travellers. In January 2019, Sheraton Manila Hotel started its commercial operations.

(e) *Hilton Manila*

Also in 2017, a Management Agreement ("MA") was executed between DHRI and Hilton International Manage LLC ("Hilton") for the license, supervision, direction, control and management of operations of Hilton Manila, including the monitoring of its compliance with Hilton's standards.

The MA includes design and decoration of the Hilton Manila, advertising, promotion and sales programs, core training programs and other training programs for the benefit of the Hilton employees, special services and programs, and the reservations system, property management system and other systems.

The MA grants DHRI a nonexclusive and nontransferable right to use the Hilton Trademarks for hotel services and other related goods and services offered only in connection with the Hilton Manila. The Hilton Manila started operations in October 2018.

Payments to be made by Travellers for operating these foregoing hotel brands shall be computed based on the provisions of the above agreements. Total expenses recognized from these transactions in 2020, 2019 and 2018 totaled P59.4 million, P181.2 million and P117.1 million, respectively, and are presented as part of Management fees under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). As of 2020, there were no payments yet for the agreements with Okura.

The outstanding liabilities, which are unsecured, noninterest-bearing and payable in cash upon demand, as at December 31, 2020 and 2019 amounted to P17.4 million and P38.4 million, respectively, and are presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

31.5 License Agreements with MRO

MRO granted GADC the nonexclusive right to adopt and use the McDonald's System in its restaurant operations in the Philippines. In March 2005, the license agreement was renewed for another 20 years, and provides for a royalty fee based on certain percentage of gross sales from the operations of GADC's restaurants, including those operated by the franchisees. GADC recognized royalty expenses amounting to P889.2 million, P1,411.9 million and P1,257.2 million in 2020, 2019 and 2018, respectively, which are presented under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). The outstanding payable to MRO relating to royalty expenses amounted to P1,115.8 million and P254.8 million as at December 31, 2020 and 2019, respectively, and presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

Individual sublicense arrangements granted to franchisees and joint venturers generally include a lease and a license to use the McDonald's system in the Philippines and, in certain cases, the use of restaurant facility, generally for a period of 10 years provided, however, that should GADC's license rights from McDonald's be terminated at an earlier date or not renewed for any reason whatsoever, these sublicense agreements shall thereupon also be terminated. Revenues recognized from sublicense agreements are presented as Franchise revenues under Rendering of Services in the consolidated statements of comprehensive income (see Note 24.1).

31.6 Consortium Agreement for Ninoy Aquino International Airport ("NAIA")

In 2018, the consortium of seven conglomerates, which included AGI, was granted an Original Proponent Status ("OPS") for its NAIA project proposal. On November 29, 2019, the National Economic and Development Authority approved the unsolicited proposal which triggered the negotiation stage in the process. The project would then have to go through a Swiss Challenge before it can be awarded.

In the light of the far-reaching and long lasting consequences of the COVID-19 pandemic on airline travel, airline operations and airport passenger traffic, the consortium submitted the proposed changes in the Project's framework to ensure the viability of the NAIA project in the "new normal". On July 10, 2020, the consortium received a notice from the Manila International Airport Authority terminating any further negotiations with the consortium and revoking the OPS and approvals earlier granted.

31.7 Skytrain Project

On October 2017, the Group submitted an unsolicited proposal to the government to build a 2-kilometer automated people mover system called Skytrain that will link Uptown Fort Bonifacio to Guadalupe Station of Metro Rail Transit Line-3. The Group was granted an Original Proponent Status by the DOTr in May 2018 and its proposal is now undergoing review and evaluation at NEDA Board.

31.8 Co-Development Agreement (CDA) between WCRWI and SHDI

The principal terms of the co-development agreement are as follows:

(i) *WCRWI and Travellers shall lease the Project Site (i.e. "the site upon which the hotel casino is to be erected") to SHDI.*

WCRWI and Travellers shall lease to SHDI the site upon which a hotel casino will be erected at an annual rental of US$10.6 million (P540.6 million), exclusive of VAT, until August 19, 2039. The lease shall automatically be renewed subject to applicable laws for another 25 years, unless otherwise agreed upon by the parties. The annual rental shall be payable upon the commencement of operation of the hotel casino.

In line with the foregoing, on February 21, 2020, WCRWI and Travellers entered into a lease agreement with SHDI.

(ii) *SHDI shall finance the development and construction of a hotel casino.*

SHDI shall finance the development and construction of a hotel casino on the leased area. SHDI shall also pay US$200.0 million (P10.2 billion) to WCRWI for usage of the properties and reimbursement of costs already incurred and construction works that have already been accomplished on the Project Site.

In 2020, WCRWI received the payment of US$200.0 million (P9.9 billion) presented as Deposit from SHDI under Trade and Other Payables account in the 2020 consolidated statement of financial position. However, as of December 31, 2020 (see Notes 17 and 30), the Group has yet to comply with certain conditions specified in the CDA.

(iii) *WCRWI shall enter into an agreement with SHDI, for the latter to operate and manage a hotel casino.*

WCRWI and SHDI shall enter into an agreement for the operations and management of a hotel casino for the period of the gaming Provisional License Agreement (i.e. up to July 11, 2033) as well as any extension or renewal of the Provisional License Agreement on terms of the operations and management agreement to be mutually agreed between the WCRWI and SHDI.

On May 4, 2020, the parties entered into the required agreement. In accordance thereof, WCRWI's share on the gross gaming revenues shall be as follows (which payment shall only be payable when the hotel casino commences operation):

(a) 1% of the gross gaming revenue on VIP of the Casino; and,
(b) 3% of the gross gaming revenue on slot machines and mass market tables of the hotel casino, based on the gross gaming revenue as is submitted to PAGCOR from time to time.

As of December 31, 2020, the hotel casino has not yet commenced its operation; hence, agreement above has not yet materialized.

(iv) WCRWI and the Travellers as Warrantors

Fortune Noble Limited ("Fortune") [a wholly-owned subsidiary of Suncity Group Holdings Limited], the parent company of SHDI, conditionally agreed to subscribe to 2.55 billion new SHDI shares subject to the terms and conditions mutually agreed upon by the parties. WCRWI and Travellers agreed to act as the warrantors, wherein, a put option over the shares of SHDI was included. The put option enables Fortune to transfer ownership over SHDI to the warrantors in exchange for an option price, upon the happening of any of the put option events during the option period. The option period commences from the date of the agreement up to the day immediately preceding the date on which the hotel casino first starts its operation. The put option events mainly pertains to the successful commencement of operations of the hotel casino, which include, among others, the termination or suspension of gaming license due to the default of the warrantors, termination of WCRWI's lease over Site A as applicable, or failure to acquire government consent for operation of hotel casino.

The option price is equivalent to the aggregate of: (a) the consideration for the acquisition by Fortune of the 1.1 billion SHDI shares as at the date of the agreement together with interest from the date of completion of the said acquisition up to the date of completion of the put option; and, (b) the aggregate of the shares subscription price for the subscription of 2.6 billion new SHDI shares including interest as well from the date of shares subscription completion up to the date of completion of the put option.

Travellers' management assessed that since the put option transfers significant risk to the Group, as warrantors, it shall be accounted for as a financial guarantee to be measured under PFRS 9 [see Note 3.1(n)]. Accordingly, the put option was initially recognized at the amount of premium received then, subsequently measured at the higher of the amount initially recognized or the amount using the ECL model [see Note 2.4(e)].

Applying the ECL model, the option price that WCRWI and Travellers are committed to pay amounting to P3.7 billion was compared with the value of the collateral or the shares of stock that they will receive. In determining the value of the shares, management assessed that the price of SHDI shares in the PSE of P1.28 per share or a total value of P4.7 billion is a reasonable estimate of its value. In terms of probability of default, management assessed that it is unlikely or remote (see Note 32.2).

As of December 31, 2020, the value of the put option is still the amount initially recognized as the option price is fully secured by the value of SHDI shares and that the probability of default was assessed to be remote.

31.9 Purchase and Sale Commitment

On December 27, 2020, management approved the sale of certain land and buildings in Spain through the signed letter of intent with Global One. The letter of intent stated that the Group will sell and Global One will purchase the assets at a purchase price of €16.6 million (equivalent to P961.7 million), which is equivalent to the net book value of the property, at any time within the period from December 27, 2020 until three years after the COVID-19 pandemic has ended (see Note 16).

31.10 Others

As at December 31, 2020 and 2019, the Group has unused lines of credit from banks and financial institutions totaling P18.2 billion and P32.5 billion, respectively (see Note 18).

On June 2, 2017, a certain individual entered Travellers' premises, fired his assault rifle, and set ablaze gaming furniture and equipment in the casino which resulted to physical damages on a portion of the Travellers' properties. The individual forcibly entered the casino area with a clear motive to rob and he started fires as a diversionary tactic. The smoke from the fires caused the death of several employees and guests, as well as physical injuries to a number of people. In 2018, Travellers' fully collected the claims accrued as of December 31, 2017 and received additional recoveries for business interruption. Further in 2019, Travellers' received P69.4 million as recoveries for third party claims paid by the Group to the victims in 2017. The Group presented the income from these recoveries under Finance and Other Income account in the 2019 and 2018 consolidated statements of comprehensive income (see Note 27).

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI, interest-bearing loans, bonds payable, trade receivables and payables and derivative liabilities which arise directly from the Group's business operations. The financial debts were issued to raise funds for the Group's capital expenditures or working capital requirements. The Group does not actively engage in the trading of financial assets for speculative purposes.

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk (which includes other price risk), credit risk and liquidity risk.

32.1 Market Risk

(a) Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine pesos, U.S. dollars, Euros and U.K. pounds, which are the functional currencies of the individual subsidiaries making the transactions.

The currency exchange risk arises from transactions carried out in currencies other than the functional currency of the subsidiaries at each entity level. The Group has no significant exposure to changes in foreign currency exchange rates for Euros and U.K. pounds since these currencies are not significant to the Group's consolidated financial statements.

Foreign currency denominated financial assets and liabilities, translated into Philippine pesos at period-end closing rate are as follows:

	2020		2019	
	U.S. Dollars	**HK Dollars**	U.S. Dollars	HK Dollars
Financial assets	**P 18,398,371,348**	**P 2,101,047,856**	P 3,672,859,651	P 2,731,732,048
Financial liabilities	**(40,502,064,250)**	**(327,936,484)**	(25,210,975,247)	(935,065,026)
	(P 22,103,692,902)	**P 1,773,111,372**	(P 21,538,115,596)	P 1,796,667,022

The sensitivity of the consolidated income before tax for the period with regard to the Group's financial assets and financial liabilities and the U.S. dollar – Philippine peso exchange rate assumes +/- 6.34% and +/- 8.62% changes in exchange rate for the years ended December 31, 2020 and 2019, respectively. The HK dollar – Philippine peso exchange rate assumes +/- 6.44% and +/- 8.66% changes for the years ended December 31, 2020 and 2019. These percentages have been determined based on the average market volatility in exchange rates in the previous year and 12 months, respectively, estimated at 95% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting periods.

If the Philippine peso had strengthened against the U.S. dollar, with all other variables held constant, consolidated profit before tax would have increased by P1.4 billion for the year ended December 31, 2020 and increased by P1.8 billion for the year ended December 31, 2019. If in 2020 and 2019, the Philippine peso had strengthened against the HK dollar, with all other variables held constant, consolidated profit before tax would have decreased by P0.1 billion and P0.2 billion for the years ended December 31, 2020 and 2019, respectively.

However, if the Philippine peso had weakened against the U.S. dollar and the HK dollar by the same percentages, then consolidated profit before tax would have changed at the opposite direction by the same amounts.

The Group periodically reviews the trend of the foreign exchange rates and monitors its non-functional currency cash flows as part of the Group's foreign exchange risk management strategy consistent with its use and/or entering into cross currency swap agreements.

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) Interest Rate Sensitivity

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. At present, the Group is exposed to changes in market interest rates through bank borrowings and cash and cash equivalents, which are subject to variable interest rates. The Group maintains a debt portfolio unit of both fixed and variable interest rates. All other financial assets are subject to fixed interest rates.

The sensitivity of the consolidated income before tax for the period to a reasonably possible change in interest rates of +/- 2.05% for Philippine peso and +/- 2.13% for U.S. dollar in 2020 and +/- 2.48% for Philippine peso and +/- 2.15% for U.S. dollar in 2019 with effect from the beginning of the period. These percentages have been determined based on the average market volatility in interest rates, using standard deviation, in the previous year and 12 months, respectively, estimated at 95% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held as at December 31, 2020 and 2019, with effect estimated from the beginning of the period. All other variables held constant, the consolidated income before tax would have decreased by P0.6 billion and P0.1 billion for the years ended December 31, 2020 and 2019, respectively. Conversely, if the interest rates decreased by the same percentage, consolidated income before tax would have been higher by the same amount.

32.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, which include granting loans and receivables to customers and other counterparties, and placing deposits.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as follows:

	Notes	2020	2019
Cash and cash equivalents	5	P 69,697,688,432	P 51,270,580,951
Trade and other receivables	6	55,880,547,328	60,692,417,148
Contract assets	24.2	19,380,726,313	18,643,004,687
Due from related parties	6	4,063,987,929	3,693,710,918
Restricted short-term placements and time deposits	9	3,077,607,181	3,401,661,281
Property mortgage receivable	9	613,935,936	636,946,200
Refundable and other deposits	9	2,084,369,921	1,866,519,209
		P 154,798,863,040	P 140,204,840,394

The credit risk for cash and cash equivalents are considered negligible since the counterparties are reputable banks with high quality external credit ratings. Cash and cash equivalents in banks in the Philippines are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution.

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The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Franchisees are subject to stringent financial, credit and legal verification process. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant portion of sales, advance payments are received to mitigate credit risk.

To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from both third and related parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables.

The expected loss rates are based on the payment profiles of sales. Further, the historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group identifies headline inflation rate and bank lending rate to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

ECL for advances to associates and other related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties.

Based on the Group's assessment, total loss allowance amounted to P1.4 billion and P1.1 billion as of December 31, 2020 and 2019, respectively, which is mostly coming from receivables from real estate sales.

Except for real estate sales, contract assets and rental receivables, the Group's financial assets are not covered with any collateral or credit enhancement. Accordingly, the Group manages credit risk by setting limits on the amount of risk in relation to a particular customer including requiring payment of any outstanding receivable before a new credit is extended. Such risk is monitored on a regular basis and subject to an annual or more frequent review. Approval for credit limits are secured from the credit manager.

The Group considers credit enhancements in determining the expected credit loss. Trade receivables from real estate sales are collateralized by the real properties sold while rental receivables are secured to the extent of advanced rental and security deposits received from lessees. Further, customers are required to issue post-dated checks, which provide additional credit enhancement.

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The estimated fair value of collateral and other security enhancements held against trade receivables are as follows:

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure
2020			
Real estate sales receivables	P 25,161,593,375	P 51,002,905,196	P -
Contract assets	19,380,726,313	36,253,449,145	-
Rental receivables	4,412,404,797	7,685,122,965	-
	P48,954,724,485	**P94,941,477,306**	**P -**
2019			
Real estate sales receivables	P 28,426,905,161	P 44,895,455,760	P -
Contract assets	18,643,004,687	35,512,470,476	-
Rental receivables	4,274,038,207	5,889,977,004	-
	P 51,343,948,055	P 86,297,903,240	P -

Trade and other receivables that are past due but not impaired are as follows:

	2020	2019
Not more than 30 days	**P 1,900,321,575**	P 8,516,887,213
31 to 60 days	**1,702,476,239**	1,929,541,976
Over 60 days	**4,499,027,092**	1,939,989,544
	P 8,101,824,906	P 12,386,418,733

Moreover, the management has assessed that risk over the put option has not increased significantly, as the related probability of any of the put option event from happening is low or remote under the circumstances. Hence, in accordance with the general approach of ECL, the value of the put option was measured on a 12-month basis [see Note 31.9(iv)].

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include the cessation of enforcement activity and where the value of any assets that the Group may get from the customers is less than the outstanding contractual amounts of the financial assets to be written-off. In 2020 and 2019, the Group wrote off receivables amounting to P0.4 million and P69.9 million, respectively. There are no write-offs made in 2018.

32.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, bonds, and preferred shares.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets. In addition, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fundraising activities may include obtaining bank loans and capital market issues.

As at December 31, 2020 and 2019, the Group's financial liabilities (excluding lease liabilities – see Note 13.3) have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
December 31, 2020:				
Trade and other payables	P 45,205,848,778	P 15,140,777,051	P -	P -
Interest-bearing loans	27,993,950,057	25,580,114,668	129,369,591,892	809,092,749
Bonds payable	-	1,846,322,250	29,154,792,750	18,199,639,500
ELS	99,750,000	3,443,750,000	-	-
Advances from related parties	-	2,181,442,496	-	-
Redeemable preferred shares	-	257,384,324	251,597,880	1,574,159,348
Subscription payable	-	1,114,665,008	-	-
Guaranty deposits	-	18,471,898	424,524,542	454,344,271
Accrued rent	-	-	11,538,105	-
Derivative liabilities*	1,049,127,427	-	78,333,347	-
Other liabilities	-	3,164,723,364	3,255,223,656	-
	P 74,348,676,262	**P 52,747,651,059**	**P162,535,601,872**	**P 21,037,235,868**
December 31, 2019:				
Trade and other payables	P 43,158,338,060	P 14,332,218,291	P -	P -
Interest-bearing loans	27,021,448,986	20,727,346,677	147,954,464,100	571,214,434
Bonds payable	-	924,084,260	29,401,816,100	-
ELS	-	1,878,910,098	3,523,755,833	-
Advances from related parties	-	2,244,180,653	-	-
Redeemable preferred shares	-	263,171,069	508,981,904	1,574,159,348
Subscription payable	-	1,114,665,008	-	-
Guaranty deposits	-	13,248,334	99,633,225	392,066,767
Accrued rent	-	-	24,284,786	-
Derivative liabilities*	809,403,486	-	-	-
Other liabilities	-	1,300,300,516	4,576,838,267	-
	P 70,989,190,532	**P 43,099,384,906**	**P186,089,774,305**	**P 2,537,440,549**

**This includes Slot jackpot liability, which is presented as part of Trade and Other Payables account (see Note 17).*

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting period.

32.4 Other Price Risk Sensitivity

The Group's market price risk arises from its investments carried at fair value. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

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For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value and their impact on the equity as at December 31, 2020 and 2019 are summarized below.

	Observed Volatility Rates		Impact on Equity	
	Increase	Decrease	Increase	Decrease
2020 - Investment in quoted equity securities at:				
FVOCI	+66.28%	-66.28%	P 39,004,393	(P 39,004,393)
FVPL	+66.28%	-66.28%	P1,860,908,480	(1,860,908,480)
2019 - Investment in quoted equity securities at:				
FVOCI	+28.93%	-28.93%	P 18,768,068	(P 18,768,068)
FVPL	+28.93%	-28.93%	780,971,707	(780,971,707)

The maximum additional estimated loss in 2020 and 2019 is to the extent of the carrying value of the securities held as of these reporting dates with all other variables held constant. The estimated change in quoted market price is computed based on volatility of listed companies at the PSE for the past 12 months at 95% confidence level.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

The Group is also exposed to other price risk in respect of its financial instruments at marketable debt securities and derivative financial assets and liabilities arising from foreign exchange margins trading spot and forward. These financial instruments will continue to be measured at fair value based on quoted prices for marketable debt and equity securities, and index reference provided by certain foreign financial institution for derivative financial assets.

33. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

33.1 Carrying Values and Fair Values of Financial Assets and Financial Liabilities

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

Financial assets					
Financial assets at amortized cost:					
Cash and cash equivalents	5	P 49,697,608,432	P 49,697,608,432	P 51,270,580,951	P 51,270,580,951
Trade and other receivables	6	59,944,535,257	59,947,974,952	64,386,128,066	64,824,686,659
Other financial assets	9	5,773,013,038	5,803,974,011	5,905,126,690	5,817,062,616
		P 115,415,156,727	P 115,449,557,395	P121,561,835,707	P 121,912,330,226
Financial assets at FVTPL:					
Marketable debt and equity securities	7	P 9,788,324,208	P 9,788,324,208	P 12,045,110,308	P 12,045,110,308
Financial assets at FVOCI –					
Equity securities	11	P 396,914,433	P 396,914,433	P 416,657,341	P 416,657,341
Financial liabilities					
Financial liabilities at FVTPL –					
Derivative liabilities*	17, 21	P 1,809,229,040	P 1,809,229,040	P 809,403,486	P 809,403,486

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	Notes	2020 Carrying Values	2020 Fair Values	2019 Carrying Values	2019 Fair Values
Financial liabilities at amortized cost:					
Current:					
Trade and other payables	17	**P 60,529,715,231**	**P 60,529,715,231**	P 56,940,281,897	P 56,940,281,897
Interest-bearing loans	18	**49,545,524,642**	**50,353,603,335**	40,860,676,836	40,568,501,427
Subscription payable	21	**1,114,665,008**	**1,114,665,008**	1,114,665,008	1,114,665,008
Redeemable preferred shares	20	**251,597,580**	**251,597,580**	251,597,580	251,597,580
Advances from related parties	30	**2,181,442,496**	**2,181,442,496**	2,244,180,653	2,244,180,653
ELS	21	**3,443,750,000**	**3,443,750,000**	1,836,250,000	1,836,250,000
Commission payable	21	**3,864,723,364**	**3,864,723,364**	1,700,760,516	1,700,760,516
		P 120,931,418,321	**P 121,739,497,014**	P104,948,412,490	P104,656,237,081
Non-current:					
Bonds payable	19	**P 40,282,835,986**	**P 43,032,299,663**	P 24,623,883,690	P 23,667,412,590
Interest-bearing loans	18	**124,378,416,317**	**121,262,609,744**	138,393,436,876	137,520,164,323
ELS	21	-	-	3,443,750,000	3,443,750,000
Redeemable preferred shares	20	**1,464,639,539**	**1,698,949,585**	1,380,915,329	1,810,767,064
Retention payable	21	**3,255,790,866**	**3,255,790,866**	3,698,890,599	3,698,890,599
Security deposits	21	**750,328,648**	**794,092,056**	735,004,738	667,137,320
Accrued rent	21	**11,538,105**	**11,538,105**	24,284,786	24,284,786
		P 170,143,549,461	**P 170,055,280,019**	P172,300,166,018	P 170,832,406,682

See Notes 2.4 and 2.13 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 32.

33.2 Offsetting of Financial Assets and Financial Liabilities

Currently, the Group's financial assets and financial liabilities are settled on a gross basis because there is no relevant offsetting arrangement on them as of December 31, 2020 and 2019. In subsequent reporting periods, each party to the financial instruments (particularly those involving related parties) may decide to enter into an offsetting arrangement in the event of default of the other party.

34. FAIR VALUE MEASUREMENT AND DISCLOSURES

34.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or

non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

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

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3

34.2 Financial Instruments Measurements at Fair Value

The tables below and in the succeeding page show the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as at December 31, 2020 and 2019.

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets at FVTPL – Debt and equity securities	P 9,788,321,208	P -	P -	P 9,788,321,208
Financial assets at FVOCI – Equity securities	58,847,908	127,200,000	210,866,525	396,914,433
	P 9,847,169,116	**P 127,200,000**	**P 210,866,525**	**P 10,185,235,641**

	Level 1	**Level 2**	**Level 3**	**Total**
Financial liabilities:				
Financial liability at FVTPL – Derivative liabilities*	**P -**	**P 1,108,228,040**	**P -**	**P 1,108,228,040**

	2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL – Debt and equity securities	P 12,045,110,108	P -	P -	P 12,045,110,108
Derivative asset				
Financial assets at FVOCI – Equity securities	64,874,067	136,200,000	215,583,274	416,657,341
	P 12,109,984,175	P 136,200,000	P 215,583,274	P 12,461,767,449
Financial liabilities:				
Financial liability at FVTPL – Derivative liabilities*	P -	P 809,403,486	P -	P 809,403,486

**This includes Slot jackpot liability, which is presented as part of Trade and Other Payables account (see Note 17).*

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

Described below are the information about how the fair values of the Company's classes of financial assets are determined.

(a) *Equity Securities*

As at December 31, 2020 and 2019, equity securities classified as financial assets at FVTPL or at FVOCI included in Level 1 were valued based on their market prices quoted in various stock exchanges and converted into Philippine peso amounts at the translation rates at the end of each reporting period.

Golf club shares classified as financial assets at FVOCI in 2020 and 2019 are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. Moreover, equity securities held in private companies are included in Level 3 since its market value is not quoted in an active market. The fair value was determined using the discounted cash flows model as the valuation technique. In determining the fair value, the management assumes a discount rate of 5%, terminal growth rate of 1% to 5%, using three-to-five year financial projections. Management assessed that based on the valuation technique used, the fair value of these financial instruments approximate their carrying values and any fair value changes are not material to the consolidated financial statements.

A reconciliation of the carrying amounts of Level 3 FVOCI equity securities at the beginning and end of 2020 and 2019 is shown below.

	2020	2019
Balance at beginning of year	**P 215,583,274**	P 218,533,274
Fair value losses	**(2,756,749)**	(2,950,000)
Disposal	**(1,960,000)**	-
Balance at end of year	**P 210,866,525**	P 215,583,274

(b) *Debt Securities*

The fair value of the Group's debt securities which consist of corporate bonds is estimated by reference to quoted bid price in active market at the end of the reporting period and is categorized within Level 1.

(c) *Derivative Financial Instruments*

The fair value of derivative financial instruments is measured at inputs other than quoted prices that are indirectly observable for the financial instruments and are categorized within Level 2. The fair value is derived from prices set in the derivative contracts.

34.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The tables in the succeeding page show the fair value hierarchy of the Company's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as at December 31, 2020 and 2019.

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	2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 69,697,688,432	P -	P -	P 69,697,688,432
Trade and other receivables	-	89,627,074	59,858,347,878	59,947,974,952
Other financial assets	3,077,607,181	-	2,726,366,830	5,803,974,011
	P 72,775,295,613	**P 89,627,074**	**P 62,584,714,708**	**P 135,449,637,395**
Financial liabilities:				
Current:				
Trade and other payables	P -	P -	P 60,520,715,231	P 60,520,715,231
Interest-bearing loans	-	-	50,353,603,335	50,353,603,335
Subscription payable	-	-	1,114,665,008	1,114,665,008
Advances from related parties	-	-	2,181,442,496	2,181,442,496
Redeemable preferred shares	-	-	251,597,580	251,597,580
ELS	-	-	3,443,750,000	3,443,750,000
Commission payable	-	-	3,164,723,364	3,164,723,364
Non-current:				
Bonds payable	43,032,299,663	-	-	43,032,299,663
Interest-bearing loans	-	-	121,262,609,744	121,262,609,744
Redeemable preferred shares	-	-	1,688,340,585	1,688,340,585
Retention payable	-	-	3,255,790,806	3,255,790,806
Security deposits	-	-	794,092,056	794,092,056
Accrued rent	-	-	11,538,105	11,538,105
	P 43,032,299,663	**P -**	**P248,052,477,370**	**P 291,084,777,033**

	2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 51,270,580,951	P -	P -	P 51,270,580,951
Trade and other receivables	-	109,940,351	60,699,389,366	60,809,329,717
Other financial assets	3,401,384,081	-	2,415,678,535	5,817,062,616
	P 54,671,965,032	P 109,940,351	P 63,115,067,901	P 117,896,973,284
Financial liabilities:				
Current:				
Trade and other payables	P -	P -	P 56,940,281,897	P 56,940,281,897
Interest-bearing loans	-	-	40,568,501,427	40,568,501,427
Subscription payable	-	-	1,114,665,008	1,114,665,008
Advances from related parties	-	-	2,244,180,653	2,244,180,653
Redeemable preferred shares	-	-	251,597,580	251,597,580
ELS	-	-	1,836,250,000	1,836,250,000
Commission payable	-	-	1,700,760,516	1,700,760,516
Non-current:				
Bonds payable	23,667,412,590	-	-	23,667,412,590
Interest-bearing loans	-	-	137,520,164,323	137,520,164,323
ELS	-	-	3,443,750,000	3,443,750,000
Redeemable preferred shares	-	-	1,810,767,064	1,810,767,064
Retention payable	-	-	3,698,890,599	3,698,890,599
Security deposits	-	-	667,137,320	667,137,320
Accrued rent	-	-	24,284,786	24,284,786
	P 23,667,412,590	P -	P251,821,231,173	P 275,488,643,763

For financial assets with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values. The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

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When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

34.4 Investment Property Measured at Cost for which Fair Value is Disclosed

The fair value of the Group's investment properties earning rental income was determined through discounted cash flows valuation technique. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and, appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

The Group determines the Level 3 fair value of idle properties through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adjusted for specific market factors such as location and condition of the property.

As at December 31, 2020 and 2019, the fair value of the Group's investment property amounted to P454.2 billion and P440.7 billion, respectively (see Note 14) and is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of investment properties earning rental income was determined using the income approach which is performed with values derived using a discounted cash flow model. The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital. The most significant inputs into this valuation approach are the estimated annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2020 and 2019.

35. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern; to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and to maintain strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

It monitors capital using the liabilities-to-equity ratio as shown below.

	2020	2019
Total liabilities	**P 372,673,324,966**	P 347,359,532,963
Total equity	**295,819,460,201**	297,116,795,504
Liabilities-to-equity ratio	**1.26:1.00**	1.17:1.00

The Group has complied with financial covenant obligations that require maintaining certain liabilities-to-equity ratios for both periods.

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36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation of liabilities arising from financing activities in 2020, 2019 and 2018 is presented below and in the succeeding pages. The details of net cash flows are presented in the consolidated statements of cash flows.

	Interest-bearing Loans (see Note 18)	Bonds Payable (see Note 19)	Derivative Liabilities (see Note 21)	ELS (see Note 21)	Redeemable Preferred Shares (see Note 20)	Total*
Balance as of January 1, 2020	P 179,153,113,712	P 24,623,883,690	P 242,417,137	P 5,280,000,000	P 1,832,512,909	P 211,131,927,448
Cash flows from financing activities:						
Borrowings availed	23,111,920,680	16,692,935,192	-	-	-	39,804,855,872
Payment of borrowings	(26,034,969,977)	-	-	-	-	(26,034,969,977)
Redemption of preferred shares	-	-	-	-	(251,597,580)	(251,597,580)
Non-cash activities:						
Foreign currency adjustment	(2,352,752,914)	(1,077,137,260)	-	-	-	(3,429,890,174)
Conversion of ELS	-	-	-	(1,836,250,000)	-	(1,836,250,000)
Amortization of transaction costs	39,629,458	43,174,364	-	-	-	82,803,822
Unrealized loss on cash flow hedges	-	-	606,589,407	-	-	606,589,407
Accretion of redeemable preferred shares	-	-	-	-	135,341,790	135,341,790
Balance at December 31, 2020	P 173,916,940,959	P 40,282,855,986	P 849,006,544	P 3,443,750,000	P 1,716,257,119	P 220,208,810,608

*Excluding lease liabilities (see Note 13.3)

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	Interest-bearing Loans (see Note 18)	Bonds Payable (see Note 19)	Derivative Liabilities (see Note 21)	ELS (see Note 21)	Redeemable Preferred Shares (see Note 20)	Total*
Balance as of January 1, 2019	P 167,401,953,304	P 25,102,042,365	P -	P 5,258,801,592	P 1,963,861,825	P 199,726,659,086
Cash flows from financing activities:						
Borrowings availed	30,677,150,000	-	-	-	-	30,677,150,000
Payment of borrowings	(16,580,133,659)	-	-	-	-	(16,580,133,659)
Redemption of preferred shares		-	-	-	(251,597,580)	(251,597,580)
Non-cash activities:						
Foreign currency adjustment	(2,450,405,725)	(493,907,863)	-	-	-	(2,944,313,588)
Amortization of transaction costs	104,549,792	15,749,188	-	21,198,408	-	141,497,388
Unrealized loss on cash flow hedges	-	-	242,417,137	-	-	242,417,137
Accretion of redeemable preferred shares	-	-	-	-	120,248,664	120,248,664
Balance at December 31, 2019	**P 179,153,113,712**	**P 24,623,883,690**	**P 242,417,137**	**P 5,280,000,000**	**P 1,832,512,909**	**P 211,131,927,448**

**Excluding lease liabilities (see Note 13.3)*

	Interest-bearing Loans (see Note 18)	Bonds Payable (see Note 19)	Derivative Liabilities (see Note 21)	ELS (see Note 21)	Redeemable Preferred Shares (see Note 20)	Total
Balance as of January 1, 2018	P 140,973,563,187	P 34,364,985,052	P 109,913,612	P 5,227,114,518	P 2,108,620,383	P 182,784,196,752
Cash flows from financing activities:						
Borrowings availed	59,942,342,396	-	-	-	-	59,942,342,396
Payment of borrowings	(36,010,504,182)	(10,425,600,000)	-	-	-	(46,436,104,182)
Redemption of preferred shares	-	-	-	-	(251,597,580)	(251,597,580)
Non-cash activities:						
Foreign currency adjustment	2,421,252,088	1,139,294,915	-	-	-	3,560,547,003
Additions due to consolidation of new subsidiaries	575,802	-	-	-	-	575,802
Amortization of transaction costs	74,724,013	23,362,398	-	31,687,074	-	129,773,485
Reversal of unrealized loss on cash flow hedges	-	-	(109,913,612)	-	-	(109,913,612)
Accretion of redeemable preferred shares	-	-	-	-	106,839,022	106,839,022
Balance at December 31, 2018	**P 167,401,953,304**	**P 25,102,042,365**	**P -**	**P 5,258,801,592**	**P 1,963,861,825**	**P 199,726,659,086**

37. EVENTS AFTER THE END OF THE REPORTING PERIOD

37.1 Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, R.A. No. 11534, *CREATE Act*, amending certain provisions of the Philippine National Internal Revenue Code of 1997, as amended, was signed into law with veto on certain provisions and shall be effective 15 days after its publication. The CREATE Act has several provisions with retroactive effect beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to the Group:

- regular corporate income tax rate is decreased from 30% to 25% starting July 1, 2020;
- minimum corporate income tax rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
- the imposition of 10% tax on improperly accumulated retained earnings is repealed; and,
- the allowable deduction for interest expense is reduced to 20% (from 33%) of the interest income subjected to final tax.

For subsidiaries with PEZA-registered activities, they may still avail of the 5% gross income tax for 10 years. After expiration of the transitory period of 10 years, they have an option to reapply and avail of the incentives provided under the CREATE Act and may still be extended for a certain period not exceeding 10 years at any one time.

Given that the CREATE Act was signed after the end of the current reporting period, the Group determined that this event is a non-adjusting subsequent event. Accordingly, its the Group's consolidated financial statements as of and for the year ended December 31, 2020 were not adjusted, and instead, will take this up prospectively in the next applicable reporting period. The Group used the prevailing tax rates as of December 31, 2020 in determining its current and deferred taxes in its 2020 consolidated financial statements.

As a result of the application of the lower RCIT rate of either 25% or 20% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the respective 2020 annual income tax return of some entities within the Group, would be lower than the amount presented in the respective 2020 financial statements.

In addition, the recognized net deferred tax assets and liabilities as of December 31, 2020 would be remeasured to 25% in the 2021 consolidated financial statements. This will result in a decline in the recognized deferred tax assets and liabilities in 2020 and will be charged to 2021 profit or loss, unless it can be recognized in other comprehensive income as provided in the applicable financial reporting standards.

37.2 Cancellation of Megaworld's Perpetual Capital Securities

On January 30 to February 2, 2021, RHGI made on-market purchases of all of Megaworld's U.S. $200.0 million outstanding perpetual capital securities (see Notes 9 and 22.8). On April 1, 2021, the cancellation of Megaworld's perpetual capital securities was completed in accordance with the terms and conditions of the securities.

CORPORATE INFORMATION

Date of Incorporation
October 12, 1993

Date of Public Listing
April 19, 1999

PRINCIPAL AUDITORS
Punongbayan & Araullo
Philippine Member Firm of Grant Thornton International Ltd.
19th and 20th Floors, Tower 1, The Enterprise Center
6766 Ayala Avenue, Makati City
Tel. No. (02) 8988 2288

STOCK TRANSFER AGENT
BDO Stock Transfer
Banco De Oro Unibank, Inc.
15th Floor South Tower, BDO Corporate Center
7899 Makati Avenue, Makati City
Tel. No. 878-4053, (02) 8878 4053

INVESTOR RELATIONS
Caroline Kabigting
Tel. No.: (02) 7908 8130, (02) 8894 6331
Email: ckabigting@allianceglobalinc.com
Website: www.allianceglobalinc.com

Dave Valeriano
Tel. No.: (02) 8894 6431
Email: dvaleriano@megaworldcorp.com
Website: www.megaworldcorp.com

Kenneth Nerecina
Tel. No.: (02) 8709 2222
Email: investorrelations@emperadordistillers.com
Website: www.emperadorbrandy.com

Bernard Than (also the CFO)
Cesar Sarino, Jr.
Tel. Nos.: (02) 7908 8873, (02) 7908 8259
Email: bernard.than@rwmanila.com
cesar.sarino@rwmanila.com
Website: www.rwmanila.com

7/F 1880 Eastwood Avenue,
Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue,
Bagumbayan, Quezon City
www.allianceglobalinc.com

Writing and Design by:
Drink Sustainability Communications
(www.DrinkPH.com)