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**ANNUAL
REPORT**



A. SORIANO CORPORATION

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CONCURRENT RESOLUTION OF THE BOARD OF DIRECTORS

The Board of Directors of A. Soriano Corporation by unanimous concurrence, submits herewith the Statement and Annual Report of the Chairman of the Board and President of the Corporation as its own Report to the Stockholders for the year ended December 31, 2020.

Chairman's Message

I would like to begin by thanking all of our stakeholders and everyone who is part of the Anscor family for their dedication, faith and perseverance during this very challenging period. Anscor would not have been able to weather the pandemic as well as it has without your collective efforts. I know our Board of Directors and shareholders all join me in thanking and congratulating each one of you.

THE 2020 PHILIPPINE ECONOMIC PICTURE

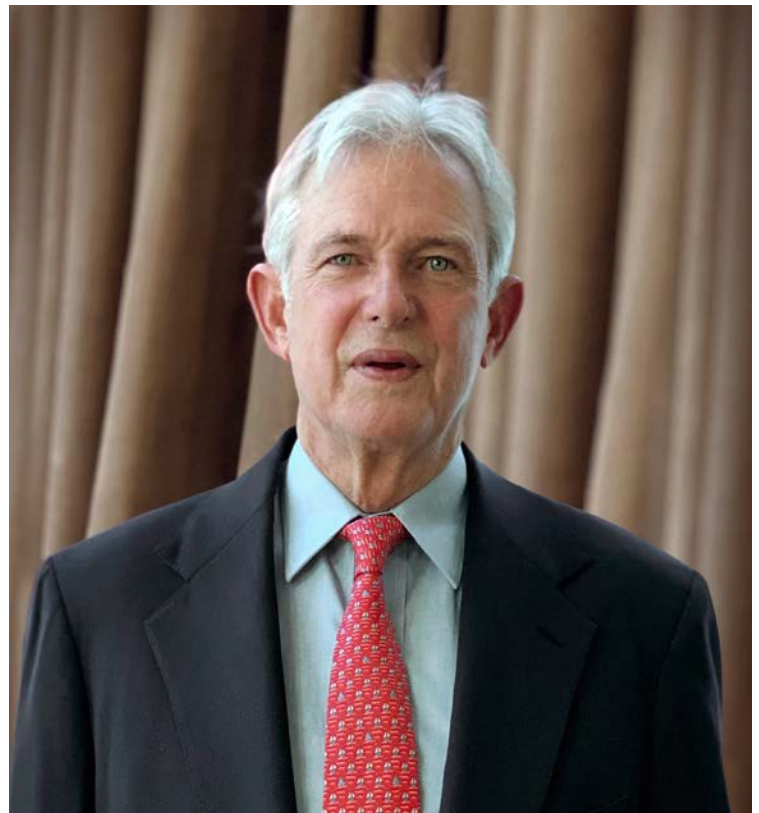
The Taal Volcano eruption and the COVID-19 pandemic resulted in the Gross Domestic Product contracting by 9.5% in 2020. Virtually all sectors of the economy registered negative growth rates as a consequence of lockdown measures imposed by the Government to contain the spread of the pandemic. The decline in consumer spending was ameliorated somewhat by the increase in e-commerce and food delivery services. Inward remittances from overseas Filipino workers also decreased, adding further to the economic hardship felt by the country.

THE COMPANY'S FINANCIAL PERFORMANCE IN 2020

For 2020, Anscor reported a net income of ₱165.6 million, as compared to a net income of ₱1.8 billion in 2019.

With the contraction of the Philippine economy, the Philippine Stock Exchange (PSE) Index fell by 8.6% and our domestic investment portfolio generated a loss of ₱784.0 million. The loss, however, was offset by a gain of ₱637.5 million from our investment in Y-mAbs Therapeutics, Inc., a clinical-stage biotechnology company, listed on the NASDAQ in the United States, and by gains in the value of our investments in foreign and local bonds. As a consequence of this diversification, our overall financial portfolio ended 2020 with a modest loss.

Anscor would not have been able to weather the pandemic as well as it has without your collective efforts.



ANDRES SORIANO III
Chairman

The growth potential of our investments in local and foreign private equities remains robust and we are hopeful that the PSE will continue to recover, as mobility restrictions ease.

Despite the challenges brought about by the pandemic, Phelps Dodge Philippines Energy Products Corporation (PDP) generated a very creditable net profit and Amanpulo broke even. Unfortunately, these positive results were offset by another year of deep losses at AGP International Holdings PTE Ltd. (AG&P). Given AG&P's history of disappointing financial performance, we decided to write down the carrying cost of our 21.4% investment in AG&P to zero, so as not to impact Anscor's future financial results. Notwithstanding this setback, Anscor's balance sheet remains strong.

Given the strong financial position and ample liquidity, your Board of Directors declared a cash dividend of ₱0.75 per share in March 2020, from results achieved in 2019.

For 2020, Anscor's book value per share decreased from ₱15.95 to ₱15.23.

PHELPS DODGE INTERNATIONAL PHILIPPINES, INC. (PDP)

PDP's strength of character, culture and most of all, its dedicated employees enabled the company to weather two months of closure and still produce very solid results. Its strong balance sheet enabled the company to extend credit terms to its distributors and provide assistance during these trying times.

As the pandemic took hold, PDP focused on assisting its employees by providing subsidies, loans and the advance payment of the 13th month pay, particularly during the two-month shutdown.

Most importantly, health protocols were immediately established and enforced to ensure the safety and well-being of the company's workforce. For the full-time employees, work-from-home rules were implemented quickly, including providing the necessary equipment and Wi-Fi connections. A shuttle service, meant to minimize exposure of employee-commuters to the virus, was provided for those who needed to be physically present at PDP's offices and factory.

PDP registered total revenue of ₱6.5 billion and net income of ₱692.0 million.





Amanpulo received numerous international citations. The safety protocols of Amanpulo became the “gold” standard for the industry.

PDP employees were exemplary in protecting the company's assets and in assisting their customers with conference calls and sharing best practices. As soon as the quarantine was lifted in Tarlac, PDP promptly resumed normal operations, achieved production targets, made deliveries, and arranged flexible payments for customers affected by the stoppage of their projects.

The company was able to assist its stakeholders by donating building wires and food packages to the local government of Tarlac. PDP also helped the Small Island Program of the Andres Soriano Foundation and donated food packages and hygiene kits to flood victims in Northern and Southern Luzon.

For 2020, PDP registered total revenue of ₱6.5 billion and a net income of ₱692.0 million. Volumes sold fell by 20% vis-a-vis 2019 and net income declined 14%. A favorable exchange rate, strong copper prices and prudent cost management helped maintain healthy margins.

The company paid Anscor a management fee of ₱87.4 million and a cash dividend of ₱250.0 million in 2020.

Despite higher inventories due to delayed deliveries and a growth in receivables, the company's cash flow was positive. The increase in working capital was offset by the postponement of several large capital expenditure items that had originally been budgeted for the year.

SEVEN SEAS RESORTS AND LEISURE, INC. (owner of Amanpulo)

Immediately after the Resort was mandated to close its operations in March 2020, Management implemented a strict protocol for its staff on Pamalican Island and developed a robust set of programs to ensure the safety of guests, in anticipation of the eventual reopening.

The Resort closed for almost four months and after presenting the Department of Tourism with a comprehensive safety plan for guests and employees, the Resort was allowed to reopen at 50% capacity in June 2020. The protocols developed by Amanpulo have become the “gold” standard for the industry. In November, the Resort was allowed to increase its capacity to 75%, and to 100% in December.

Through aggressive marketing initiatives targeted at the domestic market, Amanpulo saw steady gains in occupancy and finished the year at 36.9% with total revenue of ₱646.3 million. Although lower than last year's occupancy rate of 54.2% and revenue of ₱1.1 billion, Amanpulo maintained a positive EBITDA of 18.1% or ₱124.8 million.

Amanpulo also received numerous international citations. The Resort is among the “Top 10 Best Hotels and Resorts in the Philippines” in the DestinAsian Readers Choice Awards. Destination Deluxe handpicked Amanpulo as a finalist for “Private Island of the Year,” while the Gallivanter’s Guide UK named Amanpulo as “Best Ever Resort Hotel Worldwide.”

Amanpulo has earned top spots as the “World’s Leading Dive Resort,” “Asia’s Leading Private Island Resort,” the “Philippines’ Leading Luxury Hotel Villa” and the “Philippines’ Leading Private Island Resort” in the World Travel Awards 2020. The Amanpulo Spa was named as the “Philippines’ Best Resort Spa” for 2020 by the World’s Spa Awards.

In December, Amanpulo’s filtration and bottling plant began producing its own branded drinking water. Succeeding phases aim to meet all of the island’s drinking water needs and eliminate the use of water in plastic bottles to reduce Amanpulo’s carbon footprint.

ATRAM INVESTMENT MANAGEMENT PARTNERS CORPORATION (ATRAM)

During the most difficult economic environment in recent history, ATRAM solidified its position as the leading independent asset management firm in the Philippines.

ATRAM’s assets under management (AUM) stood at ₱131.2 billion at the end of 2020, 5% lower than the prior year’s AUM of ₱138.7 billion. The decrease in AUM was attributed to the negative market revaluation of the local equity market, which was partially offset by positive net fund inflows of ₱4.0 billion.

ATRAM’s digital transformation initiatives over the past years enabled the firm to adapt quickly to the new virtual environment. With a successful work-from-home implementation, ATRAM was able to operate at full capacity throughout the year and service its clients with relative ease throughout the lockdowns.

The company stepped up its digital marketing initiatives across its social media platforms including organizing over a hundred ATRAM investment webinars that reached thousands of participants. ATRAM’s expeditious response to the changing business landscape helped the company retain and attract new clients.

Efforts to innovate and differentiate its products and services continued amidst the crisis. ATRAM’s global feeder fund range and fixed income funds performed well and gave clients the opportunity to invest in sectors such as Technology and Healthcare that were growing, in spite of the pandemic. ATRAM’s new discretionary-managed portfolio offering for wealth clients also gained traction.

Seedbox, ATRAM’s digital wealth technology platform for retail clients, expanded its user base to over one million users. ATRAM and Seedbox jointly collaborated with the Bangko Sentral ng Pilipinas (BSP) to digitally relaunch the Personal Equity Retirement Account (PERA) program, the voluntary pension pillar for Filipinos, that aims to reach five million investors over five years.

As a testament to ATRAM’s consistent excellent performance, the Group received a number of awards and recognitions. Asian Investor awarded ATRAM as the “Best Local Fund House in the Philippines” for 2020, its third award of this kind in the last six years. The Asset, another regional publication, recognized ATRAM as the “Top Investment House in the Philippines” for the Local Bond category while the Chartered Financial Analyst Society Philippines cited ATRAM’s Total Return Bond Fund as the “Best Managed Bond Fund” of 2020.

With renewed focus and optimism, ATRAM aims to accelerate growth built on new sources of revenues, digitally enabled channels, and a relentless focus on delivering quality products.

KSA REALTY CORPORATION (owner of The Enterprise Center)

The leasing industry was one of the industries most affected by the COVID-19 pandemic as government-mandated lockdowns affected many tenants of The Enterprise Center (TEC). Many of TEC tenants were not able to operate at optimal rates and sustained operating losses, and, as a result, requested rental concessions, some of which were granted, after careful review.

Average occupancy during the year was 95%, marginally lower than last year's 98%.

While the occupancy rate dropped, TEC managed to offset this with a 5% increase in average effective rent from ₱1,434 per sq.m. in 2019 to ₱1,502 per sq.m. in 2020. This resulted in a slight increase in operating income in 2020 and net income reached ₱1.1 billion.

TEC declared ₱850.0 million in dividends in 2020 of which ₱121.4 million was Anscor's share.

AGP INTERNATIONAL HOLDINGS PTE LTD. (AG&P)

AG&P had another challenging year in 2020.

Its construction and engineering operations were forced to curtail activity due to the Philippine government-mandated quarantine. Lockdowns in India halted the development of its liquefied natural gas (LNG) terminal and its distribution operations. It was also hampered by a lack of liquidity, as efforts to raise new equity fell behind schedule. Its difficulties notwithstanding, AG&P has broken ground on its first LNG terminal in India and has begun rolling out compressed natural gas stations across India, where it has exclusive concessions to distribute natural gas to over 66 million people.

The Company registered a net loss of US\$103.2 million against revenues of US\$96.8 million, the third year in a row of losses. Anscor remains very concerned with the slow development of its LNG operations and its weak financial performance.



Average occupancy of the Enterprise Center was 95%, net income reached ₱1.1 billion.

STARTUP AND PRIVATE EQUITY VENTURES

A portion of the Company's assets are dedicated to early stage and private equity opportunities.

Anscor began investing in Y-mAbs Therapeutics, Inc. in 2015 and it was listed on the NASDAQ (Ticker: YMAB) in September 2018. Y-mAbs is a clinical-stage biopharmaceutical company focused on the development and commercialization of novel, antibody-based therapeutic products to treat cancer.

Y-mAbs has a broad and advanced product pipeline, including two pivotal-stage product candidates, naxitamab and omburtamab. Naxitamab received its first approval from the US Food and Drug Administration in November 2020.

The Company invested US\$5.0 million in Macquarie ASEAN Technology Investments Holdings II LP, a special-purpose vehicle invested exclusively in shares of Grab Holdings, Inc. Grab is the leading on-demand transportation and food delivery provider in Southeast Asia with leading market share in seven countries, including the Philippines.

Anscor has committed US\$10.0 million in Navegar II LP, a Philippine-focused private equity fund, which began deploying funds in early 2020. Investments are focused on the e-commerce and business process outsourcing (BPO) sectors.

The Company has also made a total investment in Sierra Madre Philippines I LP, a Philippine-based private equity fund, of US\$3.3 million out of a US\$9.0 million commitment. The Fund has invested in the logistics, semiconductor services, education and BPO sectors.

Other early stage investments include, Madaket, Inc., an innovative US software service platform that automates healthcare provider data management processes, and Medifi, a Philippine-based online healthcare platform that connects doctors and patients.

CORPORATE SOCIAL RESPONSIBILITY

During the pandemic, the Andres Soriano Foundation (ASF) immediately responded to the needs of its field personnel and staff and the small island communities it is committed to help, without losing sight of its mission as a social development organization. Over ₱4.0 million in cash and in-kind donations were received and distributed to those in need in April, May and June 2020.

SMALL ISLAND SUSTAINABLE PROGRAM

Health

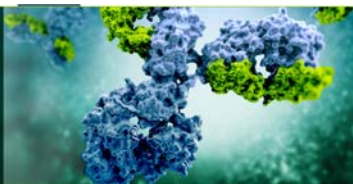
Much of the Foundation's community initiatives were stopped temporarily due to strict implementation of standard health protocols. Immediate relief for urgent needs were provided: medical supplies, hygiene kits, personal protective equipment and Vitamin C to stem the spread of the virus especially for those at the frontline of health service delivery.

Families of the displaced sectors of tricycle drivers and contractual workers of construction projects, resorts, and popular food stalls called carinderias, were provided with relief packs. Overall, ASF was able to reach 4,273 families or 21,365 individuals, 602 frontline health workers, 50 cancer patients, five public hospitals, three rural health units, 11 barangay health centers and 15 public elementary schools.

*Naxitamab under brand name
DANYELZA received its approval from
USFDA in November 2020.*



DANYELZA



DANYELZA® (naxitamab-gqgk)

DANYELZA
(naxitamab-gqgk)
40mg/10mL Injection

Please click for full Prescribing Information and Patient Information for DANYELZA including BOXED WARNING on serious infusion-related reactions and neurotoxicity.



The Marine Protected Area of Manamoc Island spans 108 hectares. Manamoc Bantay Dagat volunteers regularly patrol the area to mitigate illegal fishing activities.

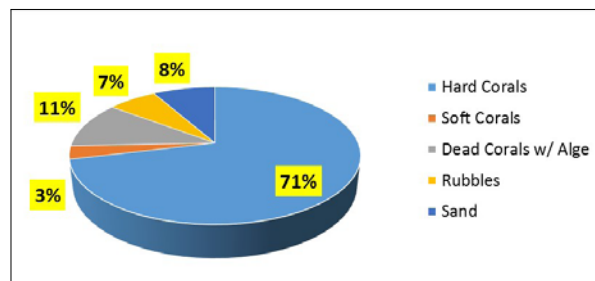
The nutrition program's "First 1,000 Days of a Child" project continued in the second half of the year. Twenty pregnant women were recipients of a month's package of health services inclusive of prenatal consultations, Vitamin A, vaccines for tetanus and sexually transmitted diseases, and iron and iodine with the distribution of milk and iodized salt.

Education

ASF collaborated with the Department of Education, Manamoc National High School and the Technical Education and Skills Development Authority (TESDA) on the 33-day seminar on training methodologies for two senior high school (SHS) technical-vocational (Tech-Voc) teachers. This supports the school's efforts for TESDA accreditation of its SHS Tech-Voc Laboratory Facility to become an assessment center in Palawan for SHS graduates of tourism-related courses.

Three academic college scholars continued their studies through a virtual learning environment with ASF providing the needed equipment.

All ten Tech-Voc scholars completed a two-year course on electromechanics at the Dual Tech School. The scholars are now employed, with seven hired as regular employees by the companies where they had their on-the-job training.



The 2020 Results of Coral Reef Check Monitoring in Manamoc Island Fish Sanctuary shows material increase and healthy live corals.

Livelihood

The slump in the tourism industry affected the livelihood of local farmers in the islands. Sales gradually picked up at the start of the fourth quarter. Products sold included pork, chicken, eggs and vegetables. Aggregate sales were ₱3.1 million during the period.

Pandan and buri weaving sustained its operation. ASF set up a temporary livelihood fund to pay for the finished products that provided income for the weavers.

Environment

Protection and conservation efforts in partnership with barangays and municipal governments improved live coral cover and increased the presence of a variety of fish.

A good fishing year helped supply the needed food and income especially for workers who were displaced during the lockdown.

Coastal clean-up was continued at various project sites and 12,578 mangrove seedlings were planted before and after the lockdown.

ASF supported the efforts of communities in reducing plastic wastes in the islands through recycling and repurposing. A first step in the latter process is shredding plastic wastes and mixing them with concrete for house flooring and road construction. ASF will soon help communities turn plastic wastes into secondary products for household and community use.

CANCER CARE PROGRAM

ASF received continuing support from seven pharmaceutical companies as a fund conduit for its medical oncology fellowship program for seven medical doctors in the Cancer Institute at UP-PGH.

The Cancer Institute received medical supplies, hygiene kits and personal protective equipment worth P650,000 from ASF and its partners. In addition, four units of new desktops and five units of laptop computers were donated to support the shift from face-to-face medical consultations to online/tele-consultations.

In partnership with the Asian Oncology Society and Philippine Cancer Society, ASF sponsored the 2020 Andres Soriano Memorial Cancer Lecture. Held virtually, conference speaker was Dr. Heinz Josef Lenz who spoke on "Biomarker-Driven and Molecular-Targeted Therapies for Colorectal Cancer." Asian medical practitioners mostly specializing in oncology attended the lecture.

DISASTER RELIEF ASSISTANCE

In the aftermath of the devastating Taal Volcano eruption, ASF in partnership with the Archdiocese of Lipa and the Municipalities of Malvar and Talisay distributed relief packs and hygiene kits to over a thousand families in Batangas.

It also donated cash and goods for the typhoon victims of three successive typhoons that inundated North Luzon, Bicol and Metro Manila in October and November.

OUTLOOK

We expect economic activity to recover with the decline of new daily recorded COVID-19 cases that will reduce the prospects of future lockdowns, and with the advent of vaccinations. The authorities have engaged in multilateral initiatives to secure vaccines, with a rollout expected to start in March 2021.

Liquidity provided by the Central Bank, Government-sponsored stimulus programs, the Build Build Build infrastructure push, and fiscal reforms, such as reduced corporate income taxes and targeted fiscal incentives, will all aid the country's economic recovery and support future growth.

Our key subsidiaries are all positioned to benefit as the Philippines and the regional economies recover. PDP will be a direct beneficiary of improved economic prospects and stronger construction activity. Palawan has been identified as one of the "Top 10 Most Popular Destinations for Post-Lockdown Travel" by a global travel site and Amanpulo is well-positioned to receive affluent domestic and international tourists, once regional travel resumes. Although uncertainties remain around the short-term prospects for office leasing, KSA remains optimistic that its iconic property will continue to outperform the broader office market in 2021.

Anscor's conservative and strong balance sheet helped it to remain resilient throughout the pandemic and leaves it well positioned to take advantage of the anticipated recovery. Protecting stakeholder investments and sustaining stakeholders' trust will remain its guideposts.

ACKNOWLEDGEMENT

To the Philippines' dedicated and selfless medical professionals and critical service workers who care for our communities, we extend our sincerest appreciation and thanks.

Again, to all our employees spread out in our subsidiaries and affiliates – thank you. To our shareholders, your constant support has helped us weather this storm, and to our Directors, thank you for your guidance.

Financial Highlights

(In Million Pesos Except for Ratios and Per Share Data)

| CONSOLIDATED FOR THE YEAR | 2020 | 2019 | 2018 |
|--|---------|----------|---------|
| Revenues and net investment gains | 6,883.7 | 10,695.4 | 9,781.0 |
| Sale of goods | 6,448.2 | 8,208.4 | 8,292.5 |
| Services | 767.6 | 1,342.4 | 1,314.7 |
| Gain (loss) on increase (decrease) in market values of fair value through profit or loss investments | (76.5) | 1,151.8 | 33.5 |
| Dividend income | 259.1 | 373.6 | 301.8 |
| Interest income | 82.2 | 124.5 | 109.5 |
| Gain (loss) on sale of fair value through other comprehensive income investments | 1.2 | 11.9 | (2.7) |
| Equity in net losses and impairment loss on investments in associates | (598.0) | (517.1) | (262.2) |
| Loss on disposal of a subsidiary | – | – | (6.1) |
| NET INCOME* | 165.6 | 1,843.6 | 808.4 |
| EARNINGS PER SHARE** | 0.13 | 1.53 | 0.67 |

| CONSOLIDATED AT YEAR-END | 2020 | 2019 | 2018 |
|---|----------|----------|----------|
| Total Assets | 21,602.3 | 23,112.4 | 22,290.0 |
| Equity Attributable to Equity Holders of the Parent | 18,695.6 | 19,943.1 | 18,575.9 |
| Investment Portfolio | 12,251.4 | 14,289.3 | 13,253.7 |
| Current Ratio | 10.03 | 9.82 | 7.48 |
| Debt to Equity Ratio*** | 0.13 | 0.13 | 0.17 |
| Book Value Per Share**** | 15.23 | 15.95 | 15.33 |

* Attributable to equity holders of the Parent.

** Based on weighted average number of shares of 1,242.0 million in 2020, 1,208.0 million in 2019 and 1,215.5 million in 2018.

*** Computed using the equity attributable to equity holders of the Parent.

**** Based on outstanding shares of 1,227.6 million, 1,250.1 million and 1,211.9 million as of December 31, 2020, 2019 and 2018, respectively.

Five-year Review

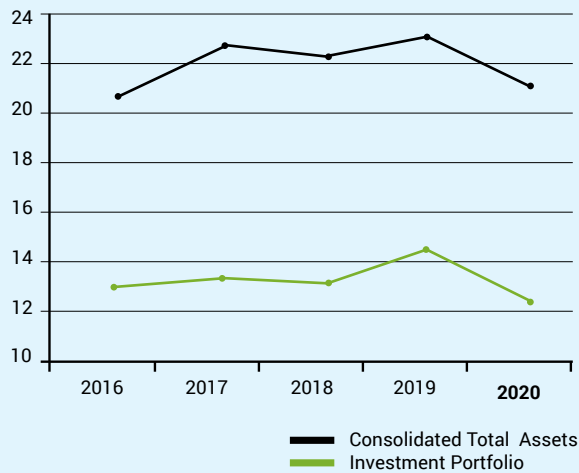
(In Million Pesos Except Per Share Data)

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|----------|----------|----------|----------|----------|
| Net Income Attributable to Equity Holders of the Parent | 165.6 | 1,843.6 | 808.4 | 2,547.5 | 2,682.6 |
| Equity Attributable to Equity Holders of the Parent | 18,695.6 | 19,943.1 | 18,575.9 | 18,332.5 | 16,189.3 |
| Weighted Average Number of Shares Outstanding | 1,242.0 | 1,208.0 | 1,215.5 | 1,224.2 | 1,232.7 |
| Earnings Per Share* | 0.13 | 1.53 | 0.67 | 2.08 | 2.18 |
| Book Value Per Share** | 15.23 | 15.95 | 15.33 | 15.06 | 13.13 |
| | | | | | |
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Revenues and Net Investment Gains | 6,883.7 | 10,695.4 | 9,781.0 | 10,584.6 | 9,883.8 |
| Total Assets | 21,602.3 | 23,112.4 | 22,290.0 | 22,346.2 | 21,482.1 |
| Investment Portfolio | 12,251.4 | 14,289.3 | 13,253.7 | 13,339.1 | 13,144.9 |

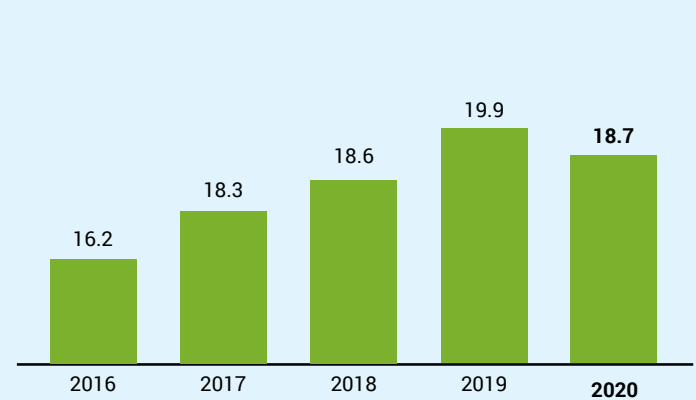
* Ratio of net income attributable to equity holders of the Parent to weighted average number of shares outstanding during the year.

** Ratio of equity attributable to equity holders of the Parent to outstanding number of shares as of end-December.

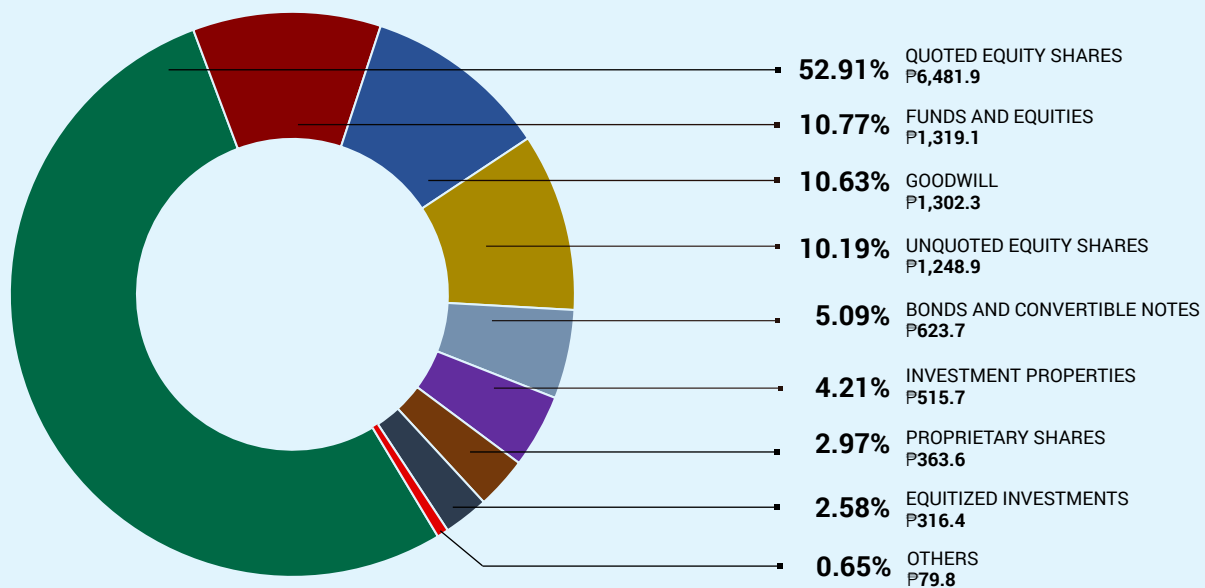
CONSOLIDATED TOTAL ASSETS & INVESTMENT PORTFOLIO (In Billion Pesos)



EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (In Billion Pesos)



CONSOLIDATED INVESTMENT PORTFOLIO DETAILS DECEMBER 31, 2020 (In Million Pesos)





STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of A. Soriano Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, 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 the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company'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 or members.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

ANDRES SORIANO III
Chairman, President and
Chief Executive Officer

ERNEST K. CUYEGKENG
Executive Vice President and
Chief Financial Officer

Signed this 18th day of February 2021

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) S.S.

SUBSCRIBED AND SWORN to before me this 18th day of February 2021, affiants exhibited to me the following:

| NAME | PASSPORT NO. | DATE & PLACE ISSUED |
|---------------------|--------------|--|
| Andres Soriano III | 506368805 | Jan. 14, 2015 to Jan 13, 2025/ U.S. |
| Ernest K. Cuyegkeng | P7236847A | May 19, 2018 to May 18, 2028/DFA NCR South |

Doc. No. 12;
Page No. 4;
Book No. XXI;
Series of 2021.

ATTY. REGINALDO L. HERNANDEZ
Notary Public for and in the City of Makati
Appointment No. M-345; Roll No. 20642
Commission expires on 06-30-21
MCLE Compliance No. VI-0008138
PTR No. 8551475; 1-15-21; Makati City
IBP No. 143946; 02-03-21; Pasig City
TIN No. 100-364-501



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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018 valid until November 5, 2021

The Board of Directors and Stockholders
A. Soriano Corporation
7th Floor, Pacific Star Building,
Makati Avenue corner Gil Puyat Avenue Extension,
Makati City

Opinion

We have audited the consolidated financial statements of A. Soriano Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets 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 (PFRSs).

Basis for Opinion

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

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Recoverability of Goodwill

The goodwill arising from the acquisitions of Phelps Dodge International Philippines, Inc. and Seven Seas Resorts and Leisure, Inc. amounted to P1,302.3 million as at December 31, 2020 and is considered significant to the consolidated financial statements. Under PFRSs, the Group is required to annually test the amount of goodwill for impairment. We considered the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the sensitivity of the estimated recoverable amount to management's assumptions and judgments. In assessing the recoverability of the Group's goodwill, management exercised significant judgments and used assumptions, such as revenue growth rates, discount rates and long-term growth rates in estimating the value-in-use of these cash-generating units (CGUs). These assumptions are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted further by the coronavirus pandemic.

The Group's disclosures on goodwill are included in Note 7 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the valuation methodology and assumptions used by management in estimating value-in-use. These assumptions include revenue growth rates, discount rates and long-term growth rates. We compared the growth rates used against the historical performance of the CGUs, taking into consideration the impact associated with the coronavirus pandemic. In testing the discount rates, our internal specialist performed independent testing on the determination of discount rates using market-based parameters. In addition, we reviewed the disclosures in the consolidated financial statements related to the key assumptions used and the sensitivity of the estimates to these key assumptions particularly those to which the impairment test is most sensitive.

Recoverability of Investment in an Associate

The Group has an investment in an associate that is accounted for using the equity method. For the year ended December 31, 2020, the Group's share in the net loss of the associate amounted to P601.0 million. In addition, in 2020, the Group identified indicators of possible impairment of its investment in an associate and, as required in PFRSs, assessed the recoverability of its investment based on management's estimated expected cash flows from the operations of the associate, judgment over the appropriate valuation model, and valuation assumptions such as discount rate and long-term growth rate. This matter is significant to our audit because of the materiality of the recognized share in net loss of the associate and the significant management judgment and assumptions used in determining the recoverable amount, which are subject to higher level of estimation uncertainty due to the current economic conditions as further impacted by the coronavirus pandemic.

The Group's disclosures on investment in an associate are included in Note 14 to the consolidated financial statements.

Audit Response

We obtained from management an understanding of the current business operations of the associate and whether such is considered in the Group's assumptions. Furthermore, we involved our internal specialist in evaluating the model used by the Group in estimating the equity value of the investment and the assumptions in estimating the associate's cash flows from operations. These assumptions include discount rate and long-term growth rate. In testing the discount rate, our internal specialist performed an independent testing of the determination of discount rate using market-based parameters. We also reviewed and tested the sensitivity of the present value of discounted cash flows to changes in key assumptions particularly those to which the recoverable amount is most sensitive. We also obtained the financial information of the associate and recomputed the Group's share in net losses for the year ended December 31, 2020.

Valuation of Unquoted Equity Instruments

In accordance with PFRS 9, *Financial Instruments*, the Group classified its unquoted equity investments, with carrying value of ₱1,248.9 million as at December 31, 2020, as financial assets through profit or loss. We considered the valuation of these unquoted equity investments as a key audit matter because of the materiality of the amount involved, the significant judgment applied in selecting the valuation techniques and inputs that are not market observable, and the other significant assumptions used in estimating future cash flows from these unquoted equity investments.

The Group's disclosures about its equity investments are included in Note 10 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the valuation techniques and inputs and the other assumptions used. These assumptions include discount rates, revenue growth rates and comparable companies. In testing the discount rates, our internal specialist performed independent testing on the determination of discount rates using market-based parameters. For investment valued using the income approach, we compared the revenue growth rates to the historical performance of the investment and the industry/market outlook. For investments valued under the market approach, we reviewed the comparable companies used in the valuation and confirmed factors such as additional funding of the investee that would warrant the change in market value of the investments. For private equity fund investments valued under the cost approach (adjusted net asset value method), we reviewed the financial information of the investees and checked if the financial information used reflects the fair values of the investee's assets and liabilities. In addition, we reviewed the disclosures in the consolidated financial statements related to the significant unobservable inputs to the fair value measurement.

Other Information

Management is responsible for the other information. The other information comprises the information included in the 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 auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read 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 PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in 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 audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Dhonabee B. Señeres.

SYCIP GORRES VELAYO & CO.



Dhonabee B. Señeres

Partner

CPA Certificate No. 97133

SEC Accreditation No. 1196-AR-2 (Group A),

October 18, 2018, valid until October 17, 2021

Tax Identification No. 201-959-816

BIR Accreditation No. 08-001998-098-2020,

November 27, 2020, valid until November 26, 2023

PTR No. 8534366, January 4, 2021, Makati City

February 18, 2021

Consolidated Balance Sheets

| | December 31 | |
|--|-------------------------|-------------------------|
| | 2020 | 2019 |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Note 9) | ₱ 3,091,959,345 | ₱ 2,308,878,255 |
| Fair value through profit or loss (FVPL) investments (Notes 10 and 20) | 10,022,872,169 | 11,130,248,073 |
| Receivables (Note 11) | 1,935,992,841 | 2,122,602,618 |
| Inventories (Note 12) | 1,052,585,937 | 904,427,520 |
| Fair value through other comprehensive income (FVOCI) investments - current (Note 13) | — | 94,535,324 |
| Prepayments | 36,741,212 | 34,866,126 |
| Other current assets | 17,109,933 | 27,070,500 |
| Total Current Assets | 16,157,261,437 | 16,622,628,416 |
| Noncurrent Assets | | |
| FVOCI investments - net of current portion (Note 13) | 94,137,422 | 235,949,189 |
| Notes receivables (Note 28) | 307,499,741 | 349,499,741 |
| Investments and advances (Note 14) | 318,329,315 | 1,078,655,003 |
| Goodwill (Note 7) | 1,302,276,264 | 1,302,276,264 |
| Property and equipment (Notes 15 and 20) | 2,480,841,422 | 2,562,463,613 |
| Investment properties (Note 16) | 515,702,509 | 530,382,258 |
| Retirement plan asset - net (Note 25) | 91,612,330 | 84,470,839 |
| Deferred income tax assets - net (Note 26) | 123,997,500 | 87,156,013 |
| Right-of-use assets (Note 31) | 20,721,708 | 35,292,325 |
| Other noncurrent assets (Notes 17 and 31) | 189,905,685 | 223,646,431 |
| Total Noncurrent Assets | 5,445,023,896 | 6,489,791,676 |
| TOTAL ASSETS | ₱ 21,602,285,333 | ₱ 23,112,420,092 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Notes payable (Note 18) | ₱ 23,166,200 | ₱ — |
| Accounts payable and accrued expenses (Notes 19 and 33) | 857,820,767 | 931,320,157 |
| Current portion of lease liabilities (Note 31) | 4,922,514 | 9,907,864 |
| Dividends payable (Note 21) | 366,069,163 | 283,974,578 |
| Income tax payable | 206,866,422 | 192,064,701 |
| Current portion of long-term debt (Note 20) | 151,428,571 | 276,164,746 |
| Total Current Liabilities | 1,610,273,637 | 1,693,432,046 |

(Forward)

Consolidated Balance Sheets

| | December 31 | |
|--|-------------------------|-------------------------|
| | 2020 | 2019 |
| Noncurrent Liabilities | | |
| Long-term debt - net of current portion (Note 20) | ₱ 75,714,286 | ₱ 227,142,857 |
| Lease liabilities - net of current portion (Note 31) | 19,208,263 | 27,466,781 |
| Deferred income tax liabilities - net (Note 26) | 468,391,756 | 479,312,696 |
| Retirement benefits payable - net (Note 25) | 56,895,050 | 32,252,060 |
| Other noncurrent liabilities (Notes 17 and 31) | 111,411,807 | 147,956,007 |
| Total Noncurrent Liabilities | 731,621,162 | 914,130,401 |
| Total Liabilities | 2,341,894,799 | 2,607,562,447 |
| Equity Attributable to Equity Holders of the Parent (Note 21) | | |
| Capital stock - ₱1 par value | 2,500,000,000 | 2,500,000,000 |
| Additional paid-in capital | 1,859,383,287 | 1,859,383,287 |
| Cumulative translation adjustment | 99,260,524 | 273,248,081 |
| Unrealized valuation gains on FVOCI investments (Note 13) | 2,521,749 | 8,739,689 |
| Remeasurement on retirement benefits (Note 25) | 23,720,413 | 33,267,478 |
| Retained earnings (Note 21): | | |
| Appropriated | 7,150,000,000 | 7,150,000,000 |
| Unappropriated | 9,715,904,450 | 10,487,853,458 |
| Cost of shares held by a subsidiary (1,272,429,761 shares and 1,249,872,246 shares in 2020 and 2019, respectively) (Note 21) | (2,655,215,372) | (2,369,372,182) |
| | 18,695,575,051 | 19,943,119,811 |
| Noncontrolling Interests (Note 3) | 564,815,483 | 561,737,834 |
| Total Equity | 19,260,390,534 | 20,504,857,645 |
| TOTAL LIABILITIES AND EQUITY | ₱ 21,602,285,333 | ₱ 23,112,420,092 |

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

| | Years Ended December 31 | | |
|---|-------------------------|-----------------------|-----------------------|
| | 2020 | 2019 | 2018 |
| REVENUES | | | |
| Sale of goods - net (Note 5) | ₱ 6,448,195,660 | ₱ 8,208,374,800 | ₱ 8,292,508,630 |
| Services (Notes 5 and 31) | 767,569,969 | 1,342,389,775 | 1,314,704,847 |
| Dividend income (Note 10) | 259,109,001 | 373,587,490 | 301,777,821 |
| Interest income (Notes 9, 10, 11, 13 and 24) | 82,203,823 | 124,478,035 | 109,516,147 |
| | 7,557,078,453 | 10,048,830,100 | 10,018,507,445 |
| INVESTMENT GAINS (LOSSES) | | | |
| Gain (loss) on increase (decrease) in market values of FVPL investments (Notes 10 and 30) | (76,521,488) | 1,151,784,252 | 33,493,049 |
| Gain (loss) on sale of FVOCI investments (Note 13) | 1,150,196 | 11,859,942 | (2,700,602) |
| Loss on disposal of a subsidiary (Note 8) | — | — | (6,111,015) |
| | (75,371,292) | 1,163,644,194 | 24,681,432 |
| EQUITY IN NET LOSSES AND IMPAIRMENT LOSS ON INVESTMENTS IN ASSOCIATES (Note 14) | (598,006,474) | (517,090,062) | (262,184,140) |
| TOTAL | 6,883,700,687 | 10,695,384,232 | 9,781,004,737 |
| Cost of goods sold (Note 22) | (5,023,688,235) | (6,590,288,987) | (7,010,549,289) |
| Cost of services rendered (Note 22) | (268,702,449) | (447,058,842) | (437,508,189) |
| Operating expenses (Note 22) | (1,051,650,414) | (1,217,805,627) | (1,194,383,616) |
| Interest expense (Notes 18, 20, 24 and 31) | (24,411,138) | (48,364,623) | (72,908,371) |
| Foreign exchange gain (loss) - net | (106,404,104) | (92,967,921) | 106,678,302 |
| Other income - net (Notes 24 and 31) | 51,200,190 | 68,852,086 | 79,708,375 |
| INCOME BEFORE INCOME TAX | 460,044,537 | 2,367,750,318 | 1,252,041,949 |
| PROVISION FOR INCOME TAX (Note 26) | 291,319,541 | 429,373,654 | 347,218,566 |
| NET INCOME | 168,724,996 | 1,938,376,664 | 904,823,383 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | |
| Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods: | | | |
| Unrealized valuation gains (losses) on FVOCI investments (Note 13) | (7,732,576) | 35,957,388 | (34,538,189) |
| Income tax effect | 2,319,773 | (10,787,216) | 10,361,457 |
| | (5,412,803) | 25,170,172 | (24,176,732) |

(Forward)

Consolidated Statements of Comprehensive Income

| | Years Ended December 31 | | |
|---|-------------------------|------------------------|----------------------|
| | 2020 | 2019 | 2018 |
| Realized losses (gains) on FVOCI investments recognized in the consolidated profit or loss (Note 13) | (P 1,150,196) | (P 11,859,942) | P 2,700,602 |
| Income tax effect | 345,059 | 3,557,983 | (810,181) |
| | (805,137) | (8,301,959) | 1,890,421 |
| | (6,217,940) | 16,868,213 | (22,286,311) |
| Cumulative translation adjustment | (173,987,557) | (112,264,694) | 89,930,454 |
| | (180,205,497) | (95,396,481) | 67,644,143 |
| Other comprehensive loss not to be reclassified to profit or loss in subsequent periods: | | | |
| Remeasurement loss on retirement benefits (Note 25) | (13,097,687) | (9,304,530) | (24,574,106) |
| Income tax effect | 3,550,622 | 2,718,980 | 6,432,512 |
| | (9,547,065) | (6,585,550) | (18,141,594) |
| OTHER COMPREHENSIVE INCOME (LOSS) | (189,752,562) | (101,982,031) | 49,502,549 |
| TOTAL COMPREHENSIVE INCOME (LOSS) | (P 21,027,566) | P 1,836,394,633 | P 954,325,932 |
| Net Income Attributable to: | | | |
| Equity holders of the Parent | P 165,646,806 | P 1,843,615,322 | P 808,386,813 |
| Noncontrolling interests | 3,078,190 | 94,761,342 | 96,436,570 |
| | P 168,724,996 | P 1,938,376,664 | P 904,823,383 |
| Total Comprehensive Income (Loss) Attributable to: | | | |
| Equity holders of the Parent | (P 24,105,756) | P 1,741,633,291 | P 857,889,362 |
| Noncontrolling interests | 3,078,190 | 94,761,342 | 96,436,570 |
| | (P 21,027,566) | P 1,836,394,633 | P 954,325,932 |
| Earnings Per Share | | | |
| Basic/diluted, for net income attributable to equity holders of the Parent (Note 27) | P 0.13 | P 1.53 | P 0.67 |
| Basic/diluted, for total comprehensive income (loss) attributable to equity holders of the Parent (Note 27) | (P 0.02) | P 1.44 | P 0.71 |

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

| Equity Attributable to Equity Holders of the Parent (Note 21) | | | | | | | |
|--|-----------------|-------------------------------|---|---|--|---|---|
| | Capital Stock | Additional Paid-in Capital | Equity Reserve on Acquisition of Noncontrolling Interests (Note 3) | Cumulative Translation Adjustment | Unrealized Valuation Gains (Losses) on FVOCI Investments (Note 13) | Remeasurement on Retirement Benefits (Note 25) | |
| BALANCES AT DECEMBER 31, 2017 | P 2,500,000,000 | P 1,605,613,566 | (P 26,356,543) | P 295,582,321 | P 14,157,787 | P 57,994,622 | |
| Net income | — | — | — | — | — | — | — |
| Other comprehensive income (loss) | — | — | — | 89,930,454 | (22,286,311) | (18,141,594) | |
| Total comprehensive income (loss) for the year | — | — | — | 89,930,454 | (22,286,311) | (18,141,594) | |
| Cash dividends - net of dividends on common shares held by a subsidiary amounting to P641.4 million (Note 21) | — | — | — | — | — | — | — |
| Shares repurchased during the year (Note 21) | — | — | — | — | — | — | — |
| Disposal of subsidiary (Note 8) | — | — | 26,356,543 | — | — | — | — |
| Movement in noncontrolling interests (Note 3) | — | — | — | — | — | — | — |
| BALANCES AT DECEMBER 31, 2018 | 2,500,000,000 | 1,605,613,566 | — | 385,512,775 | (8,128,524) | 39,853,028 | |
| Net income | — | — | — | — | — | — | — |
| Other comprehensive income (loss) | — | — | — | (112,264,694) | 16,868,213 | (6,585,550) | |
| Total comprehensive income (loss) for the year | — | — | — | (112,264,694) | 16,868,213 | (6,585,550) | |
| Cash dividends - net of dividends on common shares held by a subsidiary amounting to P634.6 million (Note 21) | — | — | — | — | — | — | — |
| Shares repurchased during the year (Note 21) | — | — | — | — | — | — | — |
| Sale of Company shares held by a subsidiary (Note 21) | — | 253,769,721 | — | — | — | — | — |
| Movement in noncontrolling interests (Note 3) | — | — | — | — | — | — | — |
| BALANCES AT DECEMBER 31, 2019 | 2,500,000,000 | 1,859,383,287 | — | 273,248,081 | 8,739,689 | 33,267,478 | |
| Net income | — | — | — | — | — | — | — |
| Other comprehensive income (loss) | — | — | — | (173,987,557) | (6,217,940) | (9,547,065) | |
| Total comprehensive income (loss) for the year | — | — | — | (173,987,557) | (6,217,940) | (9,547,065) | |
| Cash dividends - net of dividends on common shares held by a subsidiary amounting to P937.4 million (Note 21) | — | — | — | — | — | — | — |
| Shares repurchased during the year (Note 21) | — | — | — | — | — | — | — |
| Movement in noncontrolling interests (Note 3) | — | — | — | — | — | — | — |
| BALANCES AT DECEMBER 31, 2020 | P 2,500,000,000 | P 1,859,383,287 | P — | P 99,260,524 | P 2,521,749 | P 23,720,413 | |

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

Equity Attributable to Equity Holders of the Parent (Note 21)

| | Subtotal* | Retained Earnings | | Cost of Shares Held by a Subsidiary | Total | Noncontrolling Interests | Total |
|--|------------------------|------------------------|------------------------|---|-------------------------|-----------------------------|-------------------------|
| | | Appropriated | Unappropriated | | | | |
| BALANCES AT DECEMBER 31, 2017 | P 4,446,991,753 | P 7,150,000,000 | P 9,059,813,726 | (P 2,324,314,735) | P 18,332,490,744 | P 458,644,651 | P 18,791,135,395 |
| Net income | — | — | 808,386,813 | — | 808,386,813 | 96,436,570 | 904,823,383 |
| Other comprehensive income (loss) | 49,502,549 | — | — | — | 49,502,549 | — | 49,502,549 |
| Total comprehensive income | | | | | | | |
| (loss) for the year | 49,502,549 | — | 808,386,813 | — | 857,889,362 | 96,436,572 | 954,325,932 |
| Cash dividends - net of dividends on common shares held by a subsidiary amounting to P641.4 million (Note 21) | — | — | (608,586,627) | — | (608,586,627) | — | (608,586,627) |
| Shares repurchased during the year (Note 21) | — | — | — | (32,241,091) | (32,241,091) | — | (32,241,091) |
| Disposal of subsidiary (Note 8) | 26,356,543 | — | — | — | 26,356,543 | — | 26,356,543 |
| Movement in noncontrolling interests (Note 3) | — | — | — | — | — | (31,555,106) | (31,555,106) |
| BALANCES AT DECEMBER 31, 2018 | 4,522,850,845 | 7,150,000,000 | 9,259,613,912 | (2,356,555,826) | 18,575,908,931 | 523,526,115 | 19,099,435,046 |
| Net income | — | — | 1,843,615,322 | — | 1,843,615,322 | 94,761,342 | 1,938,376,664 |
| Other comprehensive income (loss) | (101,982,031) | — | — | — | (101,982,031) | — | (101,982,031) |
| Total comprehensive income | | | | | | | |
| (loss) for the year | (101,982,031) | — | 1,843,615,322 | — | 1,741,633,291 | 94,761,342 | 1,836,394,633 |
| Cash dividends - net of dividends on common shares held by a subsidiary amounting to P634.6 million (Note 21) | — | — | (615,375,776) | — | (615,375,776) | — | (615,375,776) |
| Shares repurchased during the year (Note 21) | — | — | — | (118,975,079) | (118,975,079) | — | (118,975,079) |
| Sale of Company shares held by a subsidiary (Note 21) | 253,769,721 | — | — | 106,158,723 | 359,928,444 | — | 359,928,444 |
| Movement in noncontrolling interests (Note 3) | — | — | — | — | — | (56,549,623) | (56,549,623) |
| BALANCES AT DECEMBER 31, 2019 | 4,674,638,535 | 7,150,000,000 | 10,487,853,458 | (2,369,372,182) | 19,943,119,811 | 561,737,834 | 20,504,857,645 |
| Net income | — | — | 165,646,806 | — | 165,646,806 | 3,078,190 | 168,724,996 |
| Other comprehensive income (loss) | (189,752,562) | — | — | — | (189,752,562) | — | (189,752,562) |
| Total comprehensive income | | | | | | | |
| (loss) for the year | (189,752,562) | — | 165,646,806 | — | (24,105,756) | 3,078,190 | (21,027,566) |
| Cash dividends - net of dividends on common shares held by a subsidiary amounting to P937.4 million (Note 21) | — | — | (937,595,814) | — | (937,595,814) | — | (937,595,814) |
| Shares repurchased during the year (Note 21) | — | — | — | (285,843,190) | (285,843,190) | — | (285,843,190) |
| Movement in noncontrolling interests (Note 3) | — | — | — | — | — | (541) | (541) |
| BALANCES AT DECEMBER 31, 2020 | P 4,484,885,973 | P 7,150,000,000 | P 9,715,904,450 | (P 2,655,215,372) | P 18,695,575,051 | P 564,815,483 | P 19,260,390,534 |

See accompanying Notes to Consolidated Financial Statements.

* Subtotal for the numbers of the six columns appearing on page 22.

Consolidated Statements of Cash Flows

| | Years Ended December 31 | | |
|---|-------------------------|-----------------|-----------------|
| | 2020 | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income tax | ₱ 460,044,537 | ₱ 2,367,750,318 | ₱ 1,252,041,949 |
| Equity in net losses and impairment loss on investments in associates (Note 14) | 598,006,474 | 517,090,062 | 262,184,140 |
| Depreciation and amortization (Notes 15, 16, 22 and 31) | 292,174,080 | 272,179,839 | 252,820,204 |
| Dividend income (Note 10) | (259,109,001) | (373,587,490) | (301,777,821) |
| Interest income (Notes 9, 10, 11, 13 and 24) | (82,203,823) | (124,478,035) | (109,516,147) |
| Loss (gain) on decrease (increase) in market values of FVPL investments (Note 10) | 76,521,488 | (1,151,784,252) | (33,493,049) |
| Impairment losses, net of recoveries (Notes 11 and 24) | 64,920,658 | 41,752,086 | 9,397,390 |
| Unrealized foreign exchange losses - net | 60,354,216 | 48,116,020 | 116,697,688 |
| Interest expense (Notes 18, 20, 24 and 31) | 24,411,138 | 48,364,623 | 72,908,371 |
| Retirement benefit costs (Notes 22, 23 and 25) | 18,123,185 | 13,203,358 | 37,124,451 |
| Gain on rent concession (Notes 24 and 31) | (3,917,535) | — | — |
| Loss (gain) on sale/disposal of: | | | |
| FVOCI investments (Note 13) | (1,150,196) | (11,859,942) | 2,700,602 |
| Subsidiary (Note 8) | — | — | 6,111,015 |
| Operating income before working capital changes | 1,248,175,221 | 1,646,746,587 | 1,567,198,793 |
| Decrease (increase) in: | | | |
| FVPL investments | 896,473,599 | (532,026,162) | 106,988,583 |
| Receivables | 133,664,944 | 97,878,040 | (488,596,128) |
| Inventories | (148,158,417) | 126,033,309 | (209,639,027) |
| Prepayments and other current assets | 8,085,481 | (17,781,010) | 23,158,663 |
| Increase (decrease) in: | | | |
| Accounts payable and accrued expenses | (110,491,802) | 128,423,365 | (101,992,716) |
| Deferred revenues | — | — | (9,469,328) |
| Cash generated from operations | 2,027,749,026 | 1,449,274,129 | 887,648,840 |
| Income taxes paid | (324,280,247) | (320,136,171) | (279,043,797) |
| Dividends received | 237,686,696 | 373,587,490 | 301,777,821 |
| Interest received | 77,902,962 | 133,653,424 | 98,460,395 |
| Interest paid | (21,699,183) | (45,077,734) | (72,666,167) |
| Retirement benefit contribution (Note 25) | (13,719,373) | (22,193,191) | (22,191,914) |
| Net cash flows from operating activities | 1,983,639,881 | 1,569,107,947 | 913,985,178 |

(Forward)

Consolidated Statements of Cash Flows

| | Years Ended December 31 | | |
|---|-------------------------|-----------------|-----------------|
| | 2020 | 2019 | 2018 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sale of: | | | |
| FVOCI investments (Note 13) | ₱ 284,642,953 | ₱ 446,651,642 | ₱ 102,546,014 |
| Property and equipment (Note 15) | — | 2,005,966 | 10,758,435 |
| Long-term investment | — | — | 9,200,000 |
| Additions to: | | | |
| FVOCI investments (Note 13) | (60,860,417) | (215,974,577) | (229,382,738) |
| Property and equipment (Note 15) | (186,285,160) | (258,131,927) | (156,220,277) |
| Investment properties (Note 16) | — | (293,595,000) | (1,583,339) |
| Collection from (advances to) affiliates (Notes 14 and 28) | 91,061,736 | (431,448,061) | 3,470,251 |
| Decrease (increase) in other noncurrent assets | 40,824,382 | (4,502,626) | (44,680,957) |
| Acquisition of associates (Note 14) | — | — | (102,945,888) |
| Net cash flows from (used in) investing activities | 169,383,494 | (754,994,583) | (408,838,499) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from: | | | |
| Availment of notes payable (Notes 18 and 32) | 28,166,200 | — | 450,000,000 |
| Sale of Company shares held by a subsidiary (Note 21) | — | 359,928,444 | — |
| Availment of long-term debt (Note 32) | — | 5,124,000 | — |
| Payments of (Note 32): | | | |
| Long-term debt (Note 20) | (275,719,246) | (635,732,071) | (640,036,621) |
| Dividends (Note 21) | (813,500,482) | (617,229,791) | (575,312,404) |
| Notes payable (Note 18) | (5,000,000) | (250,000,000) | (200,000,000) |
| Lease liabilities (Note 31) | (12,038,287) | (12,309,568) | — |
| Company shares purchased by a subsidiary (Note 21) | (285,843,190) | (118,975,079) | (32,241,091) |
| Net cash flows used in financing activities | (1,363,935,005) | (1,269,194,065) | (997,590,116) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 789,088,370 | (455,080,701) | (492,443,437) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (6,007,280) | (1,556,110) | 2,423,835 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 2,308,878,255 | 2,765,515,066 | 3,255,534,668 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 9) | ₱ 3,091,959,345 | ₱ 2,308,878,255 | ₱ 2,765,515,066 |

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Corporate Information

A. Soriano Corporation (Anscor or the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on February 13, 1930 to, among others, act as agent or representative of corporations, partnerships or individuals whether residing here or abroad; to buy, retain, possess shares of stock, franchises, patents of any person or entity and to issue shares of stock, bonds or other obligations for the payment of articles or properties acquired by the Company; and to buy or acquire all or part of the property, assets, business and clientele of any person, corporation or partnership, managing the properties or businesses so purchased or acquired and exercising all the powers necessary and convenient for the management and development of the said properties or businesses.

The Company is a corporation incorporated and domiciled in the Philippines whose shares are publicly traded.

The registered office address of the Company is at 7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City, Philippines.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 were authorized for issue by the Board of Directors (BOD) on February 18, 2021.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for debt and equity securities that have been measured at fair value. The consolidated financial statements are presented in Philippine pesos (Peso), which is the Company's functional and presentation currency. Amounts are presented to the nearest Peso unless otherwise stated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new accounting standards effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

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

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

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

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

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

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

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

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

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

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

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

The amendment applies to annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- o Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- o Relief from discontinuing hedging relationships
- o Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- o The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- o Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Effective beginning on or after January 1, 2022

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

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

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

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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

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

- o *Amendments to PFRS 9, Financial Instruments, Fees in the “10 percent” Test for Derecognition of Financial Liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- o *Amendments to PAS 41, Agriculture, Taxation in Fair Value Measurements*

Effective beginning on or after January 1, 2023

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

3. Basis of Consolidation and Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and the following wholly owned, majority and minority-owned subsidiaries as at December 31:

| | Nature of Business | Percentage of Ownership | | |
|---|---------------------|-------------------------|------|------|
| | | 2020 | 2019 | 2018 |
| A. Soriano Air Corporation (ASAC, Note 31) | Services/Rental | 100 | 100 | 100 |
| Pamalican Island Holdings, Inc. (PIHI) | Investment Holding | 62 | 62 | 62 |
| Island Aviation, Inc. (IAI, Note 31) | Air Transport | 62 | 62 | 62 |
| Anscor Consolidated Corporation (Anscorcon) | Investment Holding | 100 | 100 | 100 |
| Anscor Holdings, Inc. (AHI, Note 31) | Real Estate Holding | 100 | 100 | 100 |
| Akapulko Holdings, Inc. | Real Estate Holding | 100 | 100 | 100 |
| Lakeroad Corporation | Real Estate Holding | 100 | 100 | 100 |
| Mainroad Corporation | Real Estate Holding | 100 | 100 | 100 |
| Makatwiran Holdings, Inc. | Real Estate Holding | 100 | 100 | 100 |
| Makisig Holdings, Inc. | Real Estate Holding | 100 | 100 | 100 |

(Forward)

| | Nature of Business | Percentage of Ownership | | |
|---|---------------------------|-------------------------|------|------|
| | | 2020 | 2019 | 2018 |
| Malikhain Holdings, Inc. | Real Estate Holding | 100 | 100 | 100 |
| Mountainridge Corporation | Real Estate Holding | 100 | 100 | 100 |
| Rollingview Corporation | Real Estate Holding | 100 | 100 | 100 |
| Timbercrest Corporation | Real Estate Holding | 100 | 100 | 100 |
| Phelps Dodge International Philippines, Inc. (PDIPI, Notes 7 and 31) | Investment Holding | 100 | 100 | 100 |
| Minuet Realty Corporation (Minuet, Note 7) | Landholding | 100 | 100 | 100 |
| Phelps Dodge Philippines Energy Products Corporation (PDP Energy, Notes 7 and 31) | Wire Manufacturing | 100 | 100 | 100 |
| PD Energy International Corporation (PDEIC, Note 7) | Wire Manufacturing | 100 | 100 | 100 |
| Sutton Place Holdings, Inc. (Sutton, Note 31) | Investment Holding | 100 | 100 | 100 |
| Cirrus Global, Inc. (CGI, Notes 8 and 31) | Manpower Services | — | — | 93 |
| Anscor International, Inc. (AI, Note 14) | Investment Holding | 100 | 100 | 100 |
| IQ Healthcare Investments Limited (IQHIL) | Manpower Services | 100 | 100 | 100 |
| IQ Healthcare Professional Connection, LLC (IQHPC, Note 31) | Manpower Services | 93 | 93 | 93 |
| AFC Agribusiness Corporation (AAC, Note 16) | Real Estate Holding | 81 | 81 | 81 |
| Seven Seas Resorts and Leisure, Inc. (SSRLI, Notes 7 and 31) | Villa Project Development | 62 | 62 | 62 |
| Pamalican Resort, Inc. (PRI, Notes 7 and 31) | Resort Operations | 62 | 62 | 62 |
| Summerside Corp. (Summerside)* | Investment Holding | 40 | 40 | 40 |

*As at December 31, 2020, 2019 and 2018, the Group has 100% beneficial ownership over Summerside.

Except for AI and its subsidiaries, all the companies above are based in the Philippines. The principal business location of AI and IQHIL is in the British Virgin Islands (BVI), while IQHPC is based in the United States of America (USA).

Material Partly-Owned Subsidiaries (SSRLI and PRI)

Set out below are the summarized financial information of entities that have noncontrolling interest (NCI) that is material to the Group. The amounts disclosed are based on those included in the consolidated financial statements before intercompany eliminations.

Significant details of the balance sheets and statements of comprehensive income of SSRLI and PRI are presented below as at and for the years ended December 31 (in millions):

| | 2020 | 2019 |
|----------------------------|---------|---------|
| Balance Sheets: | | |
| Current assets | P 798.2 | P 925.2 |
| Noncurrent assets | 984.9 | 942.8 |
| Current liabilities | 430.5 | 502.2 |
| Noncurrent liabilities | 120.9 | 135.9 |
| Equity | 1,231.6 | 1,229.9 |
| Equity attributable to NCI | 464.3 | 463.7 |

| (In Millions) | 2020 | 2019 |
|---|---------|-----------|
| Statements of Comprehensive Income: | | |
| Revenue | P 656.4 | P 1,151.0 |
| Income before tax | 14.3 | 290.8 |
| Net income | 0.6 | 236.1 |
| Other comprehensive income (loss) | (0.9) | 1.1 |
| Total comprehensive income (loss) | (0.3) | 237.2 |
| Total comprehensive income (loss) allocated to NCI during the year | (0.1) | 89.4 |
| | 2020 | 2019 |
| Statements of Cash Flows: | | |
| Cash flows from operations | P 13.0 | P 449.6 |
| Cash flows used in investing activities | (181.2) | (123.6) |
| Cash flows from (used in) financing activities | 76.4 | (169.1) |

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

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

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests represent a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of comprehensive income and within the equity section in the consolidated balance sheet and consolidated statement of changes in equity, separately from Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Investments in Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies. The considerations made in determining the significant influence are similar to those necessary to determine control over subsidiaries. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. The loss is recognized under "Equity in net losses and impairment loss on investments in associates" in the consolidated profit or loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated profit or loss, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. 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. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

If the Group's interest in an associate is reduced (e.g., through actual sale or deemed disposal), but the investment continues to be classified as an associate, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in the OCI relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated profit or loss.

The following are the Group's associates as at December 31:

| | Nature of Business | Percentage of Ownership | | |
|---|------------------------------|-------------------------|------|------|
| | | 2020 | 2019 | 2018 |
| Vicinetum Holdings, Inc. (VHI) | Investment Holding | 32 | 32 | 32 |
| Prople Limited (Note 14) | Business Process Outsourcing | 32 | 32 | 32 |
| Fremont Holdings, Inc. (FHI, Note 14) | Real Estate Holding | 26 | 26 | 26 |
| AGP International Holdings Pte Ltd. (AGP-SG, Note 14) | Investment Holding | 21 | 21 | – |
| AGP Group Holdings Pte Ltd. (AGP-BVI, formerly AGP International Holdings Ltd. [AGPI], Note 14) | Investment Holding | – | – | 27 |
| BehaviorMatrix, LLC (BM, Note 14) | Behavior Analytics Services | 21 | 21 | 21 |
| ATRAM Investment Management Partners Corp. (AIMP, Note 14) | Asset Management | 20 | 20 | 20 |

The principal business location of AIMP, VHI and FHI is in the Philippines. AGP-BVI, AGP-SG, BM and Prople Limited are based in BVI, Singapore, USA and Hong Kong, respectively.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with changes in fair value recognized in the consolidated profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in the consolidated profit or loss. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit or a group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Asset Acquisitions

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

Disposal Group and Discontinued Operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated profit or loss.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated balance sheet based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences are taken to the consolidated profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to FVPL equity instruments are recognized in the consolidated profit or loss.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (Peso) at the closing exchange rate at the end of reporting period and their statements of profit or loss are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated profit or loss.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Fair Value Measurement

The Group measures financial assets, such as fair value through profit or loss (FVPL) investments and fair value through other comprehensive income (FVOCI) investments, at fair value at each balance sheet date. Also, fair values of investment properties are disclosed.

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted FVPL financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

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

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement of financial instruments

At initial recognition, financial assets are classified as, and measured at amortized cost, FVOCI, and FVPL. Financial liabilities are classified at initial recognition as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Classification of financial instruments

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

As at December 31, 2020 and 2019, the Group has the following categories of financial assets and financial liabilities:

(a) Financial assets at FVPL

This category includes financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Derivatives recorded at FVPL

The Group has certain derivatives that are embedded in host financial contracts, such as structured notes and debt investments and conversion. These embedded derivatives include calls and puts in debt investments and interest rate and conversion options, among others.

A derivative embedded in a hybrid contract, with a financial liability or nonfinancial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVPL. Embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated profit or loss. Reassessment occurs only if there is either a change in the terms of the contract that significantly modifies the cash flows that would be otherwise be required or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

Financial assets at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded in "Gain on increase in market values of FVPL investments". Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

As at December 31, 2020 and 2019, the Group has designated as FVPL all equity investments, money market papers, investments in bonds that have callable and other features, managed/hedged funds and derivatives amounting to ₱10,022.9 million and ₱11,130.2 million, respectively (see Note 10). No financial liability at FVPL is outstanding as at December 31, 2020 and 2019.

(b) Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included as interest income in the consolidated profit or loss. The losses arising from impairment of such financial assets are recognized as "Provision for impairment losses" account under "Other income - net" in the consolidated profit or loss.

Included under financial assets at amortized cost are cash in banks, cash equivalents, trade receivables, interest receivable, advances to employees, receivables from villa owners, dividend receivable, notes receivable and other receivables.

(c) Financial assets at FVOCI (debt instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

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

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated profit or loss and computed in the same manner as financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI.

When the debt instrument is disposed of, the cumulative gain or loss previously recognized under OCI is transferred to profit or loss as "Gain (loss) on sale of FVOCI investments". Where the Group holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding FVOCI investments are reported as interest income using the effective interest rate.

As at December 31, 2020 and 2019, the Group's FVOCI investments include investments in bonds (see Note 13).

(d) Financial liabilities - loans and borrowings

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated profit or loss.

As at December 31, 2020 and 2019, included in this category are the Group's notes payable, accounts payable and accrued expenses, lease liabilities, long-term debt and dividends payable.

Impairment of Financial Assets

The Group recognizes an allowance for expected credit loss (ECL) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at FVOCI comprise solely of top investment grade bonds that are graded by top credit rating agencies and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the top credit rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

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

Modification of financial assets

The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in the consolidated profit or loss, to the extent that an impairment loss has not already been recorded.

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Group considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered “solely payment for principal and interest”

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated profit or loss.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a ‘new’ financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification will result into the removal of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated profit or loss.

Exchange or modification of financial liabilities

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in the consolidated profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in the consolidated profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

"Day 1" Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the consolidated profit or loss only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated balance sheet. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Cash and Cash Equivalents

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

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV).

Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale.

For cable and wire manufacturing, finished goods and work in process is determined at standard cost adjusted to actual cost, which includes direct materials, direct labor and applicable allocation of fixed and variable costs, determined using weighted average method. Raw materials, other materials, reels inventory and spare parts and supplies are determined using weighted average method. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Prepayments

Prepayments include advance payments of various goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

These are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

Value Added Tax (VAT)

Input VAT is the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services, including lease or use of property, from a VAT-registered person. In case of capital goods, input VAT is spread evenly over the useful life or 60 months, whichever is shorter.

Output VAT pertains to the 12% tax due on the lease or exchange of taxable goods or properties or services by the Group.

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

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated balance sheet. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated balance sheet up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Property and Equipment

Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written off either when disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

| Category | Number of Years |
|---|------------------------|
| Buildings and improvements | 10 - 30 |
| Land improvements | 30 |
| Leasehold improvements* | 5 - 20 |
| Flight, ground, machinery and other equipment | 2 - 25 |
| Furniture, fixtures and office equipment | 2 - 5 |
| Transportation equipment | 3 - 5 |

**or lease term, whichever is shorter*

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

Depreciation commences when an asset is in its operational location or working condition capable of being operated in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

Construction in progress (CIP) is stated at cost net of accumulated impairment losses, if any. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

Property Development in Progress

Property development in progress includes villa development costs and related expenses incurred.

Property development in progress is carried at the lower of cost incurred and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Investment Properties

Investment properties comprise completed property and property under construction or re-development (land, buildings and condominiums) that are held to earn rentals or capital appreciation or both and that are not occupied by the Group. Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, the Group's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. Land is subsequently carried at cost less any impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are written off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated profit or loss in the year of retirement or disposal.

Impairment of Nonfinancial Assets

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (namely, property and equipment, investment properties and investments in associates) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation or amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated profit or loss.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as at the end of each financial reporting period.

Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets include restricted cash funds for future villa operating requirements. A corresponding liability is recognized for these funds under other noncurrent liabilities.

Deposits to suppliers in relation to major aircraft maintenance and acquisition of specific property and equipment are also classified as part of other noncurrent assets.

Capital Stock

Capital stock represents the total par value of the shares issued.

Additional Paid-in Capital

Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared and the effects of retrospective restatement recognized in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items which are considered not available for dividend declaration.

Appropriated retained earnings represent that portion which has been restricted and therefore, is not available for any dividend declaration.

Cost of Shares Held by a Subsidiary

The Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and stated at acquisition cost. No gain or loss is recognized in the consolidated profit or loss on the purchase, sale, issue or cancellation of the Company's shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

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

Sale of goods

Revenue from the sale of goods is recognized at a point in time when the control over the goods are transferred to the buyer which is generally upon delivery of the goods.

Sale of services

Revenue from rooms is recognized over time based on the actual occupancy of the guests. Other ancillary services are recognized when the related services are rendered and/or facilities/amenities are used.

Revenue from air transport services is recognized at a point in time when the related services has been substantially performed.

Project management fees and other income

Revenue from project management fees and other income is recognized over time when the control of the services is transferred to the customer, generally on delivery of the services.

Contract Balances

Trade receivables

Trade receivables represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the 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 customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs the obligations under the contract.

Other Revenue

Interest

Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends

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

Rental

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

Costs and Expenses

Costs and expenses are recognized in the consolidated profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.

Cost of goods sold

The cost of goods sold is recognized as expense when the related goods are sold.

Cost of services rendered

Cost and expenses related to room services and other ancillary services are charged to operations when incurred.

Operating expenses

Operating expenses include selling, and general and administrative expenses that are expensed as incurred.

Other Comprehensive Income

Other comprehensive income comprises of items of income and expense that are not recognized in the consolidated profit or loss for the year in accordance with PFRSs. Other comprehensive income of the Group pertains to gains and losses on remeasuring FVOCI investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities.

Leases

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

The Group as a lessee

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

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| Category | Number of Years |
|-----------------------|------------------------|
| Building | 5 years |
| Leasehold improvement | 2 years |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, the Group calculates depreciation using the estimated useful life of the asset.

Lease liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and low-value assets

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

Leases Prior to Adoption of PFRS 16 (Effective Before January 1, 2019)

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and requires 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. A reassessment is made after inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

The Group as a lessee

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated profit or loss on a straight-line basis over the lease term.

The Group as a lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Pension Benefits

The Group has non-contributory defined benefit retirement plans.

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to the consolidated profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Income Taxes

Current income tax

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

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on taxable temporary differences associated with investments in domestic subsidiaries. With respect to investments in foreign subsidiaries, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Current income tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if:

- (a) a legally enforceable right exists to set off current income tax assets against current income tax liabilities; and
- (b) deferred income taxes are levied by the same taxation authority on either: the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income and the total comprehensive income attributable to the equity holders of the Parent for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as at December 31, 2020, 2019 and 2018.

Dividends

Dividends are recognized as a liability and deducted from equity when approved by the respective BOD of the Company and subsidiaries. Dividends for the year that are approved after the end of reporting period are dealt with as an event after the end of the reporting period.

Events After the Reporting Period

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

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRSs requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Determination of functional currency

The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument.

The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets (see Note 30).

Classification and measurement of financial assets depend on the result of the SPPI and business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve particular business objectives. In classifying the investments not held for trading as at December 31, 2020 and 2019, the Group made an irrevocable election at initial recognition to designate the instruments as FVPL investments.

Assessment of control over the entities for consolidation

The Group has wholly owned, majority and minority-owned subsidiaries discussed in Note 3. Management concluded that the Group controls these majority and minority-owned subsidiaries arising from voting rights and, therefore, consolidates the entities in its consolidated financial statements.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for expected credit losses of receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due.

The provision matrix is initially based on the Group's historically observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecasted economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historically observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecasted economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

For the advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. These reserves are re-evaluated and adjusted as additional information is received.

Allowance for expected credit losses as at December 31, 2020 and 2019 amounted to ₱753.2 million and ₱678.9 million, respectively. Receivables and advances, net of valuation allowance, amounted to ₱2,245.4 million and ₱2,554.9 million as at December 31, 2020 and 2019, respectively (see Notes 11, 14 and 28).

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. In valuing the Group's unquoted equity instruments at fair value, management applied judgment in selecting the valuation technique and comparable companies and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Group (see Note 30).

Unquoted equity investments amounted to ₱1,248.9 million and ₱1,137.1 million as at December 31, 2020 and 2019, respectively (see Note 10).

Impairment of FVOCI debt investments

For FVOCI debt investments, the Group assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Group assesses whether the credit risk on that financial instrument has increased significantly since initial recognition. No impairment loss was recognized in 2020, 2019 and 2018. The carrying value of FVOCI debt investments amounted to ₱94.1 million and ₱330.5 million as at December 31, 2020 and 2019, respectively (see Note 13).

Estimation of allowance for inventory and impairment losses

The Group estimates the allowance for inventory obsolescence and impairment losses related to inventories based on specifically identified inventory items. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for inventory and impairment losses would increase the recorded expenses and decrease current assets.

Allowance for inventory losses and obsolescence amounted to ₱84.8 million and ₱83.3 million as at December 31, 2020 and 2019, respectively. The carrying amount of the inventories amounted to ₱1,052.6 million and ₱904.4 million as at December 31, 2020 and 2019, respectively (see Note 12).

Estimation of useful lives of the Group's property and equipment and investment properties

The Group estimates the useful lives of property and equipment and investment properties based on the period over which these assets are expected to be available for use. The estimated useful lives of these 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.

In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As at December 31, 2020 and 2019, the carrying value of depreciable property and equipment and investment properties amounted to ₱2,629.3 million and ₱2,725.6 million, respectively (see Notes 15 and 16).

Recoverability of investment in associates

The carrying value of investments carried under the equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group's impairment test on investments carried at equity is based on value-in-use calculations that use a discounted cash flow model. The expected cash flows are estimated from the operations of the associates for the next five years, as well as the terminal value at the end of fifth year. The recoverable amount is most sensitive to the discount rates used for the discounted cash flow model, as well as the expected future cash inflows, revenue growth rates and long-term growth rates used for extrapolation purposes.

The carrying amounts of the investments in associates amounted to ₱316.4 million and ₱995.9 million as at December 31, 2020 and 2019, respectively (see Note 14).

Impairment of non-financial assets

(a) Property and equipment and investment properties

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

As at December 31, 2020 and 2019, the carrying value of property and equipment and investment properties amounted to ₱2,996.5 million and ₱3,092.8 million, respectively (see Notes 15 and 16).

There is no impairment loss on property and equipment and investment properties for each of the three years in the period ended December 31, 2020 (see Notes 15 and 16).

(b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. In assessing the recoverability of the Group's goodwill, management exercised significant judgments and used assumptions such as revenue growth rates, discount rates and long-term growth rates in estimating the value-in-use of these cash-generating units.

As at December 31, 2020 and 2019, the carrying value of goodwill amounted to ₱1,302.3 million (see Note 7).

Recognition of deferred income tax assets

The Group reviews the carrying amounts of the deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets. As at December 31, 2020 and 2019, the Group recognized gross deferred income tax assets amounting to ₱136.3 million and ₱89.1 million, respectively. The Group has also temporary differences for which the deferred income tax assets are not recognized. Further details of the recognized and unrecognized deferred income tax assets are provided in Note 26.

Determination of pension and other retirement benefits

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Net retirement plan asset as at December 31, 2020 and 2019 amounted to ₱91.6 million and ₱84.5 million, respectively. Net retirement benefits payable as at December 31, 2020 and 2019 amounted to ₱56.9 million and ₱32.3 million, respectively. Further details are provided in Note 25.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country. Further details about the assumptions used are provided in Note 25.

Provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provision and disclosure of contingencies are discussed in Notes 3 and 33, respectively.

5. Revenue from Contracts with Customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

| For the Year Ended December 31, 2020 | | | | |
|---|------------------------------|--|-------------------|-----------------|
| | Cable and Wire Manufacturing | Resorts Operations and Villa Development | Other Operations* | Total |
| Type of revenues: | | | | |
| Sale of goods | ₱ 6,448,195,660 | ₱ – | ₱ – | ₱ 6,448,195,660 |
| Services | – | 646,324,208 | 121,245,761 | 767,569,969 |
| Total revenue from contracts with customers | ₱ 6,448,195,660 | ₱ 646,324,208 | ₱ 121,245,761 | ₱ 7,215,765,629 |
| Timing of revenue recognition: | | | | |
| At a point in time | ₱ 6,448,195,660 | ₱ 379,854,673 | ₱ 121,245,761 | ₱ 6,949,296,094 |
| Over time | – | 266,469,535 | – | 266,469,535 |
| Total revenue from contracts with customers | ₱ 6,448,195,660 | ₱ 646,324,208 | ₱ 121,245,761 | ₱ 7,215,765,629 |

*Other Operations include ASAC and AHI.

| For the Year Ended December 31, 2019 | | | | |
|---|------------------------------|--|-------------------|-----------------|
| | Cable and Wire Manufacturing | Resorts Operations and Villa Development | Other Operations* | Total |
| Type of revenues: | | | | |
| Sale of goods | ₱ 8,208,374,800 | ₱ – | ₱ – | ₱ 8,208,374,800 |
| Services | – | 1,140,941,687 | 201,448,088 | 1,342,389,775 |
| Total revenue from contracts with customers | ₱ 8,208,374,800 | ₱ 1,140,941,687 | ₱ 201,448,088 | ₱ 9,550,764,575 |
| Timing of revenue recognition: | | | | |
| At a point in time | ₱ 8,208,374,800 | ₱ 430,653,807 | ₱ 201,448,088 | ₱ 8,840,476,695 |
| Over time | – | 710,287,880 | – | 710,287,880 |
| Total revenue from contracts with customers | ₱ 8,208,374,800 | ₱ 1,140,941,687 | ₱ 201,448,088 | ₱ 9,550,764,575 |

*Other Operations include ASAC and AHI.

| For the Year Ended December 31, 2018 | | | | |
|--|------------------------------------|---|----------------------|-----------------|
| | Cable and Wire Manufacturing | Resorts Operations and Villa Development | Other Operations* | Total |
| Type of revenues: | | | | |
| Sale of goods | P 8,292,508,630 | P – | P – | P 8,292,508,630 |
| Services | – | 1,100,825,407 | 213,879,440 | 1,314,704,847 |
| Total revenue from contracts with customers | P 8,292,508,630 | P 1,100,825,407 | P 213,879,440 | P 9,607,213,477 |
| Timing of revenue recognition: | | | | |
| At a point in time | P 8,292,508,630 | P 392,685,676 | P 213,879,440 | P 8,899,073,746 |
| Over time | – | 708,139,731 | – | 708,139,731 |
| Total revenue from contracts with customers | P 8,292,508,630 | P 1,100,825,407 | P 213,879,440 | P 9,607,213,477 |

*Other Operations include ASAC, AHI. Financial performance of CGI is included up to the date of disposal.

Contract liabilities

Contract liabilities amounted to P54.3 million and P52.7 million as at December 31, 2020 and 2019, respectively. These pertain to customer advances received for customer orders (see Note 19). In 2020, 2019 and 2018, the Group recognized revenue from sales of goods and services from the contract liabilities amounting to P52.7 million, P41.1 million and P53.2 million, respectively.

Information about the Group's performance obligations are summarized below:

Sale of goods

The Group enters into contracts to sell with one identified performance obligation, which is satisfied upon delivery of the goods. Receivables are generally collected within 30 to 60 days from the delivery of goods and receipt of invoice.

Villa development project

The performance obligation is satisfied at a point in time and payment is generally received in advance during the construction of the villa clusters.

Resort operations

This pertains to the services provided to the guests which is satisfied over time. Some payments are received in advance from the guests.

6. Segment Information

The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered, as discussed below.

- Holding company segment pertains to the operations of the Company.

- Resort Operations segment pertains to the Company's subsidiary providing hotel and resort accommodation, relaxation and entertainment, among others, while Villa Development includes the sale of villa lots, construction of structures and set up of furniture, fixture and equipment. In 2020, 2019 and 2018, the Group has no sale of villa lots and construction of structures.
- Cable and Wire Manufacturing segment pertains to the Company's subsidiaries engaged in manufacturing, importing, exporting, buying, selling or otherwise dealing in, at wholesale, goods such as building wires, power cables, aluminum wires and cables, copper rods, automotive wires and other energy-related goods of electrical nature, including all equipment, materials, supplies used or employed in or related to the manufacture of its finished products.
- Other operations include air transportation, hangarage, real estate holding and management, and recruitment services. On September 28, 2018, the Group sold its interest in Cirrus Global, Inc. which served as the recruitment services segment of the Group (see Note 8).

Amounts for the investments in associates comprise the Group's equity in net losses and impairment loss.

Majority of the companies within the Group were incorporated and operating within the Philippines. The amounts disclosed were determined consistent with the measurement basis under PFRSs.

The following tables present the financial information of the business segments as at and for the years ended December 31, 2020, 2019 and 2018 (in thousands):

| | Before Eliminations | | | | | | | |
|---|--------------------------------|--|------------------------------------|----------------------------------|-------------|---------------|--------------|--|
| | Holding Company (Parent) | Resort Operations and Villa Development | Cable and Wire Manufacturing | Other Operations ¹ | Total | Eliminations | Consolidated | |
| As at and for the year ended December 31, 2020 | | | | | | | | |
| Revenues, excluding interest income ² | P 1,533,497 | P 646,324 | P 6,448,196 | P 1,095,519 | P 9,723,536 | (P 2,248,661) | P 7,474,875 | |
| Interest income | 66,254 | 4,938 | 10,918 | 94 | 82,204 | — | 82,204 | |
| Investment gains (losses) | (730,936) | — | (2,800) | 746,378 | 12,642 | (88,013) | (75,371) | |
| Interest expense | 2,536 | 245 | 16,898 | 4,977 | 24,656 | (245) | 24,411 | |
| Income tax expense (benefit from income tax) | (1,694) | 13,698 | 284,623 | 2,688 | 299,315 | (7,995) | 291,320 | |
| Equity in net losses and impairment loss | — | — | — | (598,006) | (598,006) | — | (598,006) | |
| Net income | 569,610 | 626 | 692,026 | 1,138,401 | 2,400,663 | (2,231,938) | 168,725 | |
| Total assets | 17,394,215 | 1,783,053 | 4,866,355 | 13,323,536 | 37,367,159 | (15,764,874) | 21,602,285 | |
| Investments and advances | 7,623,492 | — | — | 2,044,491 | 9,667,983 | (9,349,654) | 318,329 | |
| Property and equipment | 7,128 | 752,878 | 595,628 | 97,151 | 1,452,785 | 1,028,056 | 2,480,841 | |
| Total liabilities | 565,491 | 551,421 | 833,657 | 3,078,431 | 5,029,000 | (2,687,105) | 2,341,895 | |
| Depreciation and amortization | 17,892 | 108,128 | 96,110 | 46,184 | 268,314 | 23,860 | 292,174 | |
| Cash flows from (used in): | | | | | | | | |
| Operating activities | 1,323,066 | 13,038 | 693,227 | 281,550 | 2,310,881 | (327,241) | 1,983,640 | |
| Investing activities | (116,222) | (181,208) | (62,843) | 615,788 | 255,515 | (86,132) | 169,383 | |
| Financing activities | (927,351) | 76,367 | (406,193) | (887,940) | (2,145,117) | 781,182 | (1,363,935) | |

¹ Other Operations include ASAC, AAC, Anscorcon, AI, AHI, IAI and the Group's equity in net losses of associates and impairment loss.

² Majority of the revenues of the Group were derived in the Philippines.

| | Before Eliminations | | | | | Total | Eliminations | Consolidated |
|--|--------------------------|---|------------------------------|-------------------------------|--------------|---------------|--------------|--------------|
| | Holding Company (Parent) | Resort Operations and Villa Development | Cable and Wire Manufacturing | Other Operations ¹ | | | | |
| As at and for the year ended December 31, 2019 | | | | | | | | |
| Revenues, excluding interest income ² | P 1,657,436 | P 1,140,942 | P 8,208,375 | P 885,568 | P 11,892,321 | (P 1,967,969) | P 9,924,352 | |
| Interest income | 111,880 | 6,856 | 5,146 | 596 | 124,478 | — | 124,478 | |
| Investment gains | 856,917 | — | 890 | 198,394 | 1,056,201 | 107,443 | 1,163,644 | |
| Interest expense | 19,100 | 472 | 24,994 | 4,227 | 48,793 | (428) | 48,365 | |
| Income tax expense | 32,285 | 54,717 | 341,630 | 8,737 | 437,369 | (7,995) | 429,374 | |
| Equity in net losses and impairment loss | — | — | — | (517,090) | (517,090) | — | (517,090) | |
| Net income | 2,333,251 | 236,089 | 803,960 | 67,103 | 3,440,403 | (1,502,026) | 1,938,377 | |
| Total assets | 18,716,377 | 1,867,987 | 4,571,515 | 12,428,872 | 37,584,751 | (14,472,331) | 23,112,420 | |
| Investments and advances | 7,284,288 | — | — | 2,150,520 | 9,434,808 | (8,356,153) | 1,078,655 | |
| Property and equipment | 9,445 | 761,537 | 621,795 | 114,979 | 1,507,756 | 1,054,708 | 2,562,464 | |
| Total liabilities | 583,560 | 638,053 | 967,613 | 2,812,006 | 5,001,232 | (2,393,670) | 2,607,562 | |
| Depreciation and amortization | 9,194 | 104,414 | 85,213 | 49,224 | 248,045 | 24,135 | 272,180 | |
| Cash flows from (used in): | | | | | | | | |
| Operating activities | 542,888 | 449,613 | 1,133,537 | (4,458) | 2,121,580 | (552,472) | 1,569,108 | |
| Investing activities | (402,346) | (123,552) | (76,684) | 820,614 | 218,032 | (973,027) | (754,995) | |
| Financing activities | (1,082,701) | (169,058) | (660,013) | (833,307) | (2,745,079) | 1,475,885 | (1,269,194) | |

¹ Other Operations include ASAC, AAC, Anscorcon, AI, AHI, IAI and the Group's equity in net losses of associates and impairment loss.

² Majority of the revenues of the Group were derived in the Philippines.

| | Before Eliminations | | | | | Total | Eliminations | Consolidated |
|---|--------------------------------|---|---------------------------------|----------------------------------|--------------|---------------|--------------|--------------|
| | Holding Company (Parent) | Resort Operation and Villa Development | Cable and Wire Manufacturing | Other Operations ¹ | | | | |
| | | | | | | | | |
| As at and for the year ended December 31, 2018 | | | | | | | | |
| Revenues, excluding interest income ² | P 1,334,003 | P 1,100,825 | P 8,292,509 | P 1,165,109 | P 11,892,446 | (P 1,983,455) | P 9,908,991 | |
| Interest income | 103,635 | 3,475 | 1,242 | 1,164 | 109,516 | — | 109,516 | |
| Investment gains (losses) | 475,201 | — | 408 | (217,002) | 258,607 | (233,926) | 24,681 | |
| Interest expense | 39,744 | — | 29,938 | 3,226 | 72,908 | — | 72,908 | |
| Income tax expense | 50,976 | 48,287 | 246,503 | 9,080 | 354,846 | (7,627) | 347,219 | |
| Equity in net losses and impairment loss | — | — | — | (262,184) | (262,184) | — | (262,184) | |
| Net income | 773,025 | 235,253 | 636,442 | 533,770 | 2,178,490 | (1,273,667) | 904,823 | |
| Total assets | 18,057,699 | 1,706,722 | 4,320,601 | 12,581,118 | 36,666,140 | (14,376,129) | 22,290,011 | |
| Investments and advances | 7,190,993 | 69,195 | — | 2,483,424 | 9,743,612 | (8,161,768) | 1,581,844 | |
| Property and equipment | 15,984 | 778,153 | 616,372 | 68,962 | 1,479,471 | 1,081,359 | 2,560,830 | |
| Total liabilities | 1,030,541 | 563,953 | 1,258,638 | 2,791,694 | 5,644,826 | (2,454,250) | 3,190,576 | |
| Depreciation and amortization | 9,319 | 101,274 | 74,118 | 43,972 | 228,683 | 24,137 | 252,820 | |
| Cash flows from (used in): | | | | | | | | |
| Operating activities | 638,385 | 389,597 | 332,922 | 50,258 | 1,411,162 | (497,177) | 913,985 | |
| Investing activities | (127,360) | (66,806) | (61,244) | 645,555 | 390,145 | (798,983) | (408,838) | |
| Financing activities | (1,054,270) | (94,746) | (151,429) | (624,515) | (1,924,960) | 927,370 | (997,590) | |

¹ Other Operations include ASAC, AAC, Anscorcon, AI, AHI, CGI, IAI and the Group's equity in net losses of associates and impairment loss. Financial performance of CGI is included up to the date of disposal.

² Majority of the revenues of the Group were derived in the Philippines.

7. Business Combinations

- a. Goodwill represents the excess of acquisition cost of the following subsidiaries over Anscor's share in the fair value of their net assets. As at December 31, 2020 and 2019, the carrying amount of goodwill allocated to each cash-generating unit (subsidiaries) is as follows:

| | |
|-------|------------------------|
| PDP | ₱ 1,202,945,277 |
| SSRLI | 99,330,987 |
| | <u>₱ 1,302,276,264</u> |

- b. Impairment Testing of Goodwill

- i. PDP Group

The recoverable amount of the investments in PDP Group has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period.

The key assumptions used to determine the recoverable amount as at December 31, 2020 and 2019 are discussed below:

Discount rate

Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rates applied to cash flow projections in 2020 and 2019 are 16.7% and 12.2%, respectively.

Terminal value

Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 4.7% and 3.8% in 2020 and 2019, respectively, and the difference between the discount rate and growth rate.

Growth rate

PDP Group assumed a growth rate of 5.0% in 2020 and -3.0% to 6.0% in 2019. Management used the average industry growth rate for the forecast.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

- ii. SSRLI

The recoverable amount of the investments in SSRLI has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The key assumptions used to determine the recoverable amount as at December 31, 2020 and 2019 are discussed below:

Discount rate

Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections in 2020 and 2019 are 12.8% and 13.3%, respectively.

Terminal value

Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 4.9% and 2.0% in 2020 and 2019, respectively, and the difference between the discount rate and growth rate.

Growth rate

Growth rate assumptions for the five-year cash flow projections in 2020 and 2019 are supported by the different initiatives of SSRLI. SSRLI used 10.5% to 47.7% and 5.0% to 9.3% growth rate in revenue for its cash flow projection in 2020 and 2019, respectively.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

8. Deconsolidated Subsidiary

On September 28, 2018, the Group, through its wholly-owned subsidiary, Sutton, entered into a Share Purchase Agreement with third party individuals, effectively selling the Group's entire shareholdings in CGI equivalent to 93.17% of the latter's total outstanding shares. As a result, the Group consolidated CGI's 2018 statement of comprehensive income up to the date of sale.

Total loss on disposal of CGI recognized in the 2018 consolidated statement of comprehensive income amounted to ₱6.1 million.

9. Cash and Cash Equivalents

| | 2020 | 2019 |
|---------------------------|------------------------|------------------------|
| Cash on hand and in banks | ₱ 2,000,092,020 | ₱ 1,516,027,511 |
| Cash equivalents | 1,091,867,325 | 792,850,744 |
| | ₱ 3,091,959,345 | ₱ 2,308,878,255 |

Cash with banks earn interest at the respective bank deposit rates ranging from 0.05% to 3.50%, 0.20% to 0.75% and 0.25% to 1.60% in 2020, 2019 and 2018, respectively. Cash equivalents with interest rates ranging from 0.19% to 5.75%, 0.88% to 4.00% and 0.36% to 6.50% in 2020, 2019 and 2018, respectively, are made for varying periods of up to three months depending on the immediate cash requirements of the Group (see Note 24).

10. FVPL Investments

| | 2020 | 2019 |
|------------------------|-------------------------|-------------------------|
| Quoted equity shares | ₱ 6,481,857,144 | ₱ 7,616,776,828 |
| Funds and equities | 1,319,051,909 | 1,131,737,165 |
| Unquoted equity shares | 1,248,944,824 | 1,137,142,219 |
| Bonds | 529,582,177 | 793,929,295 |
| Proprietary shares | 363,627,073 | 367,437,073 |
| Others | 79,809,042 | 83,225,493 |
| | ₱ 10,022,872,169 | ₱ 11,130,248,073 |

This account consists of investments that are designated as FVPL and held-for-trading investments. Quoted equity shares consist of marketable equity securities that are listed and traded in the Philippine Stock Exchange (PSE) and Nasdaq Stock Market (NASDAQ). The fair market values of these listed shares are based on their quoted market prices as at December 31, 2020 and 2019, which are assessed to be the exit prices.

Held-for-trading investments include foreign currency-denominated mutual/hedge funds, and equity investments that are managed together on a fair value basis. These investments are classified under funds and equities.

Designated FVPL investments consist of foreign currency-denominated fixed income securities with embedded derivatives (e.g., call and put options) that significantly modify the security's cash flow. These investments are classified under bonds.

FVPL investments in bonds represent foreign currency-denominated bond securities with variable and fixed interest rates. The FVPL coupon interest rate per annum ranges from 2.43% to 8.25%, 3.95% to 9.00% and 3.50% to 9.00% in 2020, 2019 and 2018, respectively.

As at December 31, 2020 and 2019, the Group has equity investments amounting to ₱9,493.3 million and ₱10,336.3 million, respectively.

As at December 31, 2019, the Company has FVPL investments amounting to ₱1,524.0 million that are pledged as collateral for its long-term debt. The long-term debt was fully paid in 2020, hence, the pledged shares were released in 2020.

The Group's FVPL unquoted equity shares and significant investment in funds and equities include the following:

a. KSA Realty Corporation (KSA)

On June 15, 2016, the Company acquired additional shares in KSA amounting to ₱236.5 million. This increased the Company's stake in KSA from 11.30% in 2015 to 14.28% in 2016.

In 2019 and 2018, the Company recognized ₱80.1 million and ₱188.7 million gain on fair value adjustment in its investment in KSA which is presented in the consolidated profit or loss.

As at December 31, 2020 and 2019, the Company's investment in KSA amounted to ₱1,021.7 million (see Note 30).

The Company earned cash dividends from KSA amounting to ₱121.4 million, ₱189.9 million and ₱151.4 million in 2020, 2019 and 2018, respectively.

b. Macquarie ASEAN Technology Investments Holdings II LP (Macquarie)

On July 13, 2018, the Company invested US\$5.0 million (₱267.7 million) in Macquarie, a special purpose vehicle that invested exclusively in shares of Grab Holdings, Inc. (Grab). Grab is a Singapore-based technology company that offers ride-hailing transport services, food delivery and payment solutions through GrabTaxi, GrabFood and GrabPay.

As at December 31, 2020 and 2019, the carrying value of the investment in Macquarie, inclusive of foreign exchange adjustment, amounted to ₱240.1 million and ₱253.2 million, respectively. Investment in Macquarie is included under “Funds and equities” account.

c. Madaket, Inc. (Madaket)

In May 2017, AI invested US\$1.0 million (₱49.7 million) in equity shares at Madaket, the owner of Madaket Healthcare. Madaket developed Electronic Data Interchange Enrollment, a service platform that automates healthcare provider data management processes in the United States.

AI recognized losses in fair value adjustment in its investment in Madaket amounting to ₱16.4 million and ₱13.3 million in 2020 and 2019, respectively. Gain on fair value adjustment recognized in 2018 amounted to ₱21.0 million.

As at December 31, 2020 and 2019, the Group’s total investment in Madaket, inclusive of foreign exchange adjustment, amounted to nil and ₱16.7 million, respectively.

d. Element Data, Inc. (Element Data)

In June 2017, AI invested US\$1.0 million (₱49.5 million) in Series Seed preferred shares of Element Data, a Seattle, Washington-based Artificial Intelligence Company. Its Decision Intelligence platform incorporates a deep learning knowledge-graph with an active sense-and-response architecture, powering a decision intelligence engine that understands complex interdependencies between data and people.

In October 2017, Element Data acquired all of the intellectual property of the Group’s investment in BM, an associate of the Group.

In December 2017, AI invested additional US\$1.0 million (₱50.6 million) in Series Seed preferred shares of Element Data.

In 2019, AI invested additional US\$0.5 million (₱26.4 million) in Element Data.

In 2019 and 2018, AI recognized losses on fair value adjustment amounting to ₱26.7 million and ₱12.0 million, respectively, in its investment in Element Data.

Total investment carrying value in Element Data amounted to nil as at December 31, 2020 and 2019.

e. Navegar I LP (Navegar I)

In March 2013, AI invested US\$0.6 million (₱26.4 million) in Navegar I, a limited partnership established to acquire substantial minority position through privately negotiated investments in equity and equity-related securities of Philippine companies that are seeking growth capital and/or expansion capital.

In July 2017, AI invested additional US\$0.07 million (₱3.6 million).

In October 2018, the partial disposal of Navegar I's investments resulted to the return of capital and gain amounting to US\$0.3 million (P13.4 million) and US\$0.8 million (P43.5 million), respectively.

In 2020, 2019 and 2018, AI recognized losses on fair market value adjustment in its investment in Navegar I amounting to P2.4 million, P2.2 million and P20.2 million, respectively.

Total investment in Navegar I, inclusive of foreign exchange adjustment, amounted to P21.5 million and P24.7 million as at December 31, 2020 and 2019, respectively.

As at December 31, 2020 and 2019, the Group's remaining capital commitment to be called for Navegar I amounted to US\$0.06 million and US\$0.07 million, respectively .

f. Navegar II LP (Navegar II)

In 2019, AI committed to invest US\$10.0 million in Navegar II. AI invested US\$1.0 million (P46.5 million) and US\$0.2 million (P10.1 million) in 2020 and 2019, respectively.

In 2020, AI recognized gains on fair market value adjustment in its investment in Navegar II amounting to P14.2 million.

Total investment in Navegar II, inclusive of foreign exchange adjustment, amounted to P71.3 million and P11.7 million as at December 31, 2020 and 2019, respectively.

As at December 31, 2020 and 2019, the Group's remaining capital commitment to be called for Navegar II amounted to US\$8.8 million and US\$9.0 million, respectively.

g. Sierra Madre Philippines I LP (Sierra Madre)

In 2017, AI entered into an equity investment agreement with Sierra Madre, a newly formed private equity fund staffed by experienced local operators and private equity professionals. The fund will focus on providing growth capital to small and mid-sized Philippine companies.

In 2020, 2019 and 2018, AI made additional investments to Sierra Madre amounting to US\$1.1 million (P52.8 million), US\$0.9 million (P48.0 million) and US\$1.0 million (P50.4 million), respectively. The Group's total commitment to Sierra Madre amounted to US\$9.0 million, of which US\$5.7 million remain uncalled as at December 31, 2020.

In 2020, AI recognized gains on fair value adjustment amounting to P23.2 million. In 2019 and 2018, AI recognized losses on fair value adjustment amounting to P31.1 million and P3.3 million, respectively.

As at December 31, 2020 and 2019, total investment in Sierra Madre, inclusive of foreign exchange adjustment, amounted to P134.4 million and P62.3 million, respectively.

Net gains (losses) on increase (decrease) in market value of FVPL investments as at December 31 are as follows (in millions):

| | Unrealized Valuation Gains (Losses) in Market Value | | Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments in 2020 |
|---|--|-----------|---|
| | 2020 | 2019 | |
| Quoted equity shares | ₱ 2,613.9 | ₱ 3,084.1 | (₱ 470.2) |
| Unquoted equity shares | 491.2 | 456.6 | 34.6 |
| Proprietary shares | 321.7 | 325.5 | (3.8) |
| Bonds | (17.8) | (17.3) | (0.5) |
| Funds and equities | 44.9 | (15.7) | 60.6 |
| Others | 3.7 | (1.4) | 5.1 |
| Total | 3,457.6 | 3,831.8 | (374.2) |
| Add realized gain on sale of FVPL investments | | | 297.7 |
| Net loss on decrease in market value of FVPL investments | | | (₱ 76.5) |

| | Unrealized Valuation Gains (Losses) in Market Value | | Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments in 2019 |
|---|--|-----------|---|
| | 2019 | 2018 | |
| Quoted equity shares | ₱ 3,084.1 | ₱ 2,242.3 | ₱ 841.8 |
| Unquoted equity shares | 456.6 | 487.5 | (30.9) |
| Proprietary shares | 325.5 | 282.4 | 43.1 |
| Bonds | (17.3) | (54.9) | 37.6 |
| Funds and equities | (15.7) | (41.8) | 26.1 |
| Others | (1.4) | (7.6) | 6.2 |
| Total | 3,831.8 | 2,907.9 | 923.9 |
| Add realized gain on sale of FVPL investments | | | 227.9 |
| Net gain on increase in market value of FVPL investments | | | ₱ 1,151.8 |

| | Unrealized Valuation Gains (Losses) in Market Value | | Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments in 2018 |
|---|--|-----------|---|
| | 2018 | 2017 | |
| Quoted equity shares | P 2,242.3 | P 2,357.6 | (P 115.3) |
| Unquoted equity shares | 487.5 | 280.7 | 206.8 |
| Proprietary shares | 282.4 | 179.6 | 102.8 |
| Bonds | (54.9) | (16.9) | (38.0) |
| Funds and equities | (41.8) | (9.8) | (32.0) |
| Others | (7.6) | 1.5 | (9.1) |
| Total | 2,907.9 | 2,792.7 | 115.2 |
| Less realized loss on sale of FVPL investments | | | (81.7) |
| Net gain on increase in market value of FVPL investments | | | P 33.5 |

There were no outstanding forward transactions as at December 31, 2020, 2019 and 2018.

11. Receivables

| | 2020 | 2019 |
|---|-----------------|-----------------|
| Trade | P 1,834,935,681 | P 1,782,362,910 |
| Tax credits/refunds | 157,463,279 | 143,954,166 |
| Receivables from villa owners | 42,023,200 | 17,341,766 |
| Interest receivable | 26,191,265 | 24,518,133 |
| Dividends receivable | 21,422,305 | — |
| Advances to employees | 11,649,349 | 12,533,168 |
| Note receivable | — | 238,905,000 |
| Others | 30,723,619 | 17,071,649 |
| | 2,124,408,698 | 2,236,686,792 |
| Less allowance for expected credit losses | 188,415,857 | 114,084,174 |
| | P 1,935,992,841 | P 2,122,602,618 |

Trade receivables are noninterest-bearing and are normally settled on a 30 to 60-day term.

Note receivable pertains to a one-year convertible note and security agreement entered on August 1, 2018 with Powersource Group Holdings Corporation (Powersource) to provide a pre-development support and pre-development funding for the projects of Powersource. The Company may exercise its option to convert the note into common shares upon execution of subscription agreement within the agreed time frame or to convert the loan and all outstanding interest on maturity date. The interest on the loan shall be six percent (6%) per annum, which shall accrue beginning from the issuance of the loan and be due and payable every end of the quarter.

On July 31, 2019, the Company amended the convertible loan and security agreement with Powersource by extending the maturity of the loan to February 1, 2020. On February 19, 2020, Powersource paid the outstanding note receivable. Total interest income recognized in the consolidated profit or loss amounted to ₱2.0 million and ₱14.3 million in 2020 and 2019, respectively (see Note 24).

Receivables from villa owners pertain to SSRLI's net rental share and handling fees and reimbursable expenses such as guest supplies and other amenities, operating supplies, utilities, manpower, laundry services and other expenses for villa maintenance.

Interest receivable pertains to accrued interest income from cash and cash equivalents, notes receivable, FVPL and FVOCI investments in debt instruments.

Movements in the allowance for expected credit losses of trade and other receivable accounts are as follows:

| 2020 | Trade | Interest and Others | Total |
|----------------------------------|---------------|----------------------------|---------------|
| At January 1 | ₱ 111,659,921 | ₱ 2,424,253 | ₱ 114,084,174 |
| Provision for the year (Note 24) | 75,243,352 | — | 75,243,352 |
| Recoveries (Note 24) | (77,734) | — | (77,734) |
| Write-off | — | (833,935) | (833,935) |
| At December 31 | ₱ 186,825,539 | ₱ 1,590,318 | ₱ 188,415,857 |

| 2019 | Trade | Interest and Others | Total |
|----------------------------------|---------------|----------------------------|---------------|
| At January 1 | ₱ 70,818,417 | ₱ 2,424,253 | ₱ 73,242,670 |
| Provision for the year (Note 24) | 40,841,504 | — | 40,841,504 |
| At December 31 | ₱ 111,659,921 | ₱ 2,424,253 | ₱ 114,084,174 |

12. Inventories

| | 2020 | 2019 |
|---|--------------------|--------------------|
| At cost: | | |
| Materials in transit | ₱ 136,335,376 | ₱ 24,379,166 |
| Raw materials | 55,450,436 | 92,365,315 |
| Aircraft parts in transit | 40,089,414 | 22,402,096 |
| Food and beverage | 13,502,886 | 15,266,566 |
| Reel inventory | 8,195,616 | 7,791,270 |
| | 253,573,728 | 162,204,413 |
| At net realizable value: | | |
| Finished goods - net of allowance for inventory obsolescence of ₱23.7 million in 2020 and ₱22.1 million in 2019 | 445,390,570 | 376,609,807 |
| Work in process - net of allowance for inventory obsolescence of ₱11.0 million in 2020 and 2019 | 115,572,063 | 148,090,979 |

(Forward)

| | 2020 | 2019 |
|---|-----------------|---------------|
| Raw materials - net of allowance for inventory obsolescence of P2.8 million in 2020 and 2019 | P 113,082,152 | P 113,294,068 |
| Spare parts and operating supplies - net of allowance for inventory obsolescence of P37.2 million in 2020 and P37.3 million in 2019 | 66,223,633 | 61,808,329 |
| Aircraft spare parts and supplies - net of allowance for inventory obsolescence and losses of P9.5 million in 2020 and 2019 | 58,138,235 | 41,814,368 |
| Construction-related materials - net of allowance for inventory obsolescence of P0.6 million in 2020 and 2019 | 605,556 | 605,556 |
| | 799,012,209 | 742,223,107 |
| | P 1,052,585,937 | P 904,427,520 |

Net provision for inventory obsolescence recognized in 2020 and 2019, which was recorded under “Materials used and changes in inventories”, amounted to P1.5 million and P1.4 million, respectively. Net reversals for inventory obsolescence recognized in 2018 amounted to P2.6 million (see Note 22).

Aircraft parts in transit are purchased from suppliers abroad under Freight on Board Shipping Point. These items are in the custody of either the Bureau of Customs or freight forwarder as at December 31, 2020 and 2019.

Operating supplies pertain to inventory items used in providing services such as printing, cleaning and office and guest supplies.

Construction-related materials are excess materials and supplies from Villa Development Project. These are held for use in other construction of villa or future repair or renovation of villas.

Inventories charged to cost of goods sold and services sold amounted to P4,675.9 million, P6,207.8 million and P6,664.8 million in 2020, 2019 and 2018, respectively (see Note 22).

13. FVOCI Investments

| | 2020 | 2019 |
|--------------------|--------------|---------------|
| Current portion | P — | P 94,535,324 |
| Noncurrent portion | 94,137,422 | 235,949,189 |
| | P 94,137,422 | P 330,484,513 |

FVOCI investments in bonds represent the following:

- Foreign currency-denominated bond securities are subject to variable and fixed coupon interest rate per annum ranging from 4.00% to 5.95% in 2020, 4.00% to 7.38% in 2019 and 3.00% to 7.38% in 2018. Maturity dates range from May 3, 2022 to July 31, 2024 for bonds held as at December 31, 2020 and March 17, 2020 to July 31, 2024 for bonds held as at December 31, 2019.

b. Geothermal Project

In January 2014, a loan and investment agreement was entered by the Company with SKI Construction Company, Inc. (SKI), Red Core Investment Corp. (Red Core), Tayabas Power, Tiaong Geothermal Power, Inc. (Tiaong Power) and San Juan Geothermal Power, Inc. and (San Juan Power), collectively referred to as Red Core Group to jointly survey and explore the geothermal energy potential in the areas defined by the Tayabas, Tiaong and San Juan Geothermal Renewable Energy Service Contract (GRESO). Under this agreement, the Company committed to lend up to ₱172.0 million for the exploration phase of the three sites.

The Company may choose to convert each note into common shares of the three operating companies: Tayabas Power, Tiaong Power and San Juan Power to achieve 9.1% stake in each of these entities. If the Company opts not to convert the note within the agreed time frame, these notes will accrue interest until they mature 62 months from the initial drawdown date.

In 2017, the Company recognized ₱82.9 million impairment loss, bringing the investment balance to nil as at December 31, 2020 and 2019.

In March 2018, the Company filed before the Regional Trial Court of Makati City a civil case for specific performance in order to compel Red Core Group to comply with the provisions of the loan and investment agreement signed by the parties. On November 23, 2020, the Court partially granted the Motion for Summary Judgment filed by the Company. As at February 18, 2021, the case is still ongoing.

In 2020 and 2019, gain on sale of FVOCI investments amounted to ₱1.2 million and ₱11.9 million, respectively. In 2018, loss on sale of FVOCI investments amounted to ₱2.7 million.

Below is the rollforward of the unrealized valuation gains (losses) on FVOCI investments recognized in equity:

| | | 2020 | | 2019 |
|--|---|-------------|----|-------------|
| Beginning balance | ₱ | 8,739,689 | (₱ | 8,128,524) |
| Gain (loss) recognized directly in equity - net of tax | | (5,412,803) | | 25,170,172 |
| Amount removed from equity and recognized in consolidated statement of comprehensive income - net of tax | | (805,137) | | (8,301,959) |
| Ending balance | ₱ | 2,521,749 | ₱ | 8,739,689 |

14. Investments and Advances

| | | 2020 | | 2019 |
|---|---|-------------|---|---------------|
| Investments at equity - net of valuation allowance | ₱ | 316,374,056 | ₱ | 995,882,967 |
| Advances - net of allowance for expected credit losses of ₱564.8 million in 2020 and 2019 | | 1,955,259 | | 82,772,036 |
| | ₱ | 318,329,315 | ₱ | 1,078,655,003 |

Investments at equity consist of:

| | 2020 | 2019 |
|--|-----------------|-----------------|
| Acquisition cost | | |
| Common shares | ₱ 2,549,574,872 | ₱ 2,549,574,872 |
| Preferred shares | 4,348,973 | 6,448,973 |
| Total | 2,553,923,845 | 2,556,023,845 |
| Accumulated equity in net losses and impairment loss | (2,431,887,467) | (1,833,880,993) |
| Effect of foreign exchange differences | 194,337,678 | 273,740,115 |
| | ₱ 316,374,056 | ₱ 995,882,967 |

The significant transactions involving the Group's investments in associates in 2020 and 2019 follow:

AGP-SG and AGP-BVI

In December 2011, AI entered into a subscription agreement with AGPI for US\$5.0 million Convertible Bridge Notes (the "Notes"), with interest rate of 9% compounded annually. The principal, together with the accrued interest, is payable on the one year anniversary of the issuance of each Note.

The Notes are convertible at the option of the holder into: (a) Series B preferred shares at the per share price paid to buy out existing Series A preferred shares (US\$0.345/share or the "conversion price"); or (b) the equity security issued by AGPI in its next round of equity financing at the per share price paid in such next round of financing.

AGPI is a BVI business company formed in 2010 in connection with the acquisition of equity of Atlantic, Gulf and Pacific Company of Manila, Incorporated. AGPI, through its subsidiary and associates, is focused on providing modular engineering and construction and general engineering design services, including, fabrication, assembly and manpower services, particularly in the oil, gas, petrochemical, power generation and mining industries. In 2018, the Group decided to focus on the development and construction of LNG terminals, transportation assets and platforms to deliver natural gas to end-customers and its related business (the "LNG Business") gas logistics due to the identified opportunity to combine the Group's expertise in liquefied natural gas (LNG) industry and decades-long experience in modular construction.

On June 28, 2013, AI converted the US\$5.0 million Convertible Bridge Notes to 16.4 million Series B, voting preferred shares. On June 29, 2013, AI signed a definitive agreement with AGPI amounting to US\$40.0 million for the subscription of 83.9 million Series C, voting preferred shares in AGPI. Series B and Series C preferred shares are convertible, at the option of the holder into Class A common shares. The subscription increased AI's holdings to 27%, giving the Group significant influence over AGPI.

In 2018, AGPI merged with AGP-BVI, its subsidiary, with the latter being the surviving entity. The Group retained its 27% ownership in AGP-BVI and its preference shares were converted to common shares upon the merger.

On July 1, 2019, AGP-BVI entered into a share swap agreement with AGP-SG to make the latter the sole owner of the former.

On July 22, 2019, AGP-SG obtained additional equity investment from new investors which effectively decreased the Group's interest in AGP-SG from 27% to 21%. The Group assessed that it still has significant influence over AGP-SG.

The principal place of business of AGP-SG is 600 North Bridge Road, Parkview Square, Singapore.

The total acquisition cost of the investment in AGP-SG amounted to ₱2.0 billion. The Group recognized an impairment loss of ₱232.3 million (after considering the effect of dilution) in 2019 (nil in 2020 and 2018). In 2020, 2019 and 2018, the Group recognized equity in net losses amounting to ₱601.0 million, ₱294.1 million and ₱266.6 million, respectively. The unrecognized share in net losses of AGP-SG as at December 31, 2020 amounted to ₱417.1 million. The Group is not committed to contribute to AGP-SG for any losses in excess of the cost of the investment.

As at December 31, 2020 and 2019, the carrying value of the investment amounted to nil and ₱682.5 million, respectively.

The following are the significant financial information of AGP-SG as at and for the years ended December 31, 2020 and 2019 (in millions):

| | 2020 | 2019 |
|---|-----------|-----------|
| Balance Sheets*: | | |
| Current assets | ₱ 6,125.2 | ₱ 7,737.0 |
| Noncurrent assets | 13,657.9 | 15,793.1 |
| Current liabilities | 9,391.9 | 6,896.5 |
| Noncurrent liabilities | 8,348.6 | 6,253.4 |
| Equity | 2,042.4 | 10,491.6 |
| Statements of Comprehensive Income*: | | |
| Revenue | ₱ 4,646.9 | ₱ 9,063.1 |
| Loss before tax | 4,859.0 | 1,257.1 |
| Net loss | 4,952.4 | 1,239.6 |

* Based on the latest available financial information.

AIMP

In 2013, the Company invested ₱18.8 million in 15,000,000 common shares and ₱18.8 million in 18,750,000 cumulative, non-voting, redeemable and non-convertible preferred shares in AIMP. These investments gave the Company a total of 10% interest in the entity.

On July 6, 2017, the Company invested additional ₱91.3 million equivalent to 15,000,000 common shares, resulting to an increase in ownership from 10% to 20%, which allowed the Company to exercise significant influence over AIMP.

On December 22, 2017, AIMP redeemed the 12,300,000 preferred shares held by the Company for ₱15.6 million, inclusive of dividends accumulating to the Company amounting to ₱3.3 million.

As at December 31, 2020 and 2019, the carrying value of the investment in AIMP amounted to ₱138.7 million and ₱134.3 million, respectively.

AIMP reported net income amounting to ₱23.3 million, ₱48.1 million and ₱33.1 million in 2020, 2019 and 2018, respectively. The Group recognized equity in net earnings amounting to ₱4.4 million, ₱9.8 million and ₱5.2 million in 2020, 2019 and 2018, respectively.

FHI

On November 22, 2017, the Company and a stockholder of FHI, entered into a conditional deed of sale for the Company's purchase of 12.75% stake in FHI. The Company made an advance payment of ₱77.4 million for the said transaction.

On April 2, 2018, the advance payment of ₱77.4 million was reclassified under “Investments at equity-net of valuation allowance” upon transfer of 37,636,615 shares to the Company. On the same date, the Company entered into a deed of sale for the acquisition of 37,636,613 common shares in FHI for a total consideration of ₱103.0 million. The additional purchase of shares resulted to an increase in ownership interest from 12.75% to 25.5%.

In 2019, the Company made a cash advance to FHI amounting to ₱80.6 million. FHI paid the amount in 2020 and provided cash advance to the Company amounting to ₱27.8 million, which is presented under “Accounts payable and accrued expenses” (see Note 19).

As at December 31, 2020 and 2019, the carrying value of the investment and advances in FHI amounted to ₱177.6 million and ₱259.6 million, respectively.

FHI reported net loss amounting to ₱5.5 million, ₱2.1 million and ₱7.2 million in 2020, 2019 and 2018, respectively. The Group recognized equity in net losses amounting to ₱1.4 million, ₱0.5 million and ₱0.8 million in 2020, 2019 and 2018, respectively.

BM

In October 2011, AI entered into a subscription agreement with Predictive Edge Media Holdings, LLC (PEMH) for the acquisition of 1,000,000 Series A preferred units at US\$3 per unit, which constituted 10% of the total Series A preferred units outstanding. In the first quarter of 2012, all of AI's holdings in PEMH, first acquired in October 2011, were exchanged for an interest in Predictive Edge Technologies, LLC (“Predictive”), PEMH's parent company. Predictive is a US-based early-stage technology company, which provides products and services that make practical and effective use of its patented behavioral science, based on psychological principles and state-of-the-art mathematics that allow it to measure and quantify emotions associated with digital content.

In July 2015, AI made an additional investment of US\$0.5 million (₱22.5 million). In March 2016, AI invested an additional US\$0.44 million (₱20.5 million) through a convertible note. In October 2016, Predictive merged with BM, its subsidiary, with the latter being the surviving company. As part of the restructuring of BM, the convertible notes and accrued interest were converted to equity on the same date and AI invested an additional US\$0.81 million (₱39.2 million) for a 20.5% shareholding in BM. The increased ownership allows AI to exercise significant influence over BM.

In 2016, AI provided impairment loss on its investment in BM amounting to ₱62.2 million.

As at December 31, 2020 and 2019, the net carrying value of AI's investment in BM amounted to nil.

Prople Limited

In November 2013, AI invested US\$4.0 million (₱175.9 million) convertible notes in Prople Limited. In August 2015 and February 2016, AI purchased Tranche C notes of Prople Limited amounting to US\$0.5 million (₱22.6 million) and US\$0.2 million (₱10.6 million), respectively. These notes are convertible at the option of the holder into common shares of Prople Limited. The interest is 5% for the first three years and if not converted on the third anniversary of closing date (i.e., November 18, 2016, the conversion date), the interest will be the prevailing five-year US Dollar Republic of the Philippines (ROP), plus 400 basis points or 7%, whichever is higher for the next two years.

In February 2016, AI converted the notes to equity, giving AI a 32% equity stake and a significant influence over Prople Limited.

In prior years, the Group recognized impairment loss on the investment in Prople Limited.

In 2020, Prople Limited redeemed the preference shares held by the Group amounting to ₱10.1 million.

As at December 31, 2020 and 2019, the net carrying value of AI's investment in Prople Limited amounted to nil.

The Group has no share in the contingent liabilities of any associates as at December 31, 2020 and 2019.

15. Property and Equipment

| 2020 | | | | | | |
|--|--|---|---|-----------------------------|-----------------------------|-----------------|
| | Land, Buildings and Improvements | Flight, Ground, Machineries and Other Equipment | Furniture, Fixtures and Office Equipment | Transportation Equipment | Construction in Progress | Total |
| Cost | | | | | | |
| January 1 | ₱ 2,750,296,452 | ₱1,218,414,151 | ₱ 518,630,125 | ₱ 217,613,260 | ₱ 48,538,970 | ₱ 4,753,492,958 |
| Additions | 44,739,147 | 24,065,790 | 40,653,475 | 11,201,836 | 65,624,912 | 186,285,160 |
| Reclassification | 32,641,921 | 56,689,840 | 4,318,178 | 5,266,262 | (98,916,201) | — |
| Retirement/disposals | — | — | (1,542,946) | (6,913,882) | — | (8,456,828) |
| December 31 | 2,827,677,520 | 1,299,169,781 | 562,058,832 | 227,167,476 | 15,247,681 | 4,931,321,290 |
| Accumulated Depreciation and Amortization | | | | | | |
| January 1 | 895,832,760 | 721,854,452 | 418,332,114 | 155,010,019 | — | 2,191,029,345 |
| Depreciation and amortization (Note 22) | 78,427,433 | 101,681,052 | 53,265,998 | 34,532,868 | — | 267,907,351 |
| Retirement/disposals | — | — | (1,542,946) | (6,913,882) | — | (8,456,828) |
| December 31 | 974,260,193 | 823,535,504 | 470,055,166 | 182,629,005 | — | 2,450,479,868 |
| Net Book Value | ₱ 1,853,417,327 | ₱ 475,634,277 | ₱ 92,003,666 | ₱ 44,538,471 | ₱ 15,247,681 | ₱ 2,480,841,422 |

| 2019 | | | | | | |
|--|--|---|---|-----------------------------|-----------------------------|-----------------|
| | Land, Buildings and Improvements | Flight, Ground, Machineries and Other Equipment | Furniture, Fixtures and Office Equipment | Transportation Equipment | Construction in Progress | Total |
| Cost | | | | | | |
| January 1 | ₱ 2,722,844,921 | ₱ 1,063,069,548 | ₱ 510,404,741 | ₱ 221,735,321 | ₱ 20,172,856 | ₱ 4,538,227,387 |
| Additions | 22,029,912 | 91,129,913 | 36,278,461 | 10,691,218 | 98,002,423 | 258,131,927 |
| Reclassification | 5,421,619 | 64,214,690 | — | — | (69,636,309) | — |
| Retirement/disposals | — | — | (28,053,077) | (14,813,279) | — | (42,866,356) |
| December 31 | 2,750,296,452 | 1,218,414,151 | 518,630,125 | 217,613,260 | 48,538,970 | 4,753,492,958 |
| Accumulated Depreciation and Amortization | | | | | | |
| January 1 | 843,544,117 | 613,174,917 | 377,454,085 | 143,223,831 | — | 1,977,396,950 |
| Depreciation and amortization (Note 22) | 52,288,643 | 108,679,535 | 68,931,106 | 26,599,467 | — | 256,498,751 |
| Retirement/disposals | — | — | (28,053,077) | (14,813,279) | — | (42,866,356) |
| December 31 | 895,832,760 | 721,854,452 | 418,332,114 | 155,010,019 | — | 2,191,029,345 |
| Net Book Value | ₱ 1,854,463,692 | ₱ 496,559,699 | ₱ 100,298,011 | ₱ 62,603,241 | ₱ 48,538,970 | ₱ 2,562,463,613 |

Construction in progress includes cost of the on-going construction of the land and building improvements and cost of assembling machineries and equipment.

Depreciation amounted to ₱267.9 million, ₱256.5 million and ₱252.8 million in 2020, 2019 and 2018, respectively (see Note 22).

16. Investment Properties

| | 2020 | | |
|--|---------------|---------------|---------------|
| | Land | Condominium | Total |
| Cost | | | |
| January 1 and December 31 | ₱ 238,010,571 | ₱ 293,595,000 | ₱ 531,605,571 |
| Accumulated Depreciation and Amortization | | | |
| January 1 | — | 1,223,313 | 1,223,313 |
| Depreciation and amortization (Note 22) | — | 14,679,749 | 14,679,749 |
| December 31 | — | 15,903,062 | 15,903,062 |
| Net Book Value | ₱ 238,010,571 | ₱ 277,691,938 | ₱ 515,702,509 |

| | 2019 | | |
|--|---------------|---------------|---------------|
| | Land | Condominium | Total |
| Cost | | | |
| January 1 | ₱ 238,104,974 | ₱ — | ₱ 238,104,974 |
| Additions | — | 293,595,000 | 293,595,000 |
| Reclassification | (94,403) | — | (94,403) |
| December 31 | 238,010,571 | 293,595,000 | 531,605,571 |
| Accumulated Depreciation and Amortization | | | |
| January 1 | — | — | — |
| Depreciation and amortization (Note 22) | — | 1,223,313 | 1,223,313 |
| December 31 | — | 1,223,313 | 1,223,313 |
| Net Book Value | ₱ 238,010,571 | ₱ 292,371,687 | ₱ 530,382,258 |

The Group's investment properties include 144.4 hectares of land in Palawan, 36.9 hectares of land in Cebu, and 97.4 hectares of land in Guimaras. Condominium pertains to the two (2) commercial condominium units purchased by the Company in 2019 and are held for lease to other parties and associate. The aggregate fair value of these investment properties as at December 31, 2020 amounted to ₱3.88 billion.

Fair valuation of the land properties was performed by professionally qualified, SEC-accredited and independent appraisers as at October 2019 to January 2020. The fair value was determined using the sales comparison approach which considers the sale of similar or substitute properties, related market data and the assets' highest and best use. The fair value of the investment properties is categorized as Level 3 which used adjusted inputs for valuation that are unobservable as of the date of valuation.

The inputs used were offer prices of similar land. Significant increases or decreases in offer price would result in higher or lower fair value of the asset.

The appraisers determined that the highest and best use of these properties are either for residential, agricultural, commercial and recreational utility. For strategic reasons, the properties are not being used in this manner. These properties are currently held by the Group for capital appreciation.

The Group has no restrictions on the realizability of the investment properties. Under Department of Agrarian Reform (DAR) rules, AAC has to complete the development on the Guimaras land by September 2018. On November 11, 2018, DAR approved the Group's request for extension to develop the property within a non-extendible period of five years from the receipt of order or until December 6, 2023. The notice of order was received by the Group on December 7, 2018.

The fair value of the condominium units was arrived at through the use of the "Income Approach," particularly the "Discounted Cash Flow Analysis" which is a financial modelling technique based on explicit assumptions regarding the prospective cash flow to a property. This analysis involves the projection of a series of periodic cash flows to an operating property. To this projected cash flow series, an appropriate discount rate is applied to establish an indication of the present value of the income stream associated with the property being valued. In an operating property, periodic cash flow is typically estimated as gross revenue less operating expenses and other outgoings. The series of periodic net operating incomes, along with an estimate of the terminal value, anticipated at the end of the projection period, is then discounted at the discount rate, being a cost of capital or a rate of return used to convert a monetary sum, payable or receivable in the future, into present value. The fair value of the condominium units is categorized as Level 3. The highest and best use of these properties is for leasing.

The Group recognized rental income of ₱12.3 million and ₱1.0 million from these investment properties in 2020 and 2019, respectively (nil in 2018) (see Note 31).

The aggregate direct expenses pertaining to real property taxes, condominium dues and depreciation expense amounted to ₱19.2 million, ₱1.9 million and ₱0.4 million, in 2020, 2019 and 2018, respectively.

17. Other Noncurrent Assets and Other Noncurrent Liabilities

The Group's other noncurrent assets comprise the following as of December 31:

| | 2020 | 2019 |
|--|---------------|---------------|
| Fund for villa operations and capital expenditures (Note 31) | ₱ 95,921,673 | ₱ 107,790,478 |
| Deposit to suppliers | 77,124,777 | 101,610,508 |
| Computer software - net of accumulated depreciation of ₱11.0 million and ₱8.9 million as at December 31, 2020 and 2019, respectively | 7,009,910 | 8,887,115 |
| Property development in progress (Note 31) | 3,679,290 | 3,676,224 |
| Refundable deposits | 1,426,368 | 1,426,368 |
| Others | 4,743,667 | 255,738 |
| | ₱ 189,905,685 | ₱ 223,646,431 |

Fund for villa operations and capital expenditures is a restricted cash fund of PRI held as a source of future maintenance requirements and for future replacement of power generating units and desalination plant. Interest income on this fund shall accrue to the villa owners. A liability related to the fund was recognized and is presented as "Other noncurrent liabilities" in the consolidated balance sheets (see Note 31).

Deposits to suppliers include advances to suppliers for the maintenance of IAI's aircraft and for the acquisition of specific property and equipment.

Other noncurrent liabilities amounted to ₱111.4 million and ₱148.0 million as at December 31, 2020 and 2019, respectively, which include the related liability for the fund asset of PRI recognized above and other liabilities arising from funds for future infrastructure and utility development of villas and funds for replacement of power generating units and desalination plant.

18. Notes Payable

Notes payable as at December 31, 2020 represent unsecured, short-term, interest-bearing liabilities of IAI amounting to ₱23.2 million. The Group has no outstanding notes payable as at December 31, 2019.

Details of the Group's short-term borrowing transactions are as follows:

- a. In January and February 2020, IAI obtained a loan from a bank amounting to ₱10.17 million and ₱18.00 million, respectively. The amount loaned from the bank was used for the additional working capital of IAI. The loans have interest initially fixed at 5% subject to review and resetting by the bank every 30 days based on prevailing market rates at such time of review and resetting. On January 11, 2021, the loan was rolled-over for another year.
- a. PDP availed loans from a local bank totaling to ₱450.0 million in 2018. Terms of the loans is 32 to 58 days with rates ranging from 3.5% to 5.7%.
- b. Total interest expense from these loans recognized in the consolidated profit or loss amounted to ₱1.2 million, ₱0.5 million and ₱2.3 million in 2020, 2019 and 2018, respectively (see Note 24).
- c. The Group's unavailed loan credit line from banks amounted to ₱3,191.4 million and ₱3,329.6 million as at December 31, 2020 and 2019, respectively.

19. Accounts Payable and Accrued Expenses

| | 2020 | 2019 |
|--------------------------------------|---------------|---------------|
| Trade payables | ₱ 294,839,235 | ₱ 310,878,102 |
| Refundable deposits | 191,960,889 | 211,118,416 |
| Accruals for: | | |
| Personnel expenses | 146,090,331 | 157,422,592 |
| Utilities | 11,746,688 | 9,781,344 |
| Taxes and licenses | 4,770,416 | 12,891,586 |
| Handling | 4,523,000 | 4,657,689 |
| Others (Note 33) | 20,607,651 | 45,651,554 |
| Payable to villa owners | 54,862,856 | 55,560,904 |
| Contract liabilities (Note 5) | 54,286,065 | 52,693,634 |
| Payable to a related party (Note 14) | 27,805,900 | — |
| Payable to contractors | 19,848,123 | 17,049,237 |
| Payable to government agencies | 19,558,046 | 36,517,947 |
| Other payables (Note 33) | 6,921,567 | 17,097,152 |
| | ₱ 857,820,767 | ₱ 931,320,157 |

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Other accrued expenses include unpaid operating costs of the Group.

Refundable deposits mainly pertain to advance payments made by guests.

Contract liabilities pertain to the customers' advances for the delivery of goods and services.

Payable to contractors are amounts due to suppliers for ongoing and completed construction projects.

20. Long-term Debt

The Group's outstanding long-term debt from local banks pertain to the following companies:

| | 2020 | 2019 |
|----------------------|---------------|---------------|
| PDP Energy | ₱ 227,142,857 | ₱ 378,571,428 |
| IAI | - | 10,440,675 |
| Anscor | - | 114,295,500 |
| | 227,142,857 | 503,307,603 |
| Less current portion | 151,428,571 | 276,164,746 |
| | ₱ 75,714,286 | ₱ 227,142,857 |

- a. On June 24, 2013, the Company obtained a loan amounting to US\$45.0 million or ₱1,997.8 million to finance the additional investments in shares of stock of AGPI. The loan is payable quarterly in seven years, inclusive of a two-year grace period and bears interest equal to outstanding three month LIBOR rate plus 2.0% spread per annum. The loan is secured by pledge to the Company's investments in listed shares with market value amounting to ₱1,524.0 million as at December 31, 2019 (see Note 10). This loan provides for certain affirmative and negative covenants, such as the use of the proceeds of the loan, maintenance at all times of the required collateral value of no less than 100% of the outstanding loan balance, not allow the Company's debt-to-equity ratio to exceed 1.75:1 and the Company's current ratio to fall below 1.25:1, among others. The loan agreement further provides that in the event that these ratios are violated specifically by reason of any additional indebtedness with maturity exceeding one year, the Company shall notify the bank in writing of such indebtedness. As at December 31, 2019, the Company is in compliance with the debt covenants. In 2020, the Company fully paid the loan and accordingly, the pledge over the shares of stock was released.
- b. In 2015, PDP Energy obtained a long-term loan to partially fund the ₱1.5 billion cash dividend paid to Anscor. Principal amount of the loan amounted to ₱1.2 billion payable in seven years with annual interest of 4.5%, subject to repricing at the end of the fifth year.

PDP Energy is subject to the following negative covenants for as long as the long-term loan remains outstanding, which include, but are not limited to: (a) permitting any material change in its business or in the ownership or control of its business or in the composition of its top management; (b) incurring any indebtedness (long-term loan or borrowings) with other banks except for working capital requirement; (c) allowing declaration or payment of cash dividends to its stockholders if the debt service covenant ratio is below 1.25 times or in the event of default; (d) selling, leasing, transferring or otherwise disposing all or substantially all of PDP Energy's properties and assets; (e) extending loans, advances or subsidies to any corporation it owned other than for working capital requirements or with prior consent of the bank; and (f) undertaking any capital expenditures or purchase additional capital equipment outside of the ordinary course of business. The long-term loan also provides that PDP Energy has to maintain a ratio of current assets to current liabilities of at least 1.0 times and debt-to-equity ratio should not be more than 2.0 times until final payment date. As at December 31, 2020 and 2019, PDP Energy is in compliance with the debt covenants.

In addition, the long-term loan is secured by the following collaterals, among others:

- Real estate mortgage over the land owned by Minuet;
- Chattel mortgage over machineries and equipment of PDP Energy and PDEI located in PDP Energy and PDEI's premises;
- Pledge over the shares of stock for 1,121,000 shares of PDIPI held by Anscor; and
- Assignment of leasehold rentals of the properties located in PDP Energy's premises.

On December 19, 2016, the pledge over the shares of stock for 1,121,000 shares of PDIPI held by Anscor was released by the bank.

The long-term loan also provides for pretermination without penalty.

- c. In 2014, IAI converted the short-term loan amounting to US\$1.1 million (P47.0 million) to long-term loan. The term of the loan is six years, inclusive of one year grace period on principal payments. The loan is payable in 20 equal quarterly installments on principal repayment date commencing at the end of the first quarter of the grace period.

The loan is subject to Mortgage Trust Indenture or "MTI" dated November 29, 2005 between SSRLI and the MTI trustee (AB Capital and Investment Corporation), covering a portion of the assets of SSRLI.

The interest rate shall be equivalent to the base interest rate plus margin. The interest shall be payable quarterly in arrears computed based on the outstanding balance of the loan.

This loan was settled in full in May 2020.

Total interest expense recognized in the consolidated profit or loss amounted to P19.2 million, P44.4 million and P70.5 million in 2020, 2019 and 2018, respectively (see Note 24).

21. Equity

Equity holders of the Parent

Capital stock as at December 31, 2020 and 2019 consists of the following common shares:

| | Number of Shares | Amount |
|------------|------------------|-----------------|
| Authorized | 3,464,310,958 | P 3,464,310,958 |
| Issued | 2,500,000,000 | 2,500,000,000 |

On February 19, 2020, the Company's BOD approved the amendment of its Articles of Incorporation (AOI) wherein authorized capital stock of 5,000,000 common shares (par value of P1.00 per share) amounting to P5.0 million will be reclassified to 500,000,000 preferred shares (par value of P0.01 per share) amounting to P5.0 million. In August 2020, the Company applied for the amendment of the AOI with the SEC and this is still for approval of the SEC as at February 18, 2021.

Outstanding shares, net of shares held by a subsidiary, as at December 31, 2020 and 2019 totaled 1,227,570,239 and 1,250,127,754, respectively. The Company's equity holders as at December 31, 2020 and 2019 is 11,074 and 11,087, respectively.

The Philippine SEC authorized the offering/sale to the public of the Company's 10.0 million and 140.0 million common shares with par value of ₱1.00 each on December 29, 1948 and January 17, 1973, respectively. On August 30, 1996, the Philippine SEC authorized the licensing of 910,476,302 common shares at the subscription price of ₱2.50 per share.

In 2020, 2019 and 2018, the Company declared the following cash dividends:

| | 2020 | 2019 | 2018 |
|-------------------------|-------------------|-----------------------|-------------------|
| Month of declaration | March | February and November | February |
| Cash dividend per share | ₱ 0.75 | ₱ 0.25 and ₱ 0.25 | ₱ 0.50 |
| Total cash dividends | ₱ 1,875.0 million | ₱ 1,250.0 million | ₱ 1,250.0 million |
| Share of a subsidiary | ₱ 937.4 million | ₱ 634.6 million | ₱ 641.4 million |

As at December 31, 2020 and 2019, the Company's dividends payable amounted to ₱366.1 million and ₱284.0 million, respectively. Dividends payable represents mainly dividend checks that were returned by the post office and which remained outstanding as at December 31, 2020 and 2019 due to problematic addresses of some of the Company's stockholders.

The Company's BOD approved the following appropriation of the Company's unrestricted retained earnings:

| Date of Appropriation | Amount |
|-----------------------|-----------------|
| 2011 | ₱ 2,100,000,000 |
| 2013 | 900,000,000 |
| 2014 | 1,600,000,000 |
| 2015 | 1,700,000,000 |
| 2016 | 850,000,000 |
| | ₱ 7,150,000,000 |

The appropriation will be used for the Company's investment program within the next three years on business activities related to tourism, business process outsourcing and manufacturing, whether based in the Philippines or offshore.

Appropriations in 2011 and 2013 were extended in 2017. Appropriations in 2014 and 2015 were extended in 2018 and 2019, respectively.

On November 11, 2020, the BOD approved the extension of the appropriation of retained earnings totaling ₱7,150.0 million for another three years.

The unappropriated retained earnings is restricted for the dividend declaration by the following:

- Balance of gross deferred income tax assets amounting ₱136.3 million and ₱89.1 million as at December 31, 2020 and 2019, respectively.
- Shares in the undistributed retained earnings of subsidiaries amounting to ₱3.7 billion and ₱3.2 billion as at December 31, 2020 and 2019, respectively, which are included in retained earnings, are not available for declaration as dividends until declared by the subsidiaries.

Shares held by a subsidiary

As at December 31, 2020 and 2019, Anscorcon holds 1,272,429,761 shares and 1,249,872,246 shares, respectively, of the Company. Anscorcon purchased the Company's shares amounting to ₱285.8 million (22,557,515 shares) and ₱119.0 million (17,783,600 shares) in 2020 and 2019, respectively. In 2019, Anscorcon sold 56.0 million Company shares for ₱359.9 million.

22. Cost of Goods Sold, Cost of Services Rendered and Operating Expenses

Cost of goods sold consists of:

| | 2020 | 2019 | 2018 |
|---|-----------------|-----------------|-----------------|
| Materials used and changes in inventories (Note 12) | ₱ 4,654,071,070 | ₱ 6,182,201,800 | ₱ 6,634,879,313 |
| Salaries, wages and employee benefits (Note 23) | 108,218,705 | 123,726,961 | 110,439,330 |
| Depreciation and amortization (Note 15) | 92,478,983 | 81,236,323 | 78,937,284 |
| Repairs and maintenance | 75,010,253 | 103,648,290 | 88,279,128 |
| Utilities | 72,743,297 | 81,758,417 | 83,013,181 |
| Transportation and travel | 6,045,156 | 7,842,844 | 6,708,026 |
| Security services | 5,992,989 | 5,023,323 | 4,726,837 |
| Insurance | 2,127,082 | 2,143,719 | 2,027,792 |
| Others | 7,000,700 | 2,707,310 | 1,538,398 |
| | ₱ 5,023,688,235 | ₱ 6,590,288,987 | ₱ 7,010,549,289 |

Cost of services rendered consists of:

| | 2020 | 2019 | 2018 |
|--|---------------|---------------|---------------|
| Resort operating costs | ₱ 101,363,691 | ₱ 160,436,397 | ₱ 146,884,223 |
| Salaries, wages and employee benefits (Note 23) | 50,926,678 | 65,974,344 | 72,475,563 |
| Depreciation and amortization (Note 15) | 28,521,875 | 39,749,485 | 37,966,471 |
| Materials and supplies - resort operations (Note 12) | 21,855,679 | 25,548,530 | 29,910,544 |
| Transportation and travel | 18,045,475 | 53,711,346 | 38,946,171 |
| Fuel cost | 16,956,751 | 35,731,780 | 44,173,953 |
| Repairs and maintenance | 9,122,274 | 30,384,808 | 31,336,351 |
| Commissions | 7,191,262 | 15,313,975 | 17,201,564 |
| Insurance | 6,063,533 | 4,515,573 | 4,887,652 |
| Outside services | 726,978 | 1,142,487 | 1,383,256 |
| Others | 7,928,253 | 14,550,117 | 12,342,441 |
| | ₱ 268,702,449 | ₱ 447,058,842 | ₱ 437,508,189 |

Operating expenses consist of:

| | 2020 | 2019 | 2018 |
|---|-----------------|-----------------|-----------------|
| Salaries, wages and employee benefits (Note 23) | ₱ 292,989,341 | ₱ 343,715,912 | ₱ 347,286,847 |
| Depreciation and amortization (Notes 15, 16 and 31) | 171,173,222 | 151,194,031 | 135,916,449 |
| Advertising, marketing and management fee (Note 31) | 92,191,957 | 151,367,555 | 150,804,663 |
| Shipping and delivery expenses | 72,923,630 | 89,675,097 | 82,775,651 |
| Taxes and licenses | 72,842,002 | 55,210,882 | 48,090,154 |
| Utilities | 63,194,782 | 79,746,977 | 76,226,590 |
| Repairs and maintenance | 61,348,628 | 56,982,751 | 51,645,741 |
| Professional and directors' fees | 37,395,138 | 49,816,241 | 72,891,128 |
| Transportation and travel | 24,703,019 | 47,347,552 | 46,524,779 |
| Insurance | 23,278,643 | 21,649,585 | 22,997,892 |
| Security services | 20,457,933 | 21,220,110 | 20,613,634 |
| Commissions | 19,791,818 | 34,019,789 | 30,268,954 |
| Communications | 13,399,461 | 12,719,346 | 12,230,631 |
| Donation and contribution | 10,026,883 | 9,618,796 | 6,632,200 |
| Meetings and conferences | 8,299,842 | 8,820,470 | 7,459,777 |
| Association dues | 7,769,547 | 8,113,533 | 7,808,276 |
| Office supplies | 6,817,298 | 6,786,878 | 6,097,933 |
| Entertainment, amusement and recreation | 6,692,946 | 6,122,508 | 6,923,568 |
| Medical expenses | 3,805,958 | 8,984,153 | 5,171,806 |
| Trainings | 2,676,059 | 2,059,633 | 1,064,914 |
| Computer programming | 2,546,436 | 13,450,049 | 6,177,406 |
| Rental (Note 31) | 1,612,537 | 160,736 | 7,773,918 |
| Contract maintenance | 835,145 | 1,314,420 | 1,619,259 |
| Others | 34,878,189 | 37,708,623 | 39,381,446 |
| | ₱ 1,051,650,414 | ₱ 1,217,805,627 | ₱ 1,194,383,616 |

In 2020, 2019 and 2018, the Company paid bonus to its non-executive directors amounting to ₱14.0 million, ₱4.6 million and ₱10.7 million, respectively.

As approved in 2004, the directors are given bonus representing no more than 1.0% of previous year's net income of the Company.

23. Personnel Expenses

| | 2020 | 2019 | 2018 |
|--|---------------|---------------|---------------|
| Salaries and wages | ₱ 381,286,501 | ₱ 348,909,427 | ₱ 422,082,781 |
| Pension costs (Note 25) | 18,123,185 | 13,203,358 | 37,124,451 |
| Social security premiums and other employee benefits | 52,725,038 | 171,304,432 | 70,994,508 |
| | ₱ 452,134,724 | ₱ 533,417,217 | ₱ 530,201,740 |

In 2020, 2019 and 2018, the Group declared and paid bonuses to its executive officers amounting to ₱65.5 million, ₱37.0 million and ₱51.8 million, respectively.

Annual bonus of no more than 3.0% of the preceding year's net income is given to executive officers of the Company as approved in 2004.

24. Interest Income, Interest Expense and Other Income (Charges)

Interest income consists of:

| | 2020 | 2019 | 2018 |
|------------------------------------|--------------|---------------|---------------|
| Debt instruments (Notes 10 and 13) | ₱ 47,215,234 | ₱ 75,190,235 | ₱ 75,378,770 |
| Cash and cash equivalents (Note 9) | 15,417,105 | 34,410,510 | 26,825,911 |
| Others (Note 11) | 19,571,484 | 14,877,290 | 7,311,466 |
| | ₱ 82,203,823 | ₱ 124,478,035 | ₱ 109,516,147 |

Interest income on debt instruments is net of bond discount amortization amounting to ₱0.2 million, ₱1.8 million and ₱0.8 million in 2020, 2019 and 2018, respectively.

Interest expense arose from the following:

| | 2020 | 2019 | 2018 |
|-----------------------------|--------------|--------------|--------------|
| Long-term debt (Note 20) | ₱ 19,230,512 | ₱ 44,390,418 | ₱ 70,524,251 |
| Lease liabilities (Note 31) | 2,711,954 | 3,286,888 | – |
| Notes payable (Note 18) | 1,215,914 | 495,072 | 2,293,068 |
| Others | 1,252,758 | 192,245 | 91,052 |
| | ₱ 24,411,138 | ₱ 48,364,623 | ₱ 72,908,371 |

Other income (charges) consists of:

| | 2020 | 2019 | 2018 |
|--|--------------|--------------|--------------|
| Receipt of escrow fund and tax refund | ₱ 83,967,456 | ₱ 88,301,725 | ₱ 38,640,000 |
| Recovery of impairment losses (Notes 11 and 14) | 10,322,694 | – | 7,632,131 |
| Rental income (Note 31) | 12,579,912 | 2,909,532 | 8,566,268 |
| Gain on rent concession | 3,917,535 | – | – |
| Gain on sale of property | 550,920 | 526,784 | 448,832 |
| Claims and other refunds | – | – | 54,024,733 |
| Provision for impairment losses on: | | | |
| Receivables (Note 11) | (75,243,352) | (40,841,504) | (15,430,275) |
| Other current and noncurrent assets | – | (910,582) | (1,599,246) |
| Others | 15,105,025 | 18,866,131 | (12,574,068) |
| | ₱ 51,200,190 | ₱ 68,852,086 | ₱ 79,708,375 |

Others included ASAC's reimbursement from lessees and reversal of accrued expenses.

In relation to the sale of Cirrus, an amount in escrow was established to which the Group will be entitled to receive over a period of three years until 2020, subject to certain conditions. In 2020 and 2019, the Group received the escrow fund while in 2018, the Group received the tax refund.

25. Pension

The Group has funded defined benefit pension plans covering substantially all of its officers and employees. The benefits to be received by the officers and employees under the pension plans shall not be less than the minimum mandated retirement benefit plan under Republic Act (RA) No. 7641.

The funds are administered by trustee banks under the control and supervision of the Board of Trustees (BOT) of the pension plans, who is composed of the executive officers of the Company.

The Group contributes to the funds as required under accepted actuarial principles to maintain the plan in sound condition and reserves the right to discontinue, suspend or change the rate and amount of its contribution to the funds at any time.

Funding Policy

The Group contributes to the plans amounts (estimated by an actuary on the basis of reasonable actuarial assumptions) which are necessary to provide the defined benefits. No member is required to make any contribution to the plans. Contributions to the plans are determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future in respect of services in the current period. The past service cost (PSC) is the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date.

The Group's management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Group's current strategic investment strategy consists of 40% of equity instruments and 60% of debt instruments.

As at December 31, 2020 and 2019, the Company's defined benefit retirement fund (Fund) has investments in shares of stock of the Company with a cost of ₱413.6 million and ₱405.8 million, respectively. The fair value of the shares of stock amounted to ₱420.4 million and ₱400.7 million as at December 31, 2020 and 2019, respectively.

All of the fund's investing decisions are made by the BOT of the pension plans. The retirement benefit fund's total losses and gains arising from the changes in market prices amounted to ₱31.0 million gain and ₱8.3 million loss in 2020 and 2019, respectively.

As at December 31, 2020 and 2019, the Fund's fair value amounted to ₱551.8 million and ₱492.6 million, respectively.

The following tables summarize the components of net benefit expense recognized in the consolidated profit or loss and the funded status and amounts recognized in the consolidated balance sheets.

| | 2020 | 2019 | 2018 |
|-------------------------------|--------------|--------------|----------------|
| Retirement benefit cost: | | | |
| Current service cost | P 20,555,238 | P 17,562,357 | P 22,420,634 |
| Net interest | (2,432,053) | (4,358,999) | (3,508,392) |
| Past service cost | — | — | 18,212,209 |
| Net benefit expense (Note 23) | P 18,123,185 | P 13,203,358 | P 37,124,451 |
| Actual return on plan assets | P 46,900,559 | P 38,309,338 | (P 11,890,805) |

Changes in net retirement plan asset are as follows:

| | 2020 | 2019 | 2018 |
|--|--------------|--------------|--------------|
| Net retirement plan asset, beginning | P 84,470,839 | P 65,391,589 | P 93,706,684 |
| Current service cost | (12,178,895) | (11,281,011) | (16,376,425) |
| Net interest | 4,034,196 | 5,115,853 | 3,113,413 |
| | (8,144,699) | (6,165,158) | (13,263,012) |
| Actuarial changes arising from: | | | |
| Changes in financial assumptions | (15,731,936) | (21,613,963) | 19,895,193 |
| Experience adjustments | 3,213,923 | 13,906,841 | (5,457,343) |
| Changes in the effect of asset ceiling | (1,514,499) | 10,662,932 | 443,348 |
| Remeasurement of plan assets | 21,595,526 | 4,002,083 | (34,561,863) |
| Changes in demographic adjustments | — | 2,205,744 | — |
| | 7,563,014 | 9,163,637 | (19,680,665) |
| Contribution | 7,723,176 | 16,196,994 | 17,143,550 |
| Transfer to net retirement payable | — | (116,223) | (12,514,968) |
| Net retirement plan asset, end | P 91,612,330 | P 84,470,839 | P 65,391,589 |

Changes in net retirement benefits payable are as follows:

| | 2020 | 2019 | 2018 |
|--|----------------|----------------|---------------|
| Net retirement benefits payable, beginning | (P 32,252,060) | (P 12,858,113) | (P 9,184,074) |
| Current service cost | (8,376,343) | (6,281,346) | (6,044,209) |
| Net interest | (1,602,143) | (756,854) | 394,979 |
| Past service cost | — | — | (18,212,209) |
| | (9,978,486) | (7,038,200) | (23,861,439) |
| Actuarial changes arising from: | | | |
| Changes in financial assumptions | (18,812,882) | (14,606,935) | 11,954,837 |
| Experience adjustments | (3,225,553) | (5,868,754) | (6,466,368) |
| Remeasurement of plan assets | 1,377,734 | 1,997,522 | (4,137,703) |
| Changes in the effect of asset ceiling | — | 10,000 | — |
| | (20,660,701) | (18,468,167) | 1,350,766 |

(Forward)

| | 2020 | 2019 | 2018 |
|---|----------------|----------------|----------------|
| Contribution | P 5,996,197 | P 5,996,197 | P 5,048,364 |
| Transfer from net retirement asset | – | 116,223 | 12,514,968 |
| Reduction in net retirement benefits payable for disposed subsidiary (Note 8) | – | – | 1,273,302 |
| Net retirement benefits payable, end | (P 56,895,050) | (P 32,252,060) | (P 12,858,113) |

Computation of net retirement plan assets (liabilities):

| 2020 | Net Retirement Plan Assets | Net Retirement Liabilities | Total |
|---|----------------------------|----------------------------|-----------------|
| Present value of defined benefit obligation | (P338,630,793) | (P155,157,639) | (P 493,788,432) |
| Fair value of plan assets | 453,554,056 | 98,262,589 | 551,816,645 |
| Surplus (deficit) | 114,923,263 | (56,895,050) | 58,028,213 |
| Effect of the asset ceiling | (23,310,933) | – | (23,310,933) |
| Retirement plan assets (liabilities) | P 91,612,330 | (P 56,895,050) | P 34,717,280 |

| 2019 | Net Retirement Plan Assets | Net Retirement Liabilities | Total |
|---|----------------------------|----------------------------|-----------------|
| Present value of defined benefit obligation | (P 301,273,798) | (P118,259,807) | (P 419,533,605) |
| Fair value of plan assets | 406,707,993 | 85,891,524 | 492,599,517 |
| Surplus (deficit) | 105,434,195 | (32,368,283) | 73,065,912 |
| Effect of the asset ceiling | (20,847,133) | – | (20,847,133) |
| Transfer to (from) net retirement payable (asset) | (116,223) | 116,223 | – |
| Retirement plan assets (liabilities) | P 84,470,839 | (P 32,252,060) | P 52,218,779 |

Changes in the present value of defined benefit obligation:

| | 2020 | 2019 |
|---|---------------|---------------|
| Defined benefit obligation, beginning | P 419,533,605 | P 353,810,481 |
| Current service cost | 20,555,238 | 17,562,357 |
| Interest cost | 20,545,945 | 25,864,951 |
| Remeasurement in other comprehensive income: | | |
| Actuarial loss - changes in financial assumptions | 34,544,818 | 36,220,898 |
| Actuarial loss (gain) - experience adjustments | 11,630 | (8,038,087) |
| Actuarial gain - changes in demographic assumptions | – | (2,205,744) |
| Benefits paid from plan assets | (1,402,804) | (3,681,251) |
| Defined benefit obligation, ending | P 493,788,432 | P 419,533,605 |

Changes in the fair value of plan assets:

| | 2020 | 2019 |
|--------------------------------------|---------------|---------------|
| Fair value of plan assets, beginning | ₱ 492,599,517 | ₱ 435,778,239 |
| Interest income | 23,927,299 | 32,309,733 |
| Contributions | 13,719,373 | 22,193,191 |
| Remeasurement gain | 22,973,260 | 5,999,605 |
| Benefits paid from plan assets | (1,402,804) | (3,681,251) |
| Fair value of plan assets, ending | ₱ 551,816,645 | ₱ 492,599,517 |

Changes in the effect of asset ceiling:

| | 2020 | 2019 |
|---|--------------|--------------|
| Beginning balance | ₱ 20,847,133 | ₱ 29,434,282 |
| Changes in the effect of asset ceiling | 1,514,499 | (10,672,932) |
| Interest on the effect of asset ceiling | 949,301 | 2,085,783 |
| Ending balance | ₱ 23,310,933 | ₱ 20,847,133 |

The fair value of plan assets as at December 31 are as follows:

| | 2020 | 2019 |
|-----------------------------|---------------|---------------|
| Debt instruments | ₱ 399,277,206 | ₱ 349,396,318 |
| Equity instruments | 140,111,138 | 119,177,159 |
| Unit investment trust funds | 5,062,219 | 7,495,552 |
| Cash and cash equivalents | 847,289 | 13,744,563 |
| Others | 6,518,793 | 2,785,925 |
| | ₱ 551,816,645 | ₱ 492,599,517 |

The financial instruments with quoted prices in active market amounted to ₱914.6 million and ₱836.8 million as at December 31, 2020 and 2019, respectively. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

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

| 2020 | Change in Rates | Effect on Present Value of Defined Benefit Obligation Increase (Decrease) |
|-------------------------|-----------------|---|
| Discount rates | +100 bps | (₱ 20,570,429) |
| | -100 bps | 23,424,647 |
| Future salary increases | +100 bps | 22,970,819 |
| | -100 bps | (20,582,214) |

| 2019 | Change in Rates | Effect on Present Value of Defined Benefit Obligation Increase (Decrease) |
|-------------------------|------------------------|--|
| Discount rates | +100 bps | (P 16,044,671) |
| | -100 bps | 18,182,116 |
| Future salary increases | +100 bps | 18,107,055 |
| | -100 bps | (16,273,402) |

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

| 2020 | Change in Rates | Effect on Present Value of Defined Benefit Obligation Increase (Decrease) |
|-------------------------|------------------------|--|
| Discount rates | +100 bps | (P 1,294,462) |
| | -100 bps | 1,472,413 |
| Future salary increases | +100 bps | 1,435,394 |
| | -100 bps | (1,288,486) |

| 2019 | Change in Rates | Effect on Present Value of Defined Benefit Obligation Increase (Decrease) |
|-------------------------|------------------------|--|
| Discount rates | +100 bps | (P 970,425) |
| | -100 bps | 1,095,421 |
| Future salary increases | +100 bps | 1,088,780 |
| | -100 bps | (982,737) |

The Group expects to make contributions amounting to P29.5 million to its defined benefit pension plans in 2021.

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

| | 2020 | 2019 |
|-------------------------|----------------|----------------|
| Discount rate | 1.92% to 3.78% | 3.87% to 5.61% |
| Future salary increases | 3.00% to 5.00% | 3.00% to 5.00% |

The weighted average duration of the defined benefit obligation as at December 31, 2020 and 2019 ranges from 1.4 to 11.8 years and 2.0 to 11.9 years, respectively.

Shown below is the maturity analysis of the expected future benefit payments as at December 31, 2020:

| Year | Amount |
|--------------|---------------|
| 2021 | ₱ 269,958,009 |
| 2022 | 8,883,645 |
| 2023 | 18,130,662 |
| 2024 | 23,821,551 |
| 2025 | 17,580,730 |
| 2026 to 2030 | 154,368,191 |

There were no changes from the previous period in the method and assumptions used in preparing the sensitivity analysis.

26. Income Taxes

The provision for (benefit from) income tax consists of:

| | 2020 | 2019 | 2018 |
|----------|---------------|---------------|---------------|
| Current | ₱ 332,501,209 | ₱ 419,419,841 | ₱ 316,870,929 |
| Deferred | (41,181,668) | 9,953,813 | 30,347,637 |
| | ₱ 291,319,541 | ₱ 429,373,654 | ₱ 347,218,566 |

The components of the net deferred income tax assets (liabilities) are as follows:

| | 2020 | | 2019 | |
|---|--|---|--|---|
| | Net Deferred Income Tax Assets ⁽¹⁾ | Net Deferred Income Tax (Liabilities) ⁽²⁾ | Net Deferred Income Tax Assets ⁽¹⁾ | Net Deferred Income Tax (Liabilities) ⁽²⁾ |
| Recognized in the consolidated profit or loss: | | | | |
| Deferred income tax assets on: | | | | |
| Allowance for expected credit losses | ₱ 71,134,320 | ₱ — | ₱ 48,561,315 | ₱ — |
| Allowance for inventory obsolescence and losses | 23,625,259 | — | 23,163,435 | — |
| Retirement benefits payable | 16,387,929 | — | 9,409,769 | — |
| Accrued expenses | 2,833,564 | — | 2,952,554 | — |
| Unamortized past service cost | 2,052,372 | 926,771 | 2,558,158 | 926,771 |
| Unrealized foreign exchange loss | 553,075 | 11,165,712 | 295,134 | — |
| Market adjustment on FVPL investments | 12,155 | — | 12,155 | — |
| Others | 7,586,490 | — | 1,195,368 | — |
| | 124,185,164 | 12,092,483 | 88,147,888 | 926,771 |

⁽¹⁾ Pertain to PDP, SSRLI, ASAC, AHI and Sutton

⁽²⁾ Pertain to Anscor and Anscorcon

(Forward)

| | 2020 | | 2019 | |
|--|--|---|--|---|
| | Net Deferred Income Tax Assets ⁽¹⁾ | Net Deferred Income Tax (Liabilities) ⁽²⁾ | Net Deferred Income Tax Assets ⁽¹⁾ | Net Deferred Income Tax (Liabilities) ⁽²⁾ |
| Deferred income tax liabilities on: | | | | |
| Retirement plan assets | (P 260,619) | (P 5,586,651) | P – | (P 4,724,625) |
| Unrealized foreign exchange gains | – | – | – | (9,722,141) |
| Uncollected management fee | – | (7,711,376) | – | (8,419,202) |
| Fair value adjustment | – | (308,417,058) | – | (316,412,386) |
| Market adjustment on FVPL investments | – | (137,093,780) | – | (120,310,966) |
| | (260,619) | (458,808,865) | – | (459,589,320) |
| | 123,924,545 | (446,716,382) | 88,147,888 | (458,662,549) |
| Recognized in other comprehensive income: | | | | |
| Deferred income tax assets (liabilities) on: | | | | |
| Unrealized valuation gains on FVOCI investments | – | (1,080,750) | – | (2,633,436) |
| Cumulative actuarial losses (gains) | 72,955 | (20,594,624) | (991,875) | (18,016,711) |
| | 72,955 | (21,675,374) | (991,875) | (20,650,147) |
| | P 123,997,500 | (P 468,391,756) | P 87,156,013 | (P 479,312,696) |

⁽¹⁾ Pertain to PDP, SSRLI, ASAC, AHI and Sutton

⁽²⁾ Pertain to Anscor and Anscorcon

There are deductible temporary differences for which no deferred income tax assets were recognized as future realizability of these deferred income tax assets is not probable. These deductible temporary differences are as follows:

| | 2020 | 2019 |
|--|-----------------|-----------------|
| Allowances for: | | |
| Impairment losses | P 1,883,617,238 | P 1,883,617,238 |
| Expected credit losses | 564,800,000 | 564,800,000 |
| NOLCO | 196,022,196 | 169,370,238 |
| MCIT | 8,808,089 | 8,725,100 |
| Accrued pension benefits and others | 2,379,668 | 3,538,754 |
| Provision for probable losses and lawsuits | – | 5,721,158 |

The Company and other subsidiaries domiciled in the Philippines are subjected to the Philippine statutory tax rate of 30% in 2020, 2019 and 2018.

The reconciliation of provision for income tax computed at the statutory tax rates to provision for income tax is as follows:

| | 2020 | 2019 | 2018 |
|---|---------------|---------------|---------------|
| Provision for income tax at statutory tax rates | ₱ 138,013,361 | ₱ 710,325,095 | ₱ 375,612,585 |
| Additions to (reductions from) income taxes resulting from: | | | |
| Dividend income not subject to income tax | (72,379,100) | (108,395,002) | (83,477,245) |
| Decrease (increase) in market values of marketable equity securities and other investments subjected to final tax | 216,649,877 | (233,588,466) | 167,752,492 |
| Income tax at 5% GIT | (17,975,832) | (85,665,018) | (37,443,654) |
| Movement in unrecognized deferred income tax assets | 19,854,703 | 87,384,190 | (48,177,801) |
| Expired NOLCO and MCIT | 37,133,055 | 7,085,291 | 53,808,275 |
| Nontaxable income | (218,673,569) | (13,687,406) | (142,280,407) |
| Interest income already subjected to final tax | (1,458,413) | (2,556,510) | (3,114,226) |
| Equity in net losses of associates not subject to income tax | 179,401,942 | 85,449,941 | 78,655,241 |
| Nondeductible loss on sale of a subsidiary | — | — | 2,724,000 |
| Others | 10,753,517 | (16,978,461) | (16,840,694) |
| | ₱ 291,319,541 | ₱ 429,373,654 | ₱ 347,218,566 |

The Group has available NOLCO and MCIT which can be claimed as deduction from taxable income and as credit against income tax due, respectively, as follows:

NOLCO

| Period of Recognition | Availment Period | Amount | Additions | Applied | Expired | Balance |
|-----------------------|------------------|---------------|---------------|---------|-----------------|---------------|
| 2017 | 2018-2020 | ₱ 118,310,227 | — | — | (₱ 118,310,227) | — |
| 2018 | 2019-2021 | 31,228,922 | — | — | — | 31,228,922 |
| 2019 | 2020-2022 | 19,831,089 | — | — | — | 19,831,089 |
| 2020 | 2021-2025 | — | 144,962,185 | — | — | 144,962,185 |
| | | ₱ 169,370,238 | ₱ 144,962,185 | ₱ — | (₱ 118,310,227) | ₱ 196,022,196 |

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss. Hence, the incurred NOLCO of the Group in taxable year 2020 can be claimed as deduction from the regular taxable income from taxable years 2021 to 2025, in pursuant to the Bayanihan to Recover As One Act.

MCIT

| Recognition | Availment Period | | Amount | | Additions | | Applied | | Expired | | Balance |
|-------------|------------------|---|-----------|---|-----------|---|---------|----|------------|---|-----------|
| 2017 | 2018-2020 | P | 1,639,987 | P | — | P | — | (P | 1,639,987) | P | — |
| 2018 | 2019-2021 | | 3,218,932 | | — | | — | | — | | 3,218,932 |
| 2019 | 2020-2022 | | 3,866,181 | | — | | — | | — | | 3,866,181 |
| 2020 | 2021-2023 | | — | | 1,722,976 | | — | | — | | 1,722,976 |
| | | P | 8,725,100 | P | 1,722,976 | P | — | (P | 1,639,987) | P | 8,808,089 |

Corporate Recovery and Tax Incentive for Enterprise (CREATE) Act

In February 2021, the Bicameral Conference Committee of both the Senate and the Congress have ratified the Bicameral Committee's version of the proposed "Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act", which seeks to reduce the corporate income tax rate and rationalize the current fiscal incentives by making them time-bound, targeted and performance-based. Once the approved bill is submitted to the Office of the President for approval, the President can either approve or veto the fully enrolled bill; or approve or veto only certain provisions of the bill. If the bill is approved or the 30-day time period for the Office of the President to veto the bill has lapsed, the bill will then be enacted as a law.

The key changes of the submitted CREATE bill for approval are as follows:

- Effective July 1, 2020, RCIT rate is decreased from 30% to 20% for corporations with total assets of P100.0 million or below and taxable income of P5.0 million and below. All other corporations not meeting the criteria will be subject to lowered RCIT rate of 25% from 30%;
- Effective July 1, 2020 and for a period of 3 years, MCIT rate will lowered from 2% to 1% of gross income; and
- Improperly accumulated earnings tax of 10% will be repealed.

The RCIT and MCIT applied in the preparation of the Group's consolidated financial statements as at and for the year December 31, 2020 are based on the substantially enacted tax rates existing as of the balance sheet date which are 30% RCIT and 2% MCIT. Should the CREATE bill be subsequently enacted as a law prior to the filing deadline of the 2020 annual income tax return on April 15, 2021 and the retrospective effectivity beginning July 1, 2020 for both RCIT and MCIT are carried in the enacted bill, the excess accrued RCIT and MCIT as of the balance sheet date will be considered as reversal of accrual in 2021.

27. Earnings Per Share - Basic / Diluted

Earnings per share - basic / diluted were computed as follows:

| | 2020 | 2019 | 2018 |
|---|---------------|-----------------|---------------|
| Net income attributable to equity holders of the Parent | P 165,646,806 | P 1,843,615,322 | P 808,386,813 |
| Total comprehensive income (loss) attributable to equity holders of the Parent | (24,105,756) | 1,741,633,291 | 857,889,362 |
| Weighted average number of shares | 1,241,967,264 | 1,207,960,035 | 1,215,525,163 |
| Earnings (Loss) Per Share | | | |
| Basic/diluted, for net income attributable to equity holders of the Parent | P 0.13 | P 1.53 | P 0.67 |
| Basic/diluted, for comprehensive income (loss) attributable to equity holders of the Parent | (P 0.02) | P 1.44 | P 0.71 |

The Company does not have potentially dilutive common stock equivalents in 2020, 2019 and 2018.

28. Related Party Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

All related party transactions exceeding P5.0 million in a single transaction or in aggregate transactions within the last twelve (12) months shall be disclosed to and evaluated by the Related Party Transaction Committee for approval by at least majority of the BOD.

All material related party transactions, representing 10% or more of the consolidated total assets of the Group, shall be approved by at least two-thirds (2/3) vote of the BOD, with at least majority of the independent directors voting to approve the material related party transactions. These transactions shall be disclosed with the SEC.

In the normal course of business and in addition to those disclosed in Notes 14 and 31, the Group grants/ receives cash advances to/from its associates and affiliates.

Compensation of the Group's key management personnel (in millions):

| | 2020 | 2019 | 2018 |
|--|---------|---------|---------|
| Short-term employee benefits (Notes 22 and 23) | P 146.4 | P 116.1 | P 166.8 |
| Retirement benefits (Notes 22, 23 and 25) | 4.4 | 5.7 | 6.9 |
| Total | P 150.8 | P 121.8 | P 173.7 |

There are no termination benefits, share-based payments or other long-term employee benefits granted to key management personnel.

On November 4, 2019, the Company granted a five-year loan amounting to ₱363.5 million to A. Soriano Corporation Retirement Plan (the Retirement Plan) at 5% interest per annum. The loan is secured by the Company's shares of stock held by the Retirement Plan with a fair value of ₱369.6 million and ₱359.2 million as at December 31, 2020 and 2019, respectively. The balance of the loan amounted to ₱307.5 million and ₱349.5 million as at December 31, 2020 and 2019, respectively.

29. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds, and short-term and long-term bank loans. The Group's other financial instruments include accounts payable, lease liabilities and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:

- a) maintaining a bond portfolio that earns adequate cash yields, and
- b) maintaining a stable equity portfolio that generates capital gains through a combination of long-term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk, price risk of mutual funds, foreign currency risk, copper rod price risk, and operating and regulatory risks. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer, Treasurer and Corporate Development Officer, and an independent consultant. The Committee meets at least every quarter for the review and evaluation. The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk

The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being unable to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from default of the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a counterparty that accounts for more than 10% of the consolidated revenue.

Credit risk management

In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Credit risk exposures

The table below shows the gross maximum exposure for each class of financial assets before the effects of collateral, credit enhancements and other credit risk mitigation techniques:

| | 2020 | 2019 |
|------------------------------|-----------------|-----------------|
| Cash in banks | ₱ 1,999,052,241 | ₱ 1,514,820,487 |
| Cash equivalents | 1,091,867,325 | 792,850,744 |
| FVPL investments - bonds | 529,582,177 | 793,929,295 |
| FVOCI investments - bonds | 94,137,422 | 330,484,513 |
| Advances | 566,755,259 | 647,572,036 |
| | 4,281,394,424 | 4,079,657,075 |
| Receivables: | | |
| Trade | 1,834,935,681 | 1,782,362,910 |
| Notes receivable | 307,499,741 | 588,404,741 |
| Receivable from villa owners | 42,023,200 | 17,341,766 |
| Interest receivable | 26,191,265 | 24,518,133 |
| Dividend receivable | 21,422,305 | — |
| Advances to employees | 11,649,349 | 12,533,168 |
| Others | 30,723,619 | 17,071,649 |
| | 2,274,445,160 | 2,442,232,367 |
| | ₱ 6,555,839,584 | ₱ 6,521,889,442 |

Credit quality per class of financial assets

For the Group's financial assets, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Group's rating policy.

Trade receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix.

| December 31, 2020 | Current | Days Past Due But Not Impaired | | | | | Total |
|--|-----------------|--------------------------------|---------------|---------------|----------------|--------------------|-----------------|
| | | Less than 30 days | 31 to 60 days | 61 to 90 days | 91 to 120 days | More than 120 days | |
| Expected credit loss rate | 0%-0.01% | 0%-2.9% | 0%-7.12% | 0%-14.39% | 0%-9.00% | 0%-82.88% | |
| Estimated total gross carrying amount at default | ₱ 1,009,364,877 | ₱ 423,482,894 | ₱ 130,759,432 | ₱ 35,983,385 | ₱ 67,311,653 | ₱ 168,033,440 | ₱ 1,834,935,681 |
| Expected credit loss | ₱ 9,082,737 | ₱ 16,119,934 | ₱ 8,548,094 | ₱ 5,137,721 | ₱ 10,741,952 | ₱ 137,195,101 | ₱ 186,825,539 |

| December 31, 2019 | Current | Days Past Due But Not Impaired | | | | | Total |
|--|-----------------|--------------------------------|---------------|---------------|----------------|--------------------|-----------------|
| | | Less than 30 days | 31 to 60 days | 61 to 90 days | 61 to 120 days | More than 120 days | |
| Expected credit loss rate | 0%-0.90% | 0%-3.03% | 0%-7.15% | 0%-14.46% | 0%-27.11% | 0%-56.49% | |
| Estimated total gross carrying amount at default | ₱ 1,092,381,017 | ₱ 346,870,324 | ₱ 116,292,945 | ₱ 63,710,057 | ₱ 61,779,281 | ₱ 101,329,286 | ₱ 1,782,362,910 |
| Expected credit loss | ₱ 9,629,208 | ₱ 10,515,683 | ₱ 8,313,714 | ₱ 9,212,078 | ₱ 16,749,058 | ₱ 57,240,180 | ₱ 111,659,921 |

Other financial assets

Credit risk from balances with banks and financial institutions is managed by the Group in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group invests only on quoted debt securities with very low credit risk. The Group's debt instruments at fair value through OCI comprised solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments.

The tables below present the summary of the Group's exposure to credit risk as of December 31 and show the credit quality of the assets by indicating whether the assets are subjected to the 12-month ECL or lifetime ECL.

| 2020 | 12-month ECL | Lifetime ECL Not Credit Impaired | Lifetime ECL Credit Impaired | Total |
|------------------------------|-----------------|----------------------------------|------------------------------|-----------------|
| Cash in banks | ₱ 1,999,052,241 | ₱ — | ₱ — | ₱ 1,999,052,241 |
| Cash equivalents | 1,091,867,325 | — | — | 1,091,867,325 |
| FVOCI investments | 94,137,422 | — | — | 94,137,422 |
| Receivables: | | | | |
| Notes receivable | 307,499,741 | — | — | 307,499,741 |
| Receivable from villa owners | 42,023,200 | — | — | 42,023,200 |
| Interest receivable | 25,600,170 | — | 591,095 | 26,191,265 |
| Dividends receivable | 21,422,305 | — | — | 21,422,305 |
| Advances to employees | 11,649,349 | — | — | 11,649,349 |
| Others | 29,724,396 | — | 999,223 | 30,723,619 |
| Advances | 1,955,259 | — | 564,800,000 | 566,755,259 |
| | ₱ 3,624,931,408 | ₱ — | ₱ 566,390,318 | ₱ 4,191,321,726 |

| 2019 | 12-month ECL | Lifetime ECL Not Credit Impaired | Lifetime ECL Credit Impaired | Total |
|------------------------------|-----------------|----------------------------------|------------------------------|-----------------|
| Cash in banks | ₱ 1,514,820,487 | ₱ — | ₱ — | ₱ 1,514,820,487 |
| Cash equivalents | 792,850,744 | — | — | 792,850,744 |
| FVOCI investments | 330,484,513 | — | — | 330,484,513 |
| Receivables: | | | | |
| Notes receivable* | 588,404,741 | — | — | 588,404,741 |
| Interest receivable | 23,927,038 | — | 591,095 | 24,518,133 |
| Receivable from villa owners | 17,341,766 | — | — | 17,341,766 |
| Advances to employees | 12,533,168 | — | — | 12,533,168 |
| Others | 15,238,491 | — | 1,833,158 | 17,071,649 |
| Advances | 82,772,036 | — | 564,800,000 | 647,572,036 |
| | ₱ 3,378,372,984 | ₱ — | ₱ 567,224,253 | ₱ 3,945,597,237 |

*Including noncurrent portion amounting to ₱349.5 million

Liquidity risk

Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due. This is done by primarily investing in highly liquid investments.

The tables below summarize the maturity profile of the Group's financial liabilities based on undiscounted contractual payments as well as the financial assets used for liquidity management.

| December 31, 2020 | Within 6 Months | 6 to 12 Months | Over 1 Year to 5 Years | Over 5 Years | Total |
|---------------------------|--------------------|-------------------|---------------------------|-----------------|-----------------|
| Cash on hand | | | | | |
| and in banks | ₱ 2,000,092,020 | ₱ — | ₱ — | ₱ — | ₱ 2,000,092,020 |
| Cash equivalents | 1,091,867,325 | — | — | — | 1,091,867,325 |
| FVPL investments - bonds | 15,367,360 | — | 234,142,476 | 280,072,341 | 529,582,177 |
| FVOCI investments - bonds | — | — | 94,137,422 | — | 94,137,422 |
| Receivables* | 1,778,529,562 | — | — | 307,499,741 | 2,086,029,303 |
| | ₱ 4,885,856,267 | ₱ — | ₱ 328,279,898 | ₱ 587,572,082 | ₱ 5,801,708,247 |
| Accounts payable | | | | | |
| and accrued expenses** | ₱ 783,976,656 | ₱ — | ₱ — | ₱ — | ₱ 783,976,656 |
| Lease liabilities | 4,674,146 | 4,790,999 | 17,668,271 | — | 27,133,416 |
| Notes payable | 23,166,200 | — | — | — | 23,166,200 |
| Long-term debt | 52,548,086 | 98,880,485 | 75,714,286 | — | 227,142,857 |
| Dividends payable | 366,069,163 | — | — | — | 366,069,163 |
| | ₱ 1,230,434,251 | ₱ 103,671,484 | ₱ 93,382,557 | ₱ — | ₱ 1,427,488,292 |

* Excluding non-financial assets amounting to ₱157.5 million. Notes receivable amounting to ₱307.5 million is included.

** Excluding non-financial liabilities amounting to ₱73.8 million.

| December 31, 2019 | Within 6 Months | 6 to 12 Months | Over 1 Year to 5 Years | Over 5 Years | Total |
|---------------------------|--------------------|-------------------|---------------------------|-----------------|-----------------|
| Cash on hand | | | | | |
| and in banks | ₱ 1,516,027,511 | ₱ — | ₱ — | ₱ — | ₱ 1,516,027,511 |
| Cash equivalents | 792,850,744 | — | — | — | 792,850,744 |
| FVPL investments - bonds | 128,863,357 | — | 532,866,257 | 132,199,681 | 793,929,295 |
| FVOCI investments - bonds | 94,535,324 | — | 235,949,189 | — | 330,484,513 |
| Receivables* | 1,782,362,910 | 196,285,542 | — | 349,499,741 | 2,328,148,193 |
| | ₱ 4,314,639,846 | ₱ 196,285,542 | ₱ 768,815,446 | ₱ 481,699,422 | ₱ 5,761,440,256 |
| Accounts payable | | | | | |
| and accrued expenses** | ₱ 837,059,115 | ₱ 5,049,461 | ₱ — | ₱ — | ₱ 842,108,576 |
| Lease liabilities | 6,831,334 | 6,831,334 | 30,076,723 | — | 43,739,391 |
| Long-term debt | 143,302,711 | 132,862,035 | 227,142,857 | — | 503,307,603 |
| Dividends payable | 283,974,578 | — | — | — | 283,974,578 |
| | ₱ 1,271,167,738 | ₱ 144,742,830 | ₱ 257,219,580 | ₱ — | ₱ 1,673,130,148 |

* Excluding non-financial assets amounting to ₱144.0 million. Notes receivable amounting to ₱349.5 million is included.

**Excluding non-financial liabilities amounting to ₱89.2 million.

Accounts payable and accrued expenses, dividends payable, lease liabilities, notes payable and current portion of long-term debt are expected to be settled using cash to be generated from operations and drawing from existing lines of credits or liquidity reserves.

Market risks

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, equity price risk, price risk of mutual funds, foreign currency risk, copper rod price risk and operating and regulatory risk.

Investments exposed to market risk are foreign and local currency-denominated quoted debt instruments, foreign and local-currency denominated equity instruments and mutual fund/hedge fund investments.

There has been no change to the Group's manner in managing and measuring the risk.

a. Interest rate risks

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following table demonstrates management's best estimate of the sensitivity to reasonably possible change in interest rates, with all other variables held constant (in millions):

| Floating Debt Instrument | Change in Interest Rates [in Basis Points (bps)] | Effect on Income Before Tax and Equity Increase (Decrease) |
|---------------------------------|---|---|
| 2020 | +150 | P0.52 |
| | -150 | (0.52) |
| 2019 | +150 | (P1.06) |
| | -150 | 1.06 |

The sensitivity analysis shows the effect on the consolidated profit or loss of assumed changes in interest rates on the net interest income for one year, based on the floating rate of financial assets and financial liabilities held as at December 31, 2020 and 2019. There is no other impact on equity other than those affecting profit or loss.

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group accounts for its quoted debt instruments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

The tables below show the impact on income before income tax and equity of the estimated future bond yields using a duration based sensitivity approach. Items affecting profit or loss are bonds classified as FVPL and items affecting equity account are bonds classified as FVOCI. The impact of change in interest rates are as follows (in millions):

| 2020 | Change in Interest Rates (in bps) | Increase (Decrease) | |
|-------------------|---|--------------------------------|---------------------|
| | | Effect on Income Before Tax | Effect on Equity |
| FVOCI investments | +100 | ₱ — | (₱ 1.10) |
| | -100 | — | 1.14 |
| FVPL investments | +100 | (₱ 23.81) | ₱ — |
| | -100 | 26.04 | — |
| 2019 | Change in Interest Rates (in bps) | Increase (Decrease) | |
| | | Effect on Income Before Tax | Effect on Equity |
| FVOCI investments | +100 | ₱ — | (₱ 5.09) |
| | -100 | — | 5.31 |
| FVPL investments | +100 | (₱ 14.75) | ₱ — |
| | -100 | 18.20 | — |

b. Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of the equity indices and the values of individual stock. The equity price risk exposure arises from the Group's investment in stock listed in the PSE and NASDAQ.

The sensitivity analysis assumes that the stock's standard deviation on its historical returns for the past one year provides the basis for the range of reasonably possible changes in prices of the stock investments. In establishing the relative range of the stock investment returns, the Group also assumes a 99% confidence level.

The table below shows the impact on income before income tax and equity of the estimated future return of the stock investments using a Beta-based sensitivity approach. The impact of the change in equity prices are as follows (in millions):

| FVPL Investments | Change in PSE Price Index | Effect on Income Before Tax and Equity Increase (Decrease) | |
|------------------|------------------------------|--|------------|
| | | | |
| 2020 | +33.14% | P | 1,165.59 |
| | -33.14% | | (1,165.59) |
| 2019 | +14.47% | P | 375.18 |
| | -14.47% | | (375.18) |

The annual standard deviation of the PSE price index is approximately with 33.14% and 14.47% and with 99% confidence level, the possible change in PSE price index could be +/- 33.14% and +/- 14.47% in 2020 and 2019, respectively.

c. Price risk of mutual funds

The Group is exposed to the risk of changes in the fund's net asset value (NAV) due to its market risk exposures.

The sensitivity analysis demonstrates management's best estimate of the impact of reasonably possible change in NAV, with all other variables held constant.

The table below shows the impact on income before income tax and equity of assumed changes in NAV. A negative amount in the table reflects a potential reduction on income before income tax or equity while a positive amount reflects a potential increase on income before income tax or equity.

The impact of the change in mutual fund prices are as follows (in millions):

| Mutual funds | Change in NAV | Effect on Income Before Tax and Equity Increase (Decrease) |
|--------------|---------------|--|
| 2020 | +10.00% | P 282.54 |
| | -10.00% | (282.54) |
| 2019 | +10.00% | P 81.10 |
| | -10.00% | (81.10) |

d. Foreign currency risks

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure arises primarily from investments in foreign currency-denominated debt investments and equity securities.

The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency-denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as U.S. dollar, Australian dollar and Japanese Yen. This also enables the Company and a subsidiary to access investment opportunities in those currencies.

On borrowings, it is the Company's group-wide policy for its subsidiaries to minimize any foreign exchange risks. Thus, all borrowings, whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, PRI and SSRLI can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

The analysis discloses management's best estimates of the effect of reasonably possible movement of the currency rate against the Philippine peso on income before tax. It assumes that all other variables remain constant. The impact of the change in currency rates are as follows (in millions):

| | Change in Currency Rate | Effect on Income Before Tax and Equity Increase (Decrease) |
|-------------------|----------------------------|--|
| 2020 | | |
| US Dollar | +3.23% | P 6.43 |
| | -3.23% | (6.43) |
| Indonesian Rupiah | +10.31% | (P 18.35) |
| | -10.31% | 18.35 |
| 2019 | | |
| US Dollar | +5.60% | P 6.82 |
| | -5.60% | (6.82) |
| Indonesian Rupiah | +4.79% | (P 8.53) |
| | -4.79% | 8.53 |

e. Copper rod price risk

The PDP Group uses copper rods in the manufacturing of its products. Copper rods component represents a significant portion of the cost of each unit produced. Average monthly purchase of copper rods amounted to P328.0 million, with an average quantity of about 1,026 metric tons in 2020 and P427.1 million, with an average quantity of about 1,284 metric tons in 2019.

Copper rods are priced based on the London Metal Exchange prices and are affected by the volatility in the price of metal in the world market. The following table represents the effect on income before tax and equity of the reasonably possible change in metal prices, as they affect prices of copper rods, with all other variables held constant.

The impact of the change in copper prices are as follows (in millions):

| | % Change in Copper Rod Prices | Effect on Income Before Income Tax and Equity Increase (Decrease) |
|-------------|----------------------------------|--|
| 2020 | | |
| | +5.71% | (P 29.28) |
| | -5.71% | 29.28 |
| 2019 | | |
| | +0.72% | (P 3.79) |
| | -0.72% | 3.79 |

PDP Group's exposure to price risk on copper rod purchases is managed through back-to-back purchase of rods versus sales orders, average pricing on the firm orders like automobile wire products with long-term contracts, and obtaining orders from contractors with a fixed price or locked-in contracts with a specified period.

Capital management

The primary objective of the Group's capital management is to ensure an adequate return to its shareholders and to maximize its value to its shareholders. In pursuance of this goal, the Group establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Group establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated balance sheet.

No changes were made in the objectives, policies or process for the years ended December 31, 2020 and 2019.

30. Financial Instruments

Categorization of Financial Instruments

| December 31, 2020 | At Amortized Cost | Financial Assets at FVPL | Financial Assets at FVOCI | Total |
|---------------------------|--------------------------|---------------------------------|----------------------------------|------------------|
| Cash and cash equivalents | P 3,091,959,345 | P — | P — | P 3,091,959,345 |
| FVPL investments | — | 10,022,872,169 | — | 10,022,872,169 |
| FVOCI investments | — | — | 94,137,422 | 94,137,422 |
| Receivables* | 2,086,029,303 | — | — | 2,086,029,303 |
| | P 5,177,988,648 | P 10,022,872,169 | P 94,137,422 | P 15,294,998,239 |

*Excluding non-financial assets amounting to P157.4 million. Notes receivable amounting to P307.5 million is included.

| December 31, 2019 | At Amortized Cost | Financial Assets at FVPL | Financial Assets at FVOCI | Total |
|---------------------------|--------------------------|---------------------------------|----------------------------------|------------------|
| Cash and cash equivalents | P 2,308,878,255 | P — | P — | P 2,308,878,255 |
| FVPL investments | — | 11,130,248,073 | — | 11,130,248,073 |
| FVOCI investments | — | — | 330,484,513 | 330,484,513 |
| Receivables* | 2,328,148,193 | — | — | 2,328,148,193 |
| | P 4,637,026,448 | P 11,130,248,073 | P 330,484,513 | P 16,097,759,034 |

*Excluding non-financial assets amounting to P144.0 million. Notes receivable amounting to P349.5 million is included.

Fair Values of Financial Assets and Financial Liabilities

The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable, current portion of lease liabilities and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments.

The carrying values of long-term debt, which have floating rates with quarterly repricing, approximate their fair values.

FVPL and FVOCI investments are carried at fair value. The following methods and assumptions were used to estimate the fair values:

- FVPL quoted equity shares, investments in bonds, funds and equities, proprietary shares and others are derived from quoted market prices in active markets.
- FVOCI investments in bonds are derived from quoted market prices in active markets.
- FVPL investment in KSA are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.
- FVPL investments in private equity funds are valued using the adjusted net asset method. The underlying investments under these private equity funds are carried at fair value. Other FVPL investments in unquoted equity shares are based on prices and other relevant information generated by market transactions involving identical and comparable assets, liabilities or a group of assets and liabilities, such as business. The valuation requires management to use market multiples derived from a set of comparables. Multiples might be in ranges with a difference multiple for each comparable. The selection of the appropriate multiple within the range requires judgement, considering qualitative and quantitative factors specific to the measurement.

The following tables provide the Group's fair value measurement hierarchy of its assets:

| | | Fair Value Measurement Using | | |
|--------------------------|-----------------|--|--|--|
| | | Quoted Prices in Active Markets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| December 31, 2020 | Total | | | |
| FVPL investments: | | | | |
| Quoted equity shares | P 6,481,857,144 | P 6,481,857,144 | P — | P — |
| Funds and equities | 1,319,051,909 | — | 1,319,051,909 | — |
| Unquoted equity shares | 1,248,944,824 | — | 227,235,750 | 1,021,709,074 |
| Bonds | 529,582,177 | 529,582,177 | — | — |
| Proprietary shares | 363,627,073 | — | 363,627,073 | — |
| Others | 79,809,042 | 79,809,042 | — | — |
| | 10,022,872,169 | 7,091,248,363 | 1,909,914,732 | 1,021,709,074 |
| FVOCI investments | 94,137,422 | 94,137,422 | — | — |
| | P10,117,009,591 | P 7,185,385,785 | P 1,909,914,732 | P 1,021,709,074 |

| | | Fair Value Measurement Using | | |
|------------------------|------------------|--|--|--|
| | | Quoted Prices in Active Markets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| December 31, 2019 | Total | | | |
| FVPL investments: | | | | |
| Quoted equity shares | ₱ 7,616,776,828 | ₱ 7,616,776,828 | ₱ – | ₱ – |
| Unquoted equity shares | 1,137,142,219 | – | 115,433,145 | 1,021,709,074 |
| Funds and equities | 1,131,737,165 | – | 1,131,737,165 | – |
| Bonds | 793,929,295 | 793,929,295 | – | – |
| Proprietary shares | 367,437,073 | – | 367,437,073 | – |
| Others | 83,225,493 | 83,225,493 | – | – |
| | 11,130,248,073 | 8,493,931,616 | 1,614,607,383 | 1,021,709,074 |
| FVOCI investments | 330,484,513 | 330,484,513 | – | – |
| | ₱ 11,460,732,586 | ₱ 8,824,416,129 | ₱ 1,614,607,383 | ₱ 1,021,709,074 |

Description of significant unobservable inputs to valuation of investment in KSA classified under Level 3 (amounts in millions):

| 2020 | Valuation Technique | Significant Unobservable inputs | Range | Sensitivity of Input to Fair Value |
|------|------------------------|--|----------------|--|
| KSA | DCF Model | Dividend payout is ₱121.0 million with 3% annual increase at the end of 2 nd year | 0% to 5% | 0%: fair value of ₱803 5%: fair value of ₱1,260 |
| | | Liquidity discount of 20% | 10% to 30% | 10%: fair value of ₱1,149 30%: fair value of ₱894 |
| | | Cost of equity of 12.80% | 12.6% to 13.6% | 12%: fair value of ₱1,041 14%: fair value of ₱948 |
| 2019 | Valuation Technique | Significant Unobservable inputs | Range | Sensitivity of Input to Fair Value |
| KSA | DCF Model | Dividend payout is ₱120.0 million with 3% annual increase | 0% to 5% | 0%: fair value of ₱785 5%: fair value of ₱1,278 |
| | | Liquidity discount of 20% | 10% to 30% | 10%: fair value of ₱1,149 30%: fair value of ₱894 |
| | | Cost of equity of 12.99% | 12% to 14% | 12%: fair value of ₱1,030 14%: fair value of ₱940 |

An increase in the expected lease income of KSA would increase the dividend payout, which would lead to an increase in the fair value of the investment in KSA.

Reconciliation of fair value of the investment in KSA (in millions):

| | | |
|---|---|----------------|
| As at 1 January 2019 | P | 941.6 |
| Unrealized gain in profit or loss (Note 10) | | 80.1 |
| As at 31 December 2019 | | 1,021.7 |
| Unrealized gain in profit or loss (Note 10) | | — |
| As at 31 December 2020 | P | 1,021.7 |

In 2018, Y-mAbs was listed in NASDAQ which resulted to transfer from Level 2 to Level 1 fair value measurement.

For the years ended December 31, 2020, 2019 and 2018, there were no transfers other than those mentioned above.

31. Contracts and Agreements

Anscor

- a. On November 29, 2019, the Company entered into a lease agreement with ATR Asset Management, Inc., ATRAM Trust Corporation and MET Holdings, Inc. for the lease of its condominium unit commencing on the agreement date until April 30, 2021. The contract was renewed for another five years effective May 1, 2021 and the Company will receive monthly rental payments of ₱1.2 million, which is subject to 5% escalation rate starting May 1, 2022.

The Company recognized rental income amounting to ₱12.3 million and ₱1.2 million in 2020 and 2019, respectively (see Notes 16 and 24).

Sutton

- a. In January 2016, CGI and IQHPC entered into a new Service Agreement where IQHPC will pay CGI the agreed specific rate that corresponds the type of medical staff deployed to a facility. The term of the agreement is valid for a period of 36 months from the commencement date. Fees shall be billed upon deployment and are due within 30 days. Interest shall accrue at the rate of 2% per month on any unpaid balance.
- b. In the ordinary course of business, IQHPC enters into Service Agreements with U.S. hospitals and/or staffing agencies to provide services in relation to the placement of qualified Filipino nurses for full time employment in the U.S. The Service Agreement sets forth the rights, responsibilities, terms and conditions governing IQHPC's services, which include among others, training and procedural assistance in obtaining all required licensure examinations, obtaining U.S. permanent residence status and eventual placement of the nurses to the U.S. hospitals and/or agency.

Service income recognized in 2018 amounted to ₱2.5 million (nil in 2020 and 2019).

- c. CGI entered into a non-cancellable operating lease covering certain offices. The lease has terms ranging up to three years, with renewal options and includes annual escalation rates of 5% to 10%. In 2016 and 2017, the lease agreement was renewed for a one-year term.

Rent expense in 2018 amounted to ₱2.7 million (see Note 22).

- d. In 2017, CGI entered into an agreement to sublease a portion of its leased office space to Cirrus Global Services, Inc. for a period of one year commencing August 1, 2017. This was extended until December 31, 2018.

Rent income from the sublease agreement in 2018 amounted ₱2.6 million (see Note 24).

- e. In April 2012, CGI entered into a Service Agreement with Cleveland Clinic Abu Dhabi (CCAD) for CGI to provide nurses for deployment in Abu Dhabi. In consideration of the services provided by CGI, the Service Agreement provides that CCAD shall pay a lump-sum fee of 17% of the first year salary, exclusive of benefits, of each candidate that satisfactorily completes all legal and regulatory requirements to live and work at CCAD.

Permitted fees are to be invoiced in the following manner:

- 25% of fee upon signing the contract offer of employment;
- 50% of fee upon deployment; and
- 25% of fee upon completion of the probationary 90-day time period at CCAD.

CGI records deferred revenue equal to a percentage of service fee invoiced to CCAD. Portion of the deferred revenue were already advanced by CCAD and are refundable once the service agreements are not met. Total deferred revenues as at December 31, 2018 amounted to nil.

Service income recognized in 2018 amounted to ₱12.9 million. Service income recognized in 2018 is for the period ended September 28, 2018 (see Note 8).

IAI

- a. On August 23, 2006, IAI entered into a Maintenance Service Plan (MSP) with Honeywell for the latter to service IAI's additional aircraft engine acquired in 2007. Under the terms of the programs, IAI agrees to pay a fee computed at a rate of the engine's actual operating hours or the minimum operating hours, subject to annual escalation. The engine shall be shipped to the United States to undergo repairs and maintenance as necessary by a Honeywell authorized service center. Deposits for the MSP as at December 31, 2020 and 2019 amounted to ₱52.2 million and ₱44.7 million, respectively, and included as part of "Other noncurrent assets" account in the consolidated balance sheets (see Note 17).
- b. IAI entered into a lease or concessionaire agreement with Manila International Airport Authority (MIAA) which granted IAI to operate as an aircraft hangar and conduct fixed base operations within the leased premises. The agreement shall be effective for a period of one (1) year commencing on January 1, 2016. After the end of the first year, the lease is automatically renewed until IAI is permitted to stay in Ninoy Aquino International Airport (NAIA) Complex. IAI will continue to operate at NAIA Complex by virtue of the Certificate of Public Convenience and Necessity to operate Domestic Scheduled Air Transportation Services issued on January 31, 2017 and valid from March 1, 2017 up to February 28, 2022.

On October 15, 2019, MIAA issued a memorandum stating that all general aviation operations be transferred to other alternate airports to ease the traffic congestion at the NAIA Complex. MIAA gave general aviation companies until May 31, 2020 to vacate and turn over the leased premises.

IAI continues to operate in the leased premises after May 31, 2020 and the lease agreement was converted to a month-to-month basis starting June 1, 2020.

On January 28, 2021, IAI received a letter from MIAA stating that should IAI desire to renew the agreement, documentary requirements must be submitted on or before February 15, 2021 and that IAI should provide its best lease offer.

At the beginning of February 2021, Federation of Aviation Organization of which IAI is a member, sent a letter proposal to MIAA for the best lease offer price which was agreed by all of its members. The renewal of the lease agreement is still in process as at February 18, 2021.

- c. Upon adoption of PFRS 16, the entity recognized ROU assets amounting to ₱10.6 million and recognized amortization expense amounting to ₱3.6 million in 2019. In 2020, the ROU with carrying amount of ₱7.0 million was retired, resulting to net book value of nil as at December 31, 2020.

The carrying amount of lease liabilities as at December 31, 2020 and 2019 follows:

| | 2020 | 2019 |
|---|-------------|--------------|
| Beginning balance | ₱ 7,082,672 | ₱ 10,605,283 |
| Accretion of interest | 191,107 | 201,791 |
| Lease payments | (7,273,779) | (3,724,402) |
| | — | 7,082,672 |
| Less current portion of lease liability | — | 4,606,460 |
| Ending balance | ₱ — | ₱ 2,476,212 |

The lease liability was measured at the present value of the remaining lease payments discounted at its incremental borrowing rates as at January 1, 2019 for the lease with MIAA. The weighted average incremental borrowing rates applied to the lease liabilities on January 1, 2019 was 6.83%.

Shown below is the maturity analysis of lease liabilities as at December 31, 2019 pertaining to contractual undiscounted cash flows:

| | |
|---|-------------|
| Within one year | ₱ 4,797,398 |
| After one year but not more than five years | 2,512,695 |
| | ₱ 7,310,093 |

SSRLI and PRI

- a. On January 9, 2007, SSRLI and the Philippine Economic Zone Authority (PEZA) signed a Registration Agreement declaring SSRLI as an Ecozone Developer/Operator, entitling SSRLI to establish, develop and construct the villas and to operate the Ecozone. SSRLI is entitled to four-year income tax holiday and tax-free importation of machineries and equipment on PEZA-covered registered activities under the Registration Agreement.

On December 18, 2009, SSRLI's resort operations have been registered with PEZA to engage in the renovation and expansion of Amanpulo Resort at the Pamalican Island Tourism Ecozone. SSRLI's resort operations are entitled to 5% gross income tax on revenues generated from foreign clients and regular income tax on non-foreign clients under the Registration Agreement.

On July 1, 2011, PRI took over the resort operations of SSRLI. On the same date, PEZA approved PRI's application for registration as a locator at the Pamalican Island Ecozone Tourism Zone. SSRLI also transferred in the name of PRI all resort operation-related contracts entered into with related parties and third parties, including its long-term loans with a bank, except for the foreshore lease contract with the Department of Environment and Natural Resources (DENR) which is nontransferable.

On October 3, 2012, PRI entered into an operating lease agreement with SSRLI covering all rights and interests in resort-related assets, which include land, land improvements and buildings for a period of 20 years beginning July 1, 2011. Annual lease rental amounted to ₱53.5 million payable within the first five days at the beginning of each quarter.

Effective January 1, 2016, the annual rental fee upon mutual agreement of both parties was reduced to ₱42.8 million.

- b. On February 18, 2011, the BOD of the Company approved the Company's acquisition of additional shares from the minority shareholders of SSRLI. The acquisition increased the ownership of the Company from 46.79% to 62.30% of the total outstanding common and preferred shares of SSRLI. Total acquisition price for the additional shares is US\$5.9 million (₱255.9 million) cash consideration plus the fair value of the 46.79% investment amounting to ₱302.7 million. Goodwill recognized from the acquisition amounted to ₱99.3 million (see Note 7).
- c. Since 1995, the Company charges a monthly fee amounting to US\$15,000 or its Peso equivalent for the Company's general, administrative, treasury, tax and legal services rendered to PRI.

Starting January 1, 2018, both parties mutually agreed to a monthly fee amounting to ₱650,000 (eliminated in the consolidated statements of comprehensive income), inclusive of VAT. AHI also charges PRI for a monthly fee of ₱100,000 (eliminated in the consolidated profit on loss), inclusive of VAT.

- d. PRI executed in the past an Operating and Management Agreement (OMA) with Amanresorts Management, B.V. (AMBV, the Operator of Amanresorts), a company based in Amsterdam, the Netherlands, for a fee of 5% of PRI's gross operating profits, as defined in the OMA. The OMA provides for, among others, the reimbursements by PRI to Amanresorts of all costs and expenses incurred by the latter in connection with the management and operation of the resort and a reserve cash funding equivalent to 3% of gross revenues, which will be used to cover the cost of replacements, renewals, and additions to furniture, fixtures and equipment.

On June 24, 2013, both parties have mutually entered into a new OMA, effective on the same date, in which PRI will pay a basic fee amounting to 4% of gross revenue and an incentive fee of 10% based on the gross operating profit collectively known as "Management fee". In addition to the management fees discussed, PRI shall also reimburse AMBV for all costs and expenses incurred by AMBV directly in connection with rendering services under the new OMA.

Likewise, a Marketing Service Agreement (MSA) was entered into by PRI with Amanresorts Services Limited (ASL) with marketing fee charges of 3% of PRI's annual gross hotel revenues. On June 24, 2013, both parties mutually entered into a new marketing services agreement of the same terms and conditions except for a lower marketing fee rate of 1% of gross revenue from 3%.

On June 24, 2011, PRI also executed a Reservation Service Agreement with Hotel Sales Services Ltd. (HSSL), a company established in British Virgin Islands, in which PRI will pay the latter a monthly fee of 6.5% on gross accommodation charges for all realized bookings processed through HSSL's central sales and reservation offices with the exception of bookings made through the Global Distribution System (GDS) in which PRI will pay US\$100 per booking. An annual maintenance fee of US\$1,000 shall also be paid to HSSL.

On October 10, 2014, PRI and HSSL executed a new agreement, effective January 1, 2015, with similar terms as the original agreement, except for a higher annual maintenance fee which increased to US\$3,000 from US\$1,000 and a lower transaction fee for GDS Network bookings for US\$100 from US\$300.

PRI also obtained from Amanresorts I.P.R.B.V. (AIPRBV), a company incorporated in Amsterdam, the Netherlands, the nonexclusive license to use the Amanresorts Marks in connection with the operation of the Resort for a monthly fee of US\$1,000.

The OMA, marketing and license contracts will expire on the thirty first (31st day) of December of the fifth full calendar year following their commencement. Further, AMBV has the option to extend the operating term for a period of five years from the date of its expiration.

On January 18, 2018 and March 9, 2018, the Aman Group notified PRI of the assignment of the OMA, MSA and RSA, among others, to Aman Group S.A.R.L., a company incorporated in Switzerland.

On November 28, 2018, Aman Group issued a Notice of Extension to PRI containing its election and intention to extend the operating term with PRI for a period of five (5) years from the date of expiration, which is on December 31, 2018, under the same terms and conditions as contained in the management agreement.

Total fees related to these agreements amounted to ₱52.8 million, ₱109.7 million and ₱105.5 million in 2020, 2019 and 2018, respectively.

- e. PRI entered into an agreement with IAI wherein the latter will provide regular air transport service. IAI shall charge PRI a fixed round trip rate, subject to an annual review by both parties, with a guarantee that all IAI's operating cost will be covered. The agreement has a duration of three (3) years and was executed effective July 1, 2011. The agreement was renewed for another 3 years on February 13, 2015. The duration of the contract may be extended upon such terms and condition as may be mutually agreed by both parties.

On February 15, 2018, both parties entered into a renewal agreement which shall have a duration of not less than three years unless otherwise pre-terminated. This was subsequently renewed for another 3 years, i.e., until February 2024.

- f. PRI entered into a lease agreement with IAI for the guest lounge, purchasing office including storage space and vehicle parking lots. In addition, in 2020, PRI entered into short-term lease agreements with IAI for PRI's disinfecting and rapid testing area, isolation area, staff room and additional vehicle parking slots. Total rent expense relating to these lease agreements amounted to ₱0.24 million in 2020.
- g. On July 1, 2011, PRI entered into management agreements with the villa owning companies wherein it shall provide general maintenance and accounting and administrative services for the villas. PRI shall also be responsible for the marketing and promotion of the villas. In return for these services, PRI shall be entitled to 50% of the net villa rental proceeds. PRI shall also receive reimbursements of costs, with 15% handling fees (except for utilities, which are not subject to handling fees), incurred in providing services to the villa guests. PRI's share in the net villa rental proceeds including handling fees amounted to ₱90.9 million, ₱168.7 million and ₱163.4 million in 2020, 2019 and 2018, respectively, and presented as "Services" revenue account in the consolidated statements of comprehensive income.

As part of the agreement, PRI will also receive a fund which shall be used for future maintenance requirements of the villas. As at December 31, 2020 and 2019, the restricted fund amounted to ₱95.9 million and ₱107.8 million, respectively, which is included under "Other noncurrent assets" and "Other noncurrent liabilities" in the consolidated balance sheets (see Note 17).

- h. In November 2005, the DENR awarded to SSRLI the use of the foreshore land surrounding the Pamalican Island, where Amanpulo Resort is situated. The award has a duration of 25 years which may be renewed for another full period at the option of SSRLI. Annual rent shall be paid in advance on or before the 16th day of November every year.

- i. In 2014, SSRLI entered into a Construction Service Contract (Service Contract) with the PEZA-registered villa owners in which SSRLI shall provide project management general and specific administration and supervision over the preconstruction and construction stages of the Project. The villa owners shall pay SSRLI a handling fee which represents 15% of the actual project cost during the villa construction or renovation. In 2018, SSRLI recognized handling fee, included under "Services" revenue account which amounted to ₱0.7 million (nil in 2020 and 2019).
- j. Starting 2013, SSRLI has property development in progress, which pertains to the costs related to the development of various projects. As at December 31, 2020 and 2019, total property development in progress amounted to ₱3.7 million. This is presented as part of "Other noncurrent assets" in the consolidated balance sheets (see Note 17).

PDIPI and Subsidiaries

- a. The Company has a management contract with PDP Energy which provides, among others, for payment of annual management fees amounting to ₱7.2 million (VAT inclusive), plus certain percentages of audited income before tax and management and technical assistance fees (VAT exclusive). Due from PDP Energy (eliminated in the consolidated balance sheets) amounted to ₱28.8 million and ₱31.4 million as at December 31, 2020 and 2019, respectively. Management fees (eliminated in the consolidated profit or loss) amounted to ₱85.1 million, ₱99.0 million and ₱77.6 million in 2020, 2019 and 2018, respectively.
- b. In 2012, the PDP Energy entered into a contract of lease with a third party for the lease of its office building. The term is for a period of five years and renewable at the option of both parties. Set out below are the carrying amount of right-of-use asset recognized as at December 31, 2020 and 2019, and the movement during the period.

| | 2020 | 2019 |
|---------------------------|--------------|--------------|
| Cost | | |
| Beginning/Ending balance | ₱ 35,792,042 | ₱ 35,792,042 |
| Accumulated Amortization | | |
| Beginning balance | 7,535,167 | — |
| Amortization for the year | 7,535,167 | 7,535,167 |
| Ending balance | 15,070,334 | 7,535,167 |
| Net Book Value | ₱ 20,721,708 | ₱ 28,256,875 |

Set out below is the carrying amount of lease liability and its movements in 2020 and 2019:

| | 2020 | 2019 |
|---|--------------|--------------|
| Beginning balance | ₱ 30,291,973 | ₱ 35,792,042 |
| Accretion of interest | 2,520,847 | 3,085,097 |
| Lease payments | (4,764,508) | (8,585,166) |
| Rent concession | (3,917,535) | — |
| | 24,130,777 | 30,291,973 |
| Less current portion of lease liability | 4,922,514 | 5,301,404 |
| Noncurrent portion of lease liability | ₱ 19,208,263 | ₱ 24,990,569 |

Operating lease commitments- PDP Energy as lessee

The future aggregate minimum lease payments under the said lease are as follows:

| | 2020 | 2019 |
|---|--------------|--------------|
| Not later than 1 year | ₱ 9,465,145 | ₱ 8,865,270 |
| More than 1 year but not later than 5 years | 17,668,271 | 27,564,028 |
| | ₱ 27,133,416 | ₱ 36,429,298 |

Rental expense incurred amounted to ₱7.6 million in 2018.

- c. On December 19, 2014, PDIPI entered into a trademark licensing agreement with General Cable Technologies Corporation (GCTC) wherein GCTC will grant a perpetual and exclusive license to PDIPI to use the Phelps Dodge trademark in the manufacture and sale of wires and cables in the Philippines. On the same date, PDP Energy entered into a distributor and representative agreement with General Cable Industries Inc. (GCI) which provides, among others, the exclusive distributor, reseller and representative for the sale of GCI products to customers within the Philippines.

32. Changes in Liabilities Arising from Financing Activities

| December 31, 2020 | January 1, 2020 | Cash Flow for Availability | Cash Flows for Repayments | Dividend Declaration | Noncash Movement | Foreign Exchange Movement | Accretion of Interest | December 31, 2020 |
|---|-----------------|----------------------------|---------------------------|----------------------|------------------|---------------------------|-----------------------|-------------------|
| Long-term debt | ₱ 503,307,603 | ₱ - | (₱ 275,719,246) | ₱ - | ₱ - | (₱ 445,500) | ₱ - | ₱ 227,142,857 |
| Notes payable | - | 28,166,200 | (5,000,000) | - | - | - | - | 23,166,200 |
| Dividends payable | 283,974,578 | - | (813,500,482) | 937,595,067 | (42,000,000) | - | - | 366,069,163 |
| Lease liabilities | 37,374,645 | - | (12,038,287) | - | (3,917,535) | - | 2,711,954 | 24,130,777 |
| Total liabilities from financing activities | ₱ 824,656,826 | ₱ 28,166,200 | (₱ 1,106,258,015) | ₱ 937,595,067 | (₱ 45,917,535) | (₱ 445,500) | ₱ 2,711,954 | ₱ 640,508,997 |

| December 31, 2019 | January 1, 2019 | Cash Flow for Availability | Cash Flows for Repayments | Dividend Declaration | Foreign Exchange Movement | Accretion of Interest | December 31, 2019 |
|---|-----------------|----------------------------|---------------------------|----------------------|---------------------------|-----------------------|-------------------|
| Notes payable | ₱ 250,000,000 | ₱ - | (₱ 250,000,000) | ₱ - | ₱ - | ₱ - | ₱ - |
| Long-term debt | 1,138,087,700 | 5,124,000 | (635,732,071) | - | (4,172,026) | - | 503,307,603 |
| Dividends payable | 285,828,593 | - | (617,229,791) | 615,375,776 | - | - | 283,974,578 |
| Lease liabilities | 46,397,325 | - | (12,309,568) | - | - | 3,286,888 | 37,374,645 |
| Total liabilities from financing activities | ₱ 1,720,313,618 | ₱ 5,124,000 | (₱ 1,515,271,430) | ₱ 615,375,776 | (₱ 4,172,026) | ₱ 3,286,888 | ₱ 824,656,826 |

| December 31, 2018 | January 1, 2018 | Cash Flows for Availability | Cash flows for Repayments | Dividend Declaration | Foreign Exchange Movement | December 31, 2018 |
|---|-----------------|-----------------------------|---------------------------|----------------------|---------------------------|-------------------|
| Notes payable | ₱ - | ₱ 450,000,000 | (₱ 200,000,000) | ₱ - | ₱ - | ₱ 250,000,000 |
| Long-term debt | 1,718,724,321 | - | (640,036,621) | - | 59,400,000 | 1,138,087,700 |
| Dividends payable | 252,554,370 | - | (575,312,404) | 608,586,627 | - | 285,828,593 |
| Total liabilities from financing activities | ₱ 1,971,278,691 | ₱ 450,000,000 | (₱ 1,415,349,025) | ₱ 608,586,627 | ₱ 59,400,000 | ₱ 1,673,916,293 |

33. Other Matters

- a. ASAC is a defendant in labor lawsuits and claims. As at December 31, 2019, management has provisions for losses amounting to ₱5.7 million that may be incurred from these lawsuits (see Note 19). In 2020, ASAC reversed the provisions in full as management assessed that the claim is no longer probable due to the prescription of the period from which the complainants may file an independent action to re-open the labor lawsuits. The 10-year prescriptive period ended on April 20, 2020.
- b. Some subsidiaries of the Group have claims, commitments, litigations and contingent liabilities that arise in the normal course of their operations which are not reflected in the consolidated financial statements. Management is of the opinion that as at December 31, 2020 and 2019, losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.
- c. The other information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, are not disclosed as they may prejudice the Group's negotiation with third parties.
- d. COVID-19 Outbreak

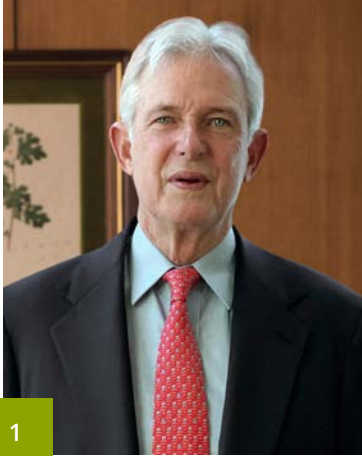
In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an Enhanced Community Quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020. The ECQ shifted to modified enhanced community quarantine (MECQ) until May 31, 2020 and to general community quarantine (GCQ) for NCR and certain provinces until the first part of the third quarter. Subsequently, MECQ was once again imposed on select areas, including Metro Manila and a few other provinces in the Philippines from August 4 to 18, 2020 then back again to GCQ until December 31, 2020.

The COVID-19 pandemic has caused disruptions in the Group's business activities. As this global problem evolves, the Group will continually adapt and adjust its business model according to the business environment in the areas where the Group operates, in full cooperation with the national and local government units.

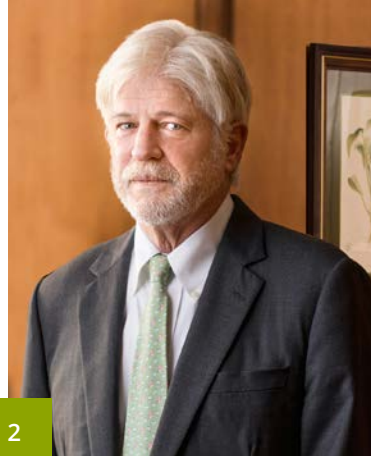
34. Subsequent Event

On February 18, 2021, the BOD approved the declaration of cash dividend of ₱0.50 per common share, payable on April 14, 2021 to common stockholders of record as at March 17, 2021.

Board of **Directors**



1



2



3



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1 **ANDRES SORIANO III**
Chairman of the Board/
Chief Executive Officer/President

2 **EDUARDO J. SORIANO**
Vice Chairman

3 **ERNEST K. CUYEGKENG**

4 **JOHNSON ROBERT G. GO, JR.**

5 **OSCAR J. HILADO**

6 **JOSE C. IBAZETA**

7 **ALFONSO S. YUCHENGCO III**



6



7

Officers & Corporate Directory

CORPORATE DIRECTORY

Corporate Social Responsibility Arm

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SyCip Gorres Velayo & Co.

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6784 Ayala Avenue, Makati City

Legal Counsels

Angara Abello Concepcion Regala & Cruz
Kapunan & Castillo
Picazo Buyco Tan Fider & Santos
Tan Acut Lopez & Pison

** Assigned to AHI*

*** Assigned to ASF*

OFFICERS

ERNEST K. CUYEGKENG

Executive Vice President & Chief Financial Officer

WILLIAM H. OTTIGER

Senior Vice President & Corporate Development Officer/
Treasurer

NARCISA M. VILLAFLORES

Vice President & Comptroller

LORENZO D. LASCO*

Vice President

JOSHUA L. CASTRO

Vice President & Assistant Corporate Secretary

SALOME M. BUHION

Assistant Vice President

MARIA VICTORIA L. CRUZ

Assistant Vice President

LEMIA L. SIMBULAN**

Executive Assistant

LORNA P. KAPUNAN

Corporate Secretary

SUBSIDIARIES

A. Soriano Air Corporation
AFC Agribusiness Corporation
Anscor Consolidated Corporation
Anscor Holdings, Inc. (AHI)
Anscor International, Inc.
Island Aviation, Inc.
Minuet Realty Corporation
Pamalican Resort, Inc.
PD Energy International Corporation
Phelps Dodge International Philippines, Inc.
Phelps Dodge Philippines Energy Products Corporation
Seven Seas Resorts and Leisure, Inc.

AFFILIATES

AGP International Holdings Pte Ltd.
ATRAM Investment Management Partners Corporation
Fremont Holdings, Inc.
KSA Realty Corporation
Navegar LP
Prople Limited
Sierra Madre Philippines I LP
Y-mAbs Therapeutics, Inc.



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