COVER SHEET

1 6 3 6 7 1

SEC Registration Number

A Y A L A L A N D L O G I S T I C S H O L D I N G S C O R P.

(Company's Full Name)

3 R D F L O O R G L O R I E T T A 5

A Y A L A C E N T E R M A K A T I C I T Y

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

MS. FRANCIS M. MONTOJO

(Contact Person)

8884-1106

(Company Telephone Number)

1 2 3 1

Month *Day*

(Fiscal Year)

SEC Form

1 7 - Q

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **31 March 2021**

2. Commission Identification Number **163671**

3. BIR Tax Identification No. **000-804-342-000**

4. Exact name of issuer as specified in its charter **AyalaLand Logistics Holdings Corp**.

5. Province, country or other jurisdiction of incorporation or organization **Metro Manila, Philippines**

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office and postal code
3rd Floor Glorietta 5, Ayala Center, Makati City 1223

8. Issuer's telephone number, including area code **(632) 8884-1106**

9. Former name, former address and former fiscal year, if changed since last report:
N/A

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA
(As of 30 April 2021)

Title of each Class	Number of shares of common stock outstanding
Common shares	**6,301,591,987**

Amount of Debt Outstanding	
Outstanding Loans (consolidated)	**-0-**

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

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

Philippine Stock Exchange **Common shares**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes **[X]** No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [**X**] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

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

<u>Consolidated Results of Operations</u>

For the first quarter of 2021, AyalaLand Logistics Holdings Corp. (ALLHC) registered total revenues of P963.5 million and net income of P165.5 million. Revenues were 19% lower versus the same period last year, however, net income grew 10% than the previous year's post of P150 million.

Industrial lot sales and warehouse leasing operations drove the performance in the top-line. Stable office leasing tempered the effect of quarantine restrictions to mall operations. Consistent with the company's strategy to maintain financial stability, tightened spending and cost management initiatives attributed to the bottom-line growth.

Cost and Expenses stood at P710.4 million or 24% lower from the previous year. Current year-to-date spending for land development, warehouse construction and facility upgrade amounted to P243.1 million.

Earnings per share for the period ended 31 March 2021 was P0.03 which was 10% higher than P0.02 earnings per share for same period as last year.

By Business Segment

Table below shows the revenues per segment for the three-month period ended 31 March 2021:

	Amount – P' million			
Segment	**2021**	**2020**	**2021 vs 2020**	**Change**
Real estate sales	383.3	351.3	32.0	9%
Rental	248.2	294.9	(46.7)	(16%)
Sale of electricity	332.0	547.9	(215.9)	(39%)
Total	963.5	1,194.1	(230.6)	(19%)

a) As of 31 March 2021, landbank was at 251 hectares.

b) Rental revenues were attributed to:

b.1) Warehouse leasing revenue improved driven by increase in rental rates and recoveries. Revenues from warehouse leasing for the first quarter posted at P123.4 million, up by 13% from P109.2 million last year.

Total GLA for warehouse leasing was at 213,000 square meters (sqm.) as of 31 March 2021 with lease-out rate of 85%, same as last year.

b.2) Commercial leasing revenues for the quarter ended 31 March 2021 decreased by 33% to P124.8 million compared to P185.7 million in the same period last year. This was due to the continuing limited mall operations and rental assistance extended to mall merchants, which were cushioned by stable office leasing revenues.

Commercial leasing's GLA was at 92,000 sqm. as of 31 March 2021 with lease-out rate of 80% versus 76% last year.

c) Sale of electricity was at P332.0 million or 39% lower compared to the same quarter last year due to lower consumption given limited customer operations this quarter and end of service contracts.

Laguna Technopark, Inc. & Subsidiary (LTI)

For the first quarter of 2021, LTI's Revenues, which include sale of electricity, registered at P432.2 million compared to P938.3 million revenues for the same period last year or a 54% decline. Likewise, Cost and Expenses decreased by 52% to P358.4 million from P752.1 million last year.

Net income for the first quarter of 2021 was lower by 57% at P57.5 million compared to P135.1 million last year.

Unity Realty & Development Corporation (URDC)

For the quarter ended 31 March 2021, Revenues registered at P383.3 million compared to P58.4 million for the same quarter last year or a 557% increase. Cost and Expenses for the quarter amounted to P146.3 million or 458% increase over the same period last year. Net income was P204 million compared to the P30.5 million net income or 569% improvement over the same period last year.

Tutuban Properties, Inc. (TPI)

Revenues for the first quarter were P68.0 million which was 44% lower than the P121.2 million revenue during the same period last year. This was mainly due to the effect of quarantine restrictions on mall operations this quarter. Likewise, Costs and Expenses this quarter decreased by 32% to P43.0 million from P63.6 million last year.

For the quarter ended 31 March 2021, TPI posted a net loss of P4.4 million versus net income of P18.1 million in the same period last year or 124% decline.

LCI Commercial Ventures, Inc. (LCVI)

Revenues for the first quarter were P21.4 million, 82% higher than last year's revenue of P11.8 million. This was due to increased rental rate. Total Cost and Expenses posted at P10.8 million which was 7% higher than last year's P10.1 million mainly due to depreciation.

Net income for the quarter posted at P6.7 million compared to P1.2 million or 464% higher than the same period last year.

Orion Land Inc. (OLI)

For the first quarter, total Revenues posted at P58.6 million or 9% lower than the P64.5 million last year due to lower merchant occupancy given government restrictions and limited operations due to the pandemic, with stable office leasing operations tempering the impact on mall operations. Cost and Expenses recorded at P56.0 million, which was 2% lower than last year's P57.2 million. OLI was able to maintain a positive net income of about P3.0 million during the period or 211% improvement over last year.

FLT Prime Insurance Corporation (FPIC)

FPIC reported no revenues for the quarter. It did not renew its servicing license as it is in the process of winding down its business. Cost and Expenses registered at P0.71 million which was 51% lower than last year's P1.4 million. Interest income from investments cushioned operations, thus resulting to net income of P0.2 million for the period.

Financial Condition

Total Assets of the Group registered at P19.3 billion as of 31 March 2021 or a 0.3% decrease from P19.4 billion as of 31 December 2020. This was mainly on account of sale of receivables coupled by the decrease in advances to contractors and suppliers.

Total Liabilities as of 31 March 2021 was P7.49 billion, which was 0.3% lower than the P7.51 billion as of 31 December 2020.

Total Equity registered at P11.80 billion, 0.3% lower than P11.84 billion as of 31 December 2020, as an impact of decrease in non-controlling interest due to purchase of remaining 5% LTI shares from Mitsubishi Corporation, but was negated by net income during the period.

Financing Through Loans

As of 31 March 2021, the Group had no outstanding loans from any financial institution.

The top 5 Key Performance Indicators of the Group were as follows:

Ratio	Formula	31 March 2021	31 March 2020	31-Dec-2020
Current Ratio	Current Assets Current Liabilities	1.45: 1 7,053,649/ 4,863,687	1.14:1 6,584,198/ 5,762,594	1.36: 1 6,664,248/ 4,921,888
Debt to Equity Ratio	Total Liabilities Equity	0.63: 1 7,488,564/ 11,800,260	0.75: 1 8,371,415/ 11,129,863	0.63: 1 7,513,456/ 11,840,774
Capital Adequacy Ratio	Equity Total Assets	0.61: 1 11,800,260/ 19,288,824	0.57: 1 11,129,863/ 19,501,278	0.61: 1 11,840,774/ 19,354,230
Book Value per Share	Equity Total # of Shares	1.87 11,800,260/ 6,301,592	1.77 11,129,863/ 6,301,592	1.88 11,840,774/ 6,301,592
Income per Share	Net Income Total # of Shares	0.03 165,489/ 6,252,148	0.02 150,071/ 6,252,148	0.11 681,962/ 6,252,148

Current ratio shows the Group's ability to meet its short-term financial obligation. As of 31 March 2021, the Group's current assets for every peso of current liabilities was higher at P1.45 as compared to 31 December 2020. The Group has sufficient current assets to support its current liabilities as of the period.

Debt to Equity ratio indicates the extent of the Group's debt which is covered by shareholders' fund. It reflects the relative position of the equity holders. The higher the ratio, the greater the risk being assumed by the creditors. A lower ratio generally indicates greater long-term financial safety. Compared to 31 December 2020, debt-to-equity ratio was maintained at 0.63.

Capital Adequacy Ratio is computed by dividing the Total Stockholders' Equity over Total Assets. It measures the financial strength of the Group. As of 31 March 2021, the Group's Capital Adequacy Ratio was higher at 0.61 compared to same period last year.

Book value per share measures the recoverable amount in the event of liquidation if assets are realized at book value. The Group's book value per share was slightly lower at P1.87 compared to P1.88 as at 31 December 2020.

Income per share is calculated by dividing net income attributable to the equity holders of the Parent Company by the weighted average number of shares issued and outstanding. As of 31 March 2021 and 2020, income per share was P0.03 and P0.02, respectively.

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

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

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

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

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

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

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

Capital expenditures reached P243.1 million mainly for land development, warehouse construction and facility upgrade. For 2021, the Group's adjusted budgeted total capital expenditures is P3.8 billion. This will be financed through internally generated funds.

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

The COVID-19 crisis and government-mandated CQ are expected to continue to have an impact on net sales or revenues from continuing operations especially for commercial leasing and power segments.

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

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

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

Receivables decreased by 5.9% mainly due to sale of receivables of URDC and LTI tempered by the sale of lots during the period.

Amounts owed by related parties increased to P1,388.3 million or 50.6% higher from P921.8 million as of 31 December 2020 due to additional intercompany loans granted to affiliates.

Receivables-net of current portion decreased to P189.8 million or 73.9% lower due to sale of URDC receivables.

Property and equipment posted at P25.7 million, or 5.2% lower due to depreciation during the period.

Software costs-net was lower by 53.9% to P0.2 million due to depreciation during the period.

Other noncurrent assets posted at P381.1 was lower by 11.1% due to decrease in advances to contractors and suppliers.

Deferred tax assets increased by 15.3% from P58.2 million as of 31 December 2020 to P67.2 million due to the tax impact on provision for impairment loss on receivables and depreciation on right of use asset.

Current portion of deferred rent income decreased by 11.5% to P13.8 million due to amortization during the period.

Rental and other deposits increased by 2.0% to P502.6 million due to security deposits from new merchants.

Retention Payable decreased by 18.1% to P91.8 million due to release of retention amounts for completed projects of LTI.

Deferred income tax liabilities-net decreased by 7.7% to P120.0 million from P111.4 million due to impact of straight-line computation of rental income.

Equity reserves increased to negative P1.70 billion or an increase by 6.3% due to acquisition of noncontrolling interest in LTI.

Retained earnings increased by 9.4% to P1.90 billion due to recognized net income during the period.

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

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

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

Parent company/holding co.	-	-0.61%
Real estate -commercial leasing and industrial lot sales and development	-	97.45%
Retail electricity supply	-	4.52%
Others	-	-1.36 %

Total		100.00%
		======

SIGNATURE

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

Issuer:

AYALALAND LOGISTICS HOLDINGS CORP.
By:

FRANCIS M. MONTOJO
Chief Finance Officer/Compliance Officer

Date: 6 May 2021

AYALALAND LOGISTICS HOLDINGS CORP.
AND SUBSIDIARIES

Unaudited Consolidated Financial Statements
March 31, 2021 and December 31, 2020

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value and Number of Shares)

	UNAUDITED March 31 2021	AUDITED December 31 2020
ASSETS		
Current Assets		
Cash (Notes 4 and 25)	**₱182,881**	₱177,370
Receivables - current (Notes 5 and 25)	**1,268,885**	1,348,543
Real estate held for sale and development (Note 6)	**3,197,997**	3,237,261
Amounts owed by related parties (Notes 16 and 25)	**1,388,271**	921,793
Financial assets at fair value through profit or loss (Notes 8 and 25)	**4,836**	4,741
Other current assets (Note 9)	**1,010,779**	974,540
Total Current Assets	**7,053,649**	6,664,248
Noncurrent Assets		
Receivables - net of current portion (Notes 5 and 25)	**189,818**	728,538
Financial assets at fair value through other comprehensive income (Notes 7 and 25)	**600,634**	606,430
Right-of-use asset (Note 23)	**1,234,586**	1,267,372
Investment properties (Note 10)	**9,726,230**	9,563,424
Property and equipment (Note 11)	**25,754**	27,178
Software costs (Note 12)	**197**	428
Net pension assets (Note 19)	**9,694**	9,694
Deferred income tax assets - net	**67,165**	58,228
Other noncurrent assets (Notes 13 and 25)	**381,097**	428,690
Total Noncurrent Assets	**12,235,175**	12,689,982
	₱19,288,824	₱19,354,230
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 14, 24 and 25)	**₱1,618,161**	₱1,653,121
Current portion of:	`	
Rental and other deposits (Notes 15 and 25)	**502,574**	492,532
Lease liabilities (Note 23)	**81,872**	81,872
Deferred rent income (Note 23)	**13,806**	15,596
Amounts owed to related parties (Notes 16 and 25)	**2,637,477**	2,674,433
Income tax payable	**9,797**	4,334
Total Current Liabilities	**4,863,687**	4,921,888
Noncurrent Liabilities		
Rental and other deposits – net of current portion (Notes 15 and 25)	**240,359**	210,423
Lease liabilities – net of current portion (Note 23)	**1,684,615**	1,669,500
Retention Payable – net of current portion	**91,801**	112,081
Deferred rent income – net of current portion (Note 23)	**6,537**	6,537
Deferred income tax liabilities – net (Note 24)	**119,890**	111,352
Subscriptions payable (Notes 17 and 25)	**481,675**	481,675
Total Noncurrent Liabilities	**2,624,877**	2,591,568
Total Liabilities	**7,488,564**	7,513,456

(Forward)

	UNAUDITED March 31 2021	AUDITED December 31 2020
Equity (Note 21)		
Equity attributable to equity holders of the parent		
Paid-in capital	**₱6,184,835**	₱6,184,835
Additional paid-in capital	**6,007,133**	6,007,133
Retained earnings	**1,901,140**	1,737,718
Revaluation increment (Note 10)	**196,808**	196,808
Loss on remeasurement of retirement benefits (Note 19)	**(51,458)**	(51,458)
Unrealized loss on financial assets at fair value through other comprehensive income (Note 7)	**(630,979)**	(626,651)
Shares held by a subsidiary (Note 16)	**(144,377)**	(144,377)
Equity reserves	**(1,702,954)**	(1,601,567)
	11,760,148	11,702,441
Non-controlling interests (Notes 1 and 21)	**40,112**	138,333
Total Equity	**11,800,260**	11,840,774
	₱19,288,824	₱19,354,230

See accompanying Notes to Consolidated Financial Statements.

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share)

	THREE MONTHS ENDED MARCH 31	
	2021	2020
REVENUES		
Sale of electricity (Note 22)	**332,031**	547,976
Real estate sales (Note 22)	**383,272**	351,279
Rental	**206,660**	284,254
Others	**41,549**	10,595
	963,512	1,194,104
COST AND EXPENSES		
Cost of purchased power and services	**320,907**	522,180
Cost of rental services (Note 10)	**140,031**	176,349
Cost of real estate sold (Note 6)	**194,874**	182,069
Operating expenses (Note 18)	**54,636**	49,623
	710,448	930,221
OTHER INCOME (CHARGES)		
Interest income and bank charges - net	**(8,389)**	(16,687)
Interest expense on lease liabilities	**(37,364)**	(37,505)
Provision for probable losses	**(2,000)**	(5,400)
Interest income on financial assets at FVOCI	**981**	1,161
Discount on sale of financial assets	**(33,685)**	-
Unrealized loss on financial assets at FVPL	**95**	(5)
Others - net	**5,429**	2,446
	(74,933)	(55,990)
INCOME BEFORE INCOME TAX	**178,131**	**207,893**
PROVISION FOR INCOME TAX	**12,642**	57,822
NET INCOME	**165,489**	150,071
ATTRIBUTABLE TO:		
Equity holders of the Parent	**163,422**	143,406
Non-controlling interests	**2,067**	6,665
	165,489	150,071
EARNINGS PER SHARE (Note 20)		
Basic, for income for the period attributable to ordinary equity holders of the parent company	**0.03**	0.02

See Accompanying Notes to Consolidated Financial Statements

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	THREE MONTHS ENDED MARCH 31	
	2021	2020
NET INCOME	**165,489**	150,071
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may not be reclassified to proft or loss in subsequent periods:		
Unrealized valuation gain (loss) on equity financial assets assets at fair value through other comprehensive income (Note 7)	**0**	(201,275)
Items that may be reclassified to proft or loss in subsequent periods:		
Unrealized valuation gain on debt financial assets assets at fair value through other comprehensive income (Note 7)	**(2,603)**	2,498
TOTAL COMPREHENSIVE INCOME (LOSS)	**162,886**	(48,706)
Total comprehensive income (loss) attributable to:		
Equity holders of the parent company	**159,094**	(56,381)
Noncontrolling interests	**3,792**	7,675
	162,886	(48,706)

See Accompanying Notes to Consolidated Financial Statements

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Amounts in Thousands)

	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT										
	Capital Stock	Additional Paid-in Capital	Shares Held by a Subsidiary	Revaluation Increment (Note 10)	Equity Reserves	Unrealized Valuation Gains (Losses) on Financial Assets at FVOCI (Note 7)	Losses on Remeasurement of Retirement Benefits Plan (Note 19)	Retained Earnings	Total	Non-Controlling Interests	Total
Balances at January 1, 2021	6,184,835	6,007,133	(144,377)	196,808	(1,601,567)	(626,651)	(51,458)	1,737,718	11,702,441	138,333	11,840,774
Net income for the period	-	-	-	-	-	-	-	163,422	163,422	2,067	165,489
Other comprehensive income (loss):											
Unrealized valuation gain (loss) on financial assets at FVOCI (Note 7)	-	-	-	-	-	(4,328)	-	-	(4,328)	1,725	(2,603)
Total comprehensive income for the period	-	-	-	-	-	(4,328)	-	163,422	159,094	3,792	162,886
Equity reserve	-	-	-	-	(101,387)	-	-	-	(101,387)	-	(101,387)
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-	-	(102,013)	(102,013)
Balances at March 31, 2021	**6,184,835**	**6,007,133**	**(144,377)**	**196,808**	**(1,702,954)**	**(630,979)**	**(51,458)**	**1,901,140**	**11,760,148**	**40,112**	**11,800,260**
Balances at January 1, 2020	6,173,305	5,999,868	(144,377)	203,836	(1,598,198)	(587,704)	(50,507)	1,065,378	11,061,601	114,596	11,176,197
Net income for the period	-	-	-	-	-	-	-	143,406	143,406	6,665	150,071
Other comprehensive income (loss):											
Losses on remeasurement of retirement benefit plan	-	-	-	-	-	-	-	-	-	-	-
Unrealized valuation gain (loss) on financial assets at FVOCI (Note 7)	-	-	-	-	-	(199,787)	-	-	(199,787)	1,010	(198,777)
Total comprehensive income for the period	-	-	-	-	-	(199,787)	-	143,406	(56,381)	7,675	(48,706)
Collection of subscription receivables	2,372	-	-	-	-	-	-	-	2,372	-	2,372
Balances at March 31, 2020	**6,175,677**	**5,999,868**	**(144,377)**	**203,836**	**(1,598,198)**	**(787,491)**	**(50,507)**	**1,208,784**	**11,007,592**	**122,271**	**11,129,863**

See accompanying Notes to Consolidated Financial

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

	QUARTER ENDED MARCH 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**178,131**	207,893
Adjustments for:		
Unrealized loss (gain) on Financial assets at FVPL (Note 8)	**(95)**	5
Depreciation of right-of-use asset	**16,300**	16,481
Provision for impairment losses on:		
Receivables (Note 5 and 18)	**3,500**	4,000
Provision for probable losses (Note 24)	**2,000**	5,400
Interest expense on lease liability	**37,364**	37,505
Depreciation and amortization (Notes 10, 11, 12, 18 and 23)	**81,988**	71,834
Interest income	**(7,525)**	(8,378)
Interest expense and bank charges	**48,618**	23,904
Operating income before working capital changes	**360,281**	358,644
Decrease (increase) in:		
Receivables	**614,878**	(447,715)
Other noncurrent assets	**38,657**	39,043
Real estate inventories	**39,264**	71,733
Right of use assets	**16,486**	(9,424)
Other current assets	**(36,239)**	(20,451)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(65,488)**	(163,349)
Rental and other deposits	**38,188**	21,863
Net cash flows generated from (used in) operations	**1,006,027**	(149,656)
Interest received	**7,525**	8,378
Interest paid	**(201)**	(23,904)
Income tax paid	**(12,642)**	(57,822)
Net cash flows generated from (used in) operating activities	**1,000,709**	(223,004)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Investment properties (Note 10)	**(239,804)**	(303,541)
Software cost (Note 12)	**-**	53
Property and equipment (Note 11)	**(3,336)**	355
Decrease (increase) in:		
Financial assets at FVOCI (Note 7)	**1,468**	(179)
Amounts owed by related parties	**(466,478)**	265,098
Acquisitions of noncontrolling interest	**(200,000)**	-
Net cash flows used in investing activities	**(908,150)**	(38,214)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of subscriptions receivable	**-**	2,372
Movement of noncontrolling interest	**(1,675)**	1,011
Increase in amounts owed to related parties	**(85,373)**	277,685
Net cash flows from (used in) financing activities	**(87,048)**	281,068
NET INCREASE IN CASH AND CASH EQUIVALENTS	**5,511**	19,850
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**177,370**	177,592
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 4)	**182,881**	197,442

See Accompanying Notes to Consolidated Financial Statements

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate and Status of Operations**

Corporate Information
AyalaLand Logistics Holdings Corp. (ALLHC; the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 19, 1989. ALLHC's registered office address is 3rd Floor Glorietta 5, Ayala Center, Makati City.

ALLHC and its subsidiaries, collectively referred to as "the Group", have principal business interests in holding companies, commercial leasing, industrial lot sales and development, and retail electricity supply (see Note 22).

On May 9, 2019, the SEC approved the change of its corporate name from Prime Orion Philippines, Inc. to AyalaLand Logistics Holdings Corp.

On May 6, 2021, the Board of Directors approved and authorized the release of the accompanying unaudited interim consolidated financial statements of AyalaLand Logistics Holdings Corp. and Subsidiaries as at March 31, 2021.

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

		Percentage of Ownership	
Subsidiaries	**Nature of Business**	**March 2021**	December 2020
Laguna Technopark, Inc. (LTI)	Real Estate Development	**100%**	95%
Ecozone Power Management, Inc. (EPMI)	Purchase, Supply and Delivery of Electricity	**100%**	95%
Unity Realty Development Corporation (URDC)	Real Estate Development	**100%**	100%
Orion Land, Inc. (OLI)	Real Estate and Investment Holding Company	**100%**	100%
Tutuban Properties, Inc. (TPI)	Real Estate, Mall Operations	**100%**	100%
TPI Holdings Corporation (TPIHC)	Investment Holding Company	**100%**	100%
Orion Property Developments, Inc. (OPDI)	Real Estate Development	**100%**	100%
Orion Beverage, Inc. (OBI)*	Manufacturing	**100%**	100%
LCI Commercial Ventures, Inc. (LCVI)	Real Estate, Warehouse Leasing Operations	**100%**	100%
Luck Hock Venture Holdings, Inc. (LHVHI)*	Other Business Activities	**60%**	60%
Orion Maxis, Inc. (OMI)*	Marketing and Administrative Services	**100%**	100%
Orion I Holdings Philippines, Inc. (OIHPI)*	Financial Holding Company	**100%**	100%
FLT Prime Insurance Corporation (FPIC)	Non-Life Insurance Company	**78.77%**	78.77%
Orion Solutions, Inc. (OSI)*	Management Information Technology Consultancy Services	**100%**	100%

** Inactive companies approved by their respective BOD for dissolution/liquidation*
All of the companies are incorporated in the Philippines.

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

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

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

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

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

TPI
TPI operates the Tutuban Center, a commercial complex located in Manila City. The Tutuban Center, which sits on a 20-hectare property, will be the location of the North-South Railway Project (NSRP) Transfer Station which will interconnect with the LRT 2 West Station (see Note 10).

On April 1, 2015, TPI signed a Memorandum of Understanding (MOU) with the Department of Transportation and Communication (DOTC) (now the Department of Transportation or DOTr) and Philippine National Railways (PNR) to formalize the agreement to cooperate in the finalization and implementation of plans of the NSRP.

LCVI
LCVI, a wholly-owned subsidiary of OPDI, organized in 1990, was previously into the manufacture and distribution of tiles. In June 2018, it amended its articles of incorporation to change its name to LCVI and its primary purpose to that of a real estate holding company. LCVI has converted its plant and other buildings into warehouses for lease.

FPIC
Unable to comply with the paid-up capital requirement for non-life insurance companies and in line with the shift in focus to real estate as the core business of the ALLHC Group, FPIC applied for, and was granted in April 2017, a servicing license by the Insurance Commission (IC). As a servicing company, its authority is limited to: (i) accepting contract price payment from the policyholders; (ii) paying or settling claims under its non-life coverage; and/or (iii) such other related services.

On September 7, 2018, the IC approved the Servicing Plan of FPIC under which FPIC had until April 19, 2019 to service policies expiring in 2019 and 2021 and to settle outstanding liabilities and obligations of FPIC.

On July 11, 2019, FPIC submitted to the IC its request for the release of the security deposit upon its compliance with the following conditions set in IC Circular Letter No. 2013-35 (Guidelines on the Release of Security Deposit):

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

On November 22, 2019, FPIC applied for the renewal of its Servicing License with the IC for one year or until December 31, 2020. The said renewal of license was made to conform with one year 'waiting period' for the claimants to file, submit or report to the IC any claim against FPIC. The waiting period commenced last February 9, 2020, which was the last publication date of the 'Notice to the Public' regarding FPIC's request for the release of its security deposit.

In September 2020, the company requested the IC for termination of the servicing license and termination of the appointment of an overseer, and reiterated its request for the release of its security deposit, after having complied with requirements of the IC and the publication of a notice of withdrawal on 9 February 2020. The IC, in a letter dated 4 January 2021, approved the termination of the servicing license and reconsidered the appointment of the overseer. Considering that the required one-year period from publication of the notice of withdrawal will end on February 9, 2021, the IC agreed to release the security deposit less the amount to cover any outstanding liabilities of the company to its policyholders and creditors, and subject to submission of certain requirements. On March 03, 2021 and April 7, 2021, FPIC has completely submitted to the IC all the requirements needed for the release of the security deposit.

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

On October 20, 2017, the BOD of OIHPI, OE Holdings, Inc. (OEHI), ZHI Holdings, Inc. (ZHIHI), OBI, LHVHI and TPIHC approved and authorized the dissolution and liquidation of these companies by shortening of their respective corporate terms up to December 31, 2017.

Business Combination

Acquisition of URDC
On July 19, 2019, in a Deed of Absolute Sale, the Parent Company purchased from previous individual stockholders their entire outstanding shares of URDC representing 100% ownership. The Parent Company partially paid the previous individual stockholders amounting to ₱1,184.70 million representing 50% of the total value of the shares. In September 2020, the Parent Company paid the first installment amounting to ₱716.84 million. The Parent Company will settle the remaining balance amounting to ₱477.89 million on September 16, 2021, this is lodged in Accounts payable and accrued expenses. This is accounted for as acquisition of an asset that does not constitute a business because the Group did not acquire a substantive process that significantly contribute to the ability to create outputs in order to be classified as a business.

Acquisition of Non-controlling Interest
On June 10, 2019, ALLHC purchased additional 8,051 LTI shares from ALI for a total consideration of ₱800.00 million, resulting to an increase in ownership in LTI from 75% to 95%.

On March 19, 2021, ALLHC purchased 5% equity interest owned by Mitsubishi Corporation in LTI equivalent to 2,013 common shares, with a total value of P200 million. As a result, ALLHC effective ownership in LTI has increased to 100% from 95%.

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

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for the debt and equity financial assets measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional currency. All amounts are rounded off to the nearest thousand (₱1,000), except when otherwise indicated.

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

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the relief granted by the SEC under Memorandum Circular Nos. 14-2018 and 3-2019 as of 2018 for the following implementation issues of PFRS 15 affecting the real estate industry:

a) Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
b) Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H
c) Adoption of PIC Q&A No. 2018-14: PFRS 15 – Accounting for Cancellation of Real Estate Sales

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of March 31, 2021 and December 31, 2020 and for each of the period ended March 31, 2021 and 2020.

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

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:
a. power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
b. exposure, or rights, to variable returns from its involvement with the investee; and
c. the ability to use its power over the investee to affect its returns.

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

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting 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):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - 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:
  - The about 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
  - 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 1 January 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 1 January 2022 and apply prospectively.

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

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

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

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

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

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

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

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. 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. The amendments are not expected to have a material impact on the Group.

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

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

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

- PFRS 17, *Insurance Contracts*

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

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

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

a. Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

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

Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b. Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

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

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

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

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

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

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

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

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

<u>Real Estate Held for Sale and Development</u>
Real estate held for sale and development is carried at the lower of cost and NRV. NRV is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost includes acquisition cost of the land plus development and improvement costs. Borrowing costs incurred on loans obtained to finance the improvements and developments of real estate held for sale and development are capitalized while development is in progress.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

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

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

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

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

	Useful life in years
Leasehold improvements	3-5
Machinery and equipment	5-10
Transportation equipment	5
Furniture, fixtures and equipment	3-5

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

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

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

Software Costs
Acquired software license is capitalized on the basis of costs incurred to acquire and bring to use the specific software. Software license is amortized on a straight-line basis over its estimated useful life of three (3) to four (4) years. Costs associated with the development or maintenance of

computer software programs are recognized as expense when incurred in profit or loss.

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

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

Other Noncurrent Assets

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

Deferred Acquisition Costs

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

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

Advances to suppliers and contractors

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

Impairment of Nonfinancial Assets

Inventories and Real Estate Held for Sale and Development

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

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

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

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

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

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

Insurance contracts
Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract, there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Group defines significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or has expired. Investment contracts can, however, be reclassified as insurance contracts after inception if the insurance risk becomes significant.

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

b) Insurance Contract Liabilities
Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

Reserve for Unearned Premiums
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods is deferred as reserve for unearned premiums using the 24^{th} method. The change in the reserve for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk.

Claims Provision and Incurred but not Reported (IBNR) losses
Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the financial reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the reporting date. Provision for IBNR losses is calculated based on standard actuarial projection techniques.

The liability is not discounted for the time value of money and includes IBNR losses. The liability is derecognized when the contract expires, is discharged or is cancelled.

Liability Adequacy Test
At each financial reporting date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. In performing the test, current best estimates of

future cash flows, claims handling and policy administration expenses are used. Any inadequacy is immediately charged to profit or loss by establishing an unexpired risk provision for losses arising from the liability adequacy tests.

c) Reinsurance Assets
The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies for ceded insurance liabilities. Recoverable amounts are estimated in a manner consistent with the outstanding claims provisions and are in accordance with the reinsurance contract.

An impairment review is performed on all reinsurance assets when an indication of impairment arises during the financial reporting year.

Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for insurance contracts when applicable. Premiums and claims on assumed reinsurance are recognized as income and expense in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance commissions are deferred and subject to the same amortization method as the related acquisition costs; unamortized reinsurance commissions are shown as “Due to reinsurers and ceding companies” and shown as part of “Accounts payable and accrued expenses” in the statement of financial position.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or have expired or when the contract is transferred to another party.

Short-term Insurance Contracts
These contracts include the following:

- Fire insurance contracts cover loss or damage to the insured's properties caused by fire and/or natural calamities like typhoon, lightning, flood and earthquake.
- Motor insurance contracts provide financial protection to vehicle owners against physical loss of or damage to their vehicles and legal liability to third parties and/or passengers due to accident.
- Personal accident insurance contracts provide financial aid to either the insured or his beneficiaries in case of accidental death or disability.
- Marine insurance contracts indemnify the owner and/or assignee of a vessel, plane, goods and/or other transportable properties against sustained loss or damage on land, marine and aerial transit.
- Engineering insurance contracts provide complete protection against loss of or damage to plant, mechanical, electronic and other types of equipment used in construction and/or business operations.
- Extended perils or optional coverages are also available.

- Bonds/suretyship insurance contracts cover undertake to provide the needed guarantee to complete a contractual or civil engineering project.
- Liability insurance contracts indemnify the insured against the financial consequences of accidents to third parties for which he is legally responsible or liable.

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

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

Combinations of Entities Under Common Control
Business combinations of entities under common control are accounted for using the pooling of interests method. The pooling of interests method is generally considered to involve the following:

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

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

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

Capital Stock
Common shares are classified as equity.

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

Retained Earnings
Retained earnings represent accumulated earnings of the Group.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Cost and Expenses</u>

Cost recognition for real estate sales
The Group recognizes costs relating to satisfied performance obligations as these are incurred. These include costs of land, land development, professional fees, depreciation, permits

and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

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

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

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

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

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

Underwriting Expenses
Underwriting expenses pertain to the Company's share in the underwriting expenses incurred by insurance pools in which the Company is a member. An insurance pool is a collective pool of assets from multiple insurance companies and used as a way of providing high risk insurance. Underwriting expenses are recognized by the Company as incurred.

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

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

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

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

Deferred Income Tax
Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end of the reporting period.
Deferred income tax liabilities are recognized for all taxable temporary differences, except:

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

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

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

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

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

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

<u>Retirement Benefits Costs</u>
The Group has a funded, non-contributory defined benefit retirement plan.

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

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

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

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

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

<u>Leases effective January 1, 2019</u>
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for

short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

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

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

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

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

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

Leases prior to January 1, 2019

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. A reassessment is made after the 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 the 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 give rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Operating Lease Commitments - Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Rent income from operating leases are recognized as income on a straight-line basis over the lease term or based on the terms of the lease, as applicable. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the basis as rental income. Variable are recognized as revenue in the period in which they are earned.

Operating Lease Commitments - Group as a Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease payments under non-cancellable operating leases are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Foreign Currency Translation

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

Claims

The liabilities for unpaid claim costs (including incurred but not reported losses) and claim adjustment expenses relating to insurance contracts are accrued when insured events occur. The liabilities for unpaid claims are based on the estimated ultimate cost of settling the claims. The method of determining such estimates and establishing reserves is continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense for the period in which the estimates are changed or payments are made. Estimated recoveries on settled and unsettled claims are evaluated in terms of the estimated realizable values of the salvaged recoverables and deducted from the liability for unpaid claims. The unpaid claim costs are accounted as “Claims payable” under “Accounts payable and accrued expenses” account in the consolidated statement of financial position.

Provisions

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

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

Contingencies

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

Segment Reporting

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

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

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

Assessing Operating Lease Commitments - Group as Lessor

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

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

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

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

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

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

Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes in circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

The Group's lease liabilities amounted to ₱1,766.49 million and ₱1,751.37 million as at March 31, 2021 and December 31, 2020, respectively (see Note 23).

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

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions (gross domestic product and inflation rate) and ECLs is also significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Notes 5 and 18.

Estimating Useful Lives of Depreciable Investment Properties and Property and Equipment
The estimated useful lives used as bases for depreciating and amortizing the Group's investment properties and property and equipment were determined on the basis of management's assessment of the period within which the benefits of these asset items are expected to be realized taking into account actual historical information on the use of such assets as well as industry standards and averages applicable to the Group's assets. The Group estimates the useful lives of its investment properties and property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of investment properties and property and equipment are reviewed, at least, annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of these assets increases depreciation and amortization and decreases the carrying value of investment properties and property and equipment.

The carrying value of property and equipment amounted to ₱25.75 million and ₱27.18 million as at March 31, 2021 and December 31, 2020, respectively, net of accumulated depreciation, amortization and impairment amounting to ₱88.76 million and ₱84.02 million as at March 31, 2021 and December 31, 2020, respectively (see Note 11).

The carrying value of investment properties amounted to ₱9,726.23 million and ₱9,563.42 million as at March 31, 2021 and December 31, 2020, respectively (see Note 10).

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

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

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

Assessing Realizability of Deferred Income Tax Assets

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

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

4. Cash

As at March 31, 2021 and December 31, 2020, cash in bank amounting to ₱182.9 million and ₱177.37 million, respectively. Cash in banks earn interest at the respective bank deposit rates.

For the period ended March 31, 2021 and 2020, the interest earned from cash in bank amounted to ₱0.26 million and ₱0.77 million, respectively.

5. Receivables

This account consists of:

	March 31, 2021	December 31, 2020
	(In Thousands)	
Trade debtors		
Land sales	**₱716,630**	₱1,302,611
Receivables from tenants	**569,260**	593,682
Retail electricity	**162,147**	153,995
Nontrade receivables	**120,484**	120,017
Insurance receivables	**20,188**	29,305
Others	**194,762**	198,739
	1,783,471	2,398,349
Less allowance for expected credit losses	**324,768**	321,268
	1,458,703	2,077,081
Less noncurrent portion	**189,818**	728,538
	₱1,268,885	₱1,348,543

Receivables from land sales represent amounts arising from sale of industrial lots, which are collectible in monthly installments within two to four years from the date of sale. As of March 31, 2021, the Group sold trade receivables from land sales amounting to ₱760.02 million with a resulting discount on sale amounting to ₱33.69 million.

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

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

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

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

Other receivables include noninterest-bearing receivables of OLI from Cosco Land Corporation (CLC) which are due and demandable amounting to ₱160.45 million as at December 31, 2020 and 2019. These receivables are collateralized by the shares of stock of Cyber Bay owned by CLC. The receivables from CLC are fully provided with allowance.

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

	Trade debtors	Insurance receivables	Non-trade receivables	Others	Total
			(In Thousands)		
At December 31, 2020	₱106,988	₱8,848	₱39,691	₱165,741	₱321,268
Provisions (Note 18)	3,500	–	–	–	3,500
At March 31, 2021	₱110,488	₱8,848	₱39,691	₱165,741	₱324,768

6. Real Estate Held for Sale and Development

The details of this account follow:

	March 31, 2021	December 31, 2020
	(In Thousands)	
Land	**₱3,237,845**	₱3,277,109
Less allowance for impairment losses	**39,848**	39,848
	₱3,197,997	₱3,237,261

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

The composition of costs as at March 31, 2021 and December 31, 2020 follows:

	March 31, 2021	December 31, 2020
	(In Thousands)	
Land cost	**₱2,702,786**	₱2,795,955
Construction overhead and other related costs	**535,059**	481,154
	₱3,237,845	₱3,277,109

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

	March 31, 2021	**December 31, 2020**
	(In Thousands)	
Balance at the beginning of the year	**₱3,277,109**	₱2,124,899
Acquisition	**–**	207,620
Development costs incurred	**53,905**	356,672
Transfers from (to) investment property (Note 10)	**–**	1,149,721
Cost of real estate sales	**(93,169)**	(561,803)
	3,237,845	3,277,109
Less allowance for impairment loss	**39,848**	39,848
	₱3**,197,997**	₱3,237,261

As at March 31, 2021 and December 31, 2020, allowance for impairment losses amounting to ₱39.85 million.

Real estate sales recognized for the period ended March 31, 2021 and 2020 amounted to ₱383.27 million and ₱351.28 million, respectively.

Real estate inventories recognized as cost of real estate sales amounted to₱93.17 million and ₱79.82 million for the period ended March 31, 2021 and 2020, respectively.

7. Financial Assets at FVOCI

This account consists of:

	March 31, 2021	December 31, 2020
	(In Thousands)	
Listed equity securities (Note 17)	**₱505,912**	₱505,912
Quoted debt securities	**94,722**	100,518
	₱600,634	₱606,430

Listed equity securities include 1,388,101,405 shares of Cyber Bay valued at ₱458.07 million as at March 31, 2021 and December 31, 2020 (see Note 17).

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

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

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

	Equity Holders	Non-controlling Interests	Total
		(In Thousands)	
At December 31, 2019	(₱587,704)	(₱160)	(₱587,864)
Fair value changes	(38,097)	2,891	(35,206)
Realized valuation gain transferred from equity to retained earnings	(850)	–	(850)
At December 31, 2020	(626,651)	2,731	(623,920)
Fair value changes	(4,328)	1,725	(2,603)
At March 31, 2021	**(₱630,979)**	**₱4,456**	**(₱626,523)**

Interest earned from financial assets at FVOCI amounted to ₱0.98 million and ₱1.16 million for the period ended March 31, 2021 and 2020, respectively.

Dividend income on financial assets at FVOCI amounted to nil as at March 31, 2021 and 2020.

8. **Financial Assets at FVPL**

This account pertains to investments in redeemable preferred shares designated as financial assets at FVPL.

Fair value of financial assets at FVPL as at March 31, 2021 and December 31, 2020 amounted to ₱4.84 million and ₱4.74 million, respectively.

9. **Other Current Assets**

This account consists of:

	March 31, 2021	December 31, 2020
	(In Thousands)	
Input VAT	**₱557,575**	₱561,689
CWTs	**285,915**	293,336
Refundable deposits	**62,919**	62,844
Prepayments	**100,082**	54,882
Advances to suppliers and contractors	**2,996**	2,593
Others	**4,039**	1,943
	1,013,526	977,287
Less allowance for impairment losses	**2,747**	2,747
	₱1,010,779	₱974,540

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

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

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

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

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

As of March 31, 2021 and December 31, 2020, allowance for impairment losses amounting to ₱2.75 million.

10. Investment Properties

The details of this account follow:

	March 31, 2021			
	Buildings and Improvements	**Land and Improvements**	**Construction in Progress**	**Total**
	(In Thousands)			
Cost				
At beginning of year	**₱9,863,186**	**₱1,921,699**	**₱817,032**	**₱12,601,917**
Additions	**54,801**	**9,832**	**175,171**	**239,804**
At end of year	**9,917,987**	**1,931,531**	**992,203**	**12,841,721**
Accumulated Depreciation and Amortization				
At beginning of year	**3,008,679**	**26,605**	**–**	**3,035,284**
Depreciation and amortization (Notes 18)	**76,847**	**151**	**–**	**76,998**
At end of year	**3,085,526**	**26,756**	**–**	**3,112,282**
Balance before impairment	**6,832,461**	**1,904,775**	**992,203**	**9,729,439**
Less allowance for impairment losses	**–**	**3,209**	**–**	**3,209**
Net book values	**₱6,832,461**	**₱1,901,566**	**₱992,203**	**₱9,726,230**

	December 31, 2020			
	Buildings and Improvements	Land and Improvements	Construction in Progress	Total
	(In Thousands)			
Cost				
At beginning of year	₱8,972,747	₱3,037,624	₱998,820	₱13,009,191
Additions	150,689	41,858	594,377	786,924
Transfers	776,165	–	(776,165)	–
Disposals	(36,415)	(8,062)	–	(44,477)
Transfers (Note 6)	–	(1,149,721)	–	(1,149,721)
At end of year	9,863,186	1,921,699	817,032	12,601,917
Accumulated Depreciation and Amortization				
At beginning of year	2,726,315	25,160	–	2,751,475
Depreciation and amortization (Notes 19 and 21)	290,782	1,445	–	292,227
Disposals	(8,418)	–	–	(8,418)
At end of year	3,008,679	26,605	–	3,035,284
Balance before impairment				
Less allowance for impairment losses	–	3,209	–	3,209
	–	3,209	–	3,209
Net book values	₱6,854,507	₱1,891,885	₱817,032	₱9,563,424

<u>TPI</u>

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

In accordance with PFRS 1, the Group closed out the "Revaluation increment" on TPI's investment properties amounting to ₱236.08 million to retained earnings which pertains to the remaining balance of the deemed cost adjustment on investment properties account which arose when it transitioned to PFRS.

LCI

On July 1, 2014, LCI transferred land and improvements and buildings and improvements from property and equipment to investment properties. Prior to the transfer, the land and improvements and building and improvements are stated at their revalued amounts. Upon transfer to investment property, the revalued amounts of the properties at the date of transfer were considered as its deemed costs in accordance with PAS 40, *Investment Property*.

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

Fair Value of Investment Properties
The aggregate fair value of the Group's investment properties amounted to ₱17,734.59 million and to ₱11,160.64 million as of December 31, 2020 and 2019, respectively. The fair values of the buildings, land and improvements of the Group determined using income approach method considers rental escalation rate for the minimum rental guaranteed for the remaining life of the buildings and building improvements using the discount rate and terminal capitalization rate ranging from 10% to 11% and 5% to 10%, respectively.

11. Property, Plant and Equipment

The details of this account follow:

March 31, 2021

	Leasehold Improvements	**Machinery and Equipment**	**Transportation Equipment**	**Furniture, Fixtures and Equipment**	**Total**
Cost					
At beginning of year	**₱2,732**	**₱55,625**	**₱10,968**	**₱41,868**	**₱111,193**
Additions	**–**	**1,940**	**–**	**1,396**	**3,336**
At end of year	**2,732**	**57,565**	**10,968**	**43,264**	**114,529**
Accumulated Depreciation and Amortization					
At beginning of year	**1,941**	**33,642**	**9,262**	**39,170**	**84,015**
Depreciation and amortization (Notes 18)	**110**	**1,928**	**181**	**2,541**	**4,760**
At end of year	**2,051**	**35,570**	**9,443**	**41,711**	**88,775**
Net Book Values	**₱681**	**₱21,995**	**₱1,525**	**₱1,553**	**₱25,754**

December 31, 2020

	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Total
Cost			*(In Thousands)*		
At beginning of year	₱2,479	₱50,911	₱10,968	₱41,014	₱105,372
Additions	253	4,714	–	854	5,821
At end of year	2,732	55,625	10,968	41,868	111,193
Accumulated Depreciation and Amortization					
At beginning of year	1,566	26,774	8,546	30,577	67,463
Depreciation and amortization (Notes 19 and 21)	375	6,868	716	8,593	16,552
At end of year	1,941	33,642	9,262	39,170	84,015
Net Book Values	₱791	₱21,983	₱1,706	₱2,698	₱27,178

12. **Software Costs**

The details of this account follow:

	March 31, 2021	December 31, 2020
	(In Thousands)	
Cost:		
Beginning balances	**₱13,270**	₱13,270
Accumulated amortization:		
Beginning balances	**12,842**	11,853
Amortization (Note 18)	**231**	989
Ending balances	**13,073**	12,842
Net book values	**₱197**	₱428

13. **Other Noncurrent Assets**

This account consists of:

	March 31, 2021	December 31, 2020
	(In Thousands)	
Deferred input VAT	**₱348,956**	₱349,160
Advances to suppliers and contractors	**10,900**	57,862
Refundable deposits	**10,557**	13,391
Others	**10,684**	8,277
	₱381,097	₱428,690

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

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

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

Others consist mainly of various assets that are individually immaterial.

14. **Accounts Payable and Accrued Expenses**

The details of this account follow:

	March 31, 2021	December 31, 2020
	(In Thousands)	
Accrued expenses		
Light and water	**₱119,306**	₱121,508
Professional and management fees	**63,233**	61,423
Commissions	**54,794**	47,597
Contracted services	**34,812**	19,564
Repairs and maintenance	**19,664**	13,017
Taxes and licenses	**5,704**	11,096
Rent (Note 27)	**1,139**	3,107
Salaries and benefits	**204**	230
Subcontractor cost	**551**	723
Others	**6,054**	7,108
	305,461	285,373
Trade payables	**1,047,249**	1,030,603
Nontrade payables	**142,185**	203,707
Provisions (Note 28)	**52,332**	50,332
Retention payables	**32,102**	32,011
Claims payables	**14,377**	24,178
Dividend payable	**17,500**	17,500
Others	**6,955**	9,417
	₱1,618,161	₱1,653,121

Nontrade payables are generally settled within one (1) year.

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

Due to reinsurers and ceding companies refers to the balance of premium and claims with respect to accepted and ceded reinsurance agreement whether directly or through brokers.

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

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

15. **Rental and Other Deposits**

The details of this account follow:

	March 31, 2021			December 31, 2020		
	Due within One Year	**Beyond One Year**	**Total**	Due within One Year	Beyond One Year	Total
			(In Thousands)			
Security deposits	**₱309,242**	**₱158,175**	**₱467,417**	₱363,325	₱107,795	₱471,120
Rental deposits	**121,040**	**64,824**	**185,864**	73,343	97,192	170,535
Construction bond	**50,031**	**8,602**	**58,633**	31,164	4,158	35,322
Customer deposits	**13,577**	**–**	**13,577**	17,194	–	17,194
Other deposits	**8,684**	**8,758**	**17,442**	7,506	1,278	8,784
	₱502,574	**₱240,359**	**₱742,933**	₱492,532	₱210,423	₱702,955

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

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

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

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

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

16. Related Party Transactions

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

The Group has an approval requirement on any related party transactions, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited financial statements.

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

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

As at and for the period ended March 31, 2021

Amounts owed by related parties

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Parent				
ALI (a)	**(₱10,516)**	**₱19,451**	**To be settled in cash and collectible on demand**	**Unsecured, noninterest-bearing, not impaired, and unguaranteed**
ALI (b)	**531,927**	**1,057,850**	**To be settled in cash, 30-days; 2.57%-2.96%**	**Unsecured, not impaired, and unguaranteed**

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Entities under common control				
Airswift Transport, Inc. (b)				
Principal	₱–	₱32,000	To be settled in cash, 30-days; 2.63%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	192	2,494		
North Triangle Hotel Ventures, Inc. (b)				
Principal	–	–	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	(39)	48		
Cebu Holdings, Inc. (b)				
Interest	–	43	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Central Block Development, Inc. (b)				
Principal	(14,300)	–	To be settled in cash, 30-days; 2,96% -3.05%	Unsecured, not impaired, and unguaranteed
Interest	82	453		
HLC Development Corp. (b)				
Principal	(12,500)	–	To be settled in cash, 30-days; 2.63%	Unsecured, not impaired, and unguaranteed
Interest	18	88		
Amaia Land Corporation (b)				
Principal	(15,700)	–	To be settled in cash, 30-days; 2.96%	Unsecured, not impaired, and unguaranteed
Interest	94	142		
Amaia Land Corporation (d)	(6,129)	–	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Ayala Land Metro North, Inc. (d)	(1,046)	4,976	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ESTA Galleria, Inc. (b)				
Principal	–	–		
Interest	–	366	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ESTA Galleria, Inc. (d)	–	82	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Crans Montana Property Holdings Corp.. (b)				
Principal	(1,000)	–	To be settled in cash, 30-days; 3.05%	Unsecured, not impaired, and unguaranteed
Interest	1	5		
Sicogon Island Tourism Estate Corp. (b)				
Principal	11,300	15,500	To be settled in cash, 30-days; 2.96%	Unsecured, not impaired, and unguaranteed
Interest	244	257		
Bay City Commercial Corp. (b)				
Principal	(28,000)	77,000	To be settled in cash, 30-days; 2.75%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	(3,036)	851		
ALI Triangle Hotel.Ventures (b)				
Interest	–	185	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Circuit Makati Hotel Ventures, Inc. (b)				
Principal	–	–		
Interest	–	49	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Amicassa Process Solutions, Inc. (c)	(3,401)	142	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Cagayan de Oro Gateway Corp. (b)				
Principal	2,000	17,000	To be settled in cash, 30-days; 2.63%-3.00%	Unsecured, not impaired, and unguaranteed
Interest	102	438		
Avida Land Corporation (b)				
Interest	(25)	4,479	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Avida Land Corporation (a)				
Arvo Commercial Corporation (b)				
Principal	(10,000)	–	To be settled in cash, 30-days; 2.58% -2.83%	Unsecured, not impaired, and unguaranteed
Interest	(4,083)	387		
Soltea Commercial Corp (b)				
Principal	(1,400)	4,000	To be settled in cash, 30-days; 2.63%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	307	1,338		
Ten Knots Philippines, Inc. (b)				

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Principal	₱14,500	₱14,500	To be settled in cash, 30-days; 2.63%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	58	96		
Summerhill Commercial (b)				
Principal	–	–	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	–	56		
Innove Communications, Inc. (d)	101	216	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Group Counselors Corp. (f)	–	241	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Leisure and Allied Industries Phils., Inc. (d)	–	(51)	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Makati Development Corp. (d)	–	₱63	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
AMSI, Inc. (d)	–	194	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Econorth Resort Ventures, Inc. (d)	–	38	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Triangle Depot Commercial Corp. (d)	–	1	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
South Innovative Theater Mngt, Inc. (d)	–	35	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Eastern Commercial (d)	6,627	5,889	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Ayala Property Management Corp. (d)	–	1		
North Ventures Commercial (d)	–	356		
PCM Formosa Company Limited (d)	–	606	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Horizon Wealth Holdings, Inc. (d)	–	1	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ALI Commercial Center (c)	–	664	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ALI Commercial Center (b)				
Principal	(7,000)	–	To be settled in cash, 30-days; 2.63%	Unsecured, not impaired, and unguaranteed
Interest	29	39		
Ayalaland Estates, Inc.	–	–	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
BellaVita Land Corp (b)				
Principal	–	5,000	To be settled in cash, 30-days; 2.96%	Unsecured, not impaired, and unguaranteed
Interest	30	45		
Accendo Commercial Corp (b)				
Principal	(1,000)	5,000	To be settled in cash, 30-days; 3.05%	Unsecured, not impaired, and unguaranteed
Interest	(45)	11		
Capitol Central Commercial Ventures Corp (b)				
Principal	–	79,000	To be settled in cash, 30-days; 2.63%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	6,455	6,764		
Cebu District Property Enterprise, Inc. (b)				
Interest	–	74	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Arvo Commercial Corporation (b)				
Principal	14,000	14,000	To be settled in cash, 30-days; 3.05%	Unsecured, not impaired, and unguaranteed
Interest	165	165		
Econorth Hotel Ventures Inc.(b)				
Principal	1,000	1,000	To be settled in cash, 30-days; 3.05%	Unsecured, not impaired, and unguaranteed
Interest	4	4		
North Triangle Hotel Ventures Inc.(b)				
Principal	–	–	To be settled in cash, 30-days; 3.05%	Unsecured, not impaired, and unguaranteed

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Interest	₱39	₱39		
Arca South Commercial Ventures Corp. (b)				
Interest	(815)	–	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Cavite Commercial Town Center, Inc. (b)				
Principal	–	10,000	To be settled in cash, 30-days; 2.83%	Unsecured, not impaired, and unguaranteed
Interest	60	220		
Nuevocentro, Inc.	(21)	1,628		
Other related parties				
Bank of the Philippine Islands (c)	408	330	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Globe Telecom Inc. (c)	(3,208)	2,422	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Total		₱1,388,271		

Amounts owed to related parties

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Parent				
ALI (i)	₱54,152	₱1,055,373	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayala Corporation (j)	–	149,539	Due and demandable noninterest bearing	Unsecured and unguaranteed
Laguna AAA Waterworks Corp (d)	–	413	Due and demandable noninterest bearing	Unsecured and unguaranteed
Entities under common control				
Ayalaland Malls, Inc. (d)	(245)	–	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayala Property Management Corp. (d)	161	12,158	Due and demandable noninterest bearing	Unsecured and unguaranteed
Makati Development Corp. (g)	47,416	308,437	Due and demandable noninterest bearing	Unsecured and unguaranteed
Nuevocentro, Inc. (d)	1,467	6,728	Due and demandable noninterest bearing	Unsecured and unguaranteed
MDC BuildPlus, Inc. (h)	–	–	Due and demandable noninterest bearing	Unsecured and unguaranteed
AMSI, Inc. (d)	410	1,597	Due and demandable noninterest bearing	Unsecured and unguaranteed
Innove Communications, Inc. (d)	(70)	25	Due and demandable noninterest bearing	Unsecured and unguaranteed
APRISA Business Solutions (d)	1,220	2,266	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayala Group Counselors Corp.	606	668	Due and demandable noninterest bearing	Unsecured and unguaranteed
Amicassa Process Solutions, Inc. (d)	5,115	5,115	Due and demandable noninterest bearing	Unsecured and unguaranteed
ALI Capital Corporation	11	11	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayalaland Metro North, Inc. (b)				
Principal	12,000	19,000	To be settled in cash, 30-days; 2.96%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	236	369		
Station Square (b)				
Interest	4	4		
Avida Land Corp. (d)	–	154,488	Due and demandable noninterest bearing	Unsecured and unguaranteed
Alveo Land Corp. (b)				
Principal	(20,000)	–	To be settled in cash, 30-days; 3.05%	Unsecured, not impaired, and unguaranteed
Interest	2,353	3,277		
Solinea, Inc. (b)				
Principal	–	–		
Interest	–	298	Due and demandable noninterest bearing	Unsecured and unguaranteed
Summerhill Commercial Ventures (b)				
Principal	–	16,500	To be settled in cash,	Unsecured, not impaired,

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Parent				
Interest	₱100	₱548	30-days; 2.58%-3.0%	and unguaranteed
Taft Punta Engano Property, Inc. (b)				
Principal	(8,800)	23,000	To be settled in cash, 30-days; 2.75%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	(48)	247		
Bellavita Land Corp. (b)				
Interest	–	–	Due and demandable	Unsecured and unguaranteed
Ayala Hotels, Inc. (b)				
Principal	(20,000)	165,700	To be settled in cash, 30-days; 2.75%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	3,971	7,691		
Southportal Properties, Inc. (b)				
Principal	10,000	15,000	To be settled in cash, 30-days; 3.00%	Unsecured, not impaired, and unguaranteed
Interest	65	342		
AyalaLand Commercial REIT, Inc. (b)				
Principal	(35,000)	–	To be settled in cash, 30-days; 2.75%	Unsecured, not impaired, and unguaranteed
Interest	(67)	267		
ALI Commercial Center (b)				
Principal	–	–		
Interest	–	252	Due and demandable noninterest bearing	Unsecured and unguaranteed
North Beacon Commercial Corp. (b)				
Principal	–	96,400	To be settled in cash, 30-days; 2.75%	Unsecured, not impaired, and unguaranteed
Interest	600	4,723		
AREIT, Inc. (b)				
Principal	(97,350)	–	To be settled in cash, 30-days; 2.63%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	189	5,906		
ALI-CII Development Corp. (b)				
Principal	3,500	5,000	To be settled in cash, 30-days; 3.05%	Unsecured, not impaired, and unguaranteed
Interest	112	127		
MDBI Construction Corp. (b)				
Principal	–	–		
Interest	30	30	Due and demandable	Unsecured and unguaranteed
North Triangle Depot Commercial Corp. (b)				
Principal	–	–		
Interest	–	123	Due and demandable	Unsecured and unguaranteed
Adauge Commercial Corp. (b)				
Principal	(3,000)	–	To be settled in cash, 30-days; 2.75%	Unsecured, not impaired, and unguaranteed
Interest	16	22		
UP North Property Holdings, Inc. (b)				
Principal	92,000	150,000	To be settled in cash, 30-days; 2.75%-2.96%	Unsecured, not impaired, and unguaranteed
Interest	(243)	2,321		
Glensworth Development, Inc. (b)				
Principal	–	26,000	To be settled in cash, 30-days; 2.75%-3.00%	Unsecured, not impaired, and unguaranteed
Interest	158	1,072		
North Eastern Commercial Corp. (b)				
Principal	–	255,930	To be settled in cash, 30-days; 2.75%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	6,069	13,502		
Ayala Land Offices, Inc. (b)				
Principal	–	–		
Interest	–	6,864	Due and demandable noninterest bearing	Unsecured and unguaranteed
North Ventures Commercial Corp. (b)				
Principal	(42,800)	12,500	To be settled in cash, 30-days; 2.75%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	41	294		
Asian I-Office Properties, Inc. (b)				
Principal	(62,600)	–	To be settled in cash, 30-days; 2.75%	Unsecured, not impaired, and unguaranteed
Interest	288	2,329		
Direct Power Services, Inc. (b)				
Principal	15,000	15,000		
Interest	4	5	Due and demandable	Unsecured and unguaranteed

Category	**Amount of transactions (In Thousands)**	**Outstanding Balance**	**Terms**	**Conditions**
Parent				
Subic Bay Town Center, Inc. (b)				
Principal	**(₱10,000)**	**₱10,000**	**To be settled in cash, 30-days; 3.08%**	**Unsecured, not impaired, and unguaranteed**
Interest	**197**	**233**		
Vesta Property Holdings, Inc. (b)				
Principal	**10,000**	**10,000**		
Interest	**(8,840)**	**5,878**	**Due and demandable noninterest bearing**	**Unsecured and unguaranteed**
CECI Realty Corp. (b)				
Principal	**–**	**55,870**	**To be settled in cash, 30-days; 2.75%**	**Unsecured, not impaired, and unguaranteed**
Interest	**338**	**591**		
Makati Cornerstone Leasing (b)				
Principal	**₱4,000**	**₱7,000**	**To be settled in cash, 30-days; 2.96%**	**Unsecured, not impaired, and unguaranteed**
Interest	**317**	**373**		
First Gateway Real Estate Corp. (b)				
Principal	**–**	**–**		
Interest	**–**	**30**	**Due and demandable noninterest bearing**	**Unsecured and unguaranteed**
Other related party				
Globe Telecom, Inc (d)	**(6)**	**41**	**Due and demandable noninterest bearing**	**Unsecured and unguaranteed**
Total		**₱2,637,477**		

As at and for the year ended December 31, 2020

Amounts owed by related parties

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Parent				
ALI (a)	(₱110,106)	₱29,968	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ALI (b)	97,749	525,922	To be settled in cash, 30-days; 2.57%-2.96%	Unsecured, not impaired, and unguaranteed
Entities under common control				
Airswift Transport, Inc. (b)				
Principal	9,000	32,000	To be settled in cash, 30-days; 2.63%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	1,237	2,302		
North Triangle Hotel Ventures, Inc. (b)				
Principal	–	–	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	–	86		
Cebu Holdings, Inc. (b)				
Principal	(26,000)	–		
Interest	(134)	43	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Central Block Development, Inc. (b)				
Principal	(25,400)	14,300	To be settled in cash, 30-days; 2,96% -3.05%	Unsecured, not impaired, and unguaranteed
Interest	182	370		
HLC Development Corp. (b)				
Principal	12,500	12,500	To be settled in cash, 30-days; 2.63%	Unsecured, not impaired, and unguaranteed
Interest	12	71		
Amaia Land Corporation (b)				
Principal	(8,000)	15,700	To be settled in cash, 30-days; 2.96%	Unsecured, not impaired, and unguaranteed
Interest	(79)	49		
Amaia Land Corporation (d)	6,129	6,129	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Ayala Land Metro North, Inc. (d)	6,119	6,022	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ESTA Galleria, Inc. (b)				
Principal	(10,000)	–		

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Interest	₱259	₱366	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ESTA Galleria, Inc. (d)	15	82	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Crans Montana Property Holdings Corp.. (b)				
Principal	(5,000)	1,000	To be settled in cash, 30-days; 3.05%	Unsecured, not impaired, and unguaranteed
Interest	(9)	4		
Sicogon Island Tourism Estate Corp. (b)				
Principal	(3,800)	4,200	To be settled in cash, 30-days; 2.96%	Unsecured, not impaired, and unguaranteed
Interest	2	13		
Bay City Commercial Corp. (b)				
Principal	85,000	105,000	To be settled in cash, 30-days; 2.75%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	3,751	3,887		
Ayala Triangle Hotel.(b)				
Interest	–	185	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Circuit Makati Hotel Ventures, Inc. (b)				
Principal	(4,300)	–		
Interest	(80)	49	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Amicassa Process Solutions, Inc. (c)	(2,227)	3,543	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Cagayan de Oro Gateway Corp. (b)				
Principal	15,000	15,000	To be settled in cash, 30-days; 2.63%-3.00%	Unsecured, not impaired, and unguaranteed
Interest	(752)	337		
Avida Land Corporation (b)				
Interest	3,649	4,503	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Avida Land Corporation (a)				
Arvo Commercial Corporation (b)				
Principal	(10,000)	10,000	To be settled in cash, 30-days; 2.58% -2.83%	Unsecured, not impaired, and unguaranteed
Interest	965	4,470		
Soltea Commercial Corp (b)				
Principal	(4,600)	5,400	To be settled in cash, 30-days; 2.63%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	233	1,031		
Summerhill Commercial (b)				
Principal	–	–	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	(1,344)	56		
Ten Knots Philippines, Inc. (b)				
Interest	2	38	To be settled in cash and collectible on	Unsecured, not impaired, and unguaranteed
Innove Communications, Inc. (d)	(241)	116	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Group Counselors Corp. (f)	–	241	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Leisure and Allied Industries Phils., Inc. (d)	–	(51)	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Makati Development Corp. (d)	–	63	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed

(Forward)

AMSI, Inc. (d)	(1,128)	194	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Econorth Resort Ventures, Inc. (d)	–	38	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Triangle Depot Commercial Corp. (d)	(20)	1	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
South Innovative Theater Mngt, Inc. (d)	29	35	To be settled in cash and collectible on	Unsecured, not impaired, and unguaranteed

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
			demand	
North Eastern Commercial (d)	(3,961)	(738)	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Ayala Property Management Corp. (d)	–	1		
North Ventures Commercial (d)	355	356		
PCM Formosa Company Limited (d)	2	606	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Horizon Wealth Holdings, Inc. (d)	1	1	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ALI Commercial Center (c)	(689)	664	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ALI Commercial Center (b)				
Principal	7,000	7,000	To be settled in cash, 30-days; 2.63%	Unsecured, not impaired, and unguaranteed
Interest	10	10		
Ayalaland Estates, Inc.	(1)	–	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
BellaVita Land Corp (b)				
Principal	5,000	5,000	To be settled in cash, 30-days; 2.96%	Unsecured, not impaired, and unguaranteed
Interest	15	15		
Accendo Commercial Corp (b)				
Principal	6,000	6,000	To be settled in cash, 30-days; 3.05%	Unsecured, not impaired, and unguaranteed
Interest	56	56		
Capitol Central Commercial Ventures Corp (b)				
Principal	79,000	79,000	To be settled in cash, 30-days; 2.63%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	309	309		
Cebu District Property Enterprise, Inc. (b)				
Interest	74	74	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Arca South Commercial Ventures Corp. (b)				
Interest	815	815	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Cavite Commercial Town Center, Inc. (b)				
Principal	10,000	10,000	To be settled in cash, 30-days; 2.83%	Unsecured, not impaired, and unguaranteed
Interest	160	160		
Other related parties				
Bank of the Philippine Islands (c)	(864)	(78)	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Globe Telecom Inc. (c)	3,725	5,630	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Total		₱921,793		

Amounts owed to related parties

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Parent				
ALI (i)	₱731,770	₱1,001,220	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayala Corporation (j)	–	149,539	Due and demandable noninterest bearing	Unsecured and unguaranteed
Laguna AAA Waterworks Corp (d)	413	413	Due and demandable noninterest bearing	Unsecured and unguaranteed
Entities under common control				
Ayalaland Malls, Inc. (d)	(1,884)	245	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayala Property Management Corp. (d)	206	11,997	Due and demandable noninterest bearing	Unsecured and unguaranteed
Makati Development Corp. (g)	(64,663)	261,021	Due and demandable noninterest bearing	Unsecured and unguaranteed
Nuevocentro, Inc. (d)	3,085	5,262	Due and demandable noninterest bearing	Unsecured and unguaranteed
MDC BuildPlus, Inc. (h)	(14,482)	–	Due and demandable noninterest bearing	Unsecured and unguaranteed
AMSI, Inc. (d)	(10)	1,187	Due and demandable noninterest bearing	Unsecured and unguaranteed
Innove Communications, Inc. (d)	(61)	96	Due and demandable noninterest bearing	Unsecured and unguaranteed
APRISA Business Solutions (d)	644	1,046	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ecosouth Hotel Ventures, Inc. (d)	(5)	–	Due and demandable	Unsecured and unguaranteed
Bonifacio Hotel Ventures, Inc. (d)	(6)	–	Due and demandable	Unsecured and unguaranteed
Ayala Group Counselors Corp.	(4,574)	61	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayalaland Metro North, Inc. (b)				
Principal	(2,700)	7,300	To be settled in cash, 30-days; 2.96%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	(254)	133		
Station Square (b)				
Interest	(25)	–		
Avida Land Corp. (d)	–	154,488	Due and demandable noninterest bearing	Unsecured and unguaranteed
Alveo Land Corp. (b)				
Principal	(12,000)	20,000	To be settled in cash, 30-days; 3.05%	Unsecured, not impaired, and unguaranteed
Interest	285	924		
Solinea, Inc. (b)				
Principal	(10,000)	–		
Interest	166	298	Due and demandable noninterest bearing	Unsecured and unguaranteed
Summerhill Commercial Ventures (b)				
Principal	1,500	16,500	To be settled in cash, 30-days; 2.58%-3.0%	Unsecured, not impaired, and unguaranteed
Interest	220	449		
Taft Punta Engano Property, Inc. (b)				
Principal	(9,700)	31,800	To be settled in cash, 30-days; 2.75%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	241	295		
Bellavita Land Corp. (b)				
Interest	(27)	–	Due and demandable	Unsecured and unguaranteed
Avencosouth Corp. (b)				
Principal	(20,000)	–		
Interest	(311)	–		
Ayala Hotels, Inc. (b)				
Principal	(13,300)	185,700	To be settled in cash, 30-days; 2.75%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	3,452	3,720		
Southportal Properties, Inc. (b)				
Principal	(200)	5,000	To be settled in cash, 30-days; 3.00%	Unsecured, not impaired, and unguaranteed
Interest	201	277		
AyalaLand Commercial REIT, Inc. (b)				
Principal	–	35,000	To be settled in cash, 30-days; 2.75%	Unsecured, not impaired, and unguaranteed

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Parent				
Interest	21	67		
(Forward)				
ACCENDO (b)				
Interest	(330)	–	Due and demandable	Unsecured and unguaranteed
ALI Commercial Center (b)				
Principal	–	–		
Interest	(916)	252	Due and demandable noninterest bearing	Unsecured and unguaranteed
North Beacon Commercial Corp. (b)				
Principal	(600)	96,400	To be settled in cash, 30-days; 2.75%	Unsecured, not impaired, and unguaranteed
Interest	3,177	4,124		
AREIT, Inc. (b)				
Principal	91,750	97,350	To be settled in cash, 30-days; 2.63%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	5,629	5,717		
ALI-CII Development Corp. (b)				
Principal	(3,500)	1,500	To be settled in cash, 30-days; 3.05%	Unsecured, not impaired, and unguaranteed
Interest	(82)	15		
MDBI Construction Corp. (b)				
Principal	(47,600)	–		
Interest	(39)	–		
North Triangle Depot Commercial Corp. (b)				
Principal	(42,000)	–		
Interest	73	123	Due and demandable	Unsecured and unguaranteed
Alabang Commercial Corp. (b)				
Interest	(204)	–		
Adauge Commercial Corp. (b)				
Principal	–	3,000	To be settled in cash, 30-days; 2.75%	Unsecured, not impaired, and unguaranteed
Interest	(2)	5		
UP North Property Holdings, Inc. (b)				
Principal	8,000	58,000	To be settled in cash, 30-days; 2.75%-2.96%	Unsecured, not impaired, and unguaranteed
Interest	1,962	2,564		
Glensworth Development, Inc. (b)				
Principal	8,000	26,000	To be settled in cash, 30-days; 2.75%-3.00%	Unsecured, not impaired, and unguaranteed
Interest	620	914		
North Eastern Commercial Corp. (b)				
Principal	50,930	255,930	To be settled in cash, 30-days; 2.75%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	6,476	7,433		
Ayala Land Offices, Inc. (b)				
Principal	(13,800)	–		
Interest	6,840	6,864	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayala Land Estates, Inc. (b)				
Principal	(10,000)	–		
Interest	(116)	–		
North Ventures Commercial Corp. (b)				
Principal	(9,700)	55,300	To be settled in cash, 30-days; 2.75%-3.05%	Unsecured, not impaired, and unguaranteed
Interest	(713)	253		
Asian I-Office Properties, Inc. (b)				
Principal	12,600	62,600	To be settled in cash, 30-days; 2.75%	Unsecured, not impaired, and unguaranteed
Interest	1,379	2,041		
Direct Power Services, Inc. (b)				
Principal	(40,000)	–		
Interest	(60)	1	Due and demandable	Unsecured and unguaranteed
Subic Bay Town Center, Inc. (b)				
Principal	20,000	20,000	To be settled in cash, 30-days; 3.08%	Unsecured, not impaired, and unguaranteed
Interest	(55)	36		
Vesta Property Holdings, Inc. (b)				
Principal	(322,000)	–		
Interest	14,595	14,719	Due and demandable noninterest bearing	Unsecured and unguaranteed
CECI Realty Corp. (b)				
Principal	25,870	55,870	To be settled in cash, 30-days; 2.75%	Unsecured, not impaired, and unguaranteed
Interest	4	252		

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Parent				
(Forward)				
Makati Cornerstone Leasing (b)				
Principal	₱3,000	₱3,000	To be settled in cash, 30-days; 2.96%	Unsecured, not impaired, and unguaranteed
Interest	5	56		
First Gateway Real Estate Corp. (b)				
Principal	–	–		
Interest	30	30	Due and demandable noninterest bearing	Unsecured and unguaranteed
Other related party				
Globe Telecom, Inc (d)	37	46	Due and demandable noninterest bearing	Unsecured and unguaranteed
Total		₱2,674,433		

The following describes the nature of the material transactions of the Group with related parties as of March 31, 2021 and December 31, 2020:

a. Amounts owed by ALI pertains to rental revenue collected by ALI on behalf of OLI.
b. Amounts owed by related parties are short-term advances made by the Group with interest rate at 2.57% to 3.05 % per annum. Interest income attributable to intercompany loans amounted to ₱6.28 million and ₱6.45 million as of March 31, 2021 and 2020, respectively. The Group also incurred interest expense on intercompany loans amounted to ₱11.91 million and ₱23.00 million as of March 31, 2021 and 2020, respectively.
c. The Group entered into operating lease agreements with entities under common control, on its investment property portfolio.
d. The Group has entered into transactions with related parties consisting of advances and reimbursements of expenses. Services rendered to and received from related parties are made at normal market prices and normally settled in cash.
e. The Group engaged the services of a third-party agency to provide security and maintenance within the Technopark which will be billed to IMI.
f. The Group advances cash to AG Counselors Corp. for the due diligence of a property in Cavite. As of March 31, 2021 and December 31, 2020, the unliquidated advances amounted to nil.
g. The Group has engaged the services of MDC for the due diligence and land development of the property in Cavite.
h. MDC Build Plus is the contractor of the Group's Standard Factory Building 2 in Phase 7, Laguna Technopark. As of March 31, 2021 and December 31, 2020, the retention payable of the Group amounts to ₱14.48 million.
i. Payable to ALI pertains to management fees. This is due and demandable and noninterest bearing.
j. On August 2, 2019, the Group, through LTI, executed a Deed of Absolute Sale with AC for the purchase of the 624,382 sqm lot located in Laguindingan, Misamis Oriental intended for the currently being developed Laguindingan Technopark project amounting to ₱299.08 million. The 50% of the total purchase price has already been paid during the year resulting to a ₱149.54 million payable to AC as of March 31, 2021.

This assessment is undertaken at each financial year-end by examining the financial position of the related parties and the market in which the related parties operate.

Other transactions with related parties include the following:

- On September 5, 2019, OLI subscribed to 49,444,216 unissued shares of ALLHC for a total consideration of ₱144.38 million. This is presented as "Shares held by a subsidiary" in the consolidated statement of financial position (see Note 21).

- On September 9, 2019, OLI sold 215,090,031 issued shares of ALLHC to Avida for a total consideration of ₱628.08 million.

- The Parent Company entered into a service agreement with Ayalaland Malls, Inc. to provide specialized jobs/services/work to the Group. The term of the agreement shall be 3 years starting November 1, 2016 until October 31, 2019. The agreement was renewed for the next 3 years.

- The Parent Company and TPI entered into a master service agreement with Aprisa Business Process Solutions, Inc. to provide data processing services. The agreement is effective from January 1, 2019 until December 31, 2019. The agreement was renewed annually.

Compensation of key management personnel
The key management personnel of the Group are employees of ALI. As such, the compensation of the said employees is paid by ALI, the necessary disclosures required by PAS 24, *Related Party Disclosure* are included in the financial statements of ALI. Compensation for said employees are billed to the Group and form part of systems cost.

17. Subscription Payable

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

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

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

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

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

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

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

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

In a letter dated February 8, 2010, PRA, through its former General Manager and CEO, Andrea D. Domingo, acknowledged that of the claims for reimbursement made by Central Bay, PRA was able to verify the total amount of ₱1,004,44 million as the amount due for reimbursement and PRA did not, at that time, find any sufficient basis for the payment of Central Bay's other claims including cost of money, reimbursement of professional and legal fees, interest and bank charges on loan, foreign exchange losses on loans, pre-operating and operating expenses, input tax, and documentary stamp tax. Central Bay then conducted a more thorough internal review of pertinent documents and re-computation of its claims vis-a-vis the findings of PRA.

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

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

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

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

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

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

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

On September 8, 2020, the Supreme Court En Banc required COA and PRA to comment to the Petition for Certiorari. On 17 February 2021, Central Bay received the comment from the Office of the Solicitor General (OSG) and will be filing its Reply within the period allowed by the Rules of Court.

As at March 31, 2021 and December 31, 2020, the Parent Company has unpaid subscription in Cyber Bay amounting to ₱481.68 million, which is presented as "Subscriptions Payable" in the consolidated statements of financial position. The movement in investment in Cyber Bay under "Financial assets at fair value through other comprehensive income" follows:

	March 31, 2021	December 31, 2020
	(In Thousands)	
Beginning balance	**₱458,074**	₱527,479
Changes in fair value	**–**	(69,405)
	₱458,074	₱458,074

18. **Operating Expenses**

	March 31, 2021	March 31, 2020
Personnel expenses	**₱17,047**	₱19,094
Systems costs	**18,456**	11,703
Taxes and licenses	**6,858**	4,554
Contracted services	**3,074**	3,529
Provision for impairment losses (Note 5)	**3,500**	4,000
Professional and legal fees	**1,055**	1,604
Depreciation and amortization (Notes 11 and 12)	**2,110**	1,286
Communication and transportation	**542**	886
Supplies and repairs	**872**	840
Rental	**349**	478
Representations	**55**	160
Membership, fees and dues	**108**	136
Marketing expenses	**–**	32
Others	**610**	1,321
	₱54,636	₱49,623

Others consist mainly of various charges that are individually immaterial.

19. **Retirement Plan**

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

The latest independent actuarial valuation dated February 11, 2021 was determined using the projected unit credit method in accordance with PAS 19 (R).

20. Earnings Per Share

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

	March 31, 2021	March 31, 2020
a. Net income attributable to equity holders of the Parent	**₱163,422**	₱143,406
b. Weighted average number of shares	**6,252,148**	6,252,148
Basic earnings per share (a/b)	**₱0.03**	₱0.02

21. Equity

The details of the common number of shares as of March 31, 2021 and December 31, 2020 follow:

	Number of Shares	Amount
Authorized, ₱1 par value	**7,500,000,000**	**₱7,500,000,000**
Issued	**6,153,452,772**	**₱6,153,452,772**
Subscribed	**148,139,215**	**148,139,215**
Less subscription receivables		**116,757,453**
Issued and outstanding		**₱6,184,834,534**

On August 14, 2015, ALLHC entered into an agreement with ALI, whereby ALI will subscribe to 2,500,000,000 common shares of stock of ALLHC or 51.06% equity interest in ALLHC for a total consideration of ₱5,625.00 million, subject to certain terms and conditions.

In connection with the foregoing, on August 13, 2015, the BOD approved the amendment of ALLHC's Articles of Incorporation, specifically: (i) Article Sixth - to increase the number of its directors from seven (7) to nine (9); and (ii) Article Seventh - to increase its authorized capital stock from ₱2.40 billion (divided into 2.40 billion common shares at ₱1 par value) to ₱7.50 billion (divided into 7.50 billion common shares at ₱1 par value). On February 24, 2016, the Deed of Subscription was executed. ALLHC's increase in authorized capital stock was approved by the SEC on July 4, 2016. Accordingly, the amount received for the ALI subscription of ₱1,406.25 million (initially recorded as deposit for future stock subscription) was applied as payment for the subscription. ALI paid the remaining 75% of its subscription amounting to ₱4,218.75 million on November 21, 2017.

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes as at March 31, 2021 and December 31, 2020.

As at March 31, 2021 and December 31, 2020, the Group considers the following accounts as capital:

	March 31, 2021	December 31, 2020
	(In Thousands)	
Capital stock	**₱6,184,835**	₱6,184,835
Additional paid-in capital	**6,007,133**	6,007,133
	₱12,191,968	₱12,191,968

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

Shares Held by a Subsidiary
On September 5, 2019, OLI subscribed to 49,444,216 shares of the Parent Company in cash amounting to ₱144.38 million.

On September 9, 2019, OLI sold 215,090,031 shares of the Parent Company to Avida Land Corp. ("Avida"), a related party, with a cost of ₱509.76 million for a total consideration of ₱628.08 million. The realized gain on sale was recorded as additional paid-in capital.

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

As at March 31, 2021 and December 31, 2020, shares held by a subsidiary amounted to ₱144.38 million.

22. Segment Information

Revenue from Contracts with Customers

This account consists of:

	March 31, 2021	March 31, 2020
	(In Thousands)	
Sale of electricity	**₱322,031**	₱547,976
Lot sales	**383,272**	351,279
	₱705,303	₱899,255

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

Lot sales

	March 31, 2021	March 31, 2020
	(In Thousands)	
Pampanga	**₱383,272**	₱58,352
Cavite	**–**	292,927
	₱383,272	₱351,279

Sale of electricity

	March 31, 2021	March 31, 2020
	(In Thousands)	
Sales to external customers	**₱229,603**	₱384,985
Sales to related parties	**102,428**	162,991
	₱332,031	₱547,976

Business Segments

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

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

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

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

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

March 31, 2021

	Holding Company	**Real Estate**	**Retail Electricity Supply**	**Others**	**Total**	**Elimination**	**Total**
Revenue	**₱–**	**₱631,481**	**₱332,031**	**₱–**	**₱963,512**	**₱–**	**₱963,512**
Cost and expenses	**(1,595)**	**(382,215)**	**(322,624)**	**(4,014)**	**(710,448)**	**–**	**(710,448)**
Other income (charges)	**460,585**	**(77,305)**	**(176)**	**1,963**	**385,067**	**(460,000)**	**(74,933)**
Income (loss) before income tax	**458,990**	**171,961**	**9,231**	**(2,051)**	**638,131**	**(460,000)**	**178,131**
Provision for income tax	**–**	**10,692**	**1,747**	**203**	**12,642**	**–**	**12,642**
Net income (loss)	**458,990**	**161,269**	**7,484**	**(2,254)**	**625,489**	**(460,000)**	**165,489**
Segment assets	**15,771,402**	**18,148,892**	**439,976**	**1,270,067**	**35,630,337**	**(16,341,513)**	**19,288,824**
Segment liabilities	**3,796,035**	**6,227,490**	**373,767**	**483,252**	**10,880,544**	**(3,391,980)**	**7,488,564**

March 31, 2020

	Holding Company	Real Estate	Retail Electricity Supply	Others	Total	Elimination	Total
Revenue	₱–	₱646,128	₱547,976	₱–	₱1,194,104	₱–	₱1,194,104
Cost and expenses	(6,589)	(395,317)	(526,047)	(2,268)	(930,221)	–	(930,221)
Other income (charges)	(14,485)	(44,772)	622	2,645	(55,990)	–	(55,990)
Income (loss) before income tax	(21,074)	206,039	22,551	377	207,893	–	207,893
Provision for income tax	–	51,899	5,686	237	57,822	–	57,822
Net income (loss)	(21,074)	154,140	16,865	140	150,071	–	150,071

December 31, 2020							
Segment assets	₱15,315,694	₱17,979,249	₱523,913	₱1,285,379	₱35,104,235	(₱15,750,005)	₱19,354,230
Segment liabilities	₱3,790,733	₱5,876,267	₱407,561	₱493,238	₱10,567,799	(₱3,054,343)	7,513,456

Geographical Segments

The Group does not have geographical segments.

23. **Leases**

Set out below are the carrying amounts of right-of-use assets recognized and the movements as of and for the period March 31, 2021:

	March 2021	December 2020
	(In Thousands)	
Balance at January 1	**₱1,267,372**	₱1,326,964
Additions	**–**	5,600
Adjustments	**(16,486)**	–
Depreciation expense (Note 21)	**(16,300)**	(65,192)
Balance at December 31	**₱1,234,586**	₱1,267,372

Set out below are the carrying amounts of lease liabilities and the movements as of and for the period March 31, 2021:

	March 2021	December 2020
	(In Thousands)	
Balance at January 1	**₱1,751,372**	**₱1,733,450**
Additions	**–**	**5,600**
Adjustments	**13,434**	**–**
Accretion of interest	**37,364**	**150,240**
Payments	**(32,876)**	**(137,918)**
Balance at December 31	**₱1,769,294**	**₱1,751,372**

The maturity analysis of undiscounted lease payments follows:

	Amount
	(In Thousands)
Within one (1) year	₱156,469
More than one (1) year but not more than five (5) years	845,526
More than five (5) years	2,756,212
	₱3,758,207

The following are the amounts recognized in profit or loss:

	Amount
	(In Thousands)
Depreciation expense for right-of-use assets	₱16,300
Interest expense on lease liabilities	37,364
Variable lease payments	349
	₱54,013

Group as Lessee

TPI

On August 28, 1990, TPI, through a Deed of Assignment, acquired all the rights, titles, interests and obligations of Gotesco Investment, Inc. on a contract of lease of the land owned by PNR for the Tutuban Terminal and where TPI's mall is located. The contract provided for a payment of a guaranteed minimum annual rental, 12% escalation rate every two (2) years, additional ₱10 million every two (2) years, plus a certain percentage of gross sales. The lease covers a period of twenty-five (25) years until 2014 and is automatically renewable for another twenty-five (25) years, subject to compliance with the terms and conditions of the lease agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24. **Provisions and Contingencies**

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

The rollforward of the provisions follows:

	March 31, 2021	December 31,2020
	(In Thousands)	
Beginning balance	**₱50,332**	₱254,196
Provisions	**2,000**	5,000
Reversals	**–**	(21,000)
Settlement	**–**	(187,864)
	₱52,332	₱50,332

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

25. **Financial Instruments**

Fair Value Information
The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of March 31, 2021 and December 31, 2020:

	March 31, 2021		December 31, 2020	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial Assets at FVPL	**₱4,836**	**₱4,836**	₱4,741	₱4,741
Financial Assets at FVOCI				
Quoted equity securities	**505,912**	**505,912**	505,912	505,912
Quoted debt securities	**94,722**	**94,722**	100,518	100,518
Refundable Deposits	**73,476**	**73,476**	76,134	76,134
Receivables – net of current portion	**189,818**	**189,818**	728,538	672,388
	₱868,764	**₱868,764**	₱1,415,843	₱1,359,693

	March 31, 2021		December 31, 2020	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Other Financial Liabilities				
Rental and other deposits	**₱742,132**	**₱724,509**	₱702,955	₱686,262
Subscription payable	**481,675**	**481,675**	481,675	481,675
	₱1,223,807	**₱1,206,184**	₱1,184,630	₱1,167,937

The following method and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values at March 31, 2021 and December 31, 2020 are set out below:

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

Receivables - current, Accounts Payable and Accrued Expenses and Amounts owed to and by Related Parties
The carrying amounts of the current portion of receivables, accounts payable and accrued expenses and amounts owed by related parties approximate their fair values due to their short-term nature.

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

Financial Assets at FVOCI
Equity financial assets that are listed are based on their quoted prices published in markets as at March 31, 2021 and December 31, 2020. Debt financial assets that are quoted are based on published market prices as at March 31, 2021 and December 31, 2020.

Financial Assets at FVPL
Listed equity securities designated as financial assets at FVPL are based on their quoted prices as at March 31, 2021 and December 31, 2020. The fair value of the UITF has been determined based on the net asset values as of reporting date, based on the nature and level of adjustments needed to be made to the NAV and the level of trading in the money market UITF.

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

Quoted FVOCI financial assets amounting to ₱600.63 million and ₱606.43 million as of March 31, 2021 and December 31, 2020, respectively, were classified under Level 1.

FVPL amounting to ₱4.84 million and ₱4.74 million as of March 31, 2021 and December 31, 2020, respectively were classified under Level 2.

The fair value disclosure of rental and other deposits and refundable deposits as of March 31, 2021 and December 31, 2020, were classified under Level 3.

There have been no reclassifications from Level 1 to Level 2 categories as of March 31, 2021 and December 31, 2020.

Financial Risk Management Objectives, Policies and Capital Management

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

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

Liquidity Risk

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

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

The tables below summarize the maturity profile of the Group's financial liabilities as at March 31, 2021 and December 31, 2020 based on contractual undiscounted payments:

March 31, 2021

	On demand	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
			(In Thousands)			
Accounts payable and accrued expenses	**₱1,261,330**	**₱100,658**	**₱–**	**₱144,092**	**₱112,081**	**₱1,618,161**
Lease liabilities	**–**	**–**	**–**	**81,872**	**1,684,615**	**1,766,487**
Subscription payable	**481,675**	**–**	**–**	**–**	**–**	**481,675**
Rental and other deposits	**413,895**	**25,490**	**29,401**	**63,724**	**210,423**	**742,933**
Amounts owed to related parties	**2,637,477**	**–**	**–**	**–**	**–**	**2,637,477**
	₱4,794,377	**₱126,148**	**₱29,401**	**₱289,688**	**₱2,007,119**	**₱7,246,733**

December 31, 2020

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
			(In Thousands)			
Accounts payable and accrued expenses	₱1,412,705	₱100,658	₱–	₱144,092	₱112,081	₱1,769,536
Lease liabilities	–	–	–	81,872	1,653,014	1,734,886
Subscription payable	481,675	–	–	–	–	481,675
Rental and other deposits	373,917	25,490	29,401	63,724	210,423	702,955
Amounts owed to related parties	2,674,433	–	–	–	–	2,674,433
	₱4,942,730	₱126,148	₱29,401	₱289,688	₱1,975,518	₱7,363,485

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade receivables
Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

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

Real estate receivables
In respect of receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

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

The Group invests mainly on government securities with very low credit risk and, therefore, are considered to be low credit risk investments.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for customer with similar loss patterns. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The security deposits and advance rental are considered in the calculation of impairment as recoveries.

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

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

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

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

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
As at March 31, 2021

	AMOUNT
Current	867,908
1 to 30 days	67,210
31 to 60 days	67,307
61 to 90 days	38,796
Over 90 days	218,198
Total receivable-trade	**1,259,418**
Advances to Employees	3,892
Insurance receivable	20,188
Non-trade receivables	310,156
Total non-trade receivable	**334,236**
Total receivable	**1,593,654**
Allowance for doubtful accounts	**(324,769)**
	1,268,885