COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 4 1 1 4 6 1

Company Name

MEGAWIDE CONSTRUCTION CORPORATION AND ITS SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town)Province)

20 N. DOMINGO ST BRGY VALENCIA QUEZON CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
		12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
EDGRA SAAVEDRA		655-1111	

Contact Person's Address

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

P&A
Grant Thornton

Consolidated Financial Statements and Independent Auditors' Report

Megawide Construction Corporation and Subsidiaries

December 31, 2020, 2019 and 2018
(With Corresponding Figures as of January 1, 2019)

MEGAWIDE

April 8, 2021

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

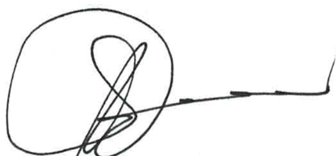
The management of **Megawide Construction Corp. and its subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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



ENGR. EDGAR B. SAAVEDRA
President and Chief Executive Officer
195-661-064-000

RAMON H. DIAZ
Group Chief Financial Officer
133-692-824-000

MEGAWIDE

SUBSCRIBED AND SWORN TO before me this APR 13 2021 at QUEZON CITY affiants exhibiting to me their valid Tax Identification Numbers stated above.

Signed this APR 13 2021 day of 2021.

Charlotte King
CHARLOTTE Y. KING
Commission Serial No. NP-210 (2020-2021)
Notary Public for Quezon City
Until 31 December 2021
Roll of Attorney No. 66162
IBP Lifetime No. 015223
PTR No. 0684045; 6 January 2021; Quezon City
MCLE Compliance No. VI 0004991; 21 December 2017
No. 20 N. Domingo St., Brgy. Valencia, Quezon City, 1112

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SERIES OF 2021

P&A Grant Thornton

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Report of Independent Auditors

The Board of Directors and Stockholders
Megawide Construction Corporation and Subsidiaries
(A Subsidiary of Citicore Holdings Investment, Inc.)
20 N. Domingo Street
Brgy, Valencia
Quezon City

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 1 to the financial statements, which describes management's assessment of the continuing impact on the Group's financial statements of the business disruption brought by the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

(a) Revenue and Cost Recognition on Construction Contracts

Description of the Matter

The Group's revenue from construction contracts amounting to P10,842.2 million represents 84% of its total revenues in 2020. The Group uses the percentage of completion method to determine the appropriate amount of contract revenues to be recognized for the reporting period. It uses the input method (i.e., based on the Group's efforts or inputs to the satisfaction of a performance obligation) in determining the percentage-of-completion based on the PFRS 15, *Revenue from Contracts with Customers.*

In our view, the revenue and cost recognition of construction contracts is significant to our audit due to the materiality of the contract revenues to the total revenues of the Group, the complexity of the application of PFRS 15 in construction contracts, and the application of significant management judgment in determining when to recognize construction revenue and proper recognition of costs in estimating the stage of completion of the construction. An error in the application of the requirements of PFRS 15 and of management judgment and estimate could cause a material misstatement in the consolidated financial statements.

The basis of significant judgment and estimates are included in Notes 2 and 3 to the consolidated financial statements. In addition, the details of construction contract revenues and costs are disclosed in Notes 21 and 22 to the consolidated financial statements, respectively.

How the Matter was Addressed in the Audit

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

- Testing the design and operating effectiveness of the Group's processes and controls over the recognition and measurement of contract revenues and costs;

- Evaluating the appropriateness of the Group's revenue recognition on construction contracts based on the requirements of PFRS 15 which include the following:

    - reviewing significant construction contracts, including contractual terms and conditions to ensure these contracts are appropriately accounted for in accordance with PFRS 15;

  - evaluating whether the methodology by which management determines the percentage of completion (i.e., input method) is appropriate and consistent with the Group's satisfaction of its performance obligation;

  - determining proper accounting for contract costs whether these are considered as incremental costs of obtaining a contract, costs to fulfil the contract or mobilization costs; and,

  - determining whether performance obligation is distinct for proper allocation of transaction price.

- Testing the schedules of contracts completed and on-going projects as of the end of the reporting period such as, but not limited to, verifying the mathematical accuracy of the schedules, agreeing beginning balances on a per project basis, recalculating ending balances based on incurred contract costs for the current period; and agreeing contract prices, on a sample basis, to construction contracts;

- Examining, on a sample basis, contract costs incurred during the period by tracing these costs to supporting documents such as bill of materials, billing invoices and receipts;

- Performing analytical review procedures on contract revenues and costs, prior period estimates and consistency with the developments during the current period, stage of completion, and final forecast project results based on our expectations and following up variances from our expectations; and,

- Performing cut-off procedures to determine whether contract revenues and costs are recognized in the correct period by examining billing and supplier invoices near the end of the reporting period;

- Testing completeness of costs recognized by agreeing costs incurred during the period to the trial balance and searching for unrecorded costs by examining subsequent disbursements related to the projects;

- Comparing the percentage of completion used by the Group to the percentage of total costs incurred to date over the total estimated costs on the project and following up variances;

- Recomputing total estimated cost as the product of total contract price and cost ratio derived from the examined contracts and comparing with project cost estimate certified by the Group's engineers; and,

- Evaluating the sufficiency and appropriateness of disclosures in the Group's consolidated financial statements in accordance with PFRS 15.

(b) Impairment Assessment of Concession Assets

Description of the Matter

The Group identified that its Concession Agreement in relation to its Mactan Cebu International Airport (MCIA) Project is within the scope of IFRIC 12, *Service Concession Arrangements*, and shall be accounted under the intangible asset model as it receives the right (license) to charge users of the public service. As of December 31, 2020, the carrying values of the concession assets amounted to P29,928.7 million. As disclosed in Note 2 to the consolidated financial statements, the concession asset is recognized initially at cost and subsequently carried at cost less any accumulated amortization and accumulated impairment losses.

Under Philippine Accounting Standards (PAS) 36, *Impairment of Assets*, the Group is required to test for impairment of intangible assets when there is an indication that the asset maybe impaired while intangible assets not yet available for use are tested at least annually for impairment.

In our view, this matter is significant to our audit because the amount of concession assets is material to the consolidated financial statements representing 37% of the Group's consolidated total assets. In addition, management's assessment process is highly judgmental and is based on significant assumptions, specifically in determining the recoverable amount of concession assets based on the value-in-use. The assumptions used by management are generally affected by expected future market and economic conditions.

The Group's accounting policies relating to the measurement of concession assets are disclosed in Note 2 while the carrying values of the concession assets are disclosed in Note 13 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our procedures related to the impairment assessment of Concession Assets included the following:

- Understanding the Group's process in making accounting estimates and determining whether there has been or ought to have been a change from the prior period in the method, judgment and assumptions used by the Group relating to the measurement of the concession assets;

- Involving the work of firm experts in testing the appropriateness of the assumptions and methodology used in determining the value-in-use of concession assets, which include the appropriateness of the pre-tax discount rate and growth rates, and reasonableness of the cash flow projections prepared by management with the assistance of third party consultants, including consideration of the impact of COVID-19;

- Evaluating the qualification and competency of the third party consultants engaged by management to determine whether the results of their work can be relied upon;

- Performing sensitivity analysis on the calculation to determine whether a reasonably possible change in assumptions could cause the carrying amount of the concession assets to exceed the recoverable amount; and,

- Evaluating the sufficiency and appropriateness of disclosures in the Group's consolidated financial statements in accordance with PAS 36.

(c) *Expected Credit Loss Model and Recoverability of Trade Receivables, Advances to and Receivables from Related Parties and Contract Assets*

Description of the Matter

As at December 31, 2020, the carrying amount of the Group's trade receivables, advances to and receivables from related parties (including accrued interest) and contract assets amounted to P5,817.5 million, P9,233.6 million and P4,231.6 million, respectively. These financial assets totaling to P19,282.7 million which are disclosed in Notes 6 and 9, to the consolidated financial statements represent 24% of the total assets of the Group as at the end of the reporting period. The Group's management exercises significant judgment and makes estimates in determining when the trade receivables, advances to and receivables from related parties and contract assets are impaired and how much impairment losses need to be recognized in accordance with the expected credit loss (ECL) model under PFRS 9, *Financial Instruments*. The Group's significant accounting policies, management judgment and estimates, which are described in Notes 2 and 3 to the consolidated financial statements while the disclosures relating to credit risk applicable to these financial assets are disclosed in Notes 28 and 32 to the consolidated financial statements.

Because of the complexity of the requirement of PFRS 9 in determining ECL and the high level of uncertainties involved in management's use of judgment and estimates, we identified the use of ECL model and recoverability of the Group's trade receivables, advances to and receivables from related parties and contract assets discussed above as a key audit matter.

How the Matter was Addressed in the Audit

Our audit procedures to determine the appropriateness of the ECL model adopted by the Group, and the recoverability of trade receivables, advances to related parties and contract assets, and the adequacy of the related allowance for credit losses on these assets included, among others, the following:

- Evaluating appropriateness of the Group's ECL model based on the requirements of the standard and the related policies and procedures of the Group;

- Identifying any customers, on a sample basis, with financial difficulty and/or breach of contract resulting in default on payments through discussion with management, inspecting the customers' payment history, performing an independent evaluation of their ability to pay and determining any related retention liability that can be recovered by the Group in settlement of the selected past due or delinquent customer's accounts;

- For advances to and receivables from related parties, evaluating the capacity of the related parties to pay by assessing their liquidity and whether there are any valid business purposes on which these advances are made;

- For contract assets, identifying whether such costs are recoverable and subsequently billable based on the terms of the specific contract;

- Evaluating the appropriateness and reasonableness of underlying assumptions, including forward-looking information and the sufficiency, reliability and relevance of the data used by the Group;

- Checking the mathematical accuracy of the provision matrix applicable to the ECL model, including testing of aging of trade receivables; and,

- Evaluating the sufficiency and appropriateness of disclosures in the Group's consolidated financial statements in accordance with PFRS 9.

(d) Performing Significant Portion of Audit Remotely

Description of the Matter

As disclosed in Note 1 of the financial statements, COVID-19 started to become widespread in the Philippines in early March 2020 wherein certain measures implemented by the government resulted in performing a significant portion of the engagement remotely.

The change in working conditions is relevant and significant to our audit since it creates an increased risk of error due to less visibility of the client personnel and lack of access to the original client records. Given the changes in how the audit was performed, the audit required exercising enhanced professional skepticism.

How the Matter was Addressed in the Audit

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

- Considering the nature of the engagement and the engagement team's knowledge of the entity and its environment when determining whether it is possible to perform a significant portion, if not all of the engagement remotely;

- Following the requirements of the PSA including providing proper supervision and review, even when working remotely;

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

- Determining the reliability of audit evidence provided electronically using enhanced professional skepticism;

- Performing inquiries through video call in order to judge body language and other cues and to have a more interactive audit engagement;

- Reviewing of workpapers of component auditors remotely through share screen facility and constant communication; and,

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

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audits resulting in this independent auditors' report is Mailene Sigue-Bisnar.

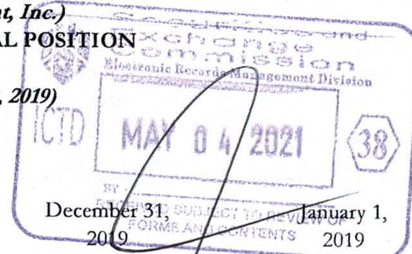
PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8533222, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 8, 2021

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
(With Corresponding Figures as of January 1, 2019)
(Amounts in Philippine Pesos)



	Notes	December 31, 2020	December 31, 2019 (As Restated - see Note 2)	January 1, 2019 (As Restated - see Note 2)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	**P 7,226,149,912**	P 6,518,599,861	P 5,734,720,648
Trade and other receivables - net	6	**15,299,050,115**	17,373,476,547	10,212,127,250
Financial assets at fair value through profit or loss	7	**-**	-	26,290,139
Construction materials	8	**1,719,042,863**	1,287,127,532	865,035,029
Contract assets	9	**4,231,600,246**	3,975,734,097	3,060,770,976
Other current assets	12	**7,956,744,328**	6,310,724,077	4,891,540,884
Total Current Assets		**36,432,587,464**	35,465,662,114	24,790,484,926
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income	10	**3,544,472**	3,544,472	3,544,472
Investments in associates and joint venture	11	**929,195,986**	959,506,555	926,832,112
Concession assets - net	13	**29,928,727,717**	29,436,586,470	28,289,313,079
Property, plant and equipment - net	14	**7,497,348,324**	7,666,010,436	5,193,951,034
Investment properties - net	15	**4,120,894,365**	4,186,720,456	3,759,860,763
Deferred tax assets - net	26	**9,626,113**	44,298,557	-
Other non-current assets	12	**2,421,844,626**	3,001,997,171	2,941,723,207
Total Non-current Assets		**44,911,181,603**	45,298,664,117	41,115,224,667
TOTAL ASSETS		**P 81,343,769,067**	P 80,764,326,231	P 65,905,709,593

	Notes	**December 31, 2020**	December 31, 2019 (As Restated - see Note 2)	January 1, 2019 (As Restated - see Note 2)
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	18	**P 13,110,457,751**	P 14,681,061,253	P 6,408,573,493
Trade and other payables	17	**8,291,951,223**	8,167,589,445	5,252,402,324
Contract liabilities	19	**4,593,930,101**	4,931,269,957	4,670,482,671
Other current liabilities	20	**218,177,495**	220,061,764	233,817,574
Total Current Liabilities		**26,214,516,570**	27,999,982,419	16,565,276,062
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	18	**32,809,907,556**	33,071,851,424	30,371,690,492
Post-employment defined benefit obligation	24	**343,402,205**	340,207,630	176,798,596
Deferred tax liabilities - net	26	**801,849,193**	612,629,956	419,677,416
Other non-current liabilities	20	**651,625,679**	741,142,106	368,165,977
Total Non-current Liabilities		**34,606,784,633**	34,765,831,116	31,336,332,481
Total Liabilities		**60,821,301,203**	62,765,813,535	47,901,608,543
EQUITY	27			
Equity attributable to shareholders of the Parent Company:				
Capital stock		**2,486,427,137**	2,439,426,127	2,439,426,127
Additional paid-in capital		**13,057,711,509**	8,776,358,765	8,776,358,765
Revaluation reserves		**(8,950,923)**	(63,383,647)	15,204,702
Other reserves		**(22,474,837)**	(22,474,837)	(22,474,837)
Treasury shares		**(4,615,690,576)**	(3,912,617,536)	(3,454,826,462)
Retained earnings		**6,404,291,624**	7,083,442,710	6,752,591,330
Total equity attributable to shareholders of the Parent Company		**17,301,313,934**	14,300,751,582	14,506,279,625
Non-controlling interests		**3,221,153,930**	3,697,761,114	3,497,821,425
Total Equity		**20,522,467,864**	17,998,512,696	18,004,101,050
TOTAL LIABILITIES AND EQUITY		**P 81,343,769,067**	P 80,764,326,231	P 65,905,709,593

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019 (As Restated - see Note 2)	2018 (As Restated - see Note 2)
REVENUES	21			
Construction operations		**P 10,842,199,945**	P 15,309,069,383	P 12,845,830,360
Airport operations		**1,108,667,715**	3,691,112,459	2,995,981,030
Landport operations		**902,413,963**	555,401,827	17,653,392
Trading operations		**69,944,842**	326,221,179	289,894,795
		12,923,226,465	19,881,804,848	16,149,359,577
DIRECT COSTS	22			
Cost of construction operations		**9,393,546,769**	13,291,797,615	10,784,175,855
Costs of airport operations		**634,707,332**	1,536,616,861	941,829,853
Costs of landport operations		**355,895,519**	334,155,026	17,653,392
Costs of trading operations		**20,960,367**	88,214,264	70,358,260
		10,405,109,987	15,250,783,766	11,814,017,360
GROSS PROFIT		**2,518,116,478**	4,631,021,082	4,335,342,217
OTHER OPERATING EXPENSES				
General and administrative	23	**1,508,417,615**	1,827,127,389	973,815,407
Impairment losses	6	**27,289,069**	38,591	305,839,093
		1,535,706,684	1,827,165,980	1,279,654,500
OPERATING PROFIT		**982,409,794**	2,803,855,102	3,055,687,717
OTHER INCOME (CHARGES)	25			
Finance costs		**(2,506,745,214)**	(2,308,927,779)	(1,333,427,143)
Finance income		**694,776,972**	767,837,912	220,598,157
Others - net		**219,749,372**	172,472,301	444,159,599
		(1,592,218,870)	(1,368,617,566)	(668,669,387)
PROFIT (LOSS) BEFORE TAX		**(609,809,076)**	1,435,237,536	2,387,018,330
TAX EXPENSE	26	**264,786,815**	324,202,722	492,844,159
NET PROFIT (LOSS)		**(P 874,595,891)**	P 1,111,034,814	P 1,894,174,171
Net Profit (Loss) Attributable To:				
Shareholders of the Parent Company		**(P 398,149,922)**	P 859,487,439	P 1,469,434,494
Non-controlling interests		**(476,445,969)**	251,547,375	424,739,677
		(P 874,595,891)	P 1,111,034,814	P 1,894,174,171
Earnings (Loss) per Share	30	**(P 0.33)**	P 0.28	P 0.56

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Note	**2020**	2019 (As Restated - see Note 2)	2018 (As Restated - see Note 2)
NET PROFIT (LOSS)		**(P 874,595,891)**	P 1,111,034,814	P 1,894,174,171
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently profit or loss				
Foreign currency translation adjustment		**(8,756)**	74,555	-
Realized loss on sale of financial assets at FVOCI		**-**	-	(8,263,159)
		(8,756)	74,555	(8,263,159)
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit plan	24	**77,543,235**	(114,672,272)	40,962,085
Tax income (expense)	26	**(23,262,970)**	34,401,682	(12,288,626)
		54,280,265	(80,270,590)	28,673,459
Other Comprehensive Income (Loss) – net of tax		**54,271,509**	(80,196,035)	20,410,300
TOTAL COMPREHENSIVE INCOME (LOSS)		**(P 820,324,382)**	P 1,030,838,779	P 1,914,584,471
Total Comprehensive Income (Loss) Attributable To:				
Shareholders of the Parent Company		**(P 343,717,198)**	P 780,899,090	P 1,488,589,086
Non-controlling interests		**(476,607,184)**	249,939,689	425,995,385
		(P 820,324,382)	P 1,030,838,779	P 1,914,584,471

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

		Attributable to Shareholders of the Parent Company									
	Note	**Common Stock**	**Preferred Stock**	**Treasury Shares**	**Additional Paid-in Capital**	**Revaluation Reserves**	**Other Reserves**	**Retained Earnings**	**Total**	**Non-controlling Interests**	**Total**
Balance at January 1, 2020		P 2,399,426,127	P 40,000,000	(P 3,912,617,536)	P 8,776,358,765	(P 63,383,647)	(P 22,474,837)	P 7,083,442,710	P 14,300,751,582	P 3,697,761,114	P 17,998,512,696
Acquisition of treasury shares	27	-	-	(703,073,040)	-	-	-	-	(703,073,040)	-	(703,073,040)
Cash dividends	27	-	-	-	-	-	-	(281,001,164)	(281,001,164)	-	(281,001,164)
Subscription of preferred shares		-	47,001,010	-	4,281,352,744	-	-	-	4,328,353,754	-	4,328,353,754
Total comprehensive loss for the year		-	-	-	-	54,432,724	-	(398,149,922)	(343,717,198)	(476,607,184)	(820,324,382)
Balance at December 31, 2020		**P 2,399,426,127**	**P 87,001,010**	**(P 4,615,690,576)**	**P 13,057,711,509**	**(P 8,950,923)**	**(P 22,474,837)**	**P 6,404,291,624**	**P 17,301,313,934**	**P 3,221,153,930**	**P 20,522,467,864**
Balance at January 1, 2019		P 2,399,426,127	P 40,000,000	(P 3,454,826,462)	P 8,776,358,765	P 15,204,702	(P 22,474,837)	P 6,752,591,330	P 14,506,279,625	P 3,497,821,425	P 18,004,101,050
Acquisition of treasury shares	27	-	-	(457,791,074)	-	-	-	-	(457,791,074)	-	(457,791,074)
Cash dividends	27	-	-	-	-	-	-	(528,636,059)	(528,636,059)	(50,000,000)	(578,636,059)
Total comprehensive income for the year		-	-	-	-	(78,588,349)	-	859,487,439	780,899,090	249,939,689	1,030,838,779
Balance at December 31, 2019		P 2,399,426,127	P 40,000,000	(P 3,912,617,536)	P 8,776,358,765	(P 63,383,647)	(P 22,474,837)	P 7,083,442,710	P 14,300,751,582	P 3,697,761,114	P 17,998,512,696
Balance at January 1, 2018		P 2,399,426,127	P 40,000,000	(P 2,627,738,885)	P 8,776,358,765	(P 3,949,890)	(P 22,474,837)	P 5,820,786,136	P 14,382,407,416	P 3,071,826,040	P 17,454,233,456
Acquisition of treasury shares	27	-	-	(827,087,577)	-	-	-	-	(827,087,577)	-	(827,087,577)
Cash dividends	27	-	-	-	-	-	-	(537,629,300)	(537,629,300)	-	(537,629,300)
Total comprehensive income (loss) for the year		-	-	-	-	19,154,592	-	1,469,434,494	1,488,589,086	425,995,385	1,914,584,471
Balance at December 31, 2018		P 2,399,426,127	P 40,000,000	(P 3,454,826,462)	P 8,776,358,765	P 15,204,702	(P 22,474,837)	P 6,752,591,330	P 14,506,279,625	P 3,497,821,425	P 18,004,101,050

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		**(P 609,809,076)**	P 1,435,237,536	P 2,387,018,330
Adjustments for:				
Finance costs	25	**2,506,745,214**	2,308,927,779	1,333,427,143
Depreciation and amortization	23	**1,473,642,619**	1,757,625,213	1,023,451,211
Finance income	25	**(694,776,972)**	(767,837,912)	(220,598,157)
Unrealized mark-to-market loss (gain) in interest rate swap	25	**43,343,700**	104,842,394	(45,218,078)
Equity share in net losses (gains) on associates and joint venture	25	**30,310,530**	(32,674,443)	(10,209,371)
Gain on disposals of property, plant and equipment	25	**(1,874,270)**	(9,603,796)	(2,876,025)
Gain on bargain purchase	25	**-**	-	(307,365,622)
Operating profit before working capital changes		**2,747,581,745**	4,796,516,771	4,157,629,431
Decrease (increase) in trade and other receivables		**2,650,694,608**	(3,727,036,956)	(221,393,350)
Increase in construction materials		**(431,915,331)**	(422,092,503)	(287,740,960)
Decrease in costs in excess of billings on uncompleted contracts		**-**	-	1,474,818,478
Increase in contract assets		**(255,866,150)**	(914,963,121)	(3,060,770,976)
Increase in other current assets		**(1,422,128,570)**	(1,568,441,790)	(3,478,911,678)
Decrease (increase) in non-current assets		**580,695,992**	(49,938,920)	(229,489,685)
Increase (decrease) in trade and other payables		**(209,236,378)**	2,766,510,754	(535,244,430)
Decrease in billings in excess of costs on uncompleted contracts		**-**	-	(939,417,541)
Increase (decrease) in contract liabilities		**(559,137,655)**	2,440,922	3,978,063,088
Increase (decrease) in other liabilities		**(91,400,696)**	359,220,316	223,617,847
Increase in post-employment defined benefit obligation		**57,466,084**	70,736,626	22,321,536
Cash generated from operations		**3,066,753,649**	1,312,952,099	1,103,481,760
Cash paid for income taxes		**(288,222,518)**	(98,343,152)	(33,392,637)
Net Cash From Operating Activities		**2,778,531,131**	1,214,608,947	1,070,089,123
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment, and computer software license	12, 14	**(881,622,780)**	(3,506,120,788)	(941,566,129)
Additions to concession assets	13	**(655,426,311)**	(1,885,869,964)	(3,061,212,015)
Acquisitions of investment properties	15	**(40,093,061)**	(470,408,696)	(1,868,851,065)
Interest received	28	**57,936,688**	308,463,357	135,625,877
Proceeds from sale of property, plant and equipment	14	**4,361,282**	92,128,142	30,085,388
Proceeds from sale of financial assets at fair value through profit or loss		**-**	-	3,183,191,442
Proceeds from disposal of retail treasury bond	10	**-**	-	913,306,185
Acquisition of a subsidiary	25	**-**	-	(344,149,804)
Acquisition of investment in joint venture	11	**-**	-	(116,648,000)
Net Cash Used in Investing Activities		**(1,514,844,182)**	(5,461,807,949)	(2,070,218,121)
Balance carried forward		**P 1,263,686,949**	(P 4,247,199,002)	(P 1,000,128,998)

	Notes	2020	2019	2018
Balance brought forward		**P 1,263,686,949**	(P 4,247,199,002)	(P 1,000,128,998)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of interest-bearing loans and borrowings	18	**(11,937,589,953)**	(10,172,979,511)	(4,780,636,563)
Proceeds from interest-bearing loans	18	**9,904,514,914**	21,006,508,168	11,832,650,285
Proceeds from issuance of preferred shares	27	**4,328,353,754**	-	-
Interest paid	18	**(1,484,260,375)**	(2,026,444,738)	(1,060,838,047)
Acquisition of treasury shares	27	**(703,073,040)**	(457,791,074)	(827,087,577)
Dividends paid	27	**(520,939,022)**	(338,698,201)	(537,629,300)
Financing granted to related parties		**(356,449,098)**	(3,149,257,701)	(3,145,163,652)
Financing collected to related parties		**213,305,922**	174,319,915	145,709,106
Net Cash From (Used In) Financing Activities		**(556,136,898)**	5,035,656,858	1,627,004,252
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**-**	(4,578,643)	(22,884,808)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**707,550,051**	783,879,213	603,990,446
CASH ACQUIRED FROM SUBSIDIARY		**-**	-	199,791,025
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**6,518,599,861**	5,734,720,648	4,930,939,177
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 7,226,149,912**	P 6,518,599,861	P 5,734,720,648

Supplemental Information on Non-cash Investing and Financing Activities:

In 2020, the Company recognized right-of-use assets and lease liabilities amounting to P157.2 million and P230.4 million, respectively. In 2019, the Group recognized right-of-use assets and lease liabilities amounting to P424.5 million and P397.4 million, respectively (see Notes 16 and 34).

See Notes to Consolidated Financial Statements.

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

Megawide Construction Corporation (the Parent Company) was incorporated in the Philippines on July 28, 2004 and is engaged in the general construction business, including constructing, enlarging, repairing, or engaging in any work upon buildings, houses and condominium, roads, plants, bridges, piers, waterworks, railroads and other structures. It performs other allied construction business like the construction and sale of precast items, concrete production, and purchase sale and/or lease of formworks system and construction equipment.

On January 28, 2011, the Philippine Stock Exchange (PSE) and the Securities Exchange Commission (SEC) approved the Parent Company's application for the listing of its common stock. The approval covered the initial public offering (IPO) of 292.0 million unissued common shares of the Parent Company at P7.84 offer price per share and the listing of those shares in PSE's main board on February 18, 2012. On December 3, 2014, the Parent Company made a primary offer of 40.0 million preferred shares at an offer price of P100.0 per share. These preferred shares are also listed in the PSE (see Note 27.1).

On September 22, 2014, the SEC approved the Parent Company's amendment of articles of incorporation, which includes: (i) the Parent Company's power to extend corporate guarantees to its subsidiaries and affiliates; and, (ii) the increase in its authorized capital stock of P5,000.0 million divided into 4,930.0 million common shares and 70.0 million cumulative, non-voting, non-participating, non-convertible to common shares and redeemable, at the option of the Parent Company, perpetual preferred shares (see Note 27.1). Both common and preferred shares have a par value of P1.0 per share.

On August 16, 2017, Megacore Holdings, Inc. (Megacore) acquired 313,786,575 shares representing 14.7% ownership over the Parent Company from Citicore Holdings Investment, Inc. (Citicore). This resulted in a decrease in Citicore's ownership from 66.7% to 51.0%.

On December 20, 2017, the state-owned Social Security System acquired a total of 110,532,500 shares or equivalent to 5.2% interest of the Parent Company through purchase of 3.45% stake held by Megacore and the remaining interest from the public.

On December 22, 2017, Megacore further acquired additional shares from Citicore which resulted in an increase in Megacore's equity interest to the Parent Company equivalent to 28.9% or 617,709,197 as of December 31, 2017.

On September 22, 2020, SEC has approved the Parent Company's increase in its authorized capital stock to P5,054.0 million, divided into the 4,930.0 million common shares and 124.0 million cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares (see Note 27.1). Both common and preferred shares have a par value of P1.0 per share.

The Parent Company remains a subsidiary of Citicore which owns and controls 33.3% of the issued and outstanding capital stock of the Parent Company as of December 31, 2020 and 2019 because Citicore still directs the overall business operations of the Parent Company through its Chief Executive Officer and President, who is also the President of Citicore.

Citicore is a company incorporated in the Philippines and is engaged in the business of a holding company through buying and holding shares of other companies. The registered address of Citicore and the Parent Company, which is also their principal place of business, is at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

1.2 Subsidiaries, Associates and Joint Arrangements

The Parent Company holds ownership interest in the following subsidiaries, associates and joint arrangements (together with the Parent Company, collectively hereinafter referred to as the Group):

Subsidiaries/Associates/Joint Operations/Joint Ventures	Notes	Percentage of Effective Ownership		
		2020	2019	2018
Subsidiaries:				
GMR Megawide Cebu Airport Corporation (GMCAC)	a	**60%**	60%	60%
Megawatt Clean Energy, Inc. (MCEI)	b	**70%**	70%	70%
Globemerchants, Inc. (GMI)	c	**50%**	50%	50%
Megawide Land, Inc. (MLI)	d	**100%**	100%	100%
Megawide Cold Logistics, Inc. (MCLI)	d	**60%**	60%	60%
Megawide Construction (BVI) Corporation (MCBVI)	e	**100%**	100%	100%
Megawide Construction DMCC (DMCC)	e	**100%**	100%	100%
Megawide Infrastructure DMCC (MW Infrastructure)	e	**100%**	-	-
MWM Terminals, Inc. (MWMTI)	j	**100%**	100%	100%
Megawide Terminals, Inc. (MTI)				
(formerly WM Property Management, Inc.)	i	**100%**	100%	100%
Megawide International Limited (MIL)	h	**100%**	100%	-
Megawide Construction (Singapore) Pte. Ltd. (MC-SG)	h	**100%**	100%	-
Cebu2World Development, Inc. (CDI)	o	**100%**	-	-
Wide-Horizons, Inc. (WHI)	p	**100%**	-	-
Accounted for as Asset Acquisition –				
Altria East Land, Inc. (Altria)	f	**100%**	100%	100%
Associates:				
Megawide World Citi Consortium, Inc. (MWCCI)	g	**51%**	51%	51%
Citicore Megawide Consortium, Inc. (CMCI)	g	**10%**	10%	10%
Joint Operations:				
Megawide GISPL Construction Joint Venture (MGCJV)	k	**50%**	50%	50%
Megawide GMR Construction Joint Venture, Inc. (MGCJVI)	l	**50%**	50%	50%
Joint Ventures:				
Mactan Travel Retail Group Corp. (MTRGC)	m	**25%**	25%	25%
Select Service Partners Philippines Corp. (SSPPC)	n	**25%**	25%	25%

a) GMCAC

GMCAC was incorporated in the Philippines and registered in the SEC in 2014. GMCAC's primary purpose is to construct, develop, operate and maintain the Mactan Cebu International Airport (MCIA), including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility (MCIA Project). GMCAC started commercial operations on November 1, 2014.

GMCAC was established for the purpose of implementing the provisions of the Concession Agreement (see Note 13) that was signed on April 22, 2014 between the Parent Company and GMR Infrastructure Limited (GIL), and the Department of Transportation and Communications (currently, the Philippine Department of Transportation or DOTr) and Mactan-Cebu International Airport Authority (MCIAA) (collectively, the Grantors).

GIL is an entity duly organized and registered in India. DOTr and MCIAA are the agencies of the Philippine Government vested with the power and authority to develop dependable and coordinated transportation systems and to principally undertake the economical, efficient, and effective control, management, and supervision of the MCIA Project. GMCAC's registered address, which is also its principal place of business, is located at Mactan-Cebu International Airport Passenger Terminal Building, Airport Terminal, Lapu-Lapu City.

b) MCEI

MCEI was incorporated in 2014 to engage in the development of clean or renewable energy sources for power generation. Its registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City. As of December 31, 2020, MCEI has not yet started operations.

c) GMI

GMI was incorporated in the Philippines in 2016 and is primarily engaged in general merchandise operations. GMI's registered address, which is also its principal place of business, is located at Mactan-Cebu International Airport Passenger Terminal Building, Airport Terminal, Lapu-Lapu City. GMI started its commercial operations in March 2017.

On March 15, 2017, the Parent Company sold 2,000,000 shares or 10% interest of GMI to GMR Holdings Overseas (Singapore) Pte. Ltd. (GHOSPL). As of December 31, 2017, GMI is 50% owned by the Parent Company. The Parent Company still consolidates its ownership in GMI after the sale as the management considers that the Group has de facto control over GMI even though it effectively holds 50% ownership interest [see Note 3.1(j)].

d) MLI

MLI was incorporated in 2016 primarily to engage in real estate and related business. MLI's registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City. MLI has not commenced its operations as of December 31, 2020.

MLI has a 60% ownership interest in MCLI, a company incorporated in the Philippines and was established to engage in cold and dry storage business. The registered office address of MCLI, which is also its principal place of business, is located at No. 20 N. Domingo Street, Brgy. Valencia, Quezon City.

e) MCBVI

On June 20, 2017, the Parent Company acquired 100% ownership interest in MCBVI, an entity incorporated in the territory of British Virgin Islands to primarily engage in buying and holding shares of other companies. MCBVI's registered address, which is also its principal place of business, is Marcy Building, 2nd floor, Purcell Estate, Road Town Tortola, British Virgin Islands. In 2018, MCBVI has commenced business operations.

MCBVI has a wholly owned subsidiaries, DMCC and MW Infrastructure. DMCC, which was registered on December 10, 2017 is an infrastructure conglomerate. Its registered office is located at Unit 4401-05, Mazaya Business Avenue BB2, Jumeriah Lake Towers, Dubai UAE.

MW Infrastructure was registered on September 30, 2020 as a turnkey project contracting and project development consultant. Its registered office is located at Unit 4501-009 Mazaya Business Avenue BB2 Plot No JLTE-PH2-BB2 Jumeirah Lake Towers, Dubai, UAE.

f) Altria

The Parent Company's acquisition of Altria is accounted for as an asset acquisition since it does not constitute an acquisition of business (see Note 11.2).

g) MWCCI and CMCI

The Group's investments in MWCCI and CMCI are accounted for as investments in associates despite the percentage of the Parent Company's ownership interest over these entities [see Notes 3.1(j), 3.1(m) and 11.1].

h) MIL

MIL, whose registered office is at Marcy Building, 2nd Floor, Purcell Estate, P.O. Box 2416, Road Town Tortola, British Virgin Islands, was incorporated on July 26, 2019. MIL has a 100% owned subsidiary, MC-SG, which was registered on March 1, 2019 as a general building engineering design and consultancy services. Its registered office is located at 8 Cross St. #24-03/04 Manulife Tower Singapore.

i) MTI

On August 9, 2018, the Parent Company acquired 344.5 million shares or 100% ownership interest in MTI from existing shareholders of MTI for P344.1 million. MTI owns 49% interest over MWMTI.

MTI (previously WM Property Management, Inc.) is an entity incorporated and registered on November 11, 2011 to establish, own, manage, administer, operate, maintain, and carry the business of providing property management services, either directly or through third parties, but not limited to the services of rent collection, tenant and lease management, marketing and advertising, repair and maintenance, liaison and other similar services. MTI's registered address and principal place of business is at 20 N. Domingo St. Brgy. Valencia, Quezon City.

j) MWMTI

MWMTI is a joint venture arrangement formed on February 10, 2015 by the Parent Company and MTI, both exercising joint control to direct the relevant activities of MWMTI. The joint venture undertakes the development and implementation of the Parañaque Integrated Terminal Exchange (PITX) Project (formerly Southwest Integrated Transport System Project) granted by the Philippine Government to MWMTI under a Build-Operate-Transfer Agreement (BOT Agreement) through the DOTr (see Note 29.3.2). In November 2018, MWMTI commenced commercial operations.

With the Parent Company's acquisition of 100% ownership interest in MTI in 2018 [see Note 1.2(i)], the Parent Company's effective ownership interest in MWMTI increased from 51% to 100% as of December 31, 2018. Accordingly, the Parent Company consolidates its interest in MWMTI from the acquisition date. Prior to the acquisition, the Group's interest in MWMTI is accounted for as a joint venture as the Group exercises joint control over the joint venture's relevant activities [see Notes 3.1(j)].

k) MGCJV

MGCJV is an unincorporated joint venture formed in 2014 by the Parent Company and GMR Infrastructure (Singapore) PTE Limited – Philippines Branch (GISPL) each owning 50% interest and exercising joint control. MGCJV was established to provide construction of works for the renovation and expansion of the MCIA Project and other airport related construction projects of the Group (see Note 11.4).

l) MGCJVI

MGCJVI is an incorporated joint arrangement formed in January 2018 by the Parent Company owning 50% interest and GMR Infrastructure (Singapore) PTE Limited with 45% interest and GMR Holdings Overseas (Singapore) PTE Limited owning the remaining 5%. The Parent Company and GMR both exercising joint control. MGCJVI was established to provide general construction business including construction, improvement and repair of Clark Airport project (see Note 11.4). MGJCVI began to operate in the same year it was formed.

m) MTRGC

MTRGC was incorporated and registered under the laws of the Republic of the Philippines with the SEC on March 21, 2018 to develop, set-up, operate, maintain and manage the duty paid outlets at the locations in the Mactan Cebu International Airport (see Note 11.3). It started operations in the same year of incorporation.

n) SSPPC

SSPPC was incorporated and registered under the laws of the Republic of the Philippines with the SEC on March 13, 2018 to develop, set-up, operate, maintain and manage food and beverage outlets at specified locations in Terminal 1 and Terminal 2 of Mactan Cebu International Airport and the provision of related services thereto (see Note 11.3). It started operations in the same year of incorporation.

o) CDI

CDI, whose registered office is at Unit 1504 Ayala Life FGU Center Cebu, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City, was incorporated on November 3, 2020 to deal, engage, or otherwise acquire an interest in land or real estate business, without engaging in real estate investment trust. As of December 31, 2020, CDI has not yet started commercial operations.

p) WHI

WHI, whose registered office is at 20 N. Domingo Street, Brgy. Valencia, Quezon City., was incorporated on November 16, 2020 to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description. As of December 31, 2020, WHI has not yet started commercial operations.

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

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

The following are the impact of the COVID-19 pandemic to the Group's business:

- suspension of construction activities, including temporary suspension of PITX commercial operations and MCIA landport operations during the enhanced community quarantine lockdown periods;
- in accordance with the mandate of Department of Trade and Industry, the airport segment waived the minimum monthly guarantee for landport concessionaires, tenants or airport service providers who pay monthly fees for using or accessing the airport facilities to retail their goods and offer their services to the general public and air traveling community quarantine;
- decrease in aeronautical revenues e.g., passenger service charge, tacking, parking and lightning fees by 76% or P1.5 billion, commercial revenues e.g., rental, advertising and revenue share by 53% or P543.4 million;
- decrease in airport trading sales by 79% or P256.3 million due to decrease in air traffic movement in the airport segment;
- decline in construction operation revenues by 29% or P4.5 billion due to work stoppage during the second quarter of 2020 as mandated by the government;
- recognition of additional impairment on trade receivables for the Parent Company MWMTI, and GMCAC totalling to P27.3 million; and,
- administrative expenses were incurred to ensure health and safety of its employees, subcontractors and customers, although these are not considered substantial in amount.

In response to this matter, the Company has taken the following actions:

- implemented effective cost-reduction and cash preservation strategies, including flexible working arrangement, recruitment freeze, deferral of some non-essential and capital expenditures, maximizing credit terms provided by suppliers and creditors and focus to collect outstanding receivables;

- utilization of government program – Republic Act (RA.) No. 11469, *Bayanihan to Heal as One Act* and Republic Act (RA.) No. 11494, *Bayanihan to Recover as One Act,* related to the deferral of principal and interest payments of loans;
- comprehensive and regular monitoring of the Group's liquidity position and cash flow;
- for airport segment, negotiation with lenders to amend certain provisions of the Omnibus Loan Agreement which include among others changes in the timing of principal payments and changes in the debt covenant requirements for debt to equity ratio and debt service coverage ratio (see Note 18);
- review of insurance coverage to protect against potential risk;
- automation and digitization to improve processes, enhance operational efficiencies, and support remote work arrangements;
- regular information updates on health and safety protocols to all its employees; and,
- implemented flexible working arrangements like hybrid or full remote work setup, where applicable, to ensure employee safety but at the same time minimize operational disruptions.

Based on the above actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due. Accordingly, management has not determined any material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

1.4 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2020 (including the comparative consolidated financial statements as of December 31, 2019 and for the years ended December 31, 2019 and 2018, and the corresponding figures as of January 1, 2019) were authorized for issue by the Parent Company's Board of Directors (BOD) on April 8, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

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

(b) *Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group opted to present a separate consolidated statement of income and consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed. In 2020, the Group presented a statement of financial position as of January 1, 2019 to reflect the effect of prior period adjustment discussed in item (d) below.

(c) *Functional and Presentation Currency*

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

Items included in the consolidated financial statements are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

(d) *Prior Period Adjustment and Reclassification of Accounts*

The Group made certain prior period adjustments to reflect the appropriate classification and presentation of certain parcels of land which were previously recognized and presented as part of Property, Plant and Equipment account to Investment Property accounts as those properties were originally intended to be held for capital appreciation. Moreover, the Company grossed-up fixed aircon charges and common usage service area (CUSA) charges to reflect the income and expense arising from these transactions as management determined that the Group is acting as a principal on these transactions. Finally, reclassification of Income from Rental of Equipment in 2018 was made from Others – net under Other Income (Charges) to to Construction Operations Revenue to conform to the current classification and presentation of the account. The effects of prior period adjustments on the Group's consolidated statements of financial position as of January 1, 2019 and December 31, 2019 are presented below.

	As Previously Reported	Prior Period Adjustments	As Restated
December 31, 2019			
Change in non-current assets :			
Property, Plant and Equipment – net	P 7,968,155,611	(P 302,145,175)	P 7,666,010,436
Investment Properties - net	3,884,575,281	302,145,175	4,186,720,456
January 1, 2019			
Change in non-current assets :			
Property, Plant and Equipment – net	P 5,496,096,209	(P 302,145,175)	P 5,193,951,034
Investment Properties – net	3,457,715,588	302,145,175	3,759,860,763

The effects of these prior period reclassifications in the statement of comprehensive income for the year ended December 31, 2019 and 2018 are summarized as follows:

		As Previously Reported		Prior Period Reclassifications		As Restated
December 31, 2019						
Direct Costs – Cost of landport operations	P	311,649,506	P	22,505,520	P	334,155,026
Other Operating Expenses		1,810,238,513		16,927,467		1,827,165,980
Other Income (Charges) – Others – net		133,033,747		39,432,987		172,466,734
			P	-		
December 31, 2018						
Revenues – Construction operations revenue	P	12,688,462,210	P	157,368,150	P	12,845,830,360
Other Income (Charges) – Others – net		601,527,749		(157,368,150)		444,159,599
			P	-		

2.2 Adoption of New and Amended PFRS

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

The Group adopted for the first time the following amendments, and revisions to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

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

Discussed below are the relevant information about these pronouncements.

(i) Revised Conceptual Framework for Financial. The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

Management has assessed that this has no impact on the Group's consolidated financial statements.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material.* The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other Standards that contain definition of material or refer to the term 'material' to ensure consistency. The application of these amendments did not have significant impact on the Group's consolidated financial statements.

(iii) PFRS 3 (Amendments), *Business Combinations – Definition of Business.* The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

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

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

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

(i) PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions* (effective from June 30, 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

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

(iii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

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

(v) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group but have no significant impact to the Group's consolidated financial statements:

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

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

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

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

2.3 Basis of Consolidation and Accounting for Investments in Subsidiaries, Investments in Subsidiaries and Associates, and Interests in Joint Arrangements

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries, as discussed in Note 1.2, after elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries, associates and joint arrangements are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investments in subsidiaries, associates, interests in joint arrangements and non-controlling interests as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control.

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

Distributions from subsidiaries are accounted for as dividend income which are eliminated at consolidation.

i) *Accounting for Business Combination Using the Acquisition Method*

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.12).

ii) *Accounting for Business Combination Using the Pooling-of-interests Method*

Business combinations arising from transfers of interests in entities that are under the common control of the principal shareholder are accounted for under the pooling-of-interests method. Transfers of assets between commonly controlled entities are accounted for under historical cost accounting. Under this method, the financial information of the acquired entities is included as if the acquisition occurred in the earliest period presented. The assets and liabilities of the acquired entities are combined using their respective carrying values and any difference is accounted for and recognized in Other Reserves account presented under the consolidated statement of changes in equity.

(b) *Investments in Associates*

Associates are those entities over which the Parent Company is able to exert significant influence, but which are neither subsidiaries nor interests in a joint arrangement. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associates is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Any goodwill that represents the excess of acquisition cost over the fair value of the Parent Company's share of the identifiable net assets of the acquiree at the date of acquisition or fair value adjustment attributable to the Parent Company's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Parent Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity in net profit (losses) of associates and joint venture as part of Others account under Other Income (Charges) section of the consolidated statement of income.

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

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Parent Company, as applicable. However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

(c) Interests in Joint Arrangement

A joint control arises from a contractually agreed sharing of control in an arrangement, which exist only when decisions about the relevant activities require unanimous consent of the parties sharing control.

(i) Joint Operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. For interests in joint operation, the Group recognizes in its consolidated financial statements its assets including its share of any assets held jointly; its liabilities including its share of any liabilities incurred jointly; its revenue from sale of its share of the output arising from the joint operation; its expenses including its share of any expenses incurred jointly; and its share in the income from the sale of goods or services by the joint operation. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group and are measured and recognized in accordance with the relevant financial reporting standards.

(ii) Joint Venture

A jointly controlled entity is a corporation, partnership, or other entity in which two or more venturers have an interest, under a contractual arrangement that establishes joint control over the entity. Each venturer usually contributes cash or other resources to the jointly controlled entity. Those contributions are included in the accounting records of the venturer and recognized in the venturer's financial statements as an investment in the jointly controlled entity.

Investments in joint venture are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in a jointly controlled entity is subject to the purchase method. The purchase method involves the recognition of the jointly controlled entity's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Any goodwill that represents the excess of acquisition cost over the fair value of the venturer's share of the identifiable net assets of the joint venture at the date of acquisition or fair value adjustment attributable to the venturer's share in the joint venture is included in the amount recognized as investment in joint venture.

All subsequent changes to the ownership interest in the equity of the joint venture are recognized in the venturer's carrying amount of the investments. Changes resulting from the profit or loss generated by the joint venture are credited or charged against the Equity in net profit (losses) of associates and joint venture as part of Others – net account under Other Income (Charges) section of the consolidated statement of income.

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

Changes resulting from other comprehensive income of the jointly controlled entity or items recognized directly in the jointly controlled entity's equity are recognized in other comprehensive income or equity of the venturer, as applicable. However, when the venturer's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the venturer does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. If the jointly controlled entity subsequently reports profits, the venturer resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the jointly controlled entity are accounted for as a reduction of the carrying value of the investments.

(d) Transactions with Non-controlling Interests

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized as Other Reserves in equity.

Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

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

The Parent Company holds interests in various subsidiaries, associates, and joint arrangements as presented in Notes 1.2 and 11.

2.4 Financial Assets

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

(a) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described in the succeeding pages.

(i) Financial Assets at Amortized Cost

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

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

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

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

The Group's financial assets at amortized cost are presented as Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to officers and employees), Refundable security and bond deposits (presented under Other Current Assets account) and Investment in Trust fund (which pertains solely to cash) and Refundable security deposits (presented under Other Current and Non-current Assets account) in the consolidated statement of financial position.

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

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

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

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

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and;

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL). The Group has designated certain equity instruments as at FVOCI on initial recognition.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Any dividends earned on holding equity instruments are recognized in profit or loss as part of Other Income (Charges) account, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

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

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition.

The Group's financial assets at FVTPL pertains only to derivatives arising from interest rate swap entered by GMCAC (see Notes 2.16 and 7).

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

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) Impairment of Financial Assets

At the end of the reporting period, the Group assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

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

On the other hand, the Group applies a general approach in relation to advances to and receivables from related parties. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded.

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

For financial assets other than trade and other receivables and contract assets, the Group determines whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

The key elements used in the calculation of ECL are as follows:

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

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

- *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments measured at FVOCI, for which the loss allowance is recognizes in other comprehensive income and accumulated in Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

(c) Derecognition of Financial Assets

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

2.5 Construction Materials

Construction materials are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of construction materials includes all costs directly attributable to acquisition such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

The net realizable value of construction materials is the current replacement cost.

2.6 Other Assets

Other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period, are classified as non-current assets.

2.7 Property, Plant and Equipment

Property, plant and equipment, except land and construction in progress, are carried at acquisition cost or construction cost less subsequent depreciation and any impairment losses. Land held for use in operations or administration is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

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

Building	25 years
Precast factory	25 years
Precast and construction equipment	3-15 years
Office furniture, fixtures and equipment	3-10 years
Transportation equipment	5-8 years

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction of the Group's building, batching plant and precast factory, and any applicable borrowing costs (see Note 2.22). The account is not depreciated until such time that the assets are completed and available for use.

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

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

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge in depreciation is made in respect of these assets.

An item of property, plant and equipment, including the related accumulated depreciation and impairment losses, 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.8 Acquisition of Asset

Acquisition of interest in an entity that holds investment property which does not constitute a business is accounted for as an asset acquisition. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends to investors or other owners, members and participant. Under the asset purchase accounting, the purchase cost is allocated to identifiable assets and liabilities based on relative fair values of individual items; goodwill or gain on bargain purchase is not recognized; and, transaction costs are capitalized.

2.9 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Pursuant to the Concession Agreement for the PITX Project, the Group is granted the exclusive right and obligation to construct and develop the commercial area of the PITX Project (see Notes 1.2 and 29.3.2), which shall be held for rentals and rendering of any incidental service or facility from the use of commercial areas. Accordingly, the Group accounts for the construction and development of commercial area as Investment Property.

Investment property comprising of asset under construction and development are measured initially at acquisition cost, including transaction costs. This includes cost of construction, any applicable borrowing costs (see Note 2.22) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

Following initial recognition, investment properties are carried at cost less accumulated depreciation and any impairment in value (see Note 2.20).

In 2019, MWMTI started to depreciate the investment property using straight-line method as the asset is already readily available for its intended use. Depreciation is computed over the remaining concession period of 33 years.

The Group's investment properties also include land which is carried at cost less any impairment in value.

The carrying value of the investment properties are reviewed for impairment when changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount and impairment losses are recognized in the consolidated statement of income.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

2.10 Intangible Assets

The Group's intangible assets currently include acquired software licenses and concession assets as described in more detail as follows:

(a) Concession Assets

The Group accounts for its Concession Agreement in relation to the MCIA Project [see Notes 1.2(a) and 13] under the intangible asset model as it receives the right (license) to charge users of the public service.

The concession asset is recognized initially at cost. It consists of:

(i) Upfront fees payments on the Concession Agreement, including the related borrowing costs;
(ii) Directly attributable costs related to the acquisition of the concession assets; and,
(iii) Cost of infrastructure constructed and under construction in accordance with the terms and conditions of the Concession Agreement. These are not recognized as property, plant and equipment of the Group but as an intangible asset.

Following initial recognition, concession assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The service concession asset is amortized using the unit-of-production method which reflects the asset's usage-based on passenger volume and usage of their airport activities over the concession period. Management believes that usage-based method best reflects the pattern of consumption of the concession asset.

The period and method of amortization are reviewed at least at the end of each financial reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on the concession asset is recognized in the consolidated statement of income in the expense category consistent with the function of the concession asset.

Subsequent costs and expenditures related to infrastructures arising from the Group's commitments to the Concession Agreement are recognized as additions to the concession asset and are stated at cost. Capital expenditures necessary to support the Group's operation as a whole are recognized as property, plant and equipment and accounted for in accordance with the Group's accounting policy on Property, Plant and Equipment.

The concession asset will be derecognized upon turnover to the Grantors. There will be no gain or loss upon derecognition as the concession asset, which is expected to be fully amortized by then, will be handed over to the Grantors with no consideration.

Concession assets not yet in use are initially recognized at cost and assessed for impairment at least annually based on the asset's value-in-use. Amortization of the assets will commence only when it becomes available for use.

The Group's concession asset's available for use are tested for impairment if there are any indications of impairment. The related carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.20).

(b) Acquired Computer Software Licenses

Acquired computer software license (shown as part of Other Non-current Assets) is accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of three to five years as the lives of these intangible assets are considered finite. In addition, this is subject to impairment testing as described in Note 2.20.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

Costs that are directly attributable to the development phase of new customized software for information technology are recognized as intangible assets if, and only if, the Group can demonstrate all of the following recognition requirements below:

(i) technical feasibility of completing the prospective product for internal use or sale;

(ii) the intangible asset will generate probable economic benefits through internal use or sale;

(iii) intention and ability to complete, i.e., availability of sufficient technical, financial and other resources necessary for completion, and use or sell the asset; and,

(iv) ability to measure reliably the expenditure attributable to the intangible asset during development.

Acquired computer software license is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an intangible asset is determined as the difference between the net disposal proceeds and carrying value of the asset, and is charged to profit or loss for the period.

2.11 Financial Liabilities

Financial liabilities, which include interest-bearing loans and borrowings, trade and other payables [except output value-added tax (VAT) and other taxes payable], and other non-current liabilities (except unearned rent income) are recognized when the Company becomes a party to the contractual terms of the instrument. These are recognized initially at their fair values and subsequently measured at amortized cost, using the effective interest method for maturities beyond one year, less settlement payments. All interest-related charges incurred on a financial liability, except capitalized borrowings costs which is recognized as part of the related qualifying asset (see Note 2.22), are recognized as an expense in profit or loss under the caption Finance Costs in the statement of income.

Interest-bearing loans and borrowings are raised for support of short-term or long-term funding of operations. Finance charges, including direct costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables are initially recognized at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Lease liabilities and obligations under finance lease (included as part of Interest-bearing Loans and Borrowings account) are recognized at amounts equal to the fair value of the leased property or, if lower, at the present value of minimum lease payments, at the inception of the lease (see Note 2.18).

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the BOD.

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

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.12 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition, except for lease liabilities which are measured based on the present value of the remaining lease payments as if the acquired lease were a new lease at acquisition date and right-of-use assets which are measured at an amount equal to the recognized lease liability, adjusted to reflect favorable or unfavorable lease terms compared with market terms. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.20).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.13 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive committee; its chief operating decision-maker. The executive committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements, except that the following are not included in arriving at the operating profit of the operating segments:

- post-employment benefit expenses;
- expenses relating to share-based payments, if any;
- research costs relating to new business activities; and,
- revenue, costs and fair value gains from investment property, if any.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

2.14 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.15 Provisions and Contingencies

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

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

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

2.16 Derivative Financial Instruments and Hedging

Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into, and are subsequently remeasured and accounted for in the consolidated statement of financial position at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment or accounted for as derivative not designated for hedges.

The Group's derivative financial instruments are accounted for transactions not designated as hedges. Certain freestanding derivative instruments that provide economic hedges under the Group's policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

2.17 Revenue and Expense Recognition

Revenue arises mainly from rendering of construction services, airport operations, trading operations and landport operations.

To determine whether to recognize revenue, the Group follows a five-step process described below:

1) identifying the contract with a customer;
2) identifying the performance obligation;
3) determining the transaction price;
4) allocating the transaction price to the performance obligations; and,
5) recognizing revenue when/as performance obligations are satisfied.

The Group determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

(a) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(b) each party's rights regarding the goods or services to be transferred or performed can be identified;
(c) the payment terms for the goods or services to be transferred or performed can be identified;
(d) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(e) collection of the consideration in exchange of the goods and services is probable.

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

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

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Groups performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The Group often enters into transactions involving construction services, airport operations, airport merchandising operations, landport operations, and other contracts containing performance obligations with counterparties. The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(c).

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the asset or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group's normal credit terms ranges from 35 to 60 days after billing.

In addition, the following specific recognition criteria for each identified performance obligation must also be met before revenue is recognized:

(a) *Construction operations revenue* – This include revenue from construction activities such as construction works, sale of construction materials, management fee and rental of construction equipment.

i. *Contract revenues* –This include revenue from construction services is recognized over time as the service is provided. The Group uses the percentage of completion method to determine the appropriate amount to recognize as contract revenue in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

ii. *Sale of construction materials* – Revenue from sale of ready mixed concrete and precast materials are recognized over time as goods are manufactured as there are no alternate use for these construction materials.

iii. *Management fee* – This is recognized on a time-and-materials basis as the services are provided. Customers are invoiced monthly as work progresses, which are due upon receipt by the customers. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

iv. *Rental revenue* – Revenue from rentals arising from the lease of its construction equipment is recognized on the straight-line basis over the lease term based on the provisions of the covering lease contracts, including any minimum rent free period therein, plus additional rent free period as mutually agreed by the contracting parties [see Note 2.14(b)]. This is outside the scope of PFRS 15.

(b) *Airport operations revenue* – Revenue from airport operations pertains to revenue from services related to aeronautical and non-aeronautical activities in the MCIA, which are further classified as follows:

i. *Aeronautical revenue* – Aeronautical revenues pertain mainly to passenger service charges which are recognized as revenue over time when the related airport services have been rendered, the rates for such fees are provided under Administrative Order (AO) No. 2, Series of 2011, issued by MCIAA. On the other hand, revenues from ancillary services such as parking, tacking, and lighting services are recognized at a point in time upon availment of service.

ii. *Concession revenue* – Concession revenues are generated through landport concessionaires, tenants or airport service providers who pay monthly fees for the right to use or access airport facilities to offer their goods and services to the general public and air traveling community. Airport facilities and parking spaces are not specific in the license agreement and the Group still has control over which are available for rental. Payments are in accordance with the negotiated agreements with these parties, and are based on either a minimum monthly guarantee or on gross receipts as applicable. Concession revenue is recognized over time when the related sale of concessionaire is earned.

iii. *Commercial revenue* – Commercial revenues comprise advertising charges, car parking and car rental revenues. Car parking revenue comprises time-based charges from the operation of car parking services. Car rental revenue comprises concession charges from car rental companies. Revenue is recognized over time when the related services are provided.

(c) *Trading operations revenue* – Airport merchandising operations revenues relates to sale of food and non-food items within the premise of MCIA. Airport merchandising operations revenues are recognized at a point in time when the control over the goods have passed to the buyer.

(d) *Landport operations revenue* – Landport operations revenue is recognized under the cost-recovery method in accordance with PFRS 15. Rendering of operating services is one of the Group's performance obligations under the Concession Agreement. After the recovery of construction costs, revenues are recognized based on the landport operations of the PITX Project up to the extent of the annual grantor payment (AGP).

(e) *Check-in counter revenue* – This comprises rental of check-in counter charged to airline companies and space rental charged to tenants. The Group bills the airlines based on the number of passengers. The rate per passenger varies on the annual number of passengers reached by each airline per cycle. Revenue from check-in counters is recognized over the period when the related services have been rendered.

(f) *Sale of food and non-food items* – This is recognized at a point in time upon transferring control of the promised goods or services to a customer.

(g) *Common use service area (CUSA) charges* – CUSA is recognized over time when the performance of contractually agreed task has been rendered. Furthermore, recoveries from utility expenses are recognized net of related expenses as the Group acts only as an agent of the utility companies.

The Group presents a contract asset when it transfers control of goods or performs services before the customer pays consideration or before payment is due. A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer.

The Group presents a contract liability when a customer pays the consideration, or the Group has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Group transfers goods or performs services to the customer. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract liability also includes cash received from customers which are applied to subsequent progress billings for construction contracts. The Group considers the effect of significant financing component in the contract which is recognized as part of Construction Operation Revenues and Finance Cost in the consolidated statement of income [see Note 3.1(c)].

The Group incurs incremental costs in obtaining customer contracts (i.e., biddings costs on construction contracts). These costs are expensed when incurred as these are incurred regardless whether the contract is obtained.

The Group also incurs costs in fulfilling contracts with customers. These costs are divided into: (i) costs that give rise to an asset; and, (ii) costs that are expensed as incurred.

When determining the appropriate accounting treatment for such costs, the Group first considers any other applicable standards (see Notes 2.5 and 2.7). If other standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to deferred fulfilment costs, the Group applies the following criteria, which, if met, result in capitalization:

(a) the costs directly relate to a contract or to a specifically identifiable anticipated contract;
(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
(c) the costs are expected to be recovered.

Deferred fulfilment costs recognized as part of Other Current Assets in the consolidated statement of financial position are subsequently included as part of construction costs and considered in determining the stage of completion of the project. Furthermore, these are derecognized either upon disposal or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that deferred fulfilment costs may be impaired. An impairment loss is recognized when the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive under the relevant contract.

2.18 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

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

For any new contracts entered into on or after January 1, 2019, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

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

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

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

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.20).

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

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

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets and lease liabilities have been presented as part of Property, Plant and Equipment and Interest-bearing Loans and borrowings, account respectively.

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

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

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

Finance lease obligations, net of finance charges, are included in Interest-Bearing Loans and Borrowings account in the consolidated statements of financial position.

For sale and leaseback transactions resulting in a finance lease, any excess of sales proceeds over the carrying amount of the asset is not immediately recognized as income by the Group (as seller-lessee) but deferred and amortized over the lease term. However, if the carrying amount of the asset exceeds the sales proceeds, the loss is immediately charged to profit or loss in the consolidated statement of income.

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

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

(b) Group as Lessor

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

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

Revenue from rentals also include revenue from lease of the Group's office and commercial spaces and various equipment which is recognized on the straight-line basis over the lease term based on the provision of the covering lease contracts, including any minimum rent free period therein, plus additional rent free period as mutually agreed by the contracting parties.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.19 Foreign Currency Transactions and Translation

(a) Transactions and Balances

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

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

(b) Translation of Financial Statements of Foreign Subsidiaries

The consolidated operating results and financial position of offshore subsidiaries (see Note 1), which are measured using the United States ("U.S.") dollar, are translated to Philippine pesos, the Parent Company's functional currency, as follows:

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

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

(ii) All resulting translation adjustments are recognized in other comprehensive income and as part of Revaluation Reserves in the consolidated statement of changes in equity

When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of income as part of the Other Income (Charges).

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

2.20 Impairment of Non-financial Assets

The Group's investments in associates and joint ventures, property, plant and equipment, intangible assets, concession assets, investment properties, deferred fulfilment costs and other non-financial assets are subject to impairment testing. All non-financial assets, except intangible assets not yet available for use which are tested for impairment at least annually, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

Except for intangible assets not yet available for use, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.21 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

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

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

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise.

Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the consolidated statement income.

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

(b) Post-employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due.

Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Bonus Plans

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the employees' performance evaluation attributable to a calendar year. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(d) Compensated Absences

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

2.22 Borrowing Costs

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

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

2.23 Income Taxes

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

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

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

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

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

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

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

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

2.24 Related Party Relationships and Transactions

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

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

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

All material related party transactions and related party transactions involving directors and/or officers shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions and related party transactions involving directors and/or officers. In case that a majority of the independent directors' vote is not secured, the material related party transactions and related party transactions involving directors and/or officers may be ratified by the vote of the stockholders representing at least two-third of the outstanding capital stock.

For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 1% of the Group's total consolidated assets, the same BOD approval would be required for the transaction/s that meet and exceeds the materiality threshold covering the same related party. Under SEC Memorandum Circular No. 10, Series of 2019, *Rules on Material Related Party Transactions for Publicly-listed Companies*, the minimum threshold to be considered as a material related party transaction is 10% of the total assets based on the latest audited consolidated financial statements. Directors with personal interest in a certain related party transaction should abstain from participating in the discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

2.25 Equity

Capital stock represents the nominal value of common and preferred shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock or reissuance of treasury shares. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise actuarial gains and losses due to remeasurements of post-employment defined benefit plan, foreign currency translation of financial statements of foreign subsidiaries, and the mark-to-market valuation of its financial assets at FVOCI.

Other reserves represent GMCAC's equity transaction costs arising from the subscriptions to its shares of stock.

Retained earnings, the appropriated portion of which is not available for dividend declaration, represent all current and prior period results of operations as reported in the consolidated statement of income, reduced by the amounts of dividends declared.

2.26 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to shareholders of the Parent Company by the weighted average number of common shares issued and outstanding , adjusted retroactively for any stock dividend, stock split or reverse stock split declared in the current year.

Diluted EPS is computed by adjusting the weighted average number of common shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have dilutive potential shares outstanding, hence, the diluted EPS is equal to the basic EPS.

2.27 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. If the renewal options and/or periods are not enforceable (i.e., if the lessee cannot enforce the extension without the agreement of the lessor), it would not be considered in determining the lease term.

For leases of precast and construction equipment and transportation equipment, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Group included the renewal period as part of the lease term for of precast and construction equipment and transportation equipment, due to the significance of these assets to its operations. These leases have a short, non-cancellable lease period (i.e., four to ten years) and there will be a significant negative effect on production if a replacement is not readily available. However, the renewal options for leases of transportation equipment were not included as part of the lease term because the Group has historically exercises its option to buy these transportation equipment at the end of the lease term.

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

(b) Determination of Timing of Satisfaction of Performance Obligations

(i) Construction Operations Revenue

The Group determined that its revenue from construction services shall be recognized over time in accordance with the percentage-of-completion method. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the construction services that create or enhance an asset that the customer controls as the asset is created or enhanced. This demonstrates that the customer obtains the benefits of the Group's rendering of construction service as it performs.

In determining the best method of measuring the progress of the Group's rendering of construction services, management considers the input method (i.e., based on the Group's inputs to the satisfaction of a performance obligation) under PFRS 15 because of the direct relationship between the Group's effort, in terms of incurred labor hours, and the transfer of service to the customer.

(ii) Airport Operations Revenues

The Group determined that its revenue from airport services shall be recognized over time as the services are being rendered and at a point in time for ancillary services (e.g., parking, tacking, and lighting services) that are provided for a short span of time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other entities. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of aeronautical and non-aeronautical services as it performs.

(iii) Trading Operations Revenues

In determining the appropriate method to use in recognizing the Group's revenues from airport merchandising operation revenues, which include sale of food and non-food items in the premises of MCIA, management determines that revenue is recognized at a point in time when the control of the goods has passed to the customer, i.e. generally when the customer acknowledged delivery of goods.

(iv) Landport Operation Revenues

The Group has the control over the landport area and the right to collect concessionaire revenue. The Group determined that its revenue from landport operation services shall be recognized using the cost-recovery method in accordance with PFRS 15 since services rendered is one of the Group's performance obligations under Concession Agreement. After the recovery of construction costs, revenues are recognized based on the landport operations costs of the PITX Project (see Note 29.3.2) up to the extent of the AGP.

(c) Determination of Transaction Price and Amounts Allocated to Performance Obligations

The transaction price for a contract is allocated amongst the material right and other performance obligations identified in the contract based on their stand-alone contract prices. The transaction price for a contract excludes any amounts collected on behalf of third parties [e.g., value-added taxes (VAT)].

In determining the transaction price, the Group adjusts the amount of consideration for the effects of time value of money for payments received prior to rendering construction services when the construction period is more than one year. This circumstance indicates that the contract contains significant financing component. The Group uses the prevailing interest rate at the time of receipt of advance payments, which approximates the Group's borrowing rate.

(d) *Determination of ECL on Trade and Other Receivables, Refundable Security and Bond Deposits, Equity advances and Contract Assets*

The Group uses a provision matrix to calculate ECL for trade and other receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., customer type and rating).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Group's trade and other receivables and contract assets are disclosed in Note 32.2.

With respect to refundable security and bond deposits, management does not expect significant risks of collectability since the same can be applied to the last period rentals at the option of the Group.

(e) *Evaluation of Business Model Applied in Managing Financial Instruments*

The Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment and trading strategies.

(f) *Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model*

In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessary inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

(g) Distinction Between Business Acquisition and Asset Acquisition

The Group determines whether the acquisition of an entity constitute a business acquisition or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a "business" taking into consideration the substance of the transaction. Failure to make the right judgment will result in misstatement of assets.

On the basis of the assessment made by management ,the acquisition of ownership in Altria was accounted for as asset acquisition (see Note 11.2) since it does not constitute a purchase of business. Conversely, the equity ownership in GMCAC, MCEI, GMI, MLI, MCBVI, MWMTI, MTI, and MIL are accounted for as investment in subsidiaries.

(h) Distinction Between Operating and Finance Leases for Contracts where the Group is the Lessor

The Group has entered into various lease agreements for check-in counters and space rental. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(i) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition of provisions and contingencies are discussed in Note 2.15 and relevant disclosures are presented in Note 29.

(j) *Determination of Control, Joint Control and Significant Influence*

Judgment is exercised in determining whether the Group has joint control of an arrangement or significant influence over an entity. In assessing each interest over an entity, the Group considers voting rights, representation on the BOD or equivalent governing body of the investee, participation in policy-making process and all other facts and circumstances, including terms of any contractual arrangement.

Management considers that the Group has de facto control over GMI even though it effectively holds 50% of the ordinary shares. The Parent Company exercises control over the entity because major decisions involving entering and negotiating Supply and Delivery Agreements with Duty Free Philippines Corporation still rests with the Parent Company. In line with this, the Parent Company retains control over GMI's operations [see Note 1.2(c)].

The Group believes to have significant influence over CMCI, due to the Group's ability to participate over the entity's relevant activities. Hence, the investee is treated as an associate (see Note 11.1). In addition, the Group has determined that it does not have a significant influence, but has joint a control over MGCJV, MGCJVI, MTRGC and SSPPC due to the contractually agreed sharing of control over these investees wherein decision on relevant activities require unanimous consent between the Group and its co-venturers. The Group recognizes its interest in MTRGC and SSPPC as joint ventures, while its interests in MGCJV and MGCJVI are recognized as joint operations [see Notes 2.3(c) and 11.4]. On the other hand, the Group has determined that its ownership interest in Silay Solar Power Inc. (SSPI) does not result in control or significant influence over SSPI (see Note 10).

The related key assumptions on the estimation uncertainty of certain interests in MWCCI, CMCI, and SSPI are discussed in Note 3.2(e).

(k) *Capitalization of Borrowing Costs*

The Group determines whether the amount of borrowing costs qualify for capitalization as part of the cost of the qualifying asset, or expensed outright. The accounting treatment for the borrowing costs is determined by assessing whether the asset is a qualifying asset taking into consideration the period of time to get the asset ready for its intended use. Failure to make the right judgment will result in misstatement of assets and net profit.

(l) *Accounting for Service Concession Arrangement*

IFRIC 12 outlines an approach to account for contractual arrangements arising from entities providing public services. It provides that the operator or concessionaire should not account for the infrastructure under PAS 16 as property, plant and equipment, but recognize a financial asset and/or an intangible asset if the conditions below are met:

- The Grantor controls or regulates what services the operator or concessionaire must provide with the infrastructure, to whom it must provide them, and at what price; and

- The Grantor controls through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

Mactan-Cebu International Airport Project

As discussed in Note 1.2(a), the Philippine Government, acting through the DOTr and MCIAA, executed a Concession Agreement with GMCAC whereby GMCAC was given an exclusive right to design, develop, and undertake the MCIA Project; and, enjoy complete and uninterrupted possession of the MCIA Project Assets for the purpose of implementing the MCIA Project.

At the end of the concession period, GMCAC shall hand-over the MCIA Project and the Project Assets to the Grantors without cost, free from any liens and encumbrances, including all improvements made to the airport facilities, commercial assets, works in progress, and right to receive revenues. In addition, GMCAC shall be entitled to collect and receive concession revenue consisting of revenues on account of passenger service charge, airport parking fees, and tacking fees; other apron charges; and, revenues from commercial charges. GMCAC may apply for an increase of such fees following the procedures as set forth in the Concession Agreement.

The Group has identified that the Concession Agreement is within the scope of IFRIC 12 and shall be accounted for using the intangible asset model, wherein the service concession asset is recognized as an intangible asset in accordance with PAS 38, *Intangible Assets*. The intangible asset is amortized using the usage-based method over the life of the concession agreement as management believes that straight-line method best reflects the pattern of consumption of the concession asset.

In April 2014, GMCAC paid upfront fees to the Philippine Government amounting to P14,404.6 million to undertake the implementation and operation of the MCIA Project in accordance with the Concession Agreement (see Note 13). The Group identified certain significant and key activities related to the MCIA Project, as also set forth in the Concession Agreement. As such, the upfront fees were allocated among these key activities using proportionate rates based on the expected construction/renovation costs as follows: (i) existing Terminal 1 infrastructure; (ii) construction of new passenger Terminal; (iii) renovation and expansion of Terminal; and, (iv) capacity augmentation. Subsequent project development costs will be capitalized as incurred on the specific key activities related to the Project.

Parañaque Integrated Terminal Exchange Project

As discussed in Note 29.3.2, the Philippine Government acting through the DOTr executed a Concession Agreement on February 25, 2015 with MWMTI whereby the latter was given an exclusive right to design, develop, and undertake the PITX Project and enjoy complete and uninterrupted possession of the Project Assets for the purpose of implementing the PITX Project.

At the end of the concession period, MWMTI shall hand over the PITX Project and Project Assets to the Grantor without cost, free from any liens and encumbrances, including all improvements made to the landport facilities, commercial assets, works in progress, and right to receive revenue.

The PITX Project is composed of separately identifiable landport and commercial areas under a certain development plan with different degrees of control between the Grantor and MWMTI. The landport area is controlled by the Grantor while the commercial area is controlled by MWMTI. In addition, MWMTI shall be entitled to collect and receive the concessionaire revenue from the commercial area while it will be receiving fixed payments from the Grantor for the landport area.

Consequently, MWMTI has identified that the Concession Arrangement with respect to the landport area of the PITX Project is within the scope of Philippine Interpretation IFRIC 12 and shall be accounted for using the financial asset model, wherein the concession asset arising from the component of landport area is recognized as financial asset in accordance with PFRS 9.

On the other hand, the Group determined that the component with respect to the commercial area of the PITX Project is not within the scope of IFRIC 12, and therefore, shall be accounted for using the applicable accounting standard based on the control and purpose of the operation, hence, PAS 40, *Investment Property* (see Notes 2.9 and 15).

The related concession asset accounted for under the financial asset model is presented as part of Contract Receivables in the consolidated statement of financial position, which includes the recoverable accumulated costs incurred for the development and construction of the PITX Project as determined in accordance with PFRS 15 and equivalent to the fair value of construction services and other considerations provided (see Notes 2.4 and 13).

(m) Non-consolidation of Entities in which the Group Holds More than 50% Ownership

The Parent Company's ownership interest in MWCCI was accounted for as an associate even though it holds 51% ownership interest. In making the assessment of whether the Parent Company has control over the relevant activities of MWCCI, management considers that Citicore has the ultimate control since it effectively owns 66% of MWCCI as of December 31, 2020 and 2019. Moreover, Citicore entered into a management agreement with MWCCI, whereby Citicore shall provide management services to MWCCI for the administration of its activities under the Modernization of the Philippine Orthopedic Center (MPOC) Project [see Note 11.1(a)].

The Parent Company's ownership interest in MWMTI in 2017 and prior years was accounted for as a joint venture even though it holds 51% ownership interest. In making the assessment of whether the Parent Company has control over the relevant activities of MWMTI, management considers that it has joint control with the other venturer, which holds 49% ownership, since both venturers have equal representations to MWMTI's BOD and all significant decisions and approvals to direct the relevant activities of MWMTI for the construction and eventual operation of the PITX Project with the DOTr require consensus of both parties (see Note 11.3). However, in 2018, MWMTI became a subsidiary of the Parent Company due to acquisition by the Parent Company of MTI.

(n) Distinction Between Investment Property and Owner-occupied Property

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the performance of the Group's construction activities and its supply process.

(o) Evaluating Principal Versus Agent Consideration

The Group exercises judgment to determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the Group is a principal) or to arrange for the other party to provide those goods or services (i.e., the Group is an agent). Failure to make the right judgment will result in misstatement of revenues and expenses accounts. The Group assessed that it is only acting as an agent for utility transactions of its tenants under operating leases. Moreover, the Group also assessed that it is the principal in its revenue arrangements pertaining to CUSA and air-conditioning charges in its office and retail spaces.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate [see Note 2.18(a)]. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 32.2.

(c) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's financial assets carried at FVTPL and investment in SSPI, and the amounts of applicable fair value changes recognized on those assets are disclosed in Notes 7 and 10, respectively.

(d) *Determination of Net Realizable Value of Construction Materials*

In determining the net realizable value of construction materials, management takes into account the most reliable evidence available at the time the estimates are made. The Group periodically reviews its construction materials for possible damaged and obsolete items. Items identified as obsolete are provided with impairment allowance.

Management has assessed that no allowance for obsolescence is required to be recognized on construction materials in 2020, 2019 and 2018.

(e) *Accounting for Business Combinations*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

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

The Group estimates the useful lives of computer software and property, plant and equipment based on the period over which the assets are expected to be available for use. The related estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

There were no changes in the estimated useful lives of property, plant and equipment and intangible assets in 2020 and 2019.

The service concession asset was previously amortized on a straight-line basis over the useful life of 25 years following the period covered by the Concession Agreement. In 2018, the Group changed its method of amortization from straight-line method to usage-based method. The change of amortization method was accounted for prospectively as change in accounting estimate. The Group's new amortization policy is determined on the method reflecting the asset's usage-based on passenger volume and usage of the airport activities over the concession period.

The Group believes that the usage-based method reflected the pattern in which the concession's future economic benefits are expected to be consumed by the Group and will be applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits [see Note 2.10(a)]. The change in amortization method resulted in a decrease in amortization expense of P730.0 million for 2018. In 2020 and 2019, amortization expense recognized relating to concession assets amounted to P163.5 million and P738.6 million, respectively.

The carrying amounts of intangible assets are analyzed in Notes 12.5 and 13. The carrying amount of property, plant and equipment is analyzed in Note 14.

(g) Principal Assumption for Estimation of Fair Value of Investment Properties

The Group's investment properties composed of land and commercial area of the PITX Project comprising of asset held for lease and are carried at cost less accumulated depreciation and any impairment in value. Although investment properties are measured using the cost model, the financial reporting standard requires the disclosure of its fair value.

The Group determined the fair value of the building approximates its fair value as it was only newly constructed in March 2019. On the other hand, the Group determines the fair value of the land either through appraisals by independent valuation specialists or using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property or using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations.

The fair value disclosures related to the investment properties are further discussed in Note 33.6.

(h) Determination of Realizable Amount of Deferred Tax Assets

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

Management assessed that the deferred tax assets recognized as at December 31, 2020 and 2019 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 26.3.

(i) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.20). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

PFRS requires non-financial assets to be assessed for any indication of impairment annually, especially those that have not been brought into use. The recoverable amount of the concession assets, including those not yet in use, has been determined based on a value in use calculation using cash flow projections from financial model approved by senior management covering a 21-year period, the remaining life of the concession period.

The pre-tax discount rate applied to cash flow projections is 12.3% and 10.9% as of December 31, 2020 and 2019. Pre-tax discount rate is based on weighted average cost of capital, adjusted for company-specific risks and reflects prevailing or current market conditions at year-end.

The growth rate applied after the completion of Airport Terminal 2 Building ranges from 5% to 10% with an increasing rate after completion of the required capacity augmentation.

The calculation of value in use of the concession assets is most sensitive to the following assumptions:

- Passenger traffic volume
- Discount rate
- Growth rates

Management assesses on an annual basis the impact of the current and future economic outlook to the abovementioned assumptions in making its cash flow projections. In 2020, management has taken into consideration the continuing impact of the COVID-19 pandemic in its cash flow projections, including its effect on the abovementioned assumptions.

The carrying value of the concession assets not yet available for use amounted to P9,007.9 million and P8,670.7 million as at December 31, 2020 and 2019, respectively (see Note 13).

Management has assessed that no impairment losses are required to be recognized on the Group's non-financial assets in 2020, 2019 and 2018.

(j) Valuation of Post-employment Defined Benefit

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

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of DBO, as well as the significant assumptions used in estimating such obligation are presented in Note 24.2.

4. SEGMENT REPORTING

The Group's operating businesses are recognized and managed separately according to the nature of services provided with a segment representing a strategic business unit. The Group's business segments follow:

4.1 Business Segments

(a) *Construction Operations*– principally refers to general construction business, including constructing and sale of precast items and concrete production and rental of construction equipment.

(b) *Airport Operations* – mainly relate to the business of building, rehabilitating, renovating, constructing, developing, operating, and maintaining the MCIA, including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility. The Group also has merchandising operations of food and non-food items.

(c) *Landport Operations* – principally relates to the development and implementation of the Southwest Integrated Transport System Project (ITS Project), now known as PITX.

Other operations of the Group comprise the operations and financial control groups. These segments are also the basis of the Group in reporting to its executive committee for its strategic decision-making activities. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment revenues and expenses that are directly attributable to business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

4.3 Analysis of Segment Information

Presented below are the relevant operating segment information about the results of operations and financial position of the Group's business segments as of December 31, 2020, 2019 and 2018, and for the years ended December 31, 2020, 2019 and 2018 (amounts in thousands).

	Construction			Airport			Landport			Total		
	2020	2019	2018	**2020**	2019	2018	**2020**	2019	2018	**2020**	2019	2018
Results of operations												
Sales to external customers	**P 10,842,200**	P 15,309,069	P 12,845,830	**P 1,178,613**	P 4,017,334	P 3,285,876	**P 902,414**	P 555,402	P 17,654	**P 12,923,227**	P 19,881,805	P 16,149,360
Intersegment sales	**363,371**	651,419	1,134,169	**-**	-	-	**-**	-	-	**363,371**	651,419	1,134,169
Segment Revenues	**11,205,571**	15,960,488	13,979,999	**1,178,613**	4,017,334	3,285,876	**902,414**	555,402	17,654	**13,286,598**	20,533,224	17,283,529
Cost and other operating expenses:												
Cost of construction, airport and landport operations excluding depreciation and amortization	**8,779,449**	13,033,918	11,089,723	**492,171**	886,235	631,994	**145,176**	233,979	17,210	**9,416,796**	14,154,132	11,738,927
Depreciation and amortization	**1,019,034**	837,723	595,696	**229,837**	803,232	425,438	**222,508**	111,093	1,956	**1,471,379**	1,752,048	1,023,090
Interest income	**(458,515)**	(472,442)	(227,470)	**(32,543)**	(78,022)	(23,556)	**(8,208)**	(210)	(2)	**(499,266)**	(550,674)	(251,028)
Interest expense	**1,220,377**	1,215,052	618,497	**1,050,725**	957,954	670,127	**214,205**	114,758	-	**2,485,307**	2,287,764	1,288,624
Material non-cash items	**(2,192)**	12,476	9,297	**(144,597)**	(32,796)	203,481	**-**	-	-	**(146,789)**	(20,320)	212,778
Interest in profit or loss of associates and joint ventures (equity method)	**-**	-	-	**40,965**	(26,248)	(2,839)	**-**	-	-	**40,965**	(26,248)	(2,839)
Other income (charges) - net	**(59,323)**	(138,611)	(7,066)	**23,479**	(13,652)	(280,658)	**(194,421)**	(131,221)	(104)	**(230,265)**	(283,484)	(287,828)
Tax expense (income)	**(59,584)**	127,526	287,719	**217,456**	219,818	196,716	**106,772**	(34,361)	-	**264,644**	312,983	484,435
Other expenses	**642,350**	706,711	812,798	**490,807**	691,821	427,747	**203,700**	267,574	17,897	**1,336,857**	1,666,106	1,258,442
	11,081,596	15,322,353	13,179,194	**2,368,300**	3,408,342	2,248,450	**689,732**	561,612	36,957	**14,139,628**	19,292,307	15,464,601
Segment Net Profit (Loss)	**P 123,975**	P 638,135	P 800,805	**(P 1,189,687)**	P 608,992	P 1,037,426	**P 212,682**	(P 6,210)	(P 19,303)	**(P 853,030)**	P 1,240,917	P 1,818,928
Consolidated Statements of Financial Position												
Total Segment Assets	**P 44,902,291**	P 43,330,597	P 33,198,176	**P 35,286,304**	P 35,934,459	P 35,137,295	**P 7,321,688**	P 7,998,133	P 4,326,878	**P 87,510,283**	P 87,263,189	P 72,662,349
Total Segment Liabilities	**P 29,079,082**	P 31,030,326	P 20,437,361	**P 27,034,748**	P 26,491,719	P 26,184,165	**P 5,497,864**	P 7,451,163	P 3,749,546	**P 61,611,694**	P 64,973,208	P 50,371,072
Capital Expenditures	**P 467,180**	P 2,817,196	P 1,058,135	**P 1,050,949**	P 2,206,858	P 2,754,437	**P 216,153**	P 838,345	P 2,059,057	**P 1,734,282**	P 5,862,399	P 5,871,629
Investment in associates and joint ventures accounted for by the equity method	**P -**	P -	P -	**P 104,770**	P 145,735	P 119,487	**P -**	P -	P -	**P 104,770**	P 145,735	P 119,487

4.4 Reconciliation

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements (amounts in thousands).

	2020	2019	2018
Profit or loss			
Segment net profit (loss)	**(P 853,030)**	P 1,240,917	P 1,818,928
Other unallocated income (expense)	**(21,565)**	(129,882)	75,246
Net profit (loss) as reported in the consolidated statements of income	**(P 874,595)**	P 1,111,035	P 1,894,174
Assets			
Total segment assets	**P 87,510,283**	P 87,263,188	P 72,662,349
Elimination of intercompany accounts	**(7,877,956)**	(9,031,919)	(8,391,125)
Other unallocated assets	**1,711,442**	2,533,057	1,634,485
Total assets as reported in the consolidated statements of financial position	**P 81,343,769**	P 80,764,326	P 65,905,710
Liabilities			
Total segment liabilities	**P 61,611,694**	P 64,973,208	P 50,371,072
Elimination of intercompany accounts	**(1,823,709)**	(4,083,754)	(3,605,142)
Other unallocated liabilities	**1,033,316**	1,876,360	1,135,679
Total liabilities as reported in the consolidated statements of financial position	**P 60,821,301**	P 62,765,814	P 47,901,609

4.5 Other Segment Information

The Group has not identified any segment based on geographical location since the Group's operation is concentrated in one country of location.

Revenues from three major customers in 2020, 2019 and 2018 accounted for 45%, 35%, and 28% of the total revenues as presented in the consolidated statements of income, respectively.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

	2020	2019
Cash on hand	**P 5,400,865**	P 8,010,339
Cash in banks	**2,165,007,181**	4,047,584,897
Short-term placements	**5,055,741,866**	2,463,004,625
	P 7,226,149,912	P 6,518,599,861

Cash in banks generally earn interest based on daily bank deposit rates.

Short-term placements are made for varying periods from 14 to 90 days and earn annual effective interest of 0.7% to 1.6% and 2.0% to 6.0% in 2020 and 2019, respectively.

The interests income earned from these financial assets amounted to P57.9 million, P110.6 million, and P77.8 million in 2020, 2019 and 2018, respectively, and is presented as part of Finance income under Other Income (Charges) account in the consolidated statements of income (see Note 25.2).

6. TRADE AND OTHER RECEIVABLES

This account consists of the following:

	Notes	**2020**	2019
Contract receivables:			
Third parties		**P 2,840,546,754**	P 5,769,575,204
Related parties	28.1	**944,337,644**	498,607,908
		3,784,884,398	6,268,183,112
Retention receivables:			
Third parties		**1,534,199,721**	1,750,053,759
Related parties	28.1	**868,788,166**	835,195,022
		2,402,987,887	2,585,248,781
Advances to:			
Related parties	28.4	**6,410,689,673**	6,267,546,499
Officers and employees	28.3	**74,481,307**	51,503,789
		6,485,170,980	6,319,050,288
Receivables from airport operations	21.2	**570,230,462**	814,927,327
Rental receivables:	21.4		
Lease receivable – effect of straight-line method		**524,235,954**	382,476,437
Lease receivable – per contract		**385,466,377**	142,092,645
		909,702,331	524,569,082
Balance carried forward		**P14,152,976,058**	P16,511,978,590

	Notes	2020	2019
Balance brought forward		**P14,152,976,058**	P16,511,978,590
Receivables from sale of goods	21.4	**766,766**	60,380,697
Accrued interest receivables	28.4	**1,011,075,646**	577,950,645
Other receivables	28.2	**172,164,286**	234,122,687
		15,336,982,756	17,384,432,619
Allowance for impairment		**(37,932,641)**	(10,956,072)
		P15,299,050,115	P17,373,476,547

Contract receivable amounting to P20.5 million and P3.3 billion, as of December 31, 2020 and 2019, respectively, includes 50% share in MGCJVI's receivable from Bases Conversion and Development Authority (BCDA) representing amount billed for the completion of a certain billing milestone as of December 31, 2020 and 2019, respectively.

Retention receivables pertain to progress billings which are withheld by the project owners equivalent to 5.0% or 10.0% as provided in the respective construction contract of each project. These will only be collected after a certain period of time upon acceptance by project owners of the certificate of completion.

Receivables from airport operations pertain to the Group's accrual of aeronautical, concession, rental and commercial revenues as authorized under the Concession Agreement (see Note 21.2).

Rental receivables include those uncollected from third party tenants of the Group, and the related rent receivables arising from the difference between the cash basis rent income and the straight-line rent income of all lease contracts with fixed payments as of the end of the reporting period. As of December 31, 2020 and 2019, rent receivables arising from the effect of straight-lining method amounted to P524.2 million and P382.5 million, respectively (see Note 21.3).

Certain advances to related parties are earmarked for potential investment opportunities being pursued by the said related party in line with the Parent Company's expansion and diversification plans (see Note 28.4).

Trade and other receivables except certain advances to related parties do not bear any interest.

All receivables, except advances to officers and employees which are subject to liquidation, are subject to credit risk exposure [see Note 32.2(b)].

Allowance for Impairment

All of the Group's trade and other receivables have been reviewed for impairment using the provision matrix as determined by the management [see Note 32.2(b)]. Total impairment losses recognized by the Group are presented below.

Total allowance for impairment for long outstanding contract, retention and airport receivables provided by the Group amounted to P37.9 million and P11.0 million as of December 31, 2020 and 2019, respectively.

A reconciliation of the allowance for impairment at the beginning and end of 2020 and 2019 is shown below.

	Note	**2020**	2019
Balance at beginning of year		**P 10,956,072**	P 416,532,310
Impairment losses	23	**27,289,069**	38,591
Write off		**(312,500)**	(405,614,829)
Balance at end of year		**P 37,932,641**	P 10,956,072

After a series of demands and negotiation related to a long outstanding and disputed receivables from a certain customer, which ended up into a settlement agreement, the Group has written off in 2019 certain receivables with amounting to P405.6 million. The impairment loss of P305.5 million was recognized on these receivables in 2018 on top of the P94.9 million recognized prior to 2018.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In November 2015, GMCAC entered into an interest rate swap transaction to hedge the interest rate exposure on its floating rate US dollar-denominated loan maturing in June 2022 start date is on December 15, 2017. A notional amount of US$75.0 million floating rate loan was swapped to fixed rate. Under the interest rate swap agreement, GMCAC pays annual fixed interest rate within a range of 1.79% to 2.65% and receives floating rate of six-month US$ LIBOR on the notional amount.

As at December 31, 2020 and 2019, GMCAC recognized P121.9 million and P78.6 million derivative liability shown under Trade and Other Payables (see Note 17). GMCAC recognized in the consolidated statements of income under Other Income (Charges) unrecognized loss from change in fair value of the interest rate swap amounting to US$0.88 million or P43.3 million in 2020 and US$1.6 million or P104.8 million in 2019, and unrecognized gain of US$0.5 million or P45.2 million in 2018 (see Note 25.3). GMCAC entered into interest rate swap as economic hedges of underlying exposure arising from its foreign currency-denominated loan. Such interest swap agreement is accounted for as a derivate instrument not designated for hedges.

Prior to 2019, FVTPL also includes short-term commercial papers which are unsecured, short-term debt instruments issued by a private corporation with high-quality debt ratings with interest rate of 1.2% to 1.8% in 2018. These investments are designated by the Group to be carried at FVTPL upon initial recognition. Total interest income earned from these debt securities amounted to P72.4 million in 2018, are presented under Other Income (Charges) in the consolidated statements of income (see Note 25.2). In 2018, the remaining financial asset whose fair value is P254.7 million was reclassified as part of cash equivalents. There was no similar transaction in 2020 and 2019.

8. CONSTRUCTION MATERIALS

At the end of 2020 and 2019, construction materials were stated at cost which is lower than net realizable value. This account consists of the following:

	2020	2019
Work in progress	**P 963,166,389**	P 457,942,166
Consumables and spare parts	**281,222,077**	297,630,728
Mechanical electrical plumbing and fireproof materials	**219,528,702**	221,448,225
Precast	**92,773,144**	38,330,842
Hardware	**60,728,374**	77,832,491
Rebars	**31,159,478**	52,724,034
Others	**70,464,699**	141,219,046
	P 1,719,042,863	P 1,287,127,532

Work in progress inventories pertains to various construction materials delivered to project warehouses and are yet to be installed or used by its subcontractors.

Others pertain to construction materials which include painting materials, nails and adhesive items.

9. CONTRACT ASSETS

The significant changes in the contract assets balances during the reporting periods are as follows:

	2020	2019
Balance at beginning of year	**P 3,975,734,097**	P 3,060,770,976
Increase as a result of changes in measurement of progress	**9,642,837,195**	16,207,809,210
Decrease as a result of reversal to trade receivables	**(9,386,971,046)**	(15,292,846,089)
Balance at end of year	**P 4,231,600,246**	P 3,975,734,097

The balance of contract assets as of December 31, 2020 and 2019 is net of allowance for impairment amounting to P288.2 million (see Note 32.2).

Contract assets pertains to the gross amount due from customers for contract works of all contracts in progress which are not yet billed (see Note 2.17). Contract assets in 2020 and 2019 also include the cost of the landport area of the PITX Project amounting to P510.1 million which is to be recovered through the Grantor payments (see Notes 3.1(l) and 15).

The Group satisfies its performance obligation when the full completion of the project and benefit therefrom can be derived by the customers. Invoices are due once related accomplishments for the month is complete.

The Group recognizes contract assets, due to timing difference of billings and satisfaction of performance obligation, to the extent of satisfied performance obligation on all open contracts as of the end of the reporting period. Changes in the contract assets are recognized by the Group when a right to receive payment is already established.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The financial assets pertain to the Group's equity investment acquired in 2015 wherein the Parent Company does not exercise control or significant influence (designated as at FVOCI) and golf club shares (see Note 2.4(a)(ii)).

The details of the financial assets at FVOCI as of 2020 and 2019 is shown below.

Investment securities at FVOCI:	
Investment in SSPI	P 2,500,000
Golf club shares	1,044,472
	P 3,544,472

In 2018, the Group sold retail treasury bonds (RTBs) with original face values of P921.5 million for P913.3 million. Consequently, the Group recognized a loss amounting to P8.2 million, which is presented as Loss on sale of financial assets at FVOCI under Finance Costs in the consolidated statements of income (see Note 25.1).

The Group recognized gain amounting to P8.3 million in 2017 due to changes in fair value of AFS financial assets, which is recognized under Other Comprehensive Income in the 2017 statement of comprehensive income. The gain was reclassified to profit and loss in 2018 upon disposal (see Note 25.2).

The Group has equity interest of 1% in SSPI as of December 31, 2020 and 2019.

As of December 31, 2020 and 2019, the amounts of the Group's non-current financial assets approximate its fair values.

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE AND ACQUISITION OF ASSETS

The carrying values of Investments in Associates and Joint Venture account are shown below:

	Notes	**2020**	2019
Investments in:			
Associates	11.1	**P 824,426,033**	P 813,771,562
Joint ventures	11.3	**104,769,953**	145,734,993
		P 929,195,986	P 959,506,555

The significant commitments related to the associates and joint venture are discussed in Note 29.

These associates and joint venture are not listed in the local stock exchange; hence, the fair value of the shares cannot be determined reliably. However, management believes that the carrying amounts of the investments are fully recoverable based on either the prospect of the business or the recoverable amount from the net assets of these associates and joint ventures.

11.1 Equity Advances and Investments in Associates

The components of the carrying values of this account are as follows:

	Note	**2020**	2019
Acquisition cost:			
MWCCI		**P 580,890,000**	P 580,890,000
CMCI		**200,000,000**	200,000,000
		780,890,000	780,890,000
Equity advances in MWCCI		**23,572,864**	23,572,864
Equity share in net profit:			
Balance at beginning of year		**9,308,698**	2,882,282
Equity in net profit for the year	25.3	**10,654,471**	6,426,416
Balance at end of year		**19,963,169**	9,308,698
		P 824,426,033	P 813,771,562

These associates do not have any other comprehensive income or loss both in 2020 and 2019.

(a) MWCCI

MWCCI was incorporated in the Philippines on January 16, 2014 and is primarily established to undertake and implement the construction of a 700-bed capacity super-specialty tertiary orthopedic hospital (New Hospital Facility), under the MPOC Project. MWCCI's registered office, which is also its principal place of business, is at 20 N. Domingo Street, 1112 Valencia, Quezon City.

As of December 31, 2020 and 2019, the Parent Company has 51% ownership interest in MWCCI.

MWCCI sent a Notice of termination of its BOT Agreement with the Department of Health (DOH), which was accepted by DOH in 2016. MWCCI is undertaking measures to recover compensation costs from DOH and believes that that it will ultimately recover in full the costs it incurred relative to the MPOC Project. Accordingly, the Parent Company has not recognized any impairment losses for its investment in MWCCI.

(b) CMCI

The Parent Company, together with Citicore, formed CMCI as a consortium for the construction of classrooms in Regions 3 and 4 under the build-lease-transfer Public Private Partnership (PPP) agreement with the Philippine Department of Education (DepEd) ownership interest (see Note 29.2). CMCI was incorporated in the Philippines on October 15, 2012 and is primarily engaged in general construction business. CMCI's registered address, which is also its principal place of business, is located at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

As of December 31, 2020 and 2019, the Parent Company owns 10% interest in CMCI as a joint venture partner. The rights and powers of the Parent Company over the management of CMCI are exercised through a seat in the BOD of CMCI. Taking this into consideration, the Group concluded that it has significant influence over the investee; accordingly, the investment is accounted for as an investment in an associate.

The table below presents the unaudited and audited financial information of MWCCI and CMCI, respectively, as of and for years ended December 31, 2020 and 2019 of the associates (amounts in thousands of PHP).

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenues	Net Income (Loss)
2020						
MWCCI	**P 338,947**	**P 847,397**	**P 87,447**	**P -**	**P -**	**P 5,999**
CMCI	**3,608,377**	**2,646,046**	**1,916,524**	**2,026,347**	**344,183**	**75,945**
2019						
MWCCI	P 1,186,343	P -	P 87,447	P -	P -	(P 6,000)
CMCI	3,977,412	3,090,155	2,188,642	2,581,309	408,764	100,438

A reconciliation of the above summarized financial information to the carrying amount of the investments in associates is shown below (amounts in thousands of PHP).

	Notes	% Interest Held	Net Asset Value	Share in Net Asset	Carrying Value of Investments
2020					
MWCCI	a	51%	P 1,098,896	P 560,437	P 587,070
CMCI	b	10%	2,311,552	231,155	237,356
Total				**P 791,592**	**P 824,426**
2019					
MWCCI	a	51%	P 1,098,896	P 560,437	P 584,010
CMCI	b	10%	2,297,616	229,762	229,762
Total				P 790,199	P 813,772

Management determined that the difference between the respective share in the net assets of the associates and the carrying amount of the investment in CMCI is not material to the consolidated financial statements. The Group has not recognized any impairment of the investment in MWCCI as the associate expects to collect all its remaining receivables both from the Ultimate Parent Company and from DOH, a third party [see Note 11.1(a)].

As of December 31, 2020 and 2019, the Parent Company did not receive any dividends from its associates.

11.2 Acquisition of Assets of Altria

On December 26, 2012, pursuant to a memorandum of agreement dated December 17, 2012, the Parent Company acquired 100% ownership interest in Altria. Altria is a company incorporated in the Philippines and holds an investment property in the form of land. The registered office of Altria, which is also its principal place of business, is located at Coastal Road Bangiad, San Juan, Taytay, Rizal.

As of December 31, 2020 and 2019, Altria has no operations and its assets mainly pertain to the land where the Parent Company's precast and batching facilities are constructed (see Note 14). In accordance with Group's policy (see Note 2.8), the transaction is treated by the Group as an asset acquisition since the transaction does not constitute a business combination.

The purchase price upon acquisition was allocated among the following accounts based on their relative fair values:

Cash in bank	P 486,426
Bond deposits	1,500,958
Land	303,468,569
Accrued expenses	(100,000)
	P 305,355,953

Subsequent to the date of acquisition, any changes in the carrying value of the net assets acquired in the books of Altria, including the expenses incurred in administering the property (i.e, property taxes), shall be updated in the books of the Parent Company on a line-by-line basis, as if they are consolidated into a single entity. The difference shall be charged directly to profit or loss as part of Others – net account under the Other Income (Charges) section in the consolidated statements of income (see Note 25.3). The Parent Company charged P0.05 million in 2020 and 2019 and P0.1 million in 2018 to profit or loss to account for the expenses incurred by Altria, net of changes in cash in bank, bond deposits and accrued expenses.

11.3 Interest in Joint Ventures

This account includes the carrying values of the following components:

	Note	**2020**	2019
Acquisition costs:			
MTRGC		**P 58,324,000**	P 58,324,000
SSPPC		**58,324,000**	58,324,000
		116,648,000	116,648,000
Equity share in net profit (losses):			
Balance at beginning of year		**29,086,993**	2,838,966
Equity in net profit (loss) for the year	25.3	**(40,965,040)**	26,248,027
Balance at end of year		**(11,878,047)**	29,086,993
		P 104,769,953	P 145,734,993

These joint ventures do not have any other comprehensive income or loss both in 2020 and 2019.

GMCAC has 42% interest in MTRGC and SSPPC, which are primarily engaged in the set-up, operation and management of duty paid retail, food and beverage outlets and provision of related services thereto in the airport terminals (T1 and T2).

The following are the summary of financial information related to the Group's interest in the joint ventures as of December 31, 2020 and 2019 (amounts in thousands of PHP):

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenues	Net Income (Loss)
2020						
MTRGC	**P 141,805**	**P 93,376**	**P 131,121**	**P 3,509**	**P 66,230**	**(P 39,251)**
SSPPC	**39,742**	**392,420**	**266,256**	**17,017**	**177,640**	**(59,080)**
2019						
MTRGC	P 184,489	P 97,359	P 139,996	P -	P 176,202	P 4,603
SSPPC	118,609	383,711	239,667	714	654,764	63,042

Additional financial information for these joint ventures are as follows:

	MTRGC		SSSPC	
	2020	2019	**2020**	2019
Cash and cash equivalents	**P 12,235,148**	P 17,084,509	**P 22,863,451**	P107,221,042
Depreciation and amortization	**21,797,175**	14,513,362	**59,934,709**	40,391,372
Interest income	**21,948**	75,970	**591,536**	351,310
Interest expense	**5,092,877**	1,986,846	**1,447,420**	1,463,337
Income tax expense (income)	**16,518,484**	1,392,248	**(26,863,886)**	24,369,136

A reconciliation of the summarized financial information to the carrying amount of the investments in associates is shown below (amounts in thousands of PHP).

	Net Asset Value	Share in Net Assets	Carrying Value of Investments
2020			
MTRGC	P 100,552	P 41,890	P 42,743
SSPPC	148,888	62,027	62,027
Total		P 103,917	P 104,770
2019			
MTRGC	P 141,852	P 59,096	P 59,107
SSPPC	207,939	86,627	86,627
Total		P 145,723	P 145,734

11.4 Interest in Joint Operations

As discussed in Notes 1.2(k) and 1.2(l), MGCJV shall undertake the construction works for the renovation and expansion of the MCIA Project in Cebu, while, MGCJVI shall undertake the construction works of the Clark Airport. Also, as discussed Note 2.3(c)(i), the Parent Company's interests in MGCJV and MGCJVI are accounted for as joint arrangement – joint operation and, as such, the Parent Company accounts for its interest in the relevant assets, liabilities, revenues and expenses of MGCJV and MGCJVI.

There were no capital commitments for the year ended December 31, 2020 and 2019.

As of and for the years ended December 31, 2020 and 2019, the relevant financial information of the Group's interest in MGCJV and MGCJVI which are included in the appropriate accounts in the Group's consolidated statements of financial position and consolidated statements of income is as follows:

	Before Elimination	Elimination	After Elimination
December 31, 2020			
Assets:			
Cash and cash equivalents	P 1,009,152,103	P -	P 1,009,152,103
Trade and other receivables	238,784,962	(221,052,328)	17,732,634
Other current assets	26,892,943	-	26,892,943
Property, plant, and equipment – net	4,941,729	-	4,941,729
	P 1,279,771,737	**(P 221,052,328)**	**P 1,058,719,409**
Liabilities:			
Trade and other payables	P 647,181,181	P -	P 647,181,181
Due to related parties	3,088,767	-	3,088,767
	P 650,269,948	**P -**	**P 650,269,948**
Revenues and Expenses:			
Contract revenues	P 1,313,678,683	(P 214,945,351)	P 1,098,733,332
Contract costs	(1,058,509,197)	161,497,804	(897,011,393)
Other operating expenses	(68,202,200)	-	(68,202,200)
Finance income	(6,639,558)	-	(6,639,558)
	P 180,327,728	**(P 53,447,547)**	**P 126,880,181**
December 31, 2019			
Assets:			
Cash and cash equivalents	P 1,167,163,906	P -	P 1,167,163,906
Trade and other receivables	3,962,343,717	(224,587,759)	3,737,755,958
Other current assets	42,132,100	-	42,132,100
Property, plant, and equipment – net	10,624,220	-	10,624,220
	P 5,182,263,943	(P 224,587,759)	P 4,957,676,184
Liabilities:			
Trade and other payables	P 927,731,006	P -	P 927,731,006
Due to related parties	9,082,068	-	9,082,068
Loans payable	3,750,000,000	-	3,750,000,000
	P 4,686,813,074	P -	P 4,686,813,074
Revenues and Expenses:			
Contract revenues	P 3,553,993,205	(548,512,385)	P 3,005,480,820
Contract costs	(3,095,397,238)	515,682,301	(2,579,714,937)
Other operating expenses	(130,291,134)	-	(130,291,134)
Finance income	(34,209,783)	-	(34,209,783)
	P 294,095,050	(P 32,830,084)	P 261,264,966

12. OTHER ASSETS

This account is composed of the following:

	Notes	2020	2019
Current:			
Advances to contractors and suppliers	12.1	**P 4,857,992,746**	P 3,636,414,208
Prepaid taxes	12.4	**812,495,632**	723,415,162
Deferred fulfilment costs	12.8	**787,283,237**	579,089,321
Input VAT	12.2	**775,596,442**	591,350,448
Deferred input VAT	12.2	**455,773,123**	477,092,309
Refundable security and bond deposits		**155,107,192**	164,136,039
Prepaid insurance		**37,516,325**	13,122,680
Prepaid subscription		**17,966,039**	9,402,172
Prepaid rent		**16,699,653**	17,505,228
Deferred transaction cost	12.7	**-**	7,252,715
Miscellaneous		**40,313,939**	91,943,795
		7,956,744,328	6,310,724,077
Non-current:			
Deferred input VAT	12.2	**P 1,798,604,430**	P 1,909,715,112
Investment in trust fund	12.6	**401,525,300**	862,704,457
Deposits for condominium units	12.3	**121,265,571**	136,301,359
Computer software license – net	12.5	**47,859,287**	47,315,840
Refundable security deposits	2.4	**44,421,967**	32,643,694
Advances to contractors and suppliers	12.1	**7,999,946**	13,316,709
Miscellaneous		**168,125**	-
		2,421,844,626	3,001,997,171
		P10,378,588,954	P 9,312,721,248

12.1 Advances to Contractors and Suppliers

Current portion of advances to contractors and suppliers pertain to down payments made by the Group based on a certain percentage of the contract price. The initial payment will eventually be recouped or deducted from the amount payable of the Group either in a pro-rated basis or in full once billed by the contractors and supplier. These advances are classified as current since it would be applied as payments for subcontractors. This also includes materials and supplies provided by the Group to subcontractors which will be deducted to the progress billings of the subcontractors upon installation. The risk of loss on these materials and supplies are borne by the subcontractors.

Impairment of current portion of advances to contractors and suppliers was assessed through determining the position of the contractors and suppliers on their capacity to comply according to their performance obligation. Despite the impact of COVID 19, the Group deemed the advances to be recouped by qualifying contractors and suppliers through their work progress as well as using outstanding liability of the Group to the contractors and suppliers as leverage.

On the other hand, non-current portion of this is related to the down payments made by the Group for the construction of airport terminal building and acquisitions of property, plant and equipment.

12.2 Input VAT

Input VAT under other current assets pertains to the payment of VAT on purchases of services and goods that is recoverable within 12 months. Deferred input VAT pertains to the unamortized input VAT on purchases of capital goods exceeding P1.0 million. Deferred input VAT arising from purchase of capital goods exceeding P1.0 million is to be amortized and credited against output tax evenly over five years or the life of the asset, whichever is shorter.

Non-current portion of deferred input VAT amounting to P1,729.3 million and P1,809.4 million as of December 31, 2020 and 2019, respectively, represents GMCAC's deferred input VAT arising mainly from the acquisition of goods and equipment and payment of services in relation to the construction activities in the airport. The balance is to be transferred to input VAT under Other Current Assets systematically on the basis of the Group's projected output VAT payments over the term of the Concession Agreement (see Note 13).

12.3 Deposits for Condominium Units

Deposits for condominium units represent initial downpayments made for the purchase of condominium units. These will be reclassified to investment property upon execution of contract to sell and deed of sale.

12.4 Prepaid Taxes

Prepaid taxes pertain to the excess of quarterly income tax payments over the current tax due during the year and creditable withholding taxes.

12.5 Computer Software License

The details of this account are presented below.

	2020	2019	2018
Cost	**P 147,037,422**	P 129,596,424	P 104,219,678
Accumulated amortization	**(99,178,135)**	(82,280,584)	(67,238,882)
	P 47,859,287	P 47,315,840	P 36,980,796

A reconciliation of the carrying amounts of computer software license at the beginning and end of the reporting periods is shown below.

	Notes	2020	2019
Balance at beginning of year		**P 47,315,840**	P 36,980,796
Additions	13	**17,440,998**	27,538,033
Reclassification	14	**-**	(2,264,142)
Amortization expense for the year	23	**(16,897,551)**	(14,938,847)
Balance at end of year		**P 47,859,287**	P 47,315,840

In 2019, certain computer software license was reclassified under concession asset in relation to the construction of the new T2 building and structural designs (see Note 14).

The related amortization charges were recorded as part of Depreciation and amortization under Other Operating Expenses account in the consolidated statements of income.

12.6 Investment in Trust Fund

On November 28, 2015, GMCAC's BOD authorized GMCAC to establish, maintain and operate trust and investment accounts with a local universal bank (Security Trustee). The investment in trust fund constitutes (i) Revenue Accounts; (ii) Future Major Maintenance Fund Account; (iii) Debt Service Reserve Accounts; (iv) Debt Service Payment Account; and, (v) Distribution Accounts, collectively referred to as "Cash Flow Waterfall Accounts" and Loan Disbursement Accounts under a certain Omnibus Loan and Security Agreement (OLSA) to ensure the prompt payment of the required amortization, interest and principal of the long-term loan. As of December 31, 2020 and 2019, the investment in trust fund is composed only of cash.

The OLSA provided that the Security Trustee shall invest and reinvest the monies in the collateral accounts [see Note 18.2(a)].

12.7 Deferred Transaction Cost

Deferred transaction cost represents legal and documentary stamp taxes paid and amount attributable to the undrawn borrowing facility scheduled for drawdown in the subsequent reporting periods. Upon drawdown, the deferred transaction cost will be accounted for as debt issuance cost which is treated as a discount on the related debt and amortized using the effective interest method over the term of the related debt (see Note 18.2). The deferred transaction cost was already fully amortized in 2020.

12.8 Deferred Fulfilment Cost

Deferred fulfilment cost pertains to costs that are directly related to a specific construction contract, generate or enhance resources that will be used to fulfill a performance obligations of the Group in the future, and are recoverable under the contract. Such costs include, but are not limited to, mobilization costs of equipment and labor, engineering and design costs, insurance and depreciation of equipment related to a specific contract.

The policy on initial and subsequent measurement of these deferred fulfilment costs are discussed in Note 2.17.

The movement of deferred fulfilment costs is shown below:

	2020	2019
Balance at beginning of year	**P 579,089,321**	P 1,633,221,503
Additions	**430,684,262**	2,691,241,931
Amortization	**(222,490,346)**	(3,745,374,113)
Balance at end of year	**P 787,283,237**	P 579,089,321

13. CONCESSION ASSETS

Concession Agreement refers to the agreement entered into by the Parent Company and GIL with DOTr and MCIA by virtue of Revised Implementing Rules and Regulations of Republic Act (R.A.) No. 6957, "*An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector and for Other Purposes*", as amended by R.A. No. 7718 (referred to as the *"BOT Law"*). Under the said agreement, GMCAC was granted by DOTr and MCIA an exclusive right to design, develop, and undertake the MCIA Project; and, enjoy complete and uninterrupted possession of all movable and immovable assets for purposes of implementing the Project, whether tangible or intangible pertaining to concessionaire Operations and Maintenance (O&M) Facilities such as the existing assets, project land, assets produced, installed, built and created pursuant to the Concession Agreement, commercial assets, among others, (collectively referred as Project Assets) [see Note 1.2(a)]. The Concession Agreement is for a period of 25 years commencing on O&M start date unless further extended pursuant to the Concession Agreement.

The MCIA Project comprises the following undertaking:

- Construction of Terminal 2 (T2), along with all Associated Facilities;
- Renovation and expansion, but not the demolition of Terminal 1 (T1) and Associated Facilities;
- Complete reconstruction of Terminal 2 Apron (T2 Apron);
- Capacity Augmentation;
- Development of Commercial Assets; and,
- Operation and Maintenance of the Concessionaire O&M Facilities and Commercial Assets.

As of December 31, the breakdown of the capitalized concession assets is as follows:

	Airport Upfront Fees	Infrastructure	Total
December 31, 2020			
Cost			
Balance at beginning of year	P 18,299,678,949	P 12,651,605,702	P 30,951,284,651
Additions	359,368,150	296,058,161	655,426,311
Reclassification	-	212,000	212,000
Balance at end of year	18,659,047,099	12,947,875,863	31,606,922,962
Accumulated amortization			
Balance at beginning of year	(735,299,726)	(779,398,455)	(1,514,698,181)
Amortization for the year	(66,653,264)	(96,843,800)	(163,497,064)
Balance at end of year	(801,952,990)	(876,242,255)	(1,678,195,245)
Net carrying amount	**P 17,857,094,109**	**P 12,071,633,608**	**P 29,928,727,717**
December 31, 2019			
Cost			
Balance at beginning of year	P 17,899,920,545	P 11,165,494,142	P 29,065,414,687
Additions	399,758,404	1,486,111,560	1,885,869,964
Balance at end of year	18,299,678,949	12,651,605,702	30,951,284,651
Accumulated amortization			
Balance at beginning of year	(501,163,876)	(274,937,732)	(776,101,608)
Amortization for the year	(234,135,850)	(504,460,723)	(738,596,573)
Balance at end of year	(735,299,726)	(779,398,455)	(1,514,698,181)
Net carrying amount	P 17,564,379,223	P 11,872,207,247	P 29,436,586,470
January 1, 2019			
Cost	P 17,899,920,545	P 11,165,494,142	P 29,065,414,687
Accumulated amortization	(501,163,876)	(274,937,732)	(776,101,608)
Net carrying amount	P 17,398,756,669	P 10,890,556,410	P 28,289,313,079

Upfront fees include P14,404.6 million bid premium paid by GMCAC to the Philippine Government for the MCIA Project. In addition, the capitalized borrowing costs amounted to P610.5 million and P684.6 million as at December 31, 2020 and 2019, respectively, at a capitalization rate of 4.99% to 9.69% in 2020 and 2019.

Cost of airport infrastructure pertains mainly to the design and renovation of passenger terminals and development works of the MCIA Project. Additions to airport infrastructure, include, among others, the rehabilitation of the existing T1, construction of the new T2 building, and structural design.

As of December 31, 2020, and 2019, concession assets not yet available for use amounted to P9,007.9 million and P8,670.7 million , respectively. The breakdown of concession assets not yet available for use are shown below.

	2020	2019
Capacity augmentation	**P 7,881,311,850**	P 7,350,467,193
Fuel hydrant	**903,350,447**	808,000,392
Link bridge	**223,214,286**	223,214,286
Variation order	**-**	289,063,263
	P 9,007,876,583	P 8,670,745,134

Concession assets not yet available for use are not amortized but tested for impairment at December 31, 2020 and 2019 in accordance with GMCAC's accounting policy. The recoverable amounts of these were determined based on a value in use calculation using cash flow projections from financial model approved by the management covering a 19-year period, the remaining life of the concession. The pre-tax discount rate applied to cash flow projections is 12.3% and 10.9% as of December 31, 2020 and 2019. The growth rate applied after the completion of Airport Terminal 2 Building ranges from 5% to 10% with an increasing rate after completion of the required capacity augmentation. As a result of this analysis, management concluded that the concession assets not yet in use are not impaired.

14. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation at the beginning and end of December 31, 2020 and 2019 are shown below.

	Land [As Restated - See Note 2.1d]	**Building**	**Precast Factory**	**Office Furniture, Fixture and Equipment**	**Transportation Equipment**	**Precast and Construction Equipment**	**Construction in Progress**	**Right of Use Asset (See Note 16)**	**Total**
December 31, 2020									
Cost	P 994,061,255	P 499,811,749	P 683,560,326	P 814,391,979	P 881,408,747	P 7,748,453,297	P 653,700,622	P 849,731,333	P13,125,119,308
Accumulated depreciation	-	(127,375,631)	(276,713,333)	(574,332,343)	(582,525,580)	(3,825,473,738)	-	(241,350,359)	(5,627,770,984)
Net carrying amount	**P 994,061,255**	**P 372,436,118**	**P 406,846,993**	**P 240,059,636**	**P 298,883,167**	**P3,922,979,559**	**P 653,700,622**	**P 608,380,974**	**P7,497,348,324**
December 31, 2019 –									
Cost	P 989,509,286	P 481,860,502	P 675,212,912	P 722,955,234	P 813,691,664	P 7,584,937,751	P 164,766,976	P 701,317,660	P12,134,251,985
Accumulated depreciation	-	(88,688,776)	(221,638,815)	(353,045,181)	(493,990,199)	(3,178,005,390)	-	(132,873,188)	(4,468,241,549)
Net carrying amount	P 989,509,286	P 393,171,726	P 453,574,097	P 369,910,053	P 319,701,465	P 4,406,932,361	P 164,766,976	P 568,444,472	P 7,666,010,436
January 1, 2019									
Cost	P 703,175,409	P 283,116,297	P 549,726,531	P 541,034,388	P 700,901,288	P 5,832,197,808	P 150,907,111	P -	P 8,761,058,832
Accumulated depreciation	-	(78,258,889)	(165,925,458)	(241,886,402)	(453,068,963)	(2,627,968,086)	-	-	(3,567,107,798)
Net carrying amount	P 703,175,409	P 204,857,408	P 383,801,073	P 299,147,986	P 247,832,325	P 3,204,229,722	P 150,907,111	P -	P5,193,951,034

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of 2020 and 2019 is shown below.

	Land [As Restated - See Note 2.1(d)]	**Building**	**Precast Factory**	**Office Furniture, Fixture and Equipment**	**Transportation Equipment**	**Precast and Construction Equipment**	**Construction in Progress**	**Right of Use Asset (See Note 16)**	**Total**
Balance at January 1, 2020, net of accumulated depreciation									
As previously reported	P 1,291,654,461	P 393,171,726	P 453,574,097	P 369,910,053	P 319,701,465	P 4,406,932,361	P 164,766,976	P 568,444,472	P 7,968,155,611
Restatement	(302,145,175)	-	-	-	-	-	-	-	(302,145,175)
As restated	989,509,286	393,171,726	453,574,097	369,910,053	319,701,465	4,406,932,361	164,766,976	568,444,472	7,666,010,436
Additions	4,551,969	17,951,247	15,799,464	90,988,975	71,748,419	190,208,703	472,933,005	157,183,969	1,021,365,751
Disposal	-	-	-	(107,288)	(47,849)	(1,095,170)	-	(1,236,705)	(2,487,012)
Reclassification due to CIP Reversal	-	-	(9,021,062)	1,743,112	(3,803,589)	5,399,725	16,000,641	(10,530,827)	(212,000)
Depreciation charge for the year	-	(38,686,855)	(53,505,506)	(222,475,216)	(88,715,279)	(678,466,060)	-	(105,479,935)	(1,187,328,851)
Balance at December 31, 2020, net of accumulated depreciation	**P 994,061,255**	**P 372,436,118**	**P 406,846,993**	**P 240,059,636**	**P 298,883,167**	**P 3,922,979,559**	**P 653,700,622**	**P 608,380,974**	**P 7,497,348,324**
Balance at January 1, 2019, net of accumulated depreciation									
As previously reported	P 1,005,320,584	P 204,857,408	P 383,801,073	P 299,147,986	P 247,832,325	P 3,204,229,722	P 150,907,111	P -	P5,496,096,209
Restatement	(302,145,175)	-	-	-	-	-	-	-	(302,145,175)
As restated	703,175,409	204,857,408	383,801,073	299,147,986	247,832,325	3,204,229,722	150,907,111	-	5,193,951,034
Effect of adoption of PFRS 16	-	-	-	-	(43,014,177)	(134,891,630)	-	212,183,448	34,277,641
Additions	349,499,888	97,057,738	70,436,606	191,991,957	194,719,927	2,019,643,231	130,701,894	424,531,514	3,478,582,755
Disposal	(63,166,011)	(6,490,029)	-	(72,694)	(339,847)	(12,455,765)	-		(82,524,346)
Reclassification due to CIP Reversal	-	118,386,041	42,559,334	(20,241,007)	970,651	(22,568,848)	(116,842,029)	-	2,264,142
Depreciation charge for the year	-	(20,639,432)	(43,222,916)	(100,916,189)	(80,467,414)	(647,024,349)	-	(68,270,490)	(960,540,790)
Balance at December 31, 2019, net of accumulated depreciation	P 989,509,286	P393,171,726	P 453,574,097	P369,910,053	P 319,701,465	P 4,406,932,361	P 164,766,976	P 568,444,472	P 7,666,010,436

Construction in progress pertains to accumulated costs incurred in constructing a new precast warehouse, workers barracks and logistics department facility which are located in Taytay, Rizal.

In 2020, 2019 and 2018, certain property, plant and equipment were sold for P4.3 million, P92.1 million and P30.1 million, respectively. As a result, the Group recognized gains amounting to P1.9 million, P9.6 million, and P2.9 million in 2020, 2019 and 2018, respectively, and are presented as Gain (loss) on disposals of property and equipment as part of Others – net under Other Income (Charges) account in the consolidated statements of income (see Note 25.3).

As of December 31, 2020 and 2019, the gross carrying amounts of the Group's fully-depreciated property, plant and equipment that are still in use are P708.6 million and P596.1 million respectively. The Group has no idle properties in any of the years presented.

Depreciation expense is charged to the following accounts in the consolidated statements of income:

	Notes	**2020**	2019	2018
Contract costs	22.1	**P 924,021,681**	P 773,562,002	P 552,073,867
Cost of landport operations	22.3	**104,800,106**	56,627,495	-
Other operating expenses	23	**158,507,064**	130,351,293	82,184,444
		P 1,187,328,851	P 960,540,790	P 634,258,311

15. INVESTMENT PROPERTIES

The gross carrying amounts and the accumulated depreciation of investment properties at the beginning and end of the reporting periods are shown below.

	Land [As Restated - see Note 2.1(d)]	Commercial Area	Total
December 31, 2020			
Cost	P 502,509,171	P 3,767,853,349	P 4,270,362,520
Accumulated depreciation	-	(149,468,155)	(149,468,155)
Net carrying amount	**P 502,509,171**	**P 3,618,385,194**	**P 4,120,894,365**
December 31, 2019			
Cost	P 462,416,110	P 3,767,853,349	P 4,230,269,459
Accumulated depreciation	-	(43,549,003)	(43,549,003)
Net carrying amount	P 462,416,110	P 3,724,304,346	P 4,186,720,456
January 1, 2019			
Cost	P 437,755,175	P 3,322,105,588	P 3,759,860,763
Accumulated depreciation	-	-	-
Net carrying amount	P 437,755,175	P 3,322,105,588	P 3,759,860,763

Investment properties account includes parcels of land that are not used by the Group for administrative and supply of goods or services of the business and only held for capital appreciation amounting to P502.5 million and P462.4 million as of December 31, 2020 and 2019, respectively. Based on management's assessment, the carrying amounts of these assets are fully recoverable, hence, no impairment loss is required in both years. The fair value these assets for 2020 and 2019 amounts to P1,859.5 million (see Note 33.6).

As discussed in Note 3.1(l), MWMTI was granted an exclusive right and obligation under the Concession Agreement. Relative to the arrangement, MWMTI incurred costs necessary to construct the facility. The separately identifiable accumulated costs incurred in the development of the PITX Project are allocated based on development and implementation plan for the landport and commercial areas. Any change in the allocation arising from the necessary revisions in the implementation plan is accounted for prospectively in the consolidated financial statements.

The allocation of cost as of the end of the reporting periods are as follows:

	2020	2019
Landport area (see Note 9)	**P 510,141,518**	P 510,141,518
Commercial area	**3,618,385,194**	3,724,304,346
	P4,128,526,712	P4,234,445,864

Costs incurred for the landport area are presented as unbilled receivables under Contract Assets account in the consolidated statements of financial position (see Note 9). Unbilled receivable is recognized to the extent of actual cost incurred for the period. Meanwhile, costs incurred for the commercial area are presented as part of Investment Properties in the 2020 and 2019 consolidated statements of financial position.

Also, in 2018, the Group identified that the increase in fair value of MWMTI by P307.4 million is attributed to its investment property. Accordingly, the Group recognized gain or bargain purchase from the acquisition of MTI of the same amount [see Notes 3.2(g) and 25.3]. The Group considers the entire portfolio which comprise the Contract Assets and Investment Property in determining the recoverability of the carrying amounts of these assets taking into consideration the potential cash flow earnings, discounted to its present value.

In March 2019, the Group started to depreciate the investment property using straight-line method as the asset is already readily available for its intended use. Depreciation is computed over the concession period of 33 years.

A reconciliation of the carrying amounts of investment property at the beginning and end of the reporting periods is shown below.

	Land [As Restated - see Note 2.1(d)]	**Commercial Area**	**Total**
Balance at January 1, 2020, net of accumulated depreciation and amortization	P 462,416,110	P 3,724,304,346	P 4,186,720,456
Additions	40,093,061	-	40,093,061
Depreciation and amortization charges for the year	-	(105,919,152)	(105,919,152)
Balance at December 31, 2020, net of accumulated depreciation and amortization	**P 502,509,171**	**P 3,618,385,194**	**P 4,120,894,365**
Balance at January 1, 2019, net of accumulated depreciation and amortization	P 437,755,175	P 3,322,105,588	P 3,759,860,763
Additions	24,660,935	445,747,761	470,408,696
Depreciation and amortization charges for the year	-	(43,549,003)	(43,549,003)
Balance at December 31, 2019, net of accumulated depreciation and amortization	P 462,416,110	P 3,724,304,346	P 4,186,720,456

16. LEASES

The Group has leases for construction equipment and transportation equipment. With the exception of short-term leases and leases of low-value underlying assets, each right-of-use asset and lease liability from leases are reflected on the consolidated statements of financial position as part of property, plant and equipment and interest-bearing loans and borrowings, respectively. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over warehouses and offices, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statement of financial position.

	Number of right-of-use assets leased	Range of remaining term	Number of average remaining lease term	Number of leases with extension options	Number of leases with options to purchase	Number of leases with termination options
Transportation equipment	162	1 – 5 years	3 years	-	49	-
Precast and construction equipment	164	2 – 10 years	6 years	-	54	-

16.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets (see Note 14) as at December 31, 2020 and 2019 and the movements during the period are shown below.

	Precast and Construction Equipment	Transportation Equipment	Total
Balance as of January 1, 2020	P 376,631,729	P 191,812,743	P 568,444,472
Additions	121,647,007	35,536,960	157,183,967
Disposals	-	(1,236,701)	(1,236,701)
Reclassification	(6,727,240)	(3,803,589)	(10,530,829)
Depreciation and amortization	(51,127,125)	(56,352,810)	(107,479,935)
Balance at December 31, 2020	**P 440,424,371**	**P 165,956,603**	**P 606,380,974**
Balance as of January 1, 2019	P 134,891,630	P 77,291,818	P 212,183,448
Additions	272,329,885	152,201,629	424,531,514
Depreciation and amortization	(30,589,786)	(37,680,704)	(68,270,490)
Balance at December 31, 2019	P 376,631,729	P 191,812,743	P 568,444,472

16.2 Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as part of Interest-bearing Loans and Borrowings (see Note 18) as at December 31, 2020 and 2019 as follows:

	2020	2019
Current	**P 195,172,595**	P 139,443,656
Non-current	**337,495,382**	334,907,047
	P 532,667,977	P 474,350,703

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's business strategy and the economic benefits of exercising the option exceeds the expected overall cost.

As of December 31, 2020, and 2019, the Group has not committed to any leases which had not commenced.

16.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The expenses pertaining to short-term leases and low-value assets amounted to P30.1 million and P47.4 million in 2020 and 2019, respectively, and is presented as Rentals as part of Administrative expenses under Other Operating Expenses (Income) in the consolidated statements of income (see Note 23).

16.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P172.0 million and P115.3 million in 2020 and 2019, respectively, and is presented as part of Repayment of interest-bearing loans and borrowings in the statement of cash flows. Interest expense in relation to lease liabilities amounted to P36.1 million and P22.1 million in 2020 and 2019, respectively, and is presented as part of Finance costs under Finance Income (Costs) in the consolidated statements of income (see Note 25.1).

The lease liabilities are secured by the related underlying assets. The maturity analysis of lease liabilities at December 31, 2020 and 2019 is as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
December 31, 2020						
Lease payments	P 232,933,013	P 192,140,869	P 115,203,419	P 57,409,144	P 8,266,159	P 605,952,604
Finance charges	(37,760,418)	(22,308,392)	(10,165,774)	(2,843,661)	(206,382)	(73,284,627)
Net present value	P 195,172,595	P 169,832,477	P 105,037,645	P 54,565,483	P 8,059,777	P 532,667,977
December 31, 2019						
Lease payments	P 173,754,977	P 154,811,019	P 118,511,190	P 71,505,203	P 33,525,354	P 552,107,743
Finance charges	(34,311,321)	(23,107,246)	(13,427,038)	(6,162,507)	(748,928)	(77,757,040)
Net present value	P 139,443,656	P 131,703,773	P 105,084,152	P 65,342,696	P 32,776,426	P 474,350,703

17. TRADE AND OTHER PAYABLES

This account consists of the following:

	Notes	**2020**	2019
Trade payables		**P 4,002,239,479**	P 3,954,928,198
Retention payable		**2,195,156,203**	2,166,300,006
Interest payable	18	**920,315,247**	119,628,207
Accrued expenses		**749,582,769**	1,235,331,916
Derivative liability	7	**121,895,954**	78,552,254
Security deposits	20	**119,723,716**	149,921,652
Due to related parties	28.5	**20,000,000**	20,000,000
Dividends payables	27.2	**-**	239,937,858
Non-trade payables	27.4	**-**	25,000,000
Others		**163,037,855**	177,989,354
		P 8,291,951,223	P 8,167,589,445

Retention payable pertains to amounts withheld from payments made to subcontractors to ensure compliance and completion of contracted projects ranging from 5% to 10% of every billing made by the contractor. Upon completion of the subcontracted projects, the amounts are returned to the subcontractors.

Non-trade payables pertain to dividends payable to non-controlling interests. Dividends payables relate solely to the dividends declared by the Parent Company.

Accrued expenses include mainly unpaid utilities.

Others include accrued salaries and other non-trade payables.

18. INTEREST-BEARING LOANS AND BORROWINGS

The details of short-term and long-term interest-bearing loans and borrowings are as follows:

	Notes	**2020**	2019
Current:			
Bank loans	18.2, 29.4	**P 12,915,285,156**	P 10,791,617,597
Notes payable	18.1, 29.4	**-**	3,750,000,000
Lease liability	16.2	**195,172,595**	139,443,656
		13,110,457,751	14,681,061,253
Non-current:			
Bank loans	18.2, 29.4	**26,881,620,942**	27,634,014,387
Notes payable	18.1, 29.4	**5,590,791,232**	5,102,929,990
Lease liability	16.2	**337,495,382**	334,907,047
		32,809,907,556	33,071,851,424
		P 45,920,365,307	P 47,752,912,677

The total unpaid interest from the foregoing interest-bearing loans and borrowings as of December 31, 2020 and 2019 amounted to P920.3 million and P119.6 million, respectively, and is presented as Interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

18.1 Notes Payable

(a) Notes Payable – Current

As of December 31, 2019, current portion of Notes Payables pertains to 50% share in loans availed by MGCJVI. On March 22, 2018, MGCJVI entered into a P7.5 billion Omnibus Loan and Security Agreement (OLSA) with Metropolitan Bank & Trust Company (MBTC) and Philippine National Bank (PNB) as Lenders, PNB Trust Banking Group as Facility Agent and Security Trustee, and PNB Capital and Investment Corp. and First Metro Investment Corp. as Lead Arrangers.

The proceeds from the loan were used to partially finance the capital expenditures and costs in relation to the Project. The loans were paid in full in 2020 upon receipt of project milestone billings.

Details of the loan follow:

1) Interest: Interest is the sum of the benchmark rate plus 100 basis points. Benchmark rate is the PDST-R2 benchmark tenor for three (3) months as published on the Philippine Dealing & Exchange Corp. page (or such successor page) of Bloomberg (or such successor electronic service provider) under the heading "PDST-R2" at approximately 4:15 pm on the Interest Rate Setting Date; provided, that, in the event that a new benchmark rate will be adopted by the Bankers' Association of the Philippines or the existing benchmark rate is no longer reflective of the prevailing market rates, as may be reasonably determined by the Lenders together with the MGCJVI, all parties shall adopt a new benchmark rate appropriate for the Loan. Such interest shall accrue from and including the first day of each interest period and excluding the last day of such interest period.

2) Repayment: The principal amount shall be paid in the following instalments, within three (3) banking days from the MGCJVI's receipt of the relevant milestone payments from BCDA for the construction services rendered.

Principal Repayment Schedule	Milestone payment from BCDA - at 100% (in Bn)	Principal repayment of the Loan amount
First	P5.58	85% of milestone payment
Second	1.66	100% of milestone payment
Third	2.12	remaining balance of loan

3) Security: As security for timely payment of the loan and prompt observance of all provisions of the OLSA, the following are assigned as collateral on the Loan:

   - Project receivables and all monies standing in the MGCJVI's Payment Accounts amounting to P365.0 million
   - Project documents (EPC Contract, Notice of Award Certificate of Funds Availability and Bid Proposal)

4) Covenants: The OLSA provide certain restrictions and requirements which include among others, maintaining and preserving its corporate existence, complying with all of its material obligations under the project arrangements, restrictions on granting of loans or advances and disposal of major properties and restrictions on payment of dividends. The OLSA also provide financial covenants which include maintaining at each testing date a maximum debt-to-equity ratio of 80:20 after the first principal repayment date.

The total current portion of notes payable, which pertains to 50% share in loans availed by MGCJVI, amounted to P3,750.0 million in 2019 and nil in 2020.

MGCJVI has complied with all the debt covenants set forth in the notes facility agreement.

(b) 2013 Notes Facility

On February 19, 2013, the Parent Company executed a notes facility agreement with a local universal bank. In this agreement, the Parent Company desired to offer and issue fixed-rate corporate notes in the aggregate principal amount of P4,000.0 million. The net proceeds of the notes after deducting direct issue costs, such as underwriting fees and commissions, documentary stamp tax and other expenses associated with the issuance, amounted to P3,957.3 million.

The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation ranking at least pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Parent Company.

The notes are issued in three tranches with the following details:

	Principal	Term in Years	Interest Rate
Tranche A	P 650,000,000	5	5%
Tranche B	3,250,000,000	7	6%
Tranche C	100,000,000	10	6%
	P 4,000,000,000		

The nominal rates refer to the Philippine Dealing System Treasury (PDST) Fixing rates with respect to the term of each tranche plus an interest spread of 1.75% for Tranche A and B and 1.50% for Tranche C.

The notes, among other things, restrict the Parent Company's ability to:

1) incur any indebtedness to be secured by or to benefit from any lien, in favor of any creditor on, or in respect of any present or future assets or revenues or the right to receive income;
2) make any material change in the nature of its business from that being carried on as of the signing date;
3) enter into any merger or consolidation except if the issuer retains control of the surviving corporation, such merger or consolidation is required by law, and such merger does not result in material adverse effect;
4) amend its articles of incorporation and/or by-laws except as required by law;
5) declare or pay any cash dividend to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the notes are current and updated and provided that any such payment is made out of retained earnings and the debt to equity ratio of 2:1 are maintained;
6) sell, assign, lease, transfer, and/or dispose all or substantially all of its properties;
7) assign, transfer or otherwise convey any right to receive any of its income or revenues;
8) voluntarily suspend its business operations in a manner that will result in a material adverse effect;

9) extend any loan, advance or subsidy to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
10) permit its financial debt to equity ratio to exceed 2:1; and,
11) voluntarily prepay any indebtedness.

The Parent Company has complied with all the debt covenants set forth in the notes facility agreement.

Tranche A has matured already, leaving tranche B and C outstanding, with a carrying value of P3,162.9 million as at December 31, 2019. In 2020, Tranche B has matured already, leaving tranche C outstanding with a carrying value of P70.8 million as at December 31, 2020.

(c) 2016 Various Notes Facility

In 2016, the Parent Company entered into various notes facility arrangement with a local bank to refinance the corporate note issued in 2011 and to finance its capital expenditure and general corporate requirements.

The notes are issued with the following details:

Date Issued	Principal	Term in years	Interest Rate
September 16, 2016	P 650,000,000	10	5.5%
December 5, 2016	350,000,000	10	6.37%
December 16, 2016	1,000,000,000	10	6.37%
	P 2,000,000,000		

These 10-year corporate notes bear an interest rate based on the closing per annum rates of a ten (10)-year PDST-R2 rate on the PDS Group website plus a certain spread. The Parent Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.1.

The notes, among other things, restrict the Parent Company's ability to:

1) Engage in any business or make or permit any material change in the character of its business from that authorized on its amended articles of incorporation and by-laws;
2) Amendment of articles of incorporation and by-laws which would cause a material adverse effect or be inconsistent with the provisions of the finance document;
3) Change of ownership and management if as a result the stockholdings of Citicore Investments Holdings Inc. will fall below 51% or enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect;
4) Sale of asset, transfer or dispose of all or substantially all of its properties and assets except in the ordinary course of business;
5) Declaration of dividends or retirement of capital if the issuer shall not be in compliance with the financial covenants or would result to an event of default;

6) Loans and advances to its directors, officers and stockholders (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
7) Make a capital expenditure not in the ordinary course of business;
8) Incur additional debt or act as surety on behalf of third parties or incur monetary obligation which shall cause the issuer to breach the financial covenants;
9) Loans and advances to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
10) Directly or indirectly incur or suffer to exist any lien upon any assets and revenues, present and future of the issuer or enter into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future whether registered or unregistered of the issuer;
11) Except for permitted investments, invest in or acquire any (i) share in or any security issued by any person, (ii) acquire directly or indirectly the business or going concern or all substantially all the properties and assets or business of any other corporation or entity or invest in a controlling entity therein; and,
    It will not voluntarily suspend or discontinue its entire or a substantial portion of its business operation.

All of the three tranches of the second corporate note remained outstanding, with a carrying value of P1,920.0 million and P1,940.0 million as at December 31, 2020 and 2019, respectively. The whole carrying amount is presented under non-current portion of notes payable.

The Parent Company has complied with all the debt covenants set forth in the notes facility agreement.

(d) 2020 Various Notes Facility

On February 19, 2020, the Parent Company signed a P5,000.0 million corporate note facility, the proceeds of which will be used by the Parent Company to (a) retire maturing debt obligations, (b) to fund growth projects, and (c) for general corporate purposes.

The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation ranking at least pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Company.

The notes will be issued in five tranches as follows:

	Principal
Tranche A	P 3,600,000,000
Tranche B	350,000,000
Tranche C	350,000,000
Tranche D	350,000,000
Tranche E	350,000,000
	P 5,000,000,000

These 4.5-year corporate notes bear an interest rate based on the closing per annum rates of a 4.5-year PHP BVAL reference rate on the PDS Group website plus a certain spread, subject to a floor rate of 5%. The Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.10. Debt pertains to all interest-bearing loans and borrowing.

The notes, among other things, restrict the Parent Company's ability to:

1) incur any indebtedness to be secured by or to benefit from any lien, in favor of any creditor on, or in respect of any present or future assets or revenues or the right to receive income;
2) make any material change in the nature of its business from that being carried on as of the signing date;
3) enter into any merger or consolidation except if the issuer retains control of the surviving corporation, such merger or consolidation is required by law, and such merger does not result in material adverse effect;
4) amend its articles of incorporation and/or by-laws except as required by law;
5) declare or pay any cash dividend to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the Notes are current and updated and provided that any such payment is made out of retained earnings and the debt to equity ratio of 70:30 is maintained. Debt pertains to all interest-bearing loans and borrowing.;
6) sell, assign, lease, transfer, and/or dispose all or substantially all of its properties;
7) assign, transfer or otherwise convey any right to receive any of its income or revenues;
8) purchase or repurchase the indebtedness, or assume, guarantee, endorse, or otherwise become directly contingently liable for or in connection with any person (other than to its subsidiaries or affiliates, or financing or guarantees for the direct or indirect purchase or sale of the assets of Company, its subsidiaries or affiliates).
9) voluntarily suspend its business operations in a manner that will result in a material adverse effect;

10) extend any loan, advance or subsidy to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business or financing or guarantees for the direct or indirect purchase or sale of the assets of Company, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business; permit its financial debt to equity ratio to exceed 70:30 nor permit its debt service coverage ratio to fall below 1.10x. Debt pertains to all interest-bearing loans and borrowing.; and, voluntarily prepay any indebtedness.

In 2020, the Parent Company made its first drawdown on its third unsecured corporate note amounting to P3,600.0 million and remained outstanding as at December 31, 2020.

As of December 31, 2020 and 2019, the carrying amount of all the corporate notes are P5,590.8 million and P8,852.9 million, respectively.

Total interest on these notes payable amounted to P338.1 million, P304.8 million and P341.7 million in 2020, 2019 and 2018, respectively, and is presented as part of Interest expense from notes payable under Finance Costs account (see Note 25.1). Unpaid interest as of December 31, 2020 and 2019 amounting to P31.3 million and P29.8 million, respectively, and is presented as part of Interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

On August 10, 2017, the Parent Company sent a letter to the bank requesting the waiver of one of the loan negative covenants that prohibits the stockholdings of Citicore in the Parent Company to fall below 51% or enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect (see Note 1.1). In September 2017, the request was granted by the bank. The Parent Company is in compliance with all other covenants required to be observed under the loan facility agreement as of December 31, 2020 and 2019.

18.2 Bank Loans

(a) Omnibus Loan and Security Agreement – December 17, 2014

On December 17, 2014, GMCAC entered into a P20,000.0 million (which at GMCAC's option may be increased up to P23,300.0 million) OLSA with various local universal banks, as onshore lenders. On January 26, 2015, the parties amended the facility to include another universal bank as offshore lender to contribute US $75.0 million (or equivalent to P3,500.0 million) into the facility.

The total drawdowns to date made for the onshore loan amounted to P20,850.0 million while drawdowns on the offshore loan amounted to US$75.0 million (or equivalent to P3.8 billion). As of December 31, 2020, the carrying amount of the total onshore and offshore loans amounted to P23,863.9 million, of which current and non-current portion are P823.8 million and P23,040.1 million, respectively. As of December 31, 2019, the carrying amount of the total onshore and offshore loans amounted to P24,277.9 million, of which current and non-current portion are P543.9 million and P23,734.0 million, respectively.

The total drawdowns to date made for the onshore loan amounted to P20,850.0 million while drawdowns on the offshore loan amounted to US$75.0 million (or equivalent to P3.8 billion). As of December 31, 2020, the carrying amount of the total onshore and offshore loans amounted to P23,863.9 million, of which current and non-current portion are P823.8 million and P23,040.1 million, respectively. As of December 31, 2019, the carrying amount of the total onshore and offshore loans amounted to P24,277.9 million, of which current and non-current portion are P543.9 million and P23,734.0 million, respectively.

The facility has a term of 15 years, the repayment of which starts in 2019 and shall continue every year thereafter until 2030; and, interest requirements that are payable annually based on the following:

	First 7 Years	Last 8 Years
P20,000.0 million onshore loan	Sum of Base Rate 1 (PDST-R2 benchmark yield) and credit spread	Sum of Base Rate 2 (PDST-R2 benchmark yield) and credit spread
US$75.0 million offshore loan	LIBOR plus credit spread	LIBOR plus credit spread

As security for timely payment of the loan and prompt observance of all provision of the Omnibus Agreement, the following are pledged as collateral on this loan:

- all monies deposited and from time to time standing in the Cash Flow Waterfall Accounts;
- the Project receivables;
- the proceeds of any asset and business insurance obtained, except for the proceeds of insurance policies arising from damage of any Project Assets;
- the Project Documents (Accession Agreement, Technical Service Agreement and Engineering and Procurement Contract); and,
- the 100% of the total issued and outstanding capital stock of GMCAC.

As of December 31, 2020 and 2019, the carrying amount of the assets pledged, in the form of a trust fund investment, as collateral amounted to P401.5 million and P862.7 million, respectively (see Note 12.6).

In addition, the OLSA provides certain restrictions and requirements which include, among others, maintaining and preserving its corporate existence, complying with all of its material obligations under the project arrangements, restrictions on granting of loans or advances and disposal of major properties and restrictions on payment of dividends. The OLSA also provides financial covenants which include maintaining a maximum debt to equity ratio of 70:30 and a debt service coverage ratio of at least 1.1 times following the Project completion date. As of December 31, 2019, GMCAC has complied with the financial and non-financial covenants. However, as at December 31, 2020, the Company has debt-to-equity ratio of 68:32 and DSCR of 0.09, therefore unable to comply with the financial covenants. GMCAC, therefore, made negotiations as more fully discussed in the succeeding paragraphs.

GMCAC has availed of the following reliefs and renegotiated the terms of its existing loan agreements with its lenders as follows:

- Deferment of the Principal and Interest Payments due on June 15, 2020 and December 15, 2020

  Pursuant to Schedule V of the OLSA, GMCAC has principal and interest payable due on June 15, 2020, with the principal payable equivalent to 1% of total loan and with the interest accrued payable covering the period from December 15, 2019 to June 15, 2020. On May 29, 2020, GMCAC requested from the Lenders through a formal letter request, for the deferment of the principal and interest that will fall due on June 15, 2020 to July 15, 2020 or a 30-day grace period, citing as basis the provisions of Bayanihan to Heal as One Act (the "Bayanihan Act"). On June 11, 2020, GMCAC received a reply from the Lenders unanimously approving the 30-day grace period for principal and interest, of which interest on the outstanding principal shall continue to accrue during the 30-day grace period.

  GMCAC subsequently requested to further defer the payment of principal and interest for another 30 days, resulting to a further extended due date of August 14, 2020. On August 13, 2020, GMCAC requested for deferment of principal and interest due to at least September 15, 2020, or as agreed with Lenders. On September 15, 2020, the said principal and interest due were paid by GMCAC. Additional interest on the principal and interest due, accruing from June 15 to September 15, 2020, were also paid.

  Pursuant to Schedule V of the OLSA, GMCAC has principal and interest payable due on December 15, 2020, with the principal payable equivalent to 1% of total loan and with the interest accrued payable covering the period from June 16, 2020 to December 15, 2020. On December 11, 2020, GMCAC requested from the Lenders through a formal letter request, for the deferment of the principal and interest that will fall due on December 15, 2020 to February 15, 2021. On December 15, 2020, GMCAC received a reply from the Lenders unanimously approving the deferment for principal and interest, of which interest on the outstanding principal shall continue to accrue until February 15, 2021, as if such date were an interest payment date.

  On a letter dated February 14, 2021, GMCAC requested for further extension of payment date from February 15, 2021 to March 31, 2021. Interest on the outstanding principal shall continue to accrue until March 31, 2021, as if such date were an interest payment date and the current interest period shall be extended, and the succeeding interest period shall be shortened accordingly. The Lenders approved the request on February 15, 2021.

- Renegotiation of the terms of the OLSA

  On April 20, 2020, GMCAC has sent notification to the Lenders requesting for the relaxation of debt to equity ratio requirement, waiver on any breach to the maintenance of DSCR until 2022, and change in composition of DSCR computation, to take into account the expected temporary decline of cash flows related to the COVID-19 pandemic.

GMCAC has sent a revised notification to the Lenders requesting for the amendment of the terms of the OLSA which includes new principal and interest repayment schedules, additional interest due, required equity contribution by the stockholders, waiver on the breach to the maintenance of DSCR and revision of debt to equity ratio from 70:30 to 75:25, among others. As at April 8, 2021, GMCAC and the Lenders are completing the documentation and Management is confident that the agreement will be finalized by 2021.

The covenant ratios provide comfort to lenders that GMCAC has the capacity to service its obligations. On the other hand, such ratios may trigger an event of default, under the terms of the OLSA, if a written notice from Lenders is received by GMCAC indicating under performance from such ratios. Moreover, a succeeding written notice is further issued, declaring any unpaid principal and interest to be immediately demandable, if such under performance remain outstanding after 30 days upon receipt of the initial notice from the Lenders.

As of April 8, 2021, GMCAC has not yet received any written demands or notices from the Lenders which can be the basis for the loan to be classified as current. As such, the total carrying value of bank loans of GMCAC amounting to P23,040.1 million as at December 31, 2020 is still presented under the non-current portion of bank loans.

Based on GMCAC's assessment, the deferment of the principal and interest payments due on June 15, 2020 and December 15, 2020, constitute modifications in the contractual cash flows but is not substantial and therefore do not result in the derecognition of the affected financial liabilities.

Moreover, GMCAC's BOD authorized GMCAC to establish, maintain and operate trust and investment accounts with a Security Trustee to ensure the prompt payment of the required amortization, interest and principal of the long-term loan, which was established and maintained by GMCAC during the reporting period (see Note 12.6).

On December 17, 2014, GMCAC entered into a P20,000.0 million (which at GMCAC's option may be increased up to P23,300.0 million) OLSA with various local universal banks, as onshore lenders. On January 26, 2015, the parties amended the facility to include another universal bank as offshore lender to contribute US $75.0 million (or equivalent to P3,500.0 million) into the facility.

The movements of debt issuance cost relating to drawn amounts follows:

	2020	2019
Balance at the beginning of the year	**P 266,359,488**	P 293,695,919
Additions	**-**	3,411,467
Amortization during the year	**(25,694,865)**	(30,747,898)
Balance at the end of the year	**P 240,664,623**	P 266,359,488

The portion of the debt issue costs pertaining to the undrawn amount of the borrowing facility is recognized as part of Deferred transaction cost under Other Non-current Assets in the consolidated statements of financial position (see Note 12.7).

Total interest expense on these loans, including the amortization of debt issue costs, amounted to P1,050.7 million, P946.2 million and P552. 9 million in 2020, 2019 and 2018, respectively, and is presented as part of Interest expense from bank loans under Finance costs under Other Income (Charges) account in the consolidated statements of income (see Note 25.1). Total accrued interest amounting to P834.1 million and P71.2 million as of December 31, 2020 and 2019, respectively, is presented as part of Interest payable under Trade and Other Payables in the consolidated statements of financial position (see Note 17).

Provision in the loan indicates that the borrower shall pay to the lenders, a commitment fee equivalent to 0.3% per annum of the undrawn or uncancelled portion of the commitment that GMCAC does not draw in accordance with the drawdown schedule. In order to hedge the interest rate exposure on this floating rate US dollar-denominated loan maturing in June 2022, GMCAC entered into an interest rate swap transaction. As at December 31, 2020 and 2019, GMCAC recognized P121.9 million and P78.6 million derivative liability arising from this interest rate swap transaction (see Note 17).

(b) OLSA for PITX project

In 2015, the MWMTI entered into an Omnibus Loan and Security Agreement (OLSA) with a local universal bank for a loan facility amounting to P3,300.0 million to finance the construction of the ITS Project. In 2019, the MWMTI requested the lender to increase the loan by P600.0 million making the total principal loan to P3,900.0 million.

In 2017, the MWMTI made its first drawdown amounting to P825.0 million while the remaining loan facility was fully drawn in 2019 in tranches amounting to P3,075.0 million. The loan principal shall be amortized quarterly over 15 years and the first principal repayment is due on January 16, 2021. The interest-bearing loan is secured by the Joint Venturers and bear annual interest of 4.62%, 6.89%, and 6.89% in 2020, 2019, and 2018, respectively.

The interest-bearing loan requires the MWMTI to maintain a maximum debt-to-equity ratio of 70:30. In addition, the MWMTI is also required to observe at all times until full payment of the loan a debt service coverage ratio of at least 1.25.

In 2019, MWMTI exceeded the agreed debt-to-equity ratio and had lower than the stated debt service coverage ratio. Prior to December 31, 2019, MWMTI requested for the financial covenants not to be enforced during the grace period of the loan, which was confirmed by one of the Bank's officers. MWMTI was also able to increase its credit line and drawdown and has been up to date in servicing of its loan. In addition, it has not received any written notice from the bank that the loan is already due and demandable, as required in the loan agreement to classify the loan as current as of the date of the issuance of the 2019 consolidated financial statements. Hence the loan was classified as non-current as of December 31, 2019. In 2020, MWMTI has already complied with affirmative and negative covenants indicated in the OLSA.

Total interest expense on these loans, including the amortization of debt issue costs, amounted to P173.5 million and P112.5 million in 2020 and 2019, respectively, and is presented as part of Interest expense from bank loans under Finance costs under Other Income (Charges) account in the 2020 and 2019 consolidated statements of income (see Note 25.1). Total accrued interest amounting to P17.5 million and P22.1 million as of December 31, 2020 and 2019, respectively, is presented as part of Interest payable under Trade and Other Payables in the consolidated statements of financial position (see Note 17).

The total carrying value of bank loans of MWMTI as of December 31, 2020 amounting to P59.0 million and P3,841.5 million are presented under the current and non-current portion, respectively, of bank loans. As of December, 31,2019, the carrying amount amounting to P3,900.0 million is presented under the non-current portion of bank loans.

Other Bank Loans

In addition, the Group also obtained various bank loans with total outstanding balance of P12,032.9 million and P10,247.7 million as of December 31, 2020 and 2019, respectively, representing unsecured short-term loans from other local banks. The loans bear fixed annual interest rates ranging from 5.10% to 7.5% in 2020, 5.13% to 7.0% in 2019 and 2.6% to 2.8% in 2018. Total interest on these bank loans amounted to P624.4 million, P629.9 million and P160.9 million in 2020, 2019 and 2018, respectively, and is presented as part of Interest expense from bank loans under Finance costs under Other Income (Charges) account in the consolidated statements of income (see Note 25.1). The unpaid portion of these interest amounted to P37.4 million and P18.7 million as of December 31, 2020 and 2019, respectively, and is presented as part of Interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

The total amount of various bank loans from the Parent Company amounting to P12,032.9 million and P10,247.7 million as at December 31, 2020 and 2019, respectively, are presented under the current portion of bank loans.

(c) Finance Cost, Events of Default and Covenant Compliance

Total interest on interest bearing loans and borrowings amounted to P338.1 million, P304.8 million and P341.7 million in 2020, 2019 and 2018, respectively, and is presented as Interest expense from notes payable under Finance Costs account in the statements of income (see Note 25.1). Unpaid interest as of December 31, 2020 and 2019 amounting to P31.3 million and P29.8 million, respectively, and is presented as Interest payable under Trade and Other Payables account in the statements of financial position (see Note 17).

The Group is in compliance with all other covenants required to be observed under the loan facility agreements, except for GMCAC which breached the loan covenant during 2020, however retains its loan to non-current, due to on-going negotiation with their syndicated loan with the banks. Also, MWMTI failed to comply with the covenants from the loan facility but retains the loan to non-current classification due to the absence of notice from the bank of a demand which is provided in the loan agreement to constitute reclassification of loan to current.

In the event of a default, the loan and all interest accrued and unpaid shall be due and payable as instructed by the facility agent and all declared commitments terminated, then the Security Trustee and the Lenders may foreclose upon any of the Security pursuant to the terms of the Agreement and the proceeds of any sale, disposition or other realization or foreclosure shall be paid to the loan distributed in the manner stated in the Agreement.

Events of default constitutes default on loan payment due and payable, except due to technical or administrative error, material misrepresentation, non-remediable violation of the covenants in the Loan Document, revocation of the project documents, cross default, failure to observe material obligations in the Project Documents or it becomes unlawful resulting to a material adverse effect, suspension, insolvency, payment of decree or writ of garnishment, the assigned assets are substantially impaired or seized and any event resulting in a material adverse effect.

19. CONTRACT LIABILITIES

The significant changes in the contract liability balances during the reporting periods are as follows:

	2020	2019
Balance at beginning of year	**P 4,931,269,957**	P4,670,482,671
Increase due to billings excluding amount recognized as revenue during the year	**1,604,069,732**	3,931,138,000
Revenue recognized that was included in contract liability at the beginning of the year	**(2,049,952,403)**	(3,765,451,114)
Effect of financing component	**108,542,815**	95,100,400
Balance at end of year	**P 4,593,930,101**	P 4,931,269,957

20. OTHER LIABILITIES

The details of this account are as follows:

	2020	2019
Current:		
Deferred output VAT	**P 82,996,745**	P 70,994,272
Withholding taxes	**54,023,865**	80,913,142
Deferred revenue	**13,284,012**	12,147,113
Others	**67,872,873**	56,007,237
	P 218,177,495	P 220,061,764
Non-current:		
Security deposits	**P 464,587,591**	P 586,498,441
Unearned rent income	**187,038,088**	154,643,665
	P 651,625,679	P 741,142,106

Deferred revenue represents advance payments from customers and concessionaires that are subject to refund or future billing applications within 12 months from the end of the reporting period.

As of December 31, 2020 and 2019, security deposits pertains mainly to the amounts received from lessees in relation to GMCAC's airport operations. In 2019, the Group received additional security deposits upon full operations of MWMTI's PITX. These deposits on lease agreements will be refunded at the end of the lease terms, which ranges from one to eight years. The resulting day one loss from discounting security deposits amounting to P0.05 million in 2020 and day one gain amounting to P79.2 million in 2019 are presented as part of finance income in statements of comprehensive income (see Note 25.2). Interest expense, arising from the unwinding of discount on these deposits, amounted to P40.7 million and P2.2 million in 2020 and 2019, respectively, is presented as accretion of security deposits under Finance Costs in the statements of comprehensive income (see Note 25.1)

Unearned rent income pertains to the difference between the fair value and principal amount of security deposits received at the inception of the lease with concessionaires, which are amortized over the corresponding lease term.

Others under current liabilities significantly include government-related payables for employee benefits.

21. REVENUES

When the Group prepares its investor presentations and when the Group's Executive Committee evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Notes 2.13 and 4.

The Group determines that the categories used in the investor presentations and financial reports used by the Group's management can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

A summary of additional disaggregation from the segment revenues and other unallocated income are shown below.

	Notes	Point in time	Over time	Short-term	Long-term	Total
2020:						
Construction operations	21.1					
Contract revenues		P -	P 10,424,370,239	P -	P10,424,370,239	P 10,424,370,239
Sale of precast		-	328,824,112	328,824,112	-	328,824,112
Sale of ready mix concrete		-	15,546,847	15,546,847	-	15,546,847
Equipment rental		-	73,458,747	73,458,747	-	73,458,747
		-	10,842,199,945	417,829,706	10,424,370,239	10,842,199,945
Airport operations:	21.2					
Aeronautical revenues		-	487,465,797	487,465,797	-	487,465,797
Aero related revenues		-	131,628,599	131,628,599	-	131,628,599
Non-aero related revenues		-	489,573,319	489,573,319	-	489,573,319
		-	1,108,667,715	1,108,667,715	-	1,108,667,715
Trading operations:	21.4					
Food revenues		40,763,655	-	40,763,655	-	40,763,655
Non-food revenues		29,181,187	-	29,181,187	-	29,181,187
		69,944,842	-	69,944,842	-	69,944,842
Landport operations	21.3					
Rental revenue – effect of straight-line method		-	141,759,518	-	141,759,518	141,759,518
Rental revenue – per contract		-	759,069,445	-	759,069,445	759,069,445
Construction revenue		-	1,585,000	-	1,585,000	1,585,000
		-	902,413,963	-	902,413,963	902,413,963
		P 69,944,842	**P12,853,281,623**	**P1,596,442,263**	**P11,326,784,202**	**P 12,923,226,465**
2019:						
Construction operations	21.1					
Contract revenues		P -	P 14,401,891,771	P -	P14,401,891,771	P 14,401,891,771
Sale of precast		-	690,145,856	690,145,856	-	690,145,856
Sale of ready mix concrete		48,707,959	-	48,707,959	-	48,707,959
Equipment rental		-	168,323,797	168,323,797	-	168,323,797
		48,707,959	15,260,361,424	907,177,612	14,401,891,771	15,309,069,383
Airport operations:	21.2					
Aeronautical revenues		-	2,017,492,164	2,017,492,164	-	2,017,492,164
Aero related revenues		-	433,345,599	433,345,599	-	433,345,599
Non-aero related revenues		-	1,240,274,696	1,240,274,696	-	1,240,274,696
		-	3,691,112,459	3,691,112,459	-	3,691,112,459
Trading operations:	21.4					
Food revenues		143,559,337	-	143,559,337	-	143,559,337
Non-food revenues		112,473,557	-	112,473,557	-	112,473,557
Consignment		70,188,285	-	70,188,285	-	70,188,285
		326,221,179	-	361,221,279	-	326,221,179
Landport operations	21.3					
Rental revenue – effect of straight-line method		-	382,476,437	-	382,476,437	382,476,437
Rental revenue – per contract		-	146,237,035	-	146,237,035	146,237,035
Construction revenue		-	26,688,355	-	26,688,355	26,688,355
		-	555,401,827	-	555,401,827	555,401,827
		P 374,929,138	P19,506,875,710	P4,959,511,350	P14,957.293,598	P 19,881,804,848

	Note	Point in time	Over time	Short-term	Long-term	Total
2018:						
Construction operations	21.1					
Contract revenues		P -	P 12,381,076,732	P -	P12,381,076,732	P 12,381,076,732
Sale of precast		-	293,905,649	293,905,649	-	293,905,649
Sale of ready mix concrete		13,479,829	-	13,479,829	-	13,479,829
Equipment rental		-	157,368,150	157,368,150	-	157,368,150
		13,479,829	12,832,350,531	464,753,628	12,381,076,732	12,845,830,360
Airport operations:	21.2					
Aeronautical revenues		-	1,654,502,111	1,654,502,111	-	1,654,502,111
Aero related revenues		-	371,956,688	371,956,688	-	371,956,688
Non-aero related revenues		-	969,522,231	969,522,231	-	969,522,231
		-	2,995,981,030	2,995,981,030	-	2,995,981,030
Trading operations:	21.4					
Food revenues		142,792,131	-	-	142,792,131	142,792,131
Non-food revenues		45,193,644	-	-	45,193,644	45,193,644
Consignment		101,909,020	-	-	101,909,020	101,909,020
		289,894,795	-	-	289,894,795	289,894,795
Landport operations	21.3	-	17,653,392	-	17,653,392	17,653,392
		P 303,374,624	P 15,688,616,803	P 3,303,366,508	P12,688,624,919	P15,991,991,427

21.1 Construction Operation Revenues

The details of this account for the years ended December 31, 2020, 2019 and 2018 are composed of the revenues from:

	2020	2019	2018
Contracts in progress	**P 9,821,566,592**	P 15,140,197,972	P 12,254,954,833
Completed contracts	**1,020,633,353**	168,871,411	590,875,527
	P 10,842,199,945	P 15,309,069,383	P 12,845,830,360

About 8%, 7%, and 3% of the contract revenues for 2020, 2019 and 2018, respectively, were earned from contracts with an associate and certain related party under common ownership (see Note 28.1).

21.2 Airport Operations Revenues

The details of this account are composed of the revenues from:

	Note	**2020**	2019	2018
Aeronautical		**P 487,465,797**	P 2,017,492,164	P 1,654,502,111
Concession		**175,215,890**	606,495,158	506,752,023
Rental	29.1	**140,209,403**	514,492,251	445,114,709
Others		**305,776,625**	552,632,886	389,612,187
		P 1,108,667,715	P 3,691,112,459	P 2,995,981,030

Others include non-aero related services like taxi and bus ticket collection, service charges, advertising license and fees, and the likes.

21.3 Landport Operations Revenue

The PITX Project undertaken by the Group with the DOTr gives the Group the control over the landport area and the right to collect concessionaire revenue. As disclosed in Note 9, contract assets include unbilled receivable in 2019 which pertains to the cost of the landport area which is to be recovered through the Grantor payments.

The construction of the PITX Project was completed in 2019 and the Group has no unsatisfied performance obligations as of December 31, 2020 and 2019.

The details of landport operations revenue for the years ended December 31, 2020, 2019 and 2018 are composed of the revenues from:

	2020	2019	2018
Rental revenue – per contract	**P 759,069,445**	P 146,237,035	P -
Rental revenue – effect of straight-line method	**141,759,518**	382,476,437	-
Construction revenue	**1,585,000**	26,688,355	17,653,392
	P 902,413,963	P 555,401,827	P 17,653,392

21.4 Trading Operations Revenue

The details of this account for the years ended December 31, 2020, 2019 and 2018 are as follow:

	2020	2019	2018
Sale of food	**P 40,763,655**	P 143,559,337	P 142,792,131
Sale of non-food items	**29,181,187**	112,473,557	45,193,644
Consignment	**-**	70,188,285	101,909,020
	P 69,944,842	P 326,221,179	P 289,894,795

22. DIRECT COSTS

22.1 Cost of Construction Operations

The following is the breakdown of this account for the years ended December 31:

	Notes	2020	2019	2018
Materials		**P 3,589,871,892**	P 5,522,579,742	P 3,918,321,688
Outside services		**3,183,737,819**	4,731,572,291	4,273,853,758
Salaries and employee benefits	24.1	**1,243,034,290**	1,424,719,436	1,019,472,422
Depreciation	14	**924,021,681**	773,562,002	552,073,867
Project overhead		**452,881,087**	839,364,144	1,020,454,120
	23	**P 9,393,546,769**	P 13,291,797,615	P 10,784,175,855

Project overhead includes insurance, repairs and maintenance, gas and oil, travel and transportation, professional fees, utilities, municipal permits, taxes, security services, office supplies and various rental expenses of staging areas.

22.2 Costs of Airport Operations

The following is the breakdown of cost of airport operations:

	Notes		**2020**		2019		2018
Amortization of concession asset	13	**P**	**163,497,064**	P	738,596,573	P	380,194,399
Utilities			**130,674,364**		268,586,765		194,614,309
Outside services			**74,646,023**		147,038,962		114,570,441
Repairs and maintenance			**97,065,819**		133,298,432		62,582,204
Salaries and employee benefits	24.1		**53,714,354**		65,635,177		52,363,844
Insurance			**33,841,627**		33,414,799		27,171,465
Technical service charge			**31,219,996**		29,567,996		26,617,230
Airline collection charges	23		**20,278,680**		44,826,143		28,667,430
Airport operator's fee	23, 29.3.1(b)		**14,264,771**		47,585,582		38,774,762
Others			**15,504,634**		28,066,432		16,273,769
	23	**P**	**634,707,332**	P	1,536,616,861	P	941,829,853

22.3 Cost of Landport Operations

For 2020, 2019 and 2018, the following is the breakdown of cost of landport operations:

	Notes		**2020**		2019		2018
Depreciation and amortization	14, 23	**P**	**210,719,258**	P	100,176,498	P	-
Terminal costs	14		**132,919,417**		176,099,593		-
Construction cost			**1,585,000**		26,688,354		17,653,392
Others			**10,671,844**		31,190,581		-
	23	**P**	**355,895,519**	P	334,155,026	P	17,653,392

22.4 Costs of Trading Operations

The following is the breakdown of cost of airport merchandising operations for the years ended December 31, 2020, 2019, and 2018:

	Note		**2020**		2019		2018
Cost of goods sold:							
Food		**P**	**12,902,173**	P	37,059,400	P	40,586,331
Non-food			**8,442,905**		16,474,013		29,820,697
Consignment			**-**		34,367,114		-
Spoilage and pilferages			**-**		348,442		11,163
Purchase discounts		**(**	**384,711)**	(	34,705)	(	59,931)
	23	**P**	**20,960,367**	P	88,214,264	P	70,358,260

23. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	2020	2019	2018
Materials, supplies and facilities		**P 3,599,452,974**	P 5,551,240,778	P3,686,294,789
Outside services		**3,374,009,996**	5,273,914,333	4,686,645,439
Salaries and employee benefits	24.1	**1,854,709,508**	1,991,316,155	1,477,935,003
Depreciation and amortization	12.5, 13, 14, 15	**1,473,642,618**	1,757,625,213	1,023,451,211
Project overhead		**452,881,087**	866,052,497	1,038,107,512
Taxes and licenses		**366,303,578**	276,163,672	60,664,159
Utilities		**192,945,464**	363,250,340	229,536,350
Repairs and maintenance		**137,452,380**	195,120,440	80,495,117
Professional fees		**127,678,354**	146,976,840	63,943,006
Insurance		**46,694,512**	46,861,446	26,681,266
Rentals	16.3, 28.2, 29.1.1	**30,137,601**	47,439,832	40,656,518
Travel and transportation		**28,713,738**	48,771,300	23,285,952
Impairment losses on receivables	6	**27,289,069**	38,591	305,839,093
Airline collection charges	22.2	**20,278,680**	44,826,143	28,667,430
Cost of trading operation	22.4	**20,960,367**	88,214,264	70,358,260
Selling expense		**17,482,839**	85,147,602	73,730,322
Airport operator's fee	22.2, 29.3.1(b)	**14,264,771**	47,585,582	38,774,762
Representation		**13,839,364**	30,074,308	15,756,881
Advertising		**9,114,956**	56,363,309	19,467,781
Security services		**4,821,098**	3,437,271	8,278,781
Gas and oil		**1,040,848**	859,601	1,180,339
Miscellaneous		**127,102,869**	156,670,229	93,921,889
		P 11,940,816,671	P17,077,949,746	P13,093,671,860

Miscellaneous includes certain construction reworks and warranty cost for certain projects already completed.

These expenses are classified in the consolidated statements of income as follows:

	Note	2020	2019	2018
Cost of construction operations	22.1	**P 9,393,546,769**	P13,291,797,615	P10,784,175,855
Costs of airport operations	22.2	**634,707,332**	1,536,616,861	941,829,853
Cost of landport operations	22.3	**355,895,519**	334,155,026	17,653,392
Costs of airport trading operations	22.4	**20,960,367**	88,214,264	70,358,260
Other operating expenses		**1,535,706,684**	1,827,165,980	1,279,654,500
		P 11,940,816,671	P17,077,949,746	P13,093,671,860

24. POST-EMPLOYMENT DEFINED BENEFIT OBLIGATION

24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2020	2019	2018
Short-term employee benefits		**P 1,789,849,973**	P1,954,902,308	P1,443,324,841
Post-employment benefit	24.2	**64,859,535**	36,413,847	34,610,162
	23	**P 1,854,709,508**	P1,991,316,155	P1,477,935,003

The expenses are allocated in the consolidated statements of income as follows:

	Notes	2020	2019	2018
Contract costs	22.1	**P 1,243,034,290**	P1,424,719,436	P1,019,472,422
Costs of airport operations	22.2	**53,714,354**	65,635,177	52,363,844
Other operating expenses		**557,960,864**	500,961,542	406,098,737
	23	**P 1,854,709,508**	P1,991,316,155	P1,477,935,003

24.2 Post-employment Benefit

(a) Characteristics of Defined Benefit Plan

The Group maintains a partially funded and noncontributory post-employment defined benefit plan covering all regular full-time employees. The Group conforms to the minimum regulatory benefit under the R.A. No. 7641, *Retirement Pay Law*, which is of the defined benefit type and provides a retirement benefit in lump sum equal to 22.5-day pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement. The normal retirement age is 60 with a minimum of 5 years of credited service.

(b) *Explanation of Amounts Presented in the Consolidated Financial Statements*

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2020, 2019 and 2018.

The amounts of post-employment DBO in the consolidated statements of financial position are determined as follows:

	2020	2019
Present value of the DBO	**P 348,036,884**	P 344,592,331
Fair value of plan assets	**(4,634,679)**	(4,384,701)
	P 343,402,205	P 340,207,630

The movements in the present value of the DBO are as follows:

	2020	2019
Balance at beginning of year	**P 344,592,331**	P 180,733,570
Current service cost	**64,859,535**	36,413,847
Interest cost	**17,891,726**	12,772,283
Benefits paid directly from book reserve	**(1,785,008)**	(153,459)
Remeasurement/actuarial losses (gains) arising from:		
Experience adjustments	**(65,494,335)**	10,329,077
Changes in financial assumptions	**(8,729,618)**	104,497,013
Changes in demographic assumptions	**(3,297,747)**	-
Balance at end of year	**P 348,036,884**	P 344,592,331

Actuarial losses arising from experience adjustments pertain to the net effect of differences between previous actuarial assumptions and what actually incurred.

The movements in the fair value of plan assets are presented below.

	2020	2019
Balance at beginning of year	**P 4,384,701**	P 3,934,974
Interest income	**228,443**	295,909
Return on plan assets (excluding amounts included in net interest)	**21,535**	153,818
Balance at end of year	**P 4,634,679**	P 4,384,701

The plan assets as of December 31, 2020 and 2019 consist mainly of the Unit Investment Trust Fund (UITF) amounting to P4.6 million and P4.4 million, respectively. The Group has 2,070 participation units on UITF managed by the trust department of a certain universal bank [see Note 32.2(c)]. Actual return on plan assets amounted to P0.25 million and P0.45 million in 2020 and 2019 respectively, and actual loss on plan assets amounted to P0.04 million in 2018.

The components of amounts recognized in consolidated income and in the consolidated comprehensive income (loss) in respect of the defined benefit post-employment plan are as follows [see Note 24.2(b)]:

	2020	2019	2018
Recognized in consolidated profit or loss:			
Current service cost	**P 64,859,535**	P 36,413,847	P 34,610,162
Net interest expense	**17,663,283**	12,476,374	9,884,306
	P 82,522,818	P 48,890,221	P 44,494,468
Recognized in consolidated other comprehensive income (loss):			
Actuarial gains (losses) arising from:			
Experience adjustments	**P 65,494,335**	(P 10,329,077)	(P 20,082,761)
Changes in financial assumptions	**8,729,618**	(104,497,013)	60,160,684
Changes in demographic assumptions	**3,297,747**	-	1,155,807
Return on plan assets (excluding amounts included in net interest)	**21,535**	153,818	(271,645)
	P 77,543,235	(P 114,672,272)	P 40,962,085

Current service costs are included as part of Salaries and employee benefits under Other Operating Expenses account in the consolidated statements of income. The net interest expense is included as part of Finance Costs account in the consolidated statements of income (see Note 25.1).

Amounts recognized in other comprehensive income (loss) are presented under item that will not be reclassified subsequently to profit or loss.

In determining the amounts of the post-employment DBO, the following significant actuarial assumptions were used:

	2020	2019	2018
Discount rate	**3.95%**	5.20%	7.62%
Expected return on plan assets	**5.00%**	5.00%	5.00%
Employee turn-over rate	**3.00%**	3.00%	3.00%
Salary increase rate	**4.50%**	6.00%	6.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 24 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Defined Benefit Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan and if the return on plan asset falls below this rate, it will create a deficit in the plan. As of December 31, 2020, and 2019, the plan has short-term investments managed through UITF.

(ii) Longevity and Salary Risks

The present value of the DBO is calculated by reference to the best estimate of the mortality of the plan participants during their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the post-employment defined benefit plan are described below and in the next page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment DBO as of December 31:

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
2020:			
Discount rate	**+/- 1%**	**(P 46,651,074)**	**P 56,964,885**
Salary growth rate	**+/- 1%**	**56,040,280**	**(46,744,083)**
2019:			
Discount rate	+/- 1%	(P 48,502,483)	(P 59,729,362)
Salary growth rate	+/- 1%	58,622,237	(48,589,911)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the DBO as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the DBO has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the post-employment DBO recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Funding Arrangements and Expected Contributions

The retirement plan trustee has no specific matching strategy between the plan assets and the plan liabilities.

The Group is not required to pre-fund the future defined benefits payable under the plan assets before they become due. For this reason, the amount and timing of contributions to the plan assets are at the Group's discretion. However, in the event a benefit claim, the shortfall will be due and payable from the Group to the plan assets.

The maturity profile of undiscounted expected benefit payments within 10 years from the end of the reporting periods follows:

	2020	2019
More than 1 year to 5 years	**P 44,463,455**	P 53,612,047
More than 5 years to 10 years	**109,802,351**	122,066,472
	P 154,265,806	P 175,678,519

The weighted average duration of the DBO at the end of the reporting period is 16.1 years.

25. OTHER INCOME (CHARGES)

25.1 Finance Costs

The breakdown of this account in is as follows:

	Notes	2020	2019	2018
Interest expense from:				
Bank loans	18.2	**P 1,848,485,140**	P 1,696,106,457	P 717,968,215
Notes payable	18.1	**338,071,478**	304,778,086	341,717,197
Lease liability	16.2	**36,104,890**	22,133,682	10,987,097
Accretion of security deposit	20, 25.2	**40,688,625**	2,164,623	-
		2,263,350,133	2,025,182,848	1,070,672,509
Finance cost – PFRS 15	19	**221,797,799**	258,346,364	104,906,299
Interest expense on retirement obligation – net	24.2	**17,663,283**	12,476,374	9,884,306
Bank charges		**3,933,999**	9,501,226	4,381,750
Foreign currency losses – net		**-**	3,420,967	135,378,464
Loss on fair value changes at FVOCI (previously AFS financial assets)	10	**-**	-	8,203,815
		P 2,506,745,214	P 2,308,927,779	P 1,333,427,143

Finance cost – PFRS 15 pertains to the portion of the transaction price regarded as interest expense due to the significant financing components within contracts [see Notes 2.17 and 3.1(c)]. This is the adjustment to the transaction price due to the time value of money. A contract is considered to have a significant financing component if the timing of payments agreed to by the parties provides the customer or the entity with a significant benefit of financing the transfer of goods or services.

25.2 Finance Income

The details of finance income are the following:

	Notes	2020	2019	2018
Interest income from:				
Advances to related parties	28.4	**P 433,125,000**	P 441,000,000	P 70,429,966
Cash in banks	5	**39,741,791**	105,406,640	41,520,356
Short-term placements	5	**18,194,897**	5,152,906	36,258,500
Financial assets at FVTPL	7	**-**	-	72,389,335
Foreign currency gains – net	18.2(a)	**203,569,550**	137,098,221	-
Day one gain	20	**-**	79,180,145	-
Other finance income		**145,734**	-	-
		P 694,776,972	P 767,837,912	P 220,598,157

Foreign currency gains – net resulted from the Group's foreign currency-denominated transactions especially its off-shore loan [see Note 18.2(a)].

Day one gain is a result of a discounting the nominal amount of security deposits to its present value at initial recognition of an instrument. Subsequently, this is amortized as interest expense with corresponding credit to the security deposit account. The day one gain amounting to P79.2 million in 2019 pertains to security deposits collected from leases recorded by MWMTI at amortized cost using effective interest method [See Note 20].

25.3 Others – Net

This consists of the following:

	Notes	**2020**	2019	2018
Common usage service area charges		**P 109,477,445**	P 34,506,436	P -
Utility recoveries		**81,823,643**	4,926,560	-
Unrealized gain (loss) on interest rate swap	7	**(43,343,700)**	(104,842,394)	45,218,078
Equity in net profit (losses)of associates and joint venture	11.1, 11.3	**(30,310,569)**	32,674,443	10,209,371
Consultancy fee		**29,603,415**	102,906,182	-
Penalties and charges		**8,208,087**	5,567	-
Gain on disposals of property and equipment	14	**1,874,270**	9,603,796	2,876,025
Income from scrap sales	8	**1,682,895**	7,294,766	3,369,824
Gain on bargain purchase	15	**-**	-	307,365,622
Others	11.2, 28.2	**60,733,886**	85,396,945	75,120,679
		P 219,749,372	P 172,472,301	P 444,159,599

CUSA pertains to fees charged used to maintain the common areas such as restroom, lobby, and other shared spaces that can be used by all tenants of the building and its customer. The recognition of CUSA was a result of the restatement made by MWMTI by grossing up charges to reflect the income and expense arising from these transactions as management determined that the MWMTI is acting as a principal on transactions. The restatement only applies to 2019, consequently, 2020 follows the prior year presentation as restated.

Utility recoveries is also a result of the for 2019. This pertains to the

Consultancy fee pertains to fees charged by the Group to its clients for the engineering and design services rendered.

Others represent various technical and management services provided by the Group arising from the execution of its contract with the customers.

In August 2018, the Parent Company bought 344.5 million shares with par value of P1.00 per share from various stockholders of MTI with a total purchase price of P344.1 million. This business combination is part of the Parent Company's plan to take full control of the business pertaining to terminal operations. As a result of the transaction, the Parent Company obtained 100% ownership interest in MTI and increased its effective ownership interest in MWMTI from 51% to 100% [see Note 1.2(i)]. This granted the Parent Company control over MTI, thereby the latter becoming a subsidiary from being a joint venture in 2017. Preacquisition loss amounted to P3.6 million.

The fair values of the identifiable assets acquired, and liabilities assumed in 2018 are as follows:

Fair value of assets acquired:	
Cash and cash equivalents	P 199,791,025
Trade and other receivables	376,390,685
Investment property	1,461,141,676
Other assets	164,847,111
	2,202,170,497
Fair value of liabilities assumed:	
Interest-bearing loan	(825,000,000)
Trade and other payables	(415,687,982)
	(1,240,687,982)
Fair value of net assets acquired	961,482,515
Fair value of consideration transferred –	
Cash	344,149,804
Previously-held interest in MWMTI	309,967,089
	654,116,893
Gain on bargain purchase	P 307,365,622

Trade and other receivables at date of acquisition is based on MWMTI's terminal construction and operations using the cost recovery method [see Note 2.17(d)].

Fair value of net assets acquired were determined through valuation techniques using net present value computation which makes use of the streams of cash flows related to the investment property. The total excess of the consideration transferred over the acquisition date-fair value of the net assets acquired amounting to P307.4 million is presented as Gain on bargain purchase under Other Income (Charges) account in the 2018 consolidated statement of income. The gain on bargain purchase is due to the acquisition at par.

In 2018, Others also include penalty charges on late collections from customers amounting to P17.3 million.

26. TAXES

26.1 Registration with the Board of Investments

On May 29, 2015, the BOI approved the Parent Company's application for registration of its projects as PPP for School Infrastructure Project Phase 2 – Contract Package A pursuant to Build-Lease-Transfer Agreement with the Philippine DepEd on a nonpioneer status under the Omnibus Investment Code of 1987. Under such registration, the Parent Company is entitled of the following incentives:

(a) Income tax holiday (ITH) for a period of four years from May 30, 2015 or actual start of commercial operations, whichever is earlier;

(b) Importation of capital equipment, spare parts and accessories at zero duty for a period of five years from May 30, 2015;
(c) Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment; and,
(d) Employment of foreign nationals which will hold supervisory, technical or advisory positions for five years from May 30, 2015.

On June 13, 2019, the BOI has approved the Parent Company's request for extension of the ITH incentive from May 28, 2019 to February 28, 2021 in relation to its PPP for School Infrastructure Project Phase 2.

On September 22, 2020, the Company filed another request for extension of the ITH incentive with the BOI until February 28, 2022, due to delays in obtaining ownership documents and necessary permits as condition for release of Certificate of Final Acceptance.

On February 22, 2019, the BOI approved the Parent Company's application for registration as New Producer of Housing Components (Hollow Core Precast Pre-Stressed Slab) on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226). As such, the Parent Company is entitled to the following incentives:

(a) ITH for a period of four years from February 2019 or actual start of commercial operations, whichever is earlier;

(b) Importation of capital equipment, spare parts and accessories at zero-duty under Executive Order No. 57 and its Implementing Rules and Regulations:

(c) Additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment; and

(d) Employment of foreign nationals which will hold supervisory, technical or advisory positions for five years from the date of registration.

On June 20, 2016, GMCAC was registered with the BOI as a PPP Project for the GMCAC Phase 2 – Operation and maintenance of Terminal 2 (Phase 2 O&M of T2) under the Concession Agreement with the DOTr and MCIAA as an expansion Project on a Non-pioneer status under the Omnibus Investment Code of 1987 (Executive Order No. 226).

Under the registration, GMCAC is entitled, among others, to ITH incentives for three years from December 2018 and July 2018 for Phase 1 and Phase 2, respectively, or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. GMCAC has informed the BOI that the actual start of commercial operations of Phase I is on January 1, 2016 for ITH purposes.

Also, GMCAC is entitled to additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed for the first five years from date of registration but not simultaneously with ITH.

GMCAC voluntarily waived the ITH incentive for Phase 2 O&M of T2 for the taxable year 2019. For taxable year 2020, the Company also filed with the BOI a formal notice of its intention to waive the ITH incentive for Phase 2 O&M of T2 on July 24, 2020. The formal notice was acknowledged as received by BOI on the same day. GMCAC subjected all revenues and expenses of Phase 2 to RCIT for the year ended December 31, 2020.

26.2 Registration with Clark Freeport Zone

MGCJVI was registered as Clark Freeport Zone (CFZ) enterprise on April 12, 2018 with registration number C2018-169. On April 26, 2007, R.A. 9400 or "An Act Amending R.A. 7227 as Amended, otherwise known as the Bases Conversion and Development Act of 1992 and for Other Purposes" was approved.

One of the major amendments to R.A. 7227, now embodied in R.A. 9400, is the official declaration of Clark, which used to be a Special Economic Zone, as a Freeport Zone that would cover 4,400 hectares of the former Clark Air Base. Under R.A. 9400, the CFZ shall be operated and managed as a separate customs territory ensuring free flow or movement of goods and capital equipment within, into and exported out of Clark, as well as provide incentives such as tax and duty-free importation of raw materials and capital equipment. However, exportation or removal of goods from the territory of Clark to other parts of the country will also be subjected to customs duties and taxes under the Tariff and Customs Code of the Philippines, as amended by the National Internal Revenue Code. As a CFZ-registered enterprise, in lieu of paying the regular corporate income tax rate of 30%, MGCJVI shall pay 5% tax on gross income earned, divided as follows: 3% to the national government and 2% to the municipality or city where the zone is located. In addition, it is exempt from other internal revenue tax dues for its registered activities within the Freeport Zone, such as business tax, VAT and excise tax.

Under Revenue Regulation No. 02-01, enterprises registered pursuant to the Bases Conversion and Development Act of 1992 under R.A. 7227, as well as other enterprises duly registered under special economic zones declared by law which enjoy payment of special tax rate on their registered operations or activities in lieu of other taxes, are not subject to improperly accumulated earnings tax.

26.3 Current and Deferred Taxes

The components of tax expense as reported in profit or loss and other comprehensive income in the consolidated statements of income and consolidated statements of comprehensive income are presented in the below and in the succeeding page.

	2020	2019	2018
Reported in consolidated profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	**P 35,073,613**	P 34,250,758	P 132,111,752
Minimum corporate income tax (MCIT) at 2%	**14,295,448**	67,906,224	-
MCBVI at 42% and 17%	**1,760,064**	18,719,686	-
Gross income tax (GIT) at 5%	**8,980,018**	15,865,847	-
Final tax at 20% and 7.5%	**4,909,100**	3,872,695	23,877,358
	65,018,243	140,615,210	155,989,110
Deferred tax expense relating to origination and reversal of temporary differences	**199,768,572**	183,587,512	336,855,049
	P 264,786,815	P 324,202,722	P 492,844,159
Reported in consolidated other comprehensive income (loss)			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**P 23,262,970**	(P 34,401,682)	P 12,288,626

A reconciliation of tax on pretax profit (loss) computed at the applicable statutory rates to tax expense for the year ended December 31 is as follows:

	2020	2019	2018
Tax on pretax profit (loss) at 30%	**(P 182,942,723)**	P 430,571,261	P 716,105,499
Adjustment for income subjected to lower tax rates	**(39,474,543)**	(31,988,819)	(32,502,891)
Tax effects of:			
MCIT applied	**11,126,212**	-	-
Non-taxable income	**-**	(128,453,670)	(36,156,168)
Unrecognized deferred tax asset	**487,260,685**	32,592,470	-
Non-deductible expenses	**60,742,970**	52,247,644	208,679,709
Non-taxable net profit under ITH	**(71,925,786)**	(30,766,164)	(363,281,990)
	P 264,786,815	P 324,202,722	P 492,844,159

The net deferred tax assets and net deferred tax liabilities recognized in the consolidated statements of financial position as of December 31, 2020 and 2019 relate to the following:

	2020	2019
Deferred tax assets:		
Unrealized foreign currency losses (gains) – net	**P 9,626,113**	(P 105,745,702)
Net operating loss carryover (NOLCO)	**-**	111,051,212
Advance payments from customers	**-**	38,993,047
	P 9,626,113	P 44,298,557
Deferred tax liabilities:		
Amortization of concession assets	**(P 761,999,676)**	(P 593,363,264)
Excess of estimated costs over actual costs	**(227,139,057)**	(224,534,781)
Post-employment defined benefit obligation	**103,139,219**	102,062,289
Unrealized foreign currency losses (gains)	**(6,946,427)**	52,060,207
Effect of significant financing component	**68,001,650**	34,025,156
Uncollected non-taxable income*	**(71,737,469)**	(29,576,382)
Excess MCIT	**35,082,251**	38,863,664
Deferred revenue	**2,425,502**	5,177,553
Impairment losses on trade receivables	**52,791,561**	3,286,823
Effect of PFRS 16	**75,467**	(432,271)
Fair value gains on financial assets at FVTPL	**(198,950)**	(198,950)
Accrued expenses with no withholding taxes	**4,656,736**	-
	(P 801,849,193)	(P 612,629,956)

**This pertains to the excess of revenue recognized under percentage of completion over collection of non-taxable revenues under ITH.*

The deferred tax expense (income) recognized in the consolidated statements of income and consolidated statements of comprehensive income for December 31 relate to the following:

	Profit or Loss			**Other Comprehensive Income**		
	2020	2019	2018	**2020**	2019	2018
Excess of actual over estimated cost	**P 2,604,277**	P -	P 331,989,735	**P -**	P -	P -
Amortization of concession assets	**168,636,412**	241,597,225	174,509,471	**-**	-	-
Impairment losses on trade receivables	**(8,104,548)**	121,672,870	(91,751,729)	**-**	-	-
Uncollected non-taxable income*	**(17,367,198)**	114,683,656	(56,603,445)	**-**	-	-
NOLCO	**65,934,913**	(111,051,212)	-	**-**	-	-
Post-employment defined benefit obligation	**(24,512,631)**	(14,621,028)	(13,273,078)	**23,262,971**	(34,401,682)	12,288,626
Construction revenue – PFRS 15	**(33,976,495)**	(28,530,120)	(5,495,035)	**-**	-	-
Deferred revenue	**2,752,051**	(3,134,801)	(2,117,065)	**-**	-	-
Advance payments from customers	**(12,487,551)**	(38,993,047)	2,055,875	**-**	-	-
Excess MCIT	**3,781,413**	(38,512,489)	(1,237,944)	**-**	-	-
Deferred charges on loans	**-**	-	(905,210)	**-**	-	-
Unrealized foreign currency gains (losses) – net	**57,688,237**	(59,955,813)	(321,932)	**-**	-	-
Leases – PFRS 16	**(523,573)**	432,271	-	**-**	-	-
Accruals	**(4,656,735)**	-	-	**-**	-	-
Fair value gains on financial assets at FVTPL	**-**	-	5,406	**-**	-	-
Deferred tax expense (income)	**P 199,768,572**	P 183,587,512	P 336,855,049	**P 23,262,971**	(P 34,401,682)	P 12,288,626)

The Parent Company, GMCAC and MWMTI are subject to the minimum corporate income tax (MCIT), which is computed at 2% of gross income as defined under the tax regulations, or RCIT, whichever is higher. In 2019, only the Parent Company and GMCAC reported MCIT. In 2020, only GMI reported MCIT.

In 2016, GMI and MLI have unrecognized deferred tax asset of P0.9 million each arising from their respective NOLCO, which can be claimed as deduction against future taxable income up to 2019. In addition, MCEI incurred NOLCO amounting to P0.1 million in 2016 and P0.4 million in 2015, which can be claimed as deduction against future taxable income until 2020 and 2019, respectively.

In 2020, 2019 and 2018, the Group opted to claim itemized deductions in computing for its income tax due.

27. EQUITY

27.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2020	2019	2018	**2020**	2019	2018
Common shares – P1 par value						
Authorized	**4,930,000,000**	4,930,000,000	4,930,000,000	**P 4,930,000,000**	P4,930,000,000	P4,930,000,000
Subscribed and paid in:	**2,399,426,127**	2,399,426,127	2,399,426,127	**P 2,399,426,127**	P2,399,426,127	P2,399,426,127
Less:						
Treasury shares						
Balance at beginning of year	**335,792,310**	309,660,510	260,842,702	**P 3,912,617,536**	P3,454,826,462	P2,627,738,885
Reacquisition	**50,224,100**	26,131,800	48,817,808	**703,073,040**	457,791,074	827,087,577
Balance at end of year	**386,010,410**	335,792,310	309,660,510	**P 4,615,690,576**	P3,912,617,536	P3,454,826,462
Issued and outstanding	**2,013,409,717**	2,063,633,817	2,089,765,617			
Preferred shares – P1 par value						
Authorized	**124,000,000**	70,000,000	70,000,000	**P 124,000,000**	P 70,000,000	P 70,000,000
Issued and outstanding:						
Balance at beginning of year:						
Series 1	**40,000,000**	40,000,000	40,000,000	**P 40,000,000**	P 40,000,000	P 40,000,000
Issuance during the year:						
Series 2A	**26,220,130**	-	-	**26,220,130**	-	-
Series 2B	**17,405,880**	-	-	**17,405,880**	-	-
Series 3	**3,375,000**	-	-	**3,375,000**	-	-
Balance at end of year	**87,001,010**	40,000,000	40,000,000	**P 87,001,010**	P 40,000,000	P 40,000,000

On September 22, 2020, the SEC has approved the increase of the authorized capital stock of the Parent Company increasing the total authorized capital stock of the Parent Company to P5,054,000,000, divided into the following classes:

a. 4,930,000,000 voting common shares with the P1 par value; and
b. 124,000,000 cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares with the P1 par value

The Preferred Shares shall be issued in series, sub-series or in tranches as the BOD may determine, and authority is hereby expressly granted to the BOD, to establish and designate the series, sub-series or tranches of the Preferred Shares, fix the issue price and the number of shares in each sub-series or tranche, establish the specific terms and conditions of each sub-series or tranche and determine the manner by which the Preferred Shares will be subscribed and paid for, such as but not limited to, a private placement transaction or public offering.

Preferred shares of stock shall be cumulative, non-voting, non-participating, non-convertible, perpetual; Provided, that no share will be issued below par value. The preferred shares shall have the following features, rights and privileges:

a. The issue value of shares shall be determined by the BOD at the time of the issuance of the shares;
b. The BOD shall declare a dividend rate equivalent to the 7-year benchmark rate or any other rate determined by the BOD as of issue date, payable on a date to be set by the BOD in accordance with Philippine laws, rules and regulations;
c. Preferred shares shall be non-convertible into common shares;
d. Preference over holders of common stock in the distribution of the corporate assets in the event of dissolution and liquidation of the corporation and in the payment of the dividend at the rate specified at the time of issuance;
e. Preferred shares shall be cumulative;
f. Preferred shares shall be non-participating in any other or further dividends beyond that specifically payable on the shares;
g. Holders of preferred shares shall have no pre-emptive rights to any issue of shares, common or preferred; and
h. The preferred shares may be redeemed by the corporation at the sole option of the BOD at the price to be determined by the BOD.

On September 30, 2020, the Parent Company entered into a Subscription Agreement with CHI whereby CHI subscribed to 13,500,000 preferred shares of the Parent Company at P1.00 each and paid 25% of such subscription in cash amounting to P3.4 million.

On November 5, 2020, the SEC has approved the Parent Company's offer and sale of Series 2 preferred shares which are to be issued in two subseries: Series 2A and Series 2B preferred shares, at a subscription price of P100.00. As of December 31, 2020, 26,220,130 and 17,405,880 of Series 2A and 2B preferred shares, respectively, were subscribed and listed in the PSE.

In 2020, the Parent Company recognized additional paid in capital amounting to P4.3 billion, arising from the excess of subscription price over par value of the issuance of Series 2A and 2B preferred shares. The Parent Company also recognized issuance-related costs amounting to P37.1 million which was charged against the additional paid in capital recorded from the issuance of Series 2A and 2B preferred shares.

As of December 31, 2020, and 2019, the Parent Company has 26 holders of its common equity securities owning at least one board lot of 100 shares listed in the PSE, respectively, and its share price closed as of such dates at P7.9 and P16.4 per share in 2020 and 2019, respectively. The Company has 2,399.4 million common shares traded in the PSE as of December 31, 2020 and 2019.

As of December 31, 2020, and 2019, the Parent Company has 40.0 million, 26.2 million and 17.4 million of Series 1, Series 2A and Series 2B preferred shares, respectively, traded in the PSE. The Series 1, Series 2A and Series 2B preferred shares prices closed at P100.5, P100.0 and P100.9 per share, respectively, as of December 31, 2020. The Series 1 preferred shares closed at P96.0 per share as of December 31, 2019.

27.2 Retained Earnings

In 2020 and 2019, the Parent Company's BOD approved the declaration of cash dividends of P1.76 per share or equivalent to P70.3 million per quarter (total of P281.0 million per year) to holders of Series 1 preferred shares, which were taken out of the unrestricted earnings of the Company as of December 31, 2020 and 2019, respectively. The series of record dates and payments are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2020:				
Approval dates	January 8, 2020	May 8, 2020	July 7, 2020	October 5, 2020
Record dates	February 6, 2020	May 25, 2020	August 8, 2020	November 6, 2020
Payment dates	March 3, 2020	June 3, 2020	September 3, 2020	December 3, 2020
2019:				
Approval dates	January 8, 2019	April 3, 2019	July 8, 2019	October 10, 2019
Record dates	February 13, 2019	May 16, 2019	August 14, 2019	November 15, 2019
Payment dates	March 3, 2019	June 3, 2019	September 3, 2019	December 3, 2019
2018:				
Approval dates	January 30, 2018	May 3, 2018	August 11, 2018	October 30, 2018
Record dates	February 15, 2018	May 18, 2018	August 16, 2018	November 16, 2018
Payment dates	March 3, 2018	June 3, 2018	September 3, 2018	December 3, 2018

The dividends on preferred shares bear cumulative, non-participating cash dividends based on the issue price, payable quarterly in arrears every dividend payment date, at the fixed rate of 7.025% per annum from listing date.

On December 26, 2019, the Parent Company's BOD approved the declaration of cash dividends for common shares in the amount of P0.12 per share or equivalent to P247.6 million to all stockholders of record as of January 15, 2020, payable on January 31, 2020. Outstanding dividend payable amounting to P239.9 million is presented as part of Dividend payable under the Trade and Other Payables account in the 2019 consolidated statement of financial position (see Note 17). The dividend payable was subsequently paid in January 2020.

On October 1, 2018, the BOD approved the declaration of cash dividends for common shares at P0.12 per share or equivalent to P256.6 million. The cash dividends were paid on November 12, 2018, to all common stockholders of record as of October 15, 2018. The dividends were paid out of the unrestricted retained earnings of the Parent Company as of December 31, 2017.

The Parent Company's retained earnings are restricted to the extent of the cost of treasury shares (see Note 27.3).

27.3 Treasury Shares

On July 20, 2016, the Parent Company's BOD approved the buy-back of 410.8 million common shares held by Sybase Equity Investment Corporation at a price equal to the 7-trading day volume weighted average price ending on July 28, 2016 or equivalent to P10.03 per share. Total purchase price of the treasury shares including incidental cost of the buy-back amounted P4,138.8 million.

On October 20, 2016, the Parent Company's BOD approved the sale of its 150.0 million treasury shares at P14.90 per share. Net proceeds of the sale of treasury share amounted to P2,181.7 million, net of incidental cost of the transaction. Outstanding balance of the treasury shares after the sale is 260.8 million treasury shares at cost of P2,627.7 million.

On October 1, 2018, the Parent Company's BOD approved a share buyback program worth up to P2.0 billion over a period of two years. Total cost to acquire treasury shares in 2019 and 2018 amounted to P457.8 million and P827.1 million, respectively, which is equivalent to 26.1 million and 48.8 million shares, respectively.

On March 3, 2020, the Parent's BOD approved an additional P3.0 billion to its share buyback program, making it a total of P5.0 billion and removal of the period within which to execute the program, making it open-ended. Total cost of acquired treasury shares in 2020 amounted to P703.1 million, which is equivalent to 50.2 million shares.

27.4 Non-controlling Interest

Upon incorporation, the Parent Company acquired 15.0 million shares of GMCAC. The purchase of the shares is part of the shareholders' agreement to execute, undertake, and implement the Project in accordance with the concession agreement. The shares acquired represent 60% of the total issued and outstanding shares of GMCAC (see Note 1.2). The non-controlling interest representing 38.24% ownership of GMR Infrastructure (Singapore) Pte. Ltd. (GISPL) and 1.66% ownership of GIL in GMCAC is presented as part of Non-controlling Interest account in the consolidated statements of financial position (see Note 11.5).

Another non-controlling interest representing 30% ownership of Philcarbon, Inc. in MCEI is presented as part of Non-controlling Interest account in the consolidated statements of financial position (see Note 11.5).

In 2016, the Parent Company acquired 12.0 million shares of GMI representing 60% of the total issued and outstanding shares of GMI. On March 15, 2017, the Parent Company sold 2,000,000 shares or 10% interest of GMI to GHOSPL. As of December 31, 2017, GMI is 50% owned by the Parent Company. In 2019, GMI declared P50.0 million dividends to non-controlling shareholders which resulted to a decrease in the equity attributable to the non-controlling interests (see Note 11.5).

The Group's controlling 60% ownership in MCLI resulted in 40% non-controlling interest of the other stockholder. The non-controlling interest representing 50% ownership of GHOSPL in GMI and 40% of other stockholder in MCLI are presented as part of Non-controlling Interest account in the consolidated statements of financial position (see Note 11.5).

The Group determined that only the minority interest in GMCAC is considered as a material non-controlling interest, and accordingly, presented the relevant financial information in the below.

	2020	2019
Current assets	**P 1,961,180,023**	P 2,484,974,268
Non-current assets	**33,187,261,618**	33,233,226,229
Total assets	**P35,148,441,641**	P35,718,200,497
Current liabilities	**P 2,984,748,802**	P 1,927,502,224
Non-current liabilities	**24,025,818,279**	24,468,439,808
Total liabilities	**P27,010,567,081**	P26,395,942,032
Equity	**P 8,137,874,560**	P 9,322,258,465
NCI in equity	**3,152,592,306**	3,626,345,966
Net profit	**(1,183,980,866)**	529,233,776
Net income allocated to GMCAC	**(473,592,346)**	211,693,510

In 2019, GMI declared dividends amounting to P50.0 million to non-controlling interests. Outstanding dividends payable of GMI amounting P25.0 million is presented as part of Non-trade payables under Trade and Other Payables in the 2019 consolidated statement of financial position (see Note 17). In 2018, GMCAC, MCLI, MCEI, and GMI have not declared nor paid any dividends.

27.5 Revaluation and Other Reserves

The movements of this account are as follows:

	Retirement Benefit Obligation (see Note 24.2)	**Foreign Currency Translation** (see Note 2.19)	**Other Reserves** (see Note 2.25)	**Total**
Balance as of January 1, 2020	(P 63,458,202)	P 74,555	(P 22,474,837)	(P 85,858,484)
Remeasurements of post-employment defined benefit plan	77,773,544		-	77,773,544
Foreign currency translation	-	(8,756)	-	(8,756)
Other comprehensive income (loss) before tax	77,773,544	(8,756)	-	77,764,788
Tax expense	(23,332,064)	-	-	(23,332,064)
Other comprehensive income (loss) after tax	54,441,480	(8,756)	-	54,432,724
Balance as of December 31, 2020	**(P 9,016,722)**	**P 65,799**	**(P 22,474,837)**	**(P 31,425,760)**

	Retirement Benefit Obligation (see Note 24.2)	Foreign Currency Translation (see Note 2.19)	Other Reserves (see Note 2.25)	Total
Balance as of January 1, 2019	P 15,204,702	P -	(P 22,474,837)	(P 7,270,135)
Remeasurements of post-employment defined benefit plan	(112,375,577)	-	-	(112,375,577)
Foreign currency translation	-	74,555	-	74,555
Other comprehensive income (loss) before tax	(112,375,577)	74,555	-	(112,301,022)
Tax income	33,712,673	-	-	33,712,673
Other comprehensive income (loss) after tax	(78,662,904)	74,555	-	(78,588,349)
Balance as of December 31, 2019	(P 63,458,202)	P 74,555	(P 22,474,837)	(P 85,858,484)
Balance as of January 1, 2018	(P 12,213,049)	P 8,263,159	(P 22,474,837)	(P 26,424,727)
Remeasurements of post-employment defined benefit plan	39,168,216	-	-	39,168,216
Recycled to profit or loss	-	(8,263`,159)	-	(8,263,159)
Other comprehensive income (loss) before tax	39,168,216	(8,263,159)	-	30,905,057
Tax expense	(11,750,465)	-	-	(11,750,465)
Other comprehensive income (loss) after tax	27,417,751	(8,263,159)	-	19,154,592
Balance as of December 31, 2018	P 15,204,702	P -	(P 22,474,837)	(P 7,270,135)

28. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent company and other shareholders, subsidiaries, associates, joint venture, parties related to the Parent Company by common ownership and key management personnel.

The summary of the Group's transactions with related parties as of December 31, 2020 is as follows:

Related Party Category	Notes	Outstanding Amount of Transaction	Receivable (Payable)	Terms	Conditions
Ultimate Parent Company –					
Cash granted	6, 28.4	P 19,923,383	P 3,089,295,108	Interest-bearing	Unsecured; Unimpaired
Interest receivable	6, 28.4	216,562,500	505,537,823	On demand; Noninterest-bearing	Unsecured; Unimpaired
Minority shareholders and their affiliates:					
Revenue from services	6, 21.1, 28.1	115,289,396	153,195,977	Normal credit terms	Unsecured; Unimpaired
Associate:					
Revenue from services	6, 21.1, 28.1	231,199,602	1,093,283,188	Normal credit terms	Unsecured; Unimpaired
Cash granted	6, 28.4	36,205,968	42,205,968	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.4	-	(20,000,000)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	6, 28.2	53,571	229,286	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	6, 21.1, 28.1	272,993,860	364,434,825	Normal credit terms	Unsecured; Unimpaired
Cash granted	6, 28.4	(4,047,911)	1,356,355	On demand; Noninterest-bearing	Unsecured; Unimpaired
Related Parties Under Common Ownership:					
Rent income	6, 28.2	5,956,791	332,411	Normal credit terms	Unsecured; Unimpaired
Revenue from services	6, 21.1, 28.1	338,869,209	202,211,820	Normal credit terms	Unsecured; Unimpaired
Cash granted	6, 28.4	90,304,593	3,277,832,242	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Interest receivable	6, 28.4, 25.2	216,562,500	505,537,823	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund		295,978	4,634,679	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	6, 28.3	22,977,518	74,481,307	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel – Compensation	28.7	320,043,868	-	On demand	Unsecured; Unimpaired

The summary of the Group's transactions with related parties as of December 31, 2019 is as follows:

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Ultimate Parent Company –					
Cash granted	6, 28.4	P 2,923,049,503	P 3,069,371,725	Interest-bearing	Unsecured; Unimpaired
Interest receivable	6, 25.2, 28.4	220,500,000	288,975,323	On demand; Noninterest-bearing	Unsecured; Unimpaired
Minority shareholders and their affiliates:					
Cash granted	6, 28.4	(841,103)	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associate:					
Revenue from services	6, 21.1, 28.1	313,577	905,413,727	Normal credit terms	Unsecured; Unimpaired
Cash granted	6, 28.4	6,000,000	6,000,000	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.4	(20,000,000)	(20,000,000)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	6, 28.2	53,571	57,321	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	6, 21.1, 28.1	598,911,864	298,184,597	Normal credit terms	Unsecured; Unimpaired
Cash granted	6, 28.4	4,329,601	5,404,267	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.5	14,883,628	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Related Parties Under Common Ownership:					
Rent income	28.2	3,662,298	3,703,186	Normal credit terms	Unsecured; Unimpaired
Revenue from services	6, 21.1, 28.1	187,922,352	130,204,606	Normal credit terms	Unsecured; Unimpaired
Rent expense	23, 28.2	1,766,433	-	Normal credit terms	Unsecured; Unimpaired
Cash granted	6, 28.4	42,399,786	3,186,770,507	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.5	44,683,199	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Interest receivable	6, 25.2, 28.4	220,500,000	288,975,322	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund		295,910	4,384,701	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	6, 28.3	17,232,250	51,503,789	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel – Compensation	28.7	310,903,975	-	On demand	Unsecured; Unimpaired

The summary of the Group's transactions with related parties as of December 31, 2018 is as follows:

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Ultimate Parent Company –					
Cash granted	28.4	(P 148,848,438)	P 146,322,222	Interest-bearing	Unsecured; Unimpaired
Shareholders –					
Revenue from services	21.1, 28.1	14,782,658	1,008,487	Normal credit terms	Unsecured; Unimpaired
Minority shareholders and their affiliates:					
Airport operator's fee	21.2	38,774,762	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash granted	28.4	841,103	841,103	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	28.4, 28.5	(172,939,978)	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associate:					
Revenue from services	21.1, 28.1	153,157,722	905,100,150	Normal credit terms	Unsecured; Unimpaired
Rent income	28.2	53,571	228,750	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	21.1, 28.1	769,940,008	29,082,652	Normal credit terms	Unsecured; Unimpaired
Cash granted	28.4	(1,890,090)	1,074,666	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	28.4, 28.5	(14,883,628)	(14,883,628)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Related Parties Under Common Ownership:					
Rent income	28.2	160,714	606,786	Normal credit terms	Unsecured; Unimpaired
Revenue from services	21.1, 28.1	172,643,575	237,415,489	Normal credit terms	Unsecured; Unimpaired
Rent expense	23, 28.2	2,811,703	-	Normal credit terms	Unsecured; Unimpaired
Cash granted	28.4	3,144,351,971	3,144,370,721	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Cash obtained	28.4, 28.5	(44,222,623)	(44,683,199)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund		44,798	-	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	28.3	12,375,774	34,271,539	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel –					
Compensation	28.7	209,941,711	-	On demand	Unsecured; Unimpaired

28.1 Rendering of Services

In the normal course of business, the Group provides construction services to its associate, a certain previous shareholder and other related parties. The related revenue from these transactions amounted to P894.2 million, P787.1 million and P1,110.5 million and in 2020, 2019 and 2018, respectively, and is recorded as part of Construction Operation Revenues account in the consolidated statements of income (see Note 21.1).

Services rendered to the above related parties are based on normal terms similar to terms that would be available to non-related parties.

The outstanding contract receivables from these transactions, which are generally unsecured and settled through cash within three to six months, and the related retention receivables, which can only be collected after a certain period of time upon acceptance by project owners of the certificate of completion, are presented as part of Contract and Retention receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

Through application of the ECL model based on the lifetime expected credit loss wherein the Group used its historical experience, external indicators and forward-looking information to calculate the ECL using the provision matrix, no significant amount of impairment losses was required to be recognized for the years 2020, 2019 and 2018.

28.2 Rental of Land and Building

The Group is a lessee of certain parcels of land and building owned by related parties under common ownership.

In 2020, 2019 and 2018., the Group recognized rent expense amounting to nil, P1.8 million and P2.8 million, respectively, from the lease agreement with Megapolitan Realty and Development Corporation (Megapolitan) for the land where the Group's building is located (see Notes 23 and 29.1.1). The Group has no outstanding payables from the rental transaction with Megapolitan as of December 31, 2020 and 2019.

In 2019 and 2018, the Group also leases an office space where its registered address is located from Philwide Construction and Development Corporation (Philwide).

Megapolitan and Philwide are entities owned by the Group's stockholders and their close family members.

The Parent Company also leases out its office space to its associates and related parties under common ownership. As a result, the Group recognized rent income amounting to P6.1 million, P3.7 million, and P0.3 million in 2020, 2019 and 2018, respectively, from the lease of its office building to several related parties. This is recorded as part of Other Income (Charges) – net account in the consolidated statements of income (see Note 25.3). The outstanding balances arising from these transactions are presented as part of Other receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

28.3 Advances to Officers and Employees

Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures that are to be liquidated 60 days from the date the cash advances were received. The outstanding receivables from these transactions are presented as part of Trade and Other Receivables (see Note 6).

No impairment losses were recognized in 2020, 2019 and 2018 for these advances.

28.4 Advances to and from Related Parties

In 2019, the Group obtained unsecured, noninterest-bearing cash advances from certain related parties to finance portion of its working capital requirement payable upon demand. In 2019, Advances obtained amounted to P20.0 million, while advances settled amounted to P59.6 million. The outstanding balance from these transactions is shown under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

The Group has provided unsecured, interest-bearing and noninterest-bearing cash advances to its associates and certain related parties under common ownership for their working capital requirements. Interest income arising from advances to related parties amounted to P433.1 million and P441.0 million in 2020 and 2019, respectively are presented under finance income (see Note 25.2). Outstanding interest receivable relating to advances to related parties amounting to P1,009.7 million and P578.0 million in 2020 and 2019, are presented under trade and other receivables (see Note 6). In 2019 and 2018, the Parent Company also provided bridge financing to its parent and associates for the Group's business expansion and diversification program.

In 2020 and 2019, the Group granted advances totaling P356.2 million and P3,150.1 million, respectively, while advances collected amounted to P214.1 million and P174.3 million, respectively . The outstanding balance from these transactions is shown under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

	2020	2019
Due to related parties:		
Associates	**P 20,000,000**	P 20,000,000
Advances to related parties:		
Related party under common ownership	**P 3,277,832,242**	P 3,186,770,507
Ultimate parent company	**3,089,295,108**	3,069,371,725
Associates	**42,205,968**	6,000,000
Joint arrangement	**1,356,355**	5,404,267
	P 6,410,689,673	P 6,267,546,499

Further, upon assessment of recoverability based on the capacity to pay and expected collectability of these advances, no impairment losses were recognized in 2020, 2019 and 2018.

The Group's outstanding receivables from and payables to the same related parties as presented can be potentially offset to the extent of their corresponding outstanding balances (see Note 33.2).

28.5 Advances to and from Minority Shareholders

The minority shareholders granted unsecured, noninterest-bearing cash advances to GMCAC to support its Project bid-related expenses. The minority interest shareholder also granted unsecured noninterest-bearing cash advances to MCEI to support its working capital operations. The outstanding balance from this transaction is shown under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

28.6 Others

The Parent Company's retirement plan is in the form of a bank-trustee managed account. The fair value of the retirement plan totalled P4.6 million and P4.4 million as of December 31, 2020 and 2019, respectively. The details of the retirement plan are presented in Note 24.2.

28.7 Key Management Compensation

The compensation of key management personnel is broken down as follows:

	2020	2019	2018
Short-term employee benefits	**P 308,711,552**	P 293,002,231	P 207,383,418
Post-employment benefits	**11,332,316**	17,901,744	2,558,293
	P 320,043,868	P 310,903,975	P 209,941,711

29. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

29.1 Lease Commitments - Group as Lessor

The Group is also a lessor under operating leases covering rentals from lease of office and commercial spaces presented in the consolidated statements of financial position as Investment Properties. Rental income earned amounted to P900.8 and P555.4 million in 2020 and 2019, respectively, which is recognized under Landport Operations Revenues in the consolidated statements of income (see Note 21.3).

The future minimum lease receivables under the non-cancellable operating leases as of the end of 2020 and 2019 are as follows:

	2020	2019
Within one year	**P 896,772,705**	P 952,549,221
After one year but not more than five years	**895,774,372**	1,209,649,121
After one year but not more than five years	**905,056,337**	1,225,521,865
After one year but not more than five years	**945,869,663**	1,272,848,994
After one year but not more than five years	**10,210,671**	1,152,623,864
More than five years	**5,672,295**	2,996,343
	P 3,659,356,043	P 5,816,189,408

Variable rent, which pertains to a certain percentage share in the lessees' sales, is included as part of total rent income amounting to P36.7 million and P40.0 million in 2020 and 2019, respectively.

29.2 PPP with DepEd

On October 8, 2012, the Parent Company, together with Citicore (collectively referred to as proponent), executed a build-lease-transfer agreement with the Philippine Government, through DepEd under the PPP for school infrastructure project, which provides initiatives on the construction of classroom nationwide to address the current classroom backlog and future requirements for classrooms.

The agreement requires the construction, maintenance and lease of school buildings, whereby, the project proponent is authorized to finance and construct the school facility within 16 months from the execution date and upon its completion turns it over to the government agency or local government unit concerned on a lease agreement for a period of 10 years from the issuance of certificate of completion. After which, ownership of the facility is automatically transferred to the government agency or local government unit concerned.

During the lease period, the proponent shall be responsible for the maintenance works, which shall be performed twice, the first time at any point between the fourth and fifth years, and the second time at any point between the eighth and ninth years. At the end of the 10-year term, the proponent shall bear all costs incurred in connection with the transfer of rights to the Philippine Government.

Pursuant to the above agreements, the Parent Company and Citicore established CMCI (see Note 1) to handle the PPP school infrastructure project. In 2016, the construction of the school buildings has been maintained.

As of December 31, 2020 and 2019, the school infrastructure project is 100% complete for both Phases 1 and 2.

29.3 Build-Operate-Transfer Agreements

29.3.1 Mactan-Cebu International Airport Project

(a) BOT Agreement

In 2014, GMCAC entered into a BOT agreement with the Grantors relative to the MCIA Project. GMCAC was established to undertake the Project involving, among others, the construction of a world-class airport passenger terminal (along with associated infrastructure and facilities), the renovation and expansion of the existing airport terminal and the operation and maintenance of both airport passenger terminals for a period of 25 years.

On April 8, 2014, the Parent Company entered into Shareholders' Agreement with GMR setting forth the terms and conditions governing their participation in the share capital of GMCAC, their rights and obligations as shareholders in relation to GMCAC. Under the said Shareholders' Agreement, the parties defined the business of GMCAC, the required manpower support from each shareholder, the composition of the board, formation of committees and the management team for the orderly management of the Project, conduct of board and shareholder meetings as well as restrictions on the transfer rights of the stockholders and issuance of additional shares.

GMCAC is a pioneer in the privately operated airport space in the Philippines when it took over the Mactan Cebu International Airport on the scheduled take over date of November 1, 2014.

(b) Technical Service Agreement

On August 19, 2014, GMCAC entered into a Technical Services Agreement (the Agreement) with GIL to provide for the services in compliance with the Concession Agreement are described in the succeeding page.

(i) The preparation of policies and procedures such as O&M Manual and the updating of such every January 30th of each calendar year, Fire Safety Manual, and any other additional systems, documentation and manuals to meet the Performance Standards under the Concession Agreement;

(ii) Provide training or technical services to key personnel of GMCAC so that GMCAC may undertake the O&M of the facilities;

(iii) Provide qualified experts, on a permanent or long-term basis; and,

(iv) Provide other staff on non-permanent basis either based on GIL's location or seconded to GMCAC.

As stated in the Agreement and as agreed by the parties, GIL may provide services through any of its offices, subsidiaries, or branches where the qualified experts may be located, which shall include GISPL and/or GISPL's or GIL's branch to be incorporated in the Philippines. GMCAC also agreed to pay the relevant fees upon the invoice raised, directly and under the instructions of GIL, by such office, subsidiary or branch.

The service fee shall be 1.25% of the actual audited gross revenue. The Agreement is effective up to the expiry of the Concession Period unless terminated earlier upon mutual consent of the parties.

Airport operator's fee recognized for 2020, 2019 and 2018 amounted to P14.3 million, P47.6 million and P38.8 million, respectively (see Notes 22.2 and 23).

29.3.2 Parañaque Integreated Terminal Exchange Project

On February 25, 2015, MWMTI entered into a BOT agreement with the DOTr to undertake the PITX Project. Upon completion of the project, MWMTI shall operate and maintain the facility, which is divided into landport and commercial areas, within the agreed concession period of 35 years from the date of the completion of the construction, which is equivalent to 18 months.

The development and implementation of the PITX Project is divided into landport and commercial areas and related developments therein for a total lot area of 193.4 hectares (the Project Assets). Specifically, the PITX Project to be undertaken by MWMTI, as the concessionaire, consists of the following:

- The design, engineering and construction of the PITX Terminal, access road and the pedestrian connections between the PITX Terminal and Asia World Station concourse within 18 months from the construction date;
- From its completion until the end of the concession period, the operation and maintenance of the PITX Terminal in accordance with the Concession Agreement;

- The collection and remittance to the Grantor of landport fee from users of the PITX Terminal;
- The financing of the above activities;
- The design, financing, engineering and construction of commercial assets, carrying out of the commercial business, and collection of any commercial revenue at the concessionaire's option; and,
- Turn-over of the Project Assets to the Grantor at the end of the Concession Period

Pursuant to the Concession Agreement, MWMTI shall be entitled to collect and receive the concessionaire revenue comprising of AGP, commercial revenue, and any applicable grantor compensation payments. The AGP is collectible from the Grantor at the end of every anniversary year from the construction completion date thereof. For commercial revenue, MWMTI is free to impose and collect commercial charges from the use of commercial areas. On the other hand, the Grantor shall be entitled to the landport fee revenue from the users of the public service and other charges.

At the end of the concession period, MWMTI shall hand-over the PITX Project Assets to the Grantor without cost, free from any liens and encumbrances, including all improvements made to the landport facilities, commercial assets, works in progress and right to receive commercial revenues.

On November 5, 2018, MWMTI opened the landport while the construction of commercial areas and related developments were completed in 2019.

29.4 Credit Lines and Guarantees

29.4.1 Credit Lines

The Group has existing credit lines with local banks totalling P45,400.0 million and $75.0 million (P3,778.6 million) for 2020 and 2019.

The Group availed of bank loans totalling P40,384.4 million and $75.0 million (P3,778.6 million) for 2020 and 2019 (see Note 18.2). Only the loan obtained by GMCAC was secured, as disclosed in Note 18.2. Unused credit lines as of December 31, 2020 amounted to P5,051.6 million.

29.4.2 Guarantees and Others

On December 26, 2019 the BOD approved the issuance of corporate guaranty in the amount of P4.5 billion in favor of CHI. Subsequently on March 28, 2020, the BOD of the Parent Company approved the reduction of the amount of corporate guaranty from P4.5 billion to P1.5 billion. The approval is part of the governance initiative of the Parent Company and is deemed a regular corporate transaction to provide assistance, as needed, to new and other businesses to help them mature and produce strong and predictable cash flows to become stable and consistent contributors to the Group. These include forward integration opportunities in real estate development such as affordable housing segment and mid to high-end residential developments as well as in high-growth potential and fast-growing industries to support Group's long-term goal of strengthening its portfolio to provide additional legs for next level of growth.

On March 23, 2015, CMCI, with the Parent Company as guarantor, executed an RPA with certain local commercial banks, whereby the CMCI shall offer an outstanding finance lease receivable arising from PPP school infrastructure project within the purchase period on a limited recourse basis such as upon the occurrence of certain repurchase event under the RPA. Pursuant to the continuing obligations of the CMCI under the RPA, CMCI has been in compliance with the RPA during the reporting periods.

MWMTI entered in to an OLSA with a local universal bank in 2015, with the Parent Company as guarantor, for a loan facility amounting to P3,300.0 million to finance the construction of the ITS Project. In 2019, the Company requested the lender to increase the loan facility by P600.0 million making the total principal loan to P3,900.0 million.

29.5 Capital Commitments on Use of Proceeds

The Parent Company has capital commitments to utilize the proceeds from the issuance of its preferred shares amounting to P4,362.6 million for various expansion of its facilities and construction of infrastructure projects as stated in the use of proceeds report. As of December 31, 2020, the balance of the unutilized proceeds amounted to P4,109.6 million.

29.6 Legal Claims

There are pending claims, tax assessment, and other legal actions filed by the Group or against the Group arising from the normal course of business. There are no related provisions recognized in the consolidated financial statements as management believes that the Group has strong legal positions related to such claims. Moreover, management believes that the ultimate liability, if any, with respect to such litigations, claims and disputes will not materially affect the financial position and results of operations of the Group.

29.7 Others

Apart from the foregoing significant commitments, and the Group's construction commitments with various counterparties under the ordinary course of business, there are other commitments and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements, taken as a whole.

30. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is calculated as Company's profit divided by the outstanding shares of its common stock (see Notes 2.26) and computed as follows:

	2020	2019	2018
Net profit (loss) attributable to shareholders of the Parent Company	**(P 398,149,922)**	P 859,487,439	P 1,469,434,494
Dividends on cumulative preferred shares	**(281,000,000)**	(281,000,000)	(281,000,000)
Net profit (loss) available to common shareholders of the Parent Company	**(679,049,922)**	578,487,439	1,188,434,494
Divided by weighted average number of outstanding common shares	**2,036,285,370**	2,081,168,982	2,130,249,359
Basic and diluted earnings (loss) per share	**(P 0.33)**	P 0.28	P 0.56

The Group does not have dilutive potential common shares outstanding as of December 31, 2020, 2019 and 2018; hence, diluted earnings (loss) per share is equal to the basic earnings (loss) per share.

31. EVENTS AFTER THE END OF THE REPORTING PERIOD

31.1 Declaration of Dividends

On January 18, 2021, the Parent Company's BOD approved the declaration of cash dividends of P1.19 per share and P1.4 per share or equivalent to P31.1 million and P25.0 million, respectively, to holders of Series 2A and Series 2B preferred shares, respectively, on record as of February 3, 2021. The dividends which is payable on March 1, 2021, shall be taken out of the unrestricted earnings of the Parent Company as of December 31, 2021.

On January 11, 2021, the Company's BOD approved the declaration of cash dividends of P1.76 per share or equivalent to P70.3 million to holders of Series 1 preferred shares on record as of February 8, 2021. The dividends which is payable on March 3, 2021, shall be taken out of the unrestricted earnings of the Company as of December 31, 2020.

31.2 Increase in Authorized Capital Stock

On February 26, 2021, the BOD has approved the resolution to increase the authorized capital stock of the Parent Company to 5,080.0 million, divided into the 4,930.0 million common shares and 150.0 million cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares. Both common and preferred shares have a par value of P1.0 per share.

31.3 Republic Act No. 11524, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, R.A. No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, amending certain provisions of the National Internal Revenue Code of 1997, as amended, was signed into law with veto on certain provisions and shall be effective 15 days after its publication. The CREATE Act has several provisions with retroactive effect beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to the Group:

(a) regular corporate income tax rate is decreased from 30% to 25% starting July 1, 2020;
(b) minimum corporate income tax rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
(c) the imposition of 10% tax on improperly accumulated retained earnings is repealed; and,
(d) the allowable deduction for interest expense is reduced to 20% (from 33%) of the interest income subjected to final tax.

Given that the CREATE Act was signed after the end of the current reporting period, the Group determined that this event is a non-adjusting subsequent event. Accordingly, its impact was not reflected in the Group's financial statements as of and for the year ended December 31, 2020, and instead, will be taken up prospectively in the next applicable reporting period. The Group used the prevailing tax rates as of December 31, 2020 in determining its current and deferred taxes in its 2020 financial statements.

As a result of the application of the lower regular corporate income tax (RCIT) rate of 25% starting July 1, 2020, the current income tax expense and income tax payable (or asset, in case of overpayment), as presented in the 2020 annual income tax return (ITR) of the Group, would be lower than the amount presented in the 2020 financial statements.

In addition, the recognized deferred tax assets and deferred tax liabilities as of December 31, 2020 would be remeasured to 25% in the 2021 financial statements. This will result in a decline in the recognized deferred tax asset in 2020 by P1.6 million, and decline in recognized deferred tax asset in 2020 by P133.6 million, and both will be charged to 2021 profit or loss, unless it can be recognized in other comprehensive income as provided in the applicable financial reporting standard (see Notes 26.3).

32. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to its financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 33. The main types of risk are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with the Group's Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes, nor does it write options. The relevant financial risks to which the Group is exposed to are described in the succeeding pages.

32.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from intercompany advances to and from foreign related parties, which are denominated in US dollars. The Group also holds US dollar-denominated cash.

Significant US dollar-denominated financial assets (liabilities), translated into Philippine pesos at the closing rates, are as follows:

	2020	2019
Cash in banks	**P 394,519,021**	P 854,304,390
Investment in trust fund	**401,525,300**	106,182,000
Trade and other payables	**(235,394,706)**	(693,575,565)
Long-term debt	**(3,436,885,000)**	(3,778,637,000)
	(P2,876,235,385)	(P3,511,726,175)

If the Philippine peso had strengthened by 9.51% and 12.93% in 2020 and 2019, respectively, against the US dollar, with all other variables held constant, loss before tax in 2020 would have decreased by P273.5 million and profit before tax in 2019 would have increased by P454.1 million. If the Philippine peso had weakened by the same percentages against the US dollar, then loss before tax in 2020 and and profit before tax in 2019 would have increase and decreased by the same amounts, respectively.

These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held as at December 31, 2020 and 2019, with effect estimated from the beginning of the year.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing.

In November 2015, the Company entered into an interest rate swap transaction to hedge the interest rate exposure on its floating rate US dollar-denominated loan maturing in June 2022, start date is on December 15, 2017. A notional amount of US$75.0 million floating rate loan was swapped to fixed rate. Under the interest rate swap agreement, the Company pays annual fixed interest rate of a range of 1.79% to 2.65% and receives floating rate of nine-month US$ LIBOR on Bloomberg Page on the notional amount.

As at December 31, 2020 and 2019, the Group recognized P121.9 million and P78.6 million derivative liability, respectively (see Notes 7 and 17). The Group recognized in the Group's consolidated statements of income under Other Income (Charges), unrealized loss from change in fair value of the interest rate swap amounting to US$1.0 million or P43.3 million in 2020, US$1.6 million or P104.8 million in 2019, and unrealized gain of US$0.5 million or P45.2 million in 2018 respectively (see Notes 7 and 25.3).

The Company entered into interest rate swap as economic hedges of underlying exposure arising from its foreign currency-denominated loan. Such interest swap is accounted for as derivative not designated for hedges.

The following table shows the information about the Group's financial instruments that are exposed to cash flow (floating rate instrument) and fair value (fixed rate instrument) interest rate risks and presented by maturity profile (in thousands):

December 31, 2020	Within 1 year	1-2 years	More than 2 years	Total	Debt Issuance Cost	Carrying Value
Cash and Cash Equivalents	P 978,956	P -	P -	P 978,956	P -	P 978,956
Investment in trust fund	-	401,525	-	401,525	-	401,525
	P 978,956	P 401,525	P -	P 1,380,481	P -	P 1,380,481
Derivative Liability	P 121,896	P -	P -	P 121,896	P -	P 121,896
Long-term debt:						
PHP (P20 billion loan facility)	P 730,450	P 1,460,900	P 18,365,000	P 20,556,350	(P 208,442)	P 20,347,908
USD ($75 million loan facility)	126,060	252,121	3,169,518	3,547,699	(32,222)	3,515,477
	P 856,510	P 1,713,021	P 21,534,518	P 24,104,049	(P 240,664)	P 23,863,385
December 31, 2019						
Cash and Cash Equivalents	P 1,167,717	P -	P -	P 1,167,717	P -	P 1,167,717
Investment in trust fund	-	862,704	-	862,704	-	862,704
	P 1,167,717	P 862,704	P -	P 2,030,421	P -	P 2,030,421
Derivative liability	P 78,552	P -	P -	P 78,552	P -	P 78,552
Long-term debt:						
PHP (P20 billion loan facility)	P 417,400	P 521,750	P 19,826,500	P 20,765,650	(P 235,101)	P 20,530,549
USD ($75 million loan facility)	75,953	94,941	3,607,743	3,778,637	(31,259)	3,747,378
	P 493,353	P 616,691	P 23,434,243	P 24,544,287	(P 266,360)	P 24,277,927

As at December 31, 2020 and 2019, the Group is exposed to changes in market rates through its cash in banks and short-term placements which are subject to monthly repricing intervals (see Note 5) and certain interest-bearing loans which is subject to variable interest rate (see Note 18). All other financial assets and financial liabilities have fixed rates or are noninterest bearing.

The sensitivity of the profit (loss) before tax is analyzed based on a reasonably possible change in interest rates of +/-205.0, +/-248.0 and +/-291.0 basis points in 2020, 2019 and 2018, respectively, based on observation of current market conditions with effect from the beginning of the year. The changes in interest rates have been determined based on the average market volatility in interest rates for each period using standard deviation and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates.

All other variables held constant, if the interest rates increased by 205.0 basis points, 248.0 basis point and 291.0 basis points, loss before tax in 2020 and profit before tax in 2019 and 2018, respectively, would have increased by P280.5 million in 2020, decreased by P194.4 million in 2019 and increased by P108.3 million in 2018. Conversely, if the interest rates decreased by the same basis points, profit before tax would have been higher and lower by the same amounts.

32.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, such as the granting of loans and receivables to customers and related parties and placing deposits with local banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets and contract assets is the carrying amount of the related assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized in the below.

	Notes	**2020**	2019
Cash and cash equivalents	5	**P 7,226,149,912**	P 6,518,599,861
Trade and other receivables – net *(excluding advances to officers and employees)*	6	**15,224,568,808**	17,321,972,758
Refundable security and bond deposits	12	**199,529,159**	196,779,733
Investment in trust fund	12	**401,525,300**	862,704,457
Contract assets	9	**4,231,600,246**	3,975,734,097
		P 27,283,373,425	P 28,875,790,906

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents, as described below and in the succeeding page.

(a) *Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) *Trade and Other Receivables and Contract Asset*

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables and contract assets.

To measure the ECL, trade and other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Group also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The expected loss rates are based on the payment and aging profiles over a period of 36 months before December 31, 2020 or 2019 respectively, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The Group identifies a default when the receivables become credit impaired or when the customer has not been able to settle the receivables when due, depending on the terms with customers or after completion and acceptance of the stage of completion as represented by the billings. In making the assessment, the Group considers the net position of the customer after advances and deposits received from the customer, reason for non-payment (i.e. dispute related to quality of work completed has been raised by the customer) and the credit standing of the customer. In addition, the Group considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty. When customer is unlikely to pay a past due account in the next year due to financial difficulty, an ECL is recognized in the books. The Group has determined that the credit standing and liquidity of the significant portion of its receivables and customers from the construction segment are not affected severely by COVID19 as these customers have reputable cash management strategies.

On that basis, the loss allowance as at December 31, 2020 and January 1, 2020 (upon adoption of PFRS 9) was determined based on months past due, as follows for both trade and other receivables:

	Not more Than 3 months	More than 3 mos. but not more than 6 mos.	More than 6 mos. but not more than 1 year	More than 1 year	Total
December 31, 2020:					
Expected credit loss rate	-	-	-	*14.1%*	
Receivables from airport operations	P 157,516,613	P 18,873,677	P 299,744,561	P 94,095,611	P 570,230,462
Lease receivables	194,850,003	50,981,057	115,257,688	24,377,629	385,466,377
Contract receivables	3,307,983,008	77,268,346	249,035,019	150,598,025	3,784,884,398
Receivable from sale of goods	766,766	-	-	-	766,766
Other receivables	173,475,088	-	-	-	173,475,088
	P 3,834,591,478	**P 147,123,080**	**P 664,037,268**	**P 269,071,265**	**P4,914,823,091**
Loss Allowance	**-**	**-**	**-**	**37,932,641**	**37,932,641**
December 31, 2019:					
Expected credit loss rate	-	-	-	*2.7%*	
Receivables from airport operations	P 720,450,961	P 47,383,750	P 32,830,208	P 14,262,408	P 814,927,327
Lease receivables	131,964,053	10,128,592	-	-	142,092,645
Contract receivables	5,586,004,221	134,628,362	163,794,090	383,756,439	6,268,183,112
Receivable from sale of goods	-	60,193,641	187,056	-	60,380,697
Other receivables	234,122,687	-	-	-	234,122,687
	P 6,672,541,922	P 252,334,345	P 196,811,354	P 398,018,847	P7,519,706,468
Loss Allowance	-	-	-	10,956,072	10,956,072

For contract assets, the Group has recognized an allowance for ECL amounting to P288.2 representing unbilled costs incurred by the Group and assessed to be not recoverable. No additional impairment losses on contract assets have been recognized in 2020 and 2019.

(c) Investment in Trust Fund

In 2020 and 2019, the Group is exposed to credit risk on its investments in trust fund. However, the Group has assessed that such risk is minimal since the counterparties are reputable listed leasing company and financial institutions with high quality external credit ratings.

(d) Refundable Security and Bond Deposits

The Group is not exposed to any significant credit risk exposures to its lessors as lease agreements were executed with reputable entities. The Group can negotiate, before the end of the lease term, to apply deposit to rentals due.

32.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for six-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
December 31, 2020:			
Interest-bearing loans and borrowings	P 12,669,450,003	P 1,050,381,301	P 34,211,924,687
Trade and other payables	8,291,951,223	-	-
Security deposits (gross of unearned income)	-	-	464,587,591
	P 20,961,401,226	**P1,050,381,301**	**P 34,676,512,278**
December 31, 2019:			
Interest-bearing loans and borrowings	P 14,614,706,850	P 66,354,402	P 33,882,124,037
Trade and other payables	8,167,589,445	-	-
Security deposits (gross of unearned income)	-	-	586,498,441
	P 22,782,296,295	P 66,354,402	P34,468,622,478

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of reporting periods.

33. CATEGORIES, OFFSETTING AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

33.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

		2020		2019	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
At amortized cost:					
Cash and cash equivalents	5	**P 7,226,149,912**	**P 7,226,149,912**	P 6,518,599,861	P 6,518,599,861
Trade and other receivables – net	6	**15,224,568,808**	**15,224,568,808**	17,321,972,758	17,321,972,758
Refundable security and bond deposits	12	**199,529,159**	**199,529,159**	196,779,733	196,779,733
Investment in trust fund	12	**401,525,300**	**401,525,300**	862,704,457	862,704,457
		23,051,773,179	**23,051,773,179**	24,900,056,809	24,900,056,809
Financial assets at FVOCI	10				
Club shares		**1,044,472**	**1,044,472**	1,044,472	1,044,472
Investment in SSPI		**2,500,000**	**2,500,000**	2,500,000	2,500,000
		3,544,472	**3,544,472**	3,544,472	3,544,472
		P 23,055,317,651	**P 23,055,317,651**	P 24,903,601,281	P 24,903,601,281
Financial Liabilities					
At amortized cost:					
Interest-bearing loans and borrowings	18	**P 45,920,365,307**	**P 47,931,755,991**	P 47,752,912,677	P 48,563,185,289
Trade and other payables	17	**8,291,951,223**	**8,291,951,223**	8,167,589,445	8,167,589,445
Security deposits*	20	**464,587,591**	**464,587,591**	586,498,441	586,498,441
		P 54,676,904,121	**P 56,688,294,805**	P 56,507,000,563	P 57,317,273,175

**Under Other Non-current Liabilities*

See Notes 2.4 and 2.11 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 32.

33.2 Offsetting of Financial Assets and Financial Liabilities

Currently, all other financial assets and financial liabilities are settled on a gross basis and no offsetting of financial instruments has been made in 2020 and 2019. However, each party to the financial instrument (particularly related parties) will have the option to settle amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders. As such, the Group's outstanding receivables from and payables to the same related parties as presented in Note 28 can be potentially offset to the extent of their corresponding outstanding balances. In addition, the Group's investment in trust fund account (see Note 12) held as security can be offset against the Group's outstanding interest-bearing loans and borrowings (see Note 18) in the event of default in payments.

33.3 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

33.4 Financial Instruments Measured at Fair Value

Since the fair value of the Group's financial assets through FVOCI approximates the cost amounting to P1.0 million as of December 31, 2020 and 2019, the fair value change is deemed immaterial (see Note 10). The Company's financial assets through FVOCI are under Level 2 of the fair value hierarchy.

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2020 and 2019.

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2020					
Financial assets:					
Equity securities:					
SSPI	10	**P -**	**P -**	**P 2,500,000**	**P 2,500,000**
Golf club shares	10	**-**	**1,044,472**	**-**	**1,044,472**
		P -	**P 1,044,472**	**P 2,500,000**	**P 3,544,472**
Financial liabilities:					
Derivative liability	17	**P -**	**P 121,895,954**	**P -**	**P 121,895,954**

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2019					
Financial assets:					
Equity securities:					
SSPI	10	P -	P -	P 2,500,000	P 2,500,000
Golf club shares	10	P -	P 1,044,472	P -	P 1,044,472
		P -	P 1,044,472	P 2,500,000	P 3,544,472
Financial liabilities:					
Derivative liability	17	P -	P 78,552,254	P -	P 78,552,254

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

Described below is the information about how the fair values of the Group's classes of financial assets are determined.

(a) Equity Securities

As of December 31, 2020, and 2019, instrument included in Level 2 comprise equity securities classified as financial assets at FVOCI. These securities were valued based on their fair market values by reference on published share prices of golf club shares and as at December 31, 2020 and 2019, respectively. These are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

The Group has equity interest of 1% in SSPI as of December 31, 2020 and 2019. These securities were valued based on entity specific estimate, thus included in Level 3.

(b) Derivative Liability

The fair value of the Group's derivative liability are measured under Level 2. As of December 31, 2020 and 2019, the fair values of the Group's derivative financial instruments classified as financial liabilities at FVTPL, were valued using pricing models whose inputs, such as foreign exchange rates and interest rates, are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including forward contracts and swaps) or are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

33.5 Financial Instruments Measured at Amortized Cost

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
2020:				
Financial assets:				
Cash and cash equivalents	P 7,226,149,912	P -	P -	P 7,226,149,912
Trade and other receivables - net	-	-	15,224,568,808	15,224,568,808
Refundable security and bond deposits	-	-	199,529,159	199,529,159
Investment in trust fund	401,525,300	-	-	401,525,300
	P 7,627,675,212	**P -**	**P 15,424,097,967**	**P 23,051,773,179**
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 45,920,365,307	P 45,920,365,307
Trade and other payables	-	-	8,291,951,223	8,291,951,223
Security deposits	-	-	464,587,591	464,587,591
	P -	**P -**	**P 54,676,904,121**	**P 54,676,904,121**
2019:				
Financial assets:				
Cash and cash equivalents	P 6,518,599,861	P -	P -	P 6,518,599,861
Trade and other receivables - net	-	-	17,321,972,758	17,321,972,758
Refundable security and bond deposits	-	-	196,779,733	196,779,733
Investment in trust fund	862,704,457	-	-	862,704,457
	P 7,381,304,318	P -	P 17,518,752,491	P 24,900,056,809
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 48,563,185,289	P 48,563,185,289
Trade and other payables	-	-	8,167,589,445	8,167,589,445
Security deposits	-	-	586,498,441	586,498,441
	P -	P -	P 57,317,273,175	P 57,317,273,175

33.6 Fair Value Measurement for Investment Property Carried at Cost

The table below shows the fair value of the Group's investment property measured at cost but for which fair value is disclosed and determined under the Level 3 fair value hierarchy.

	Note	**2020**	2019
Building for lease	15	**P 3,618,385,194**	P 3,724,304,346
Land	15	**1,869,480,787**	1,848,237,722
		P 5,487,865,981	P 5,572,542,068

The fair value of certain parcels of land are determined on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Company's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. On the other hand, the fair value of other parcels of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Both valuation process was applied as sale comparable method.

In estimating the fair value of investment property, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair value of the Building approximates its carrying value as the building was only newly constructed in March 2019 (see Note 15).

There has been no change to the valuation techniques used by the Group for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2020.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below and in the succeeding page is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Bank Loans (Note 18.2)	Notes Payable (Note 18.1)	Lease Liabilities (Note 16.2)	Total
Balance as of January 1, 2020	P 38,425,631,984	P 8,852,929,990	P 474,350,703	P 47,752,912,677
Cash flows from financing activities:				
Additional borrowings	6,231,300,000	3,600,000,000	-	9,831,300,000
Repayment of borrowings	(4,903,369,586)	(6,862,138,758)	(172,081,609)	(11,937,589,953)
Non-cash financing activities				
Unrealized loss on interest rate swap	43,343,700	-	-	43,343,700
Additional lease liabilities	-	-	230,398,883	230,398,883
Balance at December 31, 2020	**P 39,796,906,098**	**P 5,590,791,232**	**P 532,667,977**	**P 45,920,365,307**
Balance as of January 1, 2019	P 30,775,838,256	P 5,846,502,472	P 157,923,257	P 36,780,263,985
Cash flows from financing activities:				
Additional borrowings	17,552,773,199	3,056,288,759	-	20,609,061,958
Repayment of borrowings	(10,007,821,865)	(49,861,241)	(115,296,405)	(10,172,979,511)
Non-cash financing activities				
Unrealized loss on interest rate swap	104,842,394	-	-	104,842,394
Additional lease liabilities	-	-	397,446,210	397,446,210
Effect of adoption of PFRS 16	-	-	34,277,641	34,277,641
Balance at December 31, 2019	P 38,425,631,984	P 8,852,929,990	P 474,350,703	P 47,752,912,677

	Bank Loans (Note 18.2)	Notes Payable (Note 18.1)	Lease Liabilities (Note 16.2)	Total
Balance as of January 1, 2018	P 22,905,865,437	P 5,836,791,231	P 205,811,673	P 28,948,468,341
Cash flows from financing activities:				
Additional borrowings	11,109,657,723	693,711,241	29,281,321	11,832,650,285
Repayment of borrowings	(4,019,466,826)	(684,000,000)	(77,169,737)	(4,780,636,563)
Loans of acquired subsidiary	825,000,000	-	-	825,000,000
Non-cash financing activities				
Unrealized loss on interest rate swap	(45,218,078)	-	-	(45,218,078)
Balance at December 31, 2018	P 30,775,838,256	P 5,846,502,472	P 157,923,257	P 36,780,263,985

35. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, equity and liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, re-issuance of treasury shares or sell assets to reduce debt.

	Note	**2020**	2019
Interest-bearing loans and borrowings	18	**P 45,920,365,307**	P 47,752,912,677
Total equity		**20,531,593,346**	17,998,512,696
		2.24: 1.00	2.65: 1.00

P&A
Grant Thornton

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
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The Board of Directors and Stockholders
Megawide Construction Corporation and Subsidiaries
(A Subsidiary of Citicore Holdings Investment, Inc.)
20 N. Domingo Street
Brgy, Valencia
Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Megawide Construction Corporation and Subsidiaries (the Group) for the year ended December 31, 2020, on which we have rendered our report dated April 8, 2021. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 of the Philippine Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Mailene Sigue-Bisnar**
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8533222, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 8, 2021

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

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MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule A
Financial Assets - Fair Value Through Profit or Loss, Fair Value Through Other Comprehensive Income and Amortized Cost
December 31, 2020

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds or Notes	Amount Shown in the Statement Financial Positon as of Reporting Period	Valued Based on Market Quotation at End of Reporting Period	Income Received and Accrued (iii)
Fair Value through Profit of Loss (FVTPL)				
	P -	P -	P -	P -
	-	-	-	-
	-	-	-	-
	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**
Fair Value through Other Comprehensive Income (FVTOCI)				
Investment in Club shares - The City Club, Alphaland Makati Place	P -	P 1,044,472	P 1,044,472	P -
Investment in Silay Solar Power, Inc. (SSPI)	-	2,500,000	2,500,000	-
TOTAL	**-**	**P 3,544,472**	**P 3,544,472**	**-**
Financial Assets at Amortized Costs				
Cash and cash equivalents	P -	P 7,226,149,912	P 7,226,149,912	P 25,540,676
Trade and other receivables - net	-	15,224,568,808	15,224,568,808	433,125,000
Refundable security and bond deposits	-	199,529,159	199,529,159	-
Investment in trust fund	-	401,525,300	401,525,300	32,396,012
TOTAL	**-**	**P 23,051,773,179**	**P 23,051,773,179**	**P 491,061,688**

Supplementary information on FVTPL and FVOCI

(i) *This investment represents equity instrument wherein the Group neither exercises control or significant influence as discussed in Note 10 to the consolidated financial statements*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule B
Amounts Receivable from Directors, Officers, Employees,
Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2020

Name	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
ABEGAIL CABIGAS	150,000	-	-	-	150,000	-	150,000
ABEGAIL VICENTE	7,400	-	-	-	7,400	-	7,400
ABNER CATACUTAN	-	-	-	-	-	-	-
ADRIAN KUCZMIK	141,259	-	-	-	141,259	-	141,259
AIKO B. TALORETE	25,000	-	-	-	25,000	-	25,000
ALBERTO DACUMA	1,238	300,000	-	-	301,238	-	301,238
ALEJANDRO MANALO	155,000	-	-	-	155,000	-	155,000
ALEXANDER UMALI	4,500	-	-	-	4,500	-	4,500
ALFRED JOSEPH MOLINA	99,600	56,923	115,798	-	40,725	-	40,725
ALFREDO C. CASASIS	12,500	-	-	-	12,500	-	12,500
ALLAN L. VALENZUELA	1,920	257,187	44,375	-	214,732	-	214,732
ALMA GARCIA	32,000	-	-	-	32,000	-	32,000
ALVIN ESGUERRA	100,400	-	-	-	100,400	-	100,400
ALVIN SOGUILON	3,241	-	-	-	3,241	-	3,241
ALVIN TORRES	141,550	-	-	-	141,550	-	141,550
ALYANA GRACE T. ROBLEZA	193,702	-	-	-	193,702	-	193,702
ANA CLARISSA D. ILAGAN	105,000	906,738	-	-	1,011,738	-	1,011,738
ANA LIZA MANLAPAZ	-	-	-	-	-	-	-
ANA LIZA MANLAPAZ	32,000	-	-	-	32,000	-	32,000
ANDREW ACQUAAH HARRISON	2,294,907	-	-	-	2,294,907	-	2,294,907
ANGELI A. CADORNA	9,316	-	-	-	9,316	-	9,316
ANGELICA FERRER	1,445	-	-	-	1,445	-	1,445
ANNA BHEL SIBUG	3,360	-	-	-	3,360	-	3,360
ANNA KARENINA M. SALGADO	102,873	-	-	-	102,873	-	102,873
ANNA KARENINA SALGADO	430,000	-	-	-	430,000	-	430,000
ANTHONY TOPACIO	492,266	-	-	-	492,266	-	492,266
APOLINARIO V. ARGUDO	43,200	-	-	-	43,200	-	43,200
ARCEL V. GUINOCOR	1,408	-	-	-	1,408	-	1,408
ARCHIBALD GARCIA	138,664	-	-	-	138,664	-	138,664
ARGIE C. GLENOGO	2,400	-	-	-	2,400	-	2,400
ARIA ROSARIO NOGRALES	220,000	-	-	-	220,000	-	220,000
ARIES BACUAJON	3,185	-	-	-	3,185	-	3,185
ARIES REGALADO	165,255	-	-	-	165,255	-	165,255
ARMANDO A. TRASADO	2,400	-	-	-	2,400	-	2,400
ARMANDO MANAOG	-	-	-	-	-	-	-
ARMARIE A. BORDEN	20,000	-	-	-	20,000	-	20,000
ARNOLD G. ANACAYA	2,388	-	-	-	2,388	-	2,388
ARNOLD I. VILLAFUERTE	3,000	-	-	-	3,000	-	3,000
ARNOLD R. BASISTER	15,449	-	-	-	15,449	-	15,449
ARON B. OGATIA	1,440	-	-	-	1,440	-	1,440
ARSENIO P. SENO	100	-	-	-	100	-	100
ARTHUR FERNANDEZ	117,540	-	-	-	117,540	-	117,540
AVIGAEL MANINGO	100,000	-	-	-	100,000	-	100,000
BANAG, AUDREY PRESA	9,738	-	-	-	9,738	-	9,738
BEJIE VILLON	-	-	-	-	-	-	-
BENA KRISTIE S. UDQUIN	2,528,696	-	-	-	2,528,696	-	2,528,696
BENJAMIN R. DELA CRUZ	100,000	-	-	-	100,000	-	100,000
BENJAMIN S. FABROA JR.	40,358	1,586,093	1,611,135	-	15,315	-	15,315
BENJAMIN VICENTE JR.	28,208	-	-	-	28,208	-	28,208
BERNADETTE LAURENTE	55,000	-	-	-	55,000	-	55,000
BOBBY FERNAN	8,439	-	8,439	-	-	-	-
BRYAN BALISI	14,025	-	-	-	14,025	-	14,025
BRYAN R. MALINAO	127,862	-	-	-	127,862	-	127,862
BUTCH CASTILLO	26,895	-	-	-	26,895	-	26,895
CAMELO BASCO	2,000	-	-	-	2,000	-	2,000
CARLOS L. TRECE	211,077	54,963	52,354	-	213,686	-	213,686
CARLOS LEITAO	182,396	198,465	-	-	380,860	-	380,860
CARLOS TRECE	50,000	-	-	-	50,000	-	50,000
CARLOS VILCHEZ	48,402	-	-	-	48,402	-	48,402
CARMEN ANNE LOUISE V. CONTEMPLC	38,240	-	-	-	38,240	-	38,240
CARMINA LEBOSADA	130,000	-	-	-	130,000	-	130,000
CAROLINE JEANEL C. LOPEZ	32,000	-	-	-	32,000	-	32,000
CATHERINE A. PANGANDOYON	41,600	-	-	-	41,600	-	41,600
CATHERINE C. CENA	7,000	-	-	-	7,000	-	7,000
CATHERINE LIM	1,800	-	-	-	1,800	-	1,800
CELSO C. ANCHETA	7,109	-	-	-	7,109	-	7,109
CEZAR V. MAYHAY	1,550	-	-	-	1,550	-	1,550
CHARMAINE DE LEON ESPINO	28,833	-	-	-	28,833	-	28,833
CHARTON BENZULANO	1,550	-	-	-	1,550	-	1,550
CHERYMAY T. DE TORRES	14,400	-	-	-	14,400	-	14,400
CHESTER NEIL R. CARBONELL	221,598	173,350	221,598	-	173,350	-	173,350
CHITO BILOG	57,412	217,229	10,000	-	264,641	-	264,641
Balance forwarded	P 9,393,093	P 3,750,948	P 2,063,699	-	P 11,080,341	-	P 11,080,341

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
Balance carried forward	P 9,393,093	P 3,750,948	P 2,063,699	-	P 11,080,341	-	P 11,080,341
CHRISTIAN ALISANDAO	4,000	-	-	-	4,000	-	4,000
CHRISTIAN BIGUEJA	40,800	-	-	-	40,800	-	40,800
CHRISTIAN JOSEPH ARGOS	338	-	-	-	338	-	338
CHRISTINE CRISO S. ANGELES	32,000	-	-	-	32,000	-	32,000
CHRISTINE CRISOL ANGELES	10,640	-	-	-	10,640	-	10,640
CHRISTOPHER L. RUADO	9,000	-	-	-	9,000	-	9,000
CHRISTOPHER PACA	16,208	-	-	-	16,208	-	16,208
CRUZ, JESSE N.	99,500	-	-	-	99,500	-	99,500
CRYSTALLINE B. MANALANG	-	156,525	-	-	156,525	-	156,525
CLARISSA CABALDA	29	-	-	-	29	-	29
CLAUDIA SORIANO	168,935	-	-	-	168,935	-	168,935
CRISANTO BERTOLDO	1,550	-	-	-	1,550	-	1,550
CRISANTO CALOS	1,550	-	-	-	1,550	-	1,550
CRISANTO LABE JR.	2,625	-	-	-	2,625	-	2,625
CRISMAR MENDEZ	4,000	-	-	-	4,000	-	4,000
CRISTINE A. FORTUNO	30,833	-	-	-	30,833	-	30,833
CYRIEL A. GAROLACAN	1,650	-	-	-	1,650	-	1,650
DANILO ANTONIO	2,800	-	-	-	2,800	-	2,800
DANILO DUMAS	-	-	-	-	-	-	-
DANILO N. MAGHANOY	1,650	-	-	-	1,650	-	1,650
DANILO R. MONTOYA JR.	1,650	-	-	-	1,650	-	1,650
DARA DEANNA OBIDO	31,329	-	-	-	31,329	-	31,329
DARLENE JOY MADAMBA	50,000	-	-	-	50,000	-	50,000
DARLYN PHEIA LOPEZ	41,600	-	-	-	41,600	-	41,600
DARRYL RAÑOLA	1,550	-	-	-	1,550	-	1,550
DENMARK P. NUIQUE	7,464	-	-	-	7,464	-	7,464
DENNIS BIASON	57,600	-	-	-	57,600	-	57,600
DENTOR P. CABRAL	1,650	-	-	-	1,650	-	1,650
DEWEY S. OLAYA	176,909	96,500	5,000	-	268,409	-	268,409
DEXTER SUAZO	2,625	-	-	-	2,625	-	2,625
DHANNY JEAN AUGUSTO	2,500	-	-	-	2,500	-	2,500
DIANA JOY D. VICTORIA	6,500	-	6,500	-	-	-	-
DIONISIO A. MAMUAD	1,475	-	-	-	1,475	-	1,475
DIONISIO M. DELFIN	40,800	-	-	-	40,800	-	40,800
DIONY D. CANTA	1,475	-	-	-	1,475	-	1,475
DOMINADOR Z. LUMONTOD	1,475	-	-	-	1,475	-	1,475
DOMINGO IBARLIN JR.	80	-	-	-	80	-	80
DONABELLE SISON	32,000	278,694	60,000	-	250,694	-	250,694
DONNA MAY VILLENA	248,598	133,400	377,298	-	4,700	-	4,700
DYAN KARLA S. SENO	32,000	-	-	-	32,000	-	32,000
EBENEZER G. JAMORA	4,000	-	-	-	4,000	-	4,000
EDDIE CORNELIO	3,200	-	-	-	3,200	-	3,200
EDELITO C. TAPIC	46,523	-	-	-	46,523	-	46,523
EDGAR NUGUIT	975	-	-	-	975	-	975
EDGAR VALERA	1,043,587	289,941	-	-	1,333,529	-	1,333,529
EDGAR VALERA	-	-	-	-	-	-	-
EDGARDO ABAD	7,380	-	-	-	7,380	-	7,380
EDGARDO D. MALIT	23,735	-	-	-	23,735	-	23,735
EDISON A. DOMINGUEZ	1,475	-	-	-	1,475	-	1,475
EDMAR F. FETALINO	1,650	-	-	-	1,650	-	1,650
EDMUNDO ALMARIO	50,000	-	-	-	50,000	-	50,000
EDUARD LANTACA	8,300	-	-	-	8,300	-	8,300
EDUARDO RAMIREZ	10,504	-	-	-	10,504	-	10,504
EDUARDO CARDINOZA JR.	1,550	-	-	-	1,550	-	1,550
EDUARDO DE LEON	4,650	-	-	-	4,650	-	4,650
EIGHT DRAGON METAL	14,509	-	-	-	14,509	-	14,509
EINSTEIN O. CHIU	452,970	-	-	-	452,970	-	452,970
ELGIN G. BARREDO	2,880	-	-	-	2,880	-	2,880
ELISON JOHN B. RAMOS	9,500	-	-	-	9,500	-	9,500
ELIZABETH B. LOPEZ	5,000	-	-	-	5,000	-	5,000
ELMAR MAQUILING	4,000	-	-	-	4,000	-	4,000
ELMER FLANDEZ	4,873	-	-	-	4,873	-	4,873
ELMER OFILAN	4,640	-	-	-	4,640	-	4,640
ELMER RIBAMBA	500	-	-	-	500	-	500
ELPIDIO BORJA I	6,000	-	-	-	6,000	-	6,000
ELSA AMAT	85,877	-	59,125	-	26,752	-	26,752
ELVIN GOLIMLIM	22,660	-	-	-	22,660	-	22,660
EMILIO GABRIEL S. PEREZ	2,997	-	-	-	2,997	-	2,997
EMMANUEL JOLEJOLE	3,190	-	-	-	3,190	-	3,190
ENRICO D. GAW	72,870	-	-	-	72,870	-	72,870
ENRIQUE RAMOS	19,704	-	-	-	19,704	-	19,704
EPHRAIM JOSE D. VALDEZ	60,000	-	-	-	60,000	-	60,000
ERIC N. GABRIEL	271,753	-	-	-	271,753	-	271,753
ERICSON BENITEZ BENITEZ	2,000	-	-	-	2,000	-	2,000
ERNESTH JORDAN ROMANO	6,000	-	-	-	6,000	-	6,000
ERNESTO N. CONDADA JR.	1,475	-	-	-	1,475	-	1,475
ERVIN LIMPAG	516	-	-	-	516	-	516
ERWIN AMARO	1,550	-	-	-	1,550	-	1,550
ERWIN HERANDOY	1,650	-	-	-	1,650	-	1,650
ERWIN I. OCHAQUE	1,650	-	-	-	1,650	-	1,650
ERWIN L. SISON	960	-	-	-	960	-	960
ESTELITO CENSON JR.	66,760	-	-	-	66,760	-	66,760
ESTELITO M. CENSON JR.	78,402	-	-	-	78,402	-	78,402
Balance forwarded	P 12,972,893	P 4,706,009	P 2,571,622	-	P 15,107,280	-	P 15,107,280

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
Balance carried forward	P 12,972,893	P 4,706,009	P 2,571,622	-	P 15,107,280	-	P 15,107,280
ESTRELLA A. ALVARADO	95,421	313,056	-	-	408,477	-	408,477
EUTEMIO R. SARNO	28,800	-	-	-	28,800	-	28,800
EURENO BIETE	-	226,030	-	-	226,030	-	226,030
EVELYN ALBARAN BEROU	41,600	-	-	-	41,600	-	41,600
FARRA MAE PUZON	10,064	-	-	-	10,064	-	10,064
FELINO CANAYA	15,950	-	-	-	15,950	-	15,950
FELIPE R. GARCIA JR.	1,550	-	-	-	1,550	-	1,550
FELIVIC LIGATUB	53,657	53,471	21,657	-	85,471	-	85,471
FELLOWES, GRANT LEE	539,000	539,000	-	-	1,078,000	-	1,078,000
FERDINAND A. PADDAYUMAN	74,963	-	-	-	74,963	-	74,963
FERDINAND B. RODRIGUEZ	15,099	-	-	-	15,099	-	15,099
FERMIN CHAVEZ JR.	700	248,027	-	-	248,727	-	248,727
FERNANDO L. PAGATPATAN	1,119	-	-	-	1,119	-	1,119
FIDEL P. CUERDO	15,664	54,250	52,408	-	17,506	-	17,506
FLORANTE C. PACTAO	1,475	-	-	-	1,475	-	1,475
FLOREVAR BALDOZA	2,223	-	-	-	2,223	-	2,223
FRANCESCA MICAELA SANTECO	11,273	-	-	-	11,273	-	11,273
FRANCIS LUIS C. DE GUZMAN	10,500	-	10,500	-	-	-	-
FRANCISCO B. BELLEZA JR.	1,550	-	-	-	1,550	-	1,550
FRANCISCO M. GILIG JR.	114	-	-	-	114	-	114
FRANCISCO M. GILIG, JR.	40,000	-	-	-	40,000	-	40,000
FRANCISCO RIOJA JR.	3,200	-	-	-	3,200	-	3,200
FRANKLIN AUSTRIA	4,200	-	-	-	4,200	-	4,200
FREDERICK B. EBREO	1,650	-	-	-	1,650	-	1,650
FREDERICK NICOLAS	68,500	-	-	-	68,500	-	68,500
FREDERICK TAN	68,942	-	-	-	68,942	-	68,942
FRIDAY TUERES	97,000	-	-	-	97,000	-	97,000
FRITZ LIM	26,895	-	-	-	26,895	-	26,895
GAURAV AGGARWAL	65,138	-	-	-	65,138	-	65,138
GEEVERGHESE MATHEW -. JOHN	13,674	-	-	-	13,674	-	13,674
GENEROSO LLAGONO JR.	4,000	-	-	-	4,000	-	4,000
GENNA C. MIJARES	26,591	-	-	-	26,591	-	26,591
GEORGE L. BERMUDO	18,200	-	-	-	18,200	-	18,200
GERALD ROXAS	3,000	-	-	-	3,000	-	3,000
GERMAN NESTOR OCTAVIANO	-	144,988	40,000	-	104,988	-	104,988
GIL AZARCON	1,500	-	-	-	1,500	-	1,500
GIL DONATO	6,086	-	-	-	6,086	-	6,086
GILBERT L. ZAMORA	1,650	-	-	-	1,650	-	1,650
GILBERT NEPOMUCINO	1,550	-	-	-	1,550	-	1,550
GILBERT TUGADE	-	127,500	-	-	127,500	-	127,500
GINO TALIBONG	4,000	-	-	-	4,000	-	4,000
GIOVANNI D. RUIZ	61,800	-	-	-	61,800	-	61,800
GLADYS RETUERTO	54,285	-	-	-	54,285	-	54,285
GLENDA L. RATUM	197,600	-	-	-	197,600	-	197,600
GRACE ABEGAIL CASEM	-	76,100	33,627	-	42,473	-	42,473
GRETCHEN SALDAVIA CACHO	10,000	-	-	-	10,000	-	10,000
HAYDEE CHUA	57,000	-	-	-	57,000	-	57,000
HAYDEE MAYOR	3,359	-	-	-	3,359	-	3,359
HAZELLE A.SILVERIO	23,998	37,090	43,998	-	17,090	-	17,090
HEHERSON AGCAOILI	609,824	122,265	137,265	-	594,824	-	594,824
HERMIE CORNELIO	1,550	-	-	-	1,550	-	1,550
HERMINIGILDO BAUTISTA JR.	1,550	-	-	-	1,550	-	1,550
HESOLER RANDY JEMAR	4,000	-	-	-	4,000	-	4,000
HONIE JOY RAAGAS	-	228,967	-	-	228,967	-	228,967
IRENEO NARCISO JR.	3,200	-	-	-	3,200	-	3,200
IRINEO AGUIHAP	42,600	813,400	115,931	-	740,069	-	740,069
ISIDRO BURAYAG	1,550	-	-	-	1,550	-	1,550
ISRAEL K. BONAVENTE	6,936	-	-	-	6,936	-	6,936
IVY MACABALITAO	32,000	-	-	-	32,000	-	32,000
JAIME BAMBALAN	1,550	-	-	-	1,550	-	1,550
JAIME M. LOPEZ	56,400	-	-	-	56,400	-	56,400
JAKE S. ESTEVES	5,005	-	-	-	5,005	-	5,005
JAN B. DENAGA	2,729	-	-	-	2,729	-	2,729
JANICE HONORIDEZ	429,357	913,908	-	-	1,343,266	-	1,343,266
JANINE MORAL	28,833	-	-	-	28,833	-	28,833
JASPER NOEL CABRERA	89,927	-	-	-	89,927	-	89,927
JAY ARR LIBATON	2,550	-	-	-	2,550	-	2,550
JAY CRISOLOGO	18,549	-	-	-	18,549	-	18,549
JAY GERAND SANTIAGO	1,550	-	-	-	1,550	-	1,550
JAYCEL ADINA	11,500	-	-	-	11,500	-	11,500
JAYPEE C. BELENCIO	16,400	-	-	-	16,400	-	16,400
JAYSON APOSTOL	1,550	-	-	-	1,550	-	1,550
JAYSON DELOS SANTOS	43,200	-	-	-	43,200	-	43,200
JAYSON SOMBRENO	1,550	-	-	-	1,550	-	1,550
JEAY O. PORTES	41,600	-	-	-	41,600	-	41,600
JEFE MAHUSAY	1,550	-	-	-	1,550	-	1,550
JEFEY MANGABON	1,550	-	-	-	1,550	-	1,550
JEFFERSON R. AREVALO	1,650	-	-	-	1,650	-	1,650
JEFFREY BAJA	52	-	-	-	52	-	52
JEFFREY OCAMPO	420,687	-	-	-	420,687	-	420,687
JEFFREY MIRANDILLA	281,430	1,947,995	452,848	-	1,776,577	-	1,776,577
JEFFRY QUICAY	1,550	-	-	-	1,550	-	1,550
JEIFLYN ALEXIS C. DIZON	42,000	-	-	-	42,000	-	42,000
JEMIMAH NAOMI DE LOS SANTOS	4,000	-	-	-	4,000	-	4,000
JENEFER G. ALBA	706,071	1,090,071	384,000	-	1,412,143	-	1,412,143
JENELYN S. GURROBAT	28,667	-	-	-	28,667	-	28,667
JENER B. TOLOSA	1,920	-	-	-	1,920	-	1,920
JENNY D. GUITA	26,412	-	-	-	26,412	-	26,412
JERALBINE NUGUID	83,302	-	-	-	83,302	-	83,302
JERALBINE R. NUGUID	131	-	-	-	131	-	131
JERBY CONCEPCION	-	109,800	-	-	109,800	-	109,800
JEREMIAH CARL ALCERA	45	-	-	-	45	-	45
JEREMIAH JO	1,419	-	-	-	1,419	-	1,419
JERICHA JAN M. IGNACIO	32,000	-	-	-	32,000	-	32,000
JERMYN LEAL	81,357	-	-	-	81,357	-	81,357
JEROME C. CABAÑES	1,650	-	-	-	1,650	-	1,650
JEROME MALUPAY	9,891	-	-	-	9,891	-	9,891
JERRUIN SALINAS	1,550	-	-	-	1,550	-	1,550
Balance forwarded	P 17,941,777	P 11,751,927	P 3,863,856	-	P 25,829,848	-	P 25,829,848

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
Balance carried forward	P 17,941,777	P 11,751,927	P 3,863,856	-	P 25,829,848	-	P 25,829,848
JERRY B. HERNANDEZ	14,400	-	-	-	14,400	-	14,400
JESSIE CORONEL	4,800	-	-	-	4,800	-	4,800
JESSIE SIGGAOAT	1,550	-	-	-	1,550	-	1,550
JESUS ARIMBUYUTAN	313,000	167,000	-	-	480,000	-	480,000
JESUS C. IBANEZ, JR.	4,800	-	-	-	4,800	-	4,800
JESUS GONZALO C. VERGARA JR.	31,850	-	-	-	31,850	-	31,850
JETON M. COMENDADOR	1,475	-	-	-	1,475	-	1,475
JHOMER F. PELAEZ	120,000	-	-	-	120,000	-	120,000
JHORABEL O. ALCANTARA	4,500	-	-	-	4,500	-	4,500
JIMBO L. MILLARES	2,154	-	-	-	2,154	-	2,154
JIMMY BANDONG	1,550	-	-	-	1,550	-	1,550
JIMMY D. DURANGO	975	-	-	-	975	-	975
JIMMY M. TIMPINA	15,000	28,393	-	-	43,393	-	43,393
JIMSON D. CUEVAS	3,498	328,600	-	-	332,098	-	332,098
JINGO CAOL-OLAN	1,550	-	-	-	1,550	-	1,550
JO R. AQUINO	9,600	-	-	-	9,600	-	9,600
JOAN CECILIA L. CARICARI	2,339	-	-	-	2,339	-	2,339
JOANA MANGAHAS	51,266	484,178	222,208	-	313,236	-	313,236
JOANNE CLAIRE S. SIMBAJON	99	-	-	-	99	-	99
JOEL B. ARNADO	6,000	-	-	-	6,000	-	6,000
JOEL H. GALANG	6,500	-	-	-	6,500	-	6,500
JOEL P. MORA JR.	3,300	-	-	-	3,300	-	3,300
JOEL ROCA	2,890	-	-	-	2,890	-	2,890
JOEM C. FLOJO	1,650	-	-	-	1,650	-	1,650
JOEY ALBERT CEREZO	114	-	-	-	114	-	114
JOEY YAP	16,540	-	-	-	16,540	-	16,540
JOHN DICK QUITOS	1,550	-	-	-	1,550	-	1,550
JOHN ENRIQUE V. MADRIGAL II	233,590	248,590	174,590	-	307,590	-	307,590
JOHN HAROLD B. MANUEL	149,238	-	-	-	149,238	-	149,238
JOHN HENRY JAY G. MANAIT	52,875	-	-	-	52,875	-	52,875
JOHN KALVIN CARREON	246,792	240,000	-	-	486,792	-	486,792
JOHN PAUL CADAY	333,169	333,169	-	-	666,337	-	666,337
JOHN REY DANIEL	3,200	-	-	-	3,200	-	3,200
JOHN RONALD RENDON	3,000	-	-	-	3,000	-	3,000
JOHN VALENTINE S. BINAMIRA	6,000	-	-	-	6,000	-	6,000
JOHNREL VIDAL	1,550	-	-	-	1,550	-	1,550
JOMEL ZACARIAS	1,550	-	-	-	1,550	-	1,550
JOMER DARAMAN	2,525	-	-	-	2,525	-	2,525
JON PHILIP DONAIRE	27,264	-	-	-	27,264	-	27,264
JONATHAN F. SALUDEZ	4,850	-	-	-	4,850	-	4,850
JONATHAN FUGOSO	2,500	-	-	-	2,500	-	2,500
JORDAN JOEL ORTIZ	3,973	-	-	-	3,973	-	3,973
JOSE C. RAMIREZ	6,875	-	-	-	6,875	-	6,875
JOSE C. SAMPANG	97,529	805,670	-	-	903,199	-	903,199
JOSE M. GORPIDO, JR.	1,475	800,426	-	-	801,901	-	801,901
JOSE RENE D. ESCOMEN	1,027	-	-	-	1,027	-	1,027
JOSEPH CABOL	1,550	-	-	-	1,550	-	1,550
JOSEPH CORTEZ	1,000	-	-	-	1,000	-	1,000
JOSEPH HAYES F. HONORIO	1,762	-	-	-	1,762	-	1,762
JOSEPH N. IMPERIAL	4,407	-	-	-	4,407	-	4,407
JOSEPH PAYURAN	1,550	-	-	-	1,550	-	1,550
JOSIE M. PARREÑO	-	338,399	-	-	338,399	-	338,399
JOSUE G. GA	1,650	-	-	-	1,650	-	1,650
JOUIE V. LEE OLIVER	503,454	-	-	-	503,454	-	503,454
JOVANIE PASCULADO	1,550	-	-	-	1,550	-	1,550
JR. S. LLANO	1,650	-	-	-	1,650	-	1,650
JUAN TIMO	4,750	-	-	-	4,750	-	4,750
JULIANA ARENAS	49,939	-	-	-	49,939	-	49,939
JULIEN STEINER	7,810	-	-	-	7,810	-	7,810
JULIUS BATAYOLA	-	10,500	-	-	10,500	-	10,500
JULIUS C. MANDAWE	1,650	671,000	-	-	672,650	-	672,650
JUSTINE C. RIVERA	14,400	-	-	-	14,400	-	14,400
KARA MAE MENDIOLA	41,600	-	-	-	41,600	-	41,600
KARL JOSEPH A. DEINLA	131,558	-	-	-	131,558	-	131,558
KARRI, LACHA REDDY	1,460	1,300,000	-	-	1,301,460	-	1,301,460
KATHERINE DUGTONG	3,148	-	-	-	3,148	-	3,148
KATHERINE P. VIENA	2,600,000	-	-	-	2,600,000	-	2,600,000
KATHLEEN M. TAPIA	32,000	-	-	-	32,000	-	32,000
KATHY ROSE S. BACANI	349,351	249,625	-	-	598,976	-	598,976
KEESHELY M. DE VERA	35,331	-	-	-	35,331	-	35,331
KEITH ANTHONY CALIMAG	875,271	584,471	721,971	-	737,771	-	737,771
KEITH CLARKE	-	379,464	-	-	379,464	-	379,464
KEN REQUER B. PEGALAN	120,771	-	-	-	120,771	-	120,771
KENETTE MENOR	1,550	-	-	-	1,550	-	1,550
KENNY MYKELL M. MADRID	43,200	-	-	-	43,200	-	43,200
KHAREN C. ALFUENTE	41,600	-	-	-	41,600	-	41,600
KIM BESMONTE	1,550	-	-	-	1,550	-	1,550
KIM DE LOS SANTOS	4,850	-	-	-	4,850	-	4,850
KIMBERLY L. BONGHANOY	31,833	-	-	-	31,833	-	31,833
KIRK ALEXIS B. CABREROS	2,400	-	-	-	2,400	-	2,400
KRISTINA JERRYLYN T. SALAZAR	32,000	-	-	-	32,000	-	32,000
KRISTINE MAE REYES	-	375,429	-	-	375,429	-	375,429
KRISTOFFER JAN V. SERIOSA	24,304	-	-	-	24,304	-	24,304
LALAINE ANN R. ROSALES	6,300	-	-	-	6,300	-	6,300
LARA MAE A. LOLARGA	15,000	-	-	-	15,000	-	15,000
LARRY APOSTOL	1,550	-	-	-	1,550	-	1,550
LARRY NOCEJA	57,600	-	-	-	57,600	-	57,600
LAUDENCIO DANGIW	1,550	-	-	-	1,550	-	1,550
LAURITO CABUAL	134	-	-	-	134	-	134
LAWRENCE F. HARDER	31,561	-	-	-	31,561	-	31,561
LEOBERT RAMOS	199,998	-	28,376	-	171,622	-	171,622
LEOBERT RAMOS	29,312	-	-	-	29,312	-	29,312
LEONARD SANGUENZA	1,550	-	-	-	1,550	-	1,550
LEONIL FERNIN	1,550	-	-	-	1,550	-	1,550
LETECIA QUILES	18,500	-	-	-	18,500	-	18,500
LIBERATO MELICIO JR.	395,824	-	-	-	395,824	-	395,824
LIBERTY BAYON	41,600	-	-	-	41,600	-	41,600
LIMWEL P. JUGO	1,650	-	-	-	1,650	-	1,650
LLORIEN MARIE CRISOSTOMO	40,000	-	-	-	40,000	-	40,000
LLOYD NIÑO A. MASCARIÑAS	73,828	-	-	-	73,828	-	73,828
LINO VILLANUEVA	-	355,215	-	-	355,215	-	355,215
LORNA C. LLIDO	90	-	-	-	90	-	90
LORNA SANTOS	9,600	-	-	-	9,600	-	9,600
LUCENA B. BAUTISTA	20,389	-	-	-	20,389	-	20,389
LUCILA FAMILIAR	1,694	-	-	-	1,694	-	1,694
LUCKY LEBRILLA	1,550	-	-	-	1,550	-	1,550
LUIGIE LLANO	975	-	-	-	975	-	975
LUTHER S. GERONIMO	975	-	-	-	975	-	975
LYMAR MELGAZO	1,550	-	-	-	1,550	-	1,550
LYNARD G. BARREDO	1,650	-	-	-	1,650	-	1,650
LYNNIE TEVES	150,000	-	-	-	150,000	-	150,000
Balance forwarded	P 25,820,586	P 19,452,056	P 5,011,001	-	P 40,261,640	-	P 40,261,640

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
Balance carried forward	P 25,820,586	P 19,452,056	P 5,011,001	-	P 40,261,640	-	P 40,261,640
MA. ABIGAEL JANE LIBRANDO	135,317	266,700	-	-	402,017	-	402,017
MA. CECILIA TRABALLO	5,245	-	-	-	5,245	-	5,245
MA. CRISTINA STEPHANIE DAGANTA	4,300	-	-	-	4,300	-	4,300
MA. DARREN CORRE	169,311	-	-	-	169,311	-	169,311
MA. ELOISA ORACION	24,167	-	-	-	24,167	-	24,167
MA. JACINTA VICTORIA T. LUALHATI	402,985	-	-	-	402,985	-	402,985
MA. JANIKA ALCANTARA	11,000	-	-	-	11,000	-	11,000
MA. JONAH PEREYRA	41,729	-	-	-	41,729	-	41,729
MA. LOURDES VALERA	22,647	-	-	-	22,647	-	22,647
MA. ROXANNE A. PAGUIO	2,875	-	-	-	2,875	-	2,875
MA. TERESA D. PACIENTE	160,730	-	-	-	160,730	-	160,730
MA. THERESA PASCUAL	138,840	-	-	-	138,840	-	138,840
MADHU SUDHAN RAO CHERUKURI	8,729	-	-	-	8,729	-	8,729
MAE ANN A. FORCADILLA	61,147	-	-	-	61,147	-	61,147
MAGESH NAMBIAR	268	-	-	-	268	-	268
MAGESH PERAYIL KANNETH	66,273	-	-	-	66,273	-	66,273
MAGESH PERAYIL KANNOTH	49,807	-	-	-	49,807	-	49,807
MAGNUS ALBERTUS CATBAGAN	2,400	-	-	-	2,400	-	2,400
MAILA COROCOTO	42,900	-	-	-	42,900	-	42,900
MANDY DE VENECIA	4,320	-	-	-	4,320	-	4,320
MANUEL DIAMOS	6,764	-	-	-	6,764	-	6,764
MANUEL LOUIE B. FERRER	830,000	-	-	-	830,000	-	830,000
MANUEL M. ABECO JR.	894	-	-	-	894	-	894
MANUEL MELCHOR BONGULTO	214,644	-	-	-	214,644	-	214,644
MARCELINO LAQUINDANUM JR.	1,550	-	-	-	1,550	-	1,550
MARCELINO MANGAYA-AY JR.	2,703	-	-	-	2,703	-	2,703
MARCIANO AVENIDO	2,000	-	-	-	2,000	-	2,000
MARCOS PALAPAL	-	-	-	-	-	-	-
MARIA APRIL C. MAN-ON	5,552	-	-	-	5,552	-	5,552
MARIA CELNA BERNARDO	90,000	-	-	-	90,000	-	90,000
MARIA CHRISTINA PELPENOSAS	35,202	-	-	-	35,202	-	35,202
MARIA ELENA O. DEMECILLO	10,004	-	-	-	10,004	-	10,004
MARIA LOURDES M. MOZO	702	-	-	-	702	-	702
MARIA ROWENA MARCELLANO	-	-	-	-	-	-	-
MARIA SULPICIA POLINGA	9,566	-	-	-	9,566	-	9,566
MARIA THERESA PASCUAL	69,520	105,000	30,000	-	144,520	-	144,520
MARIBETH J. MONTERO	30,000	-	-	-	30,000	-	30,000
MARICAR V. CRUZ	9,533	-	-	-	9,533	-	9,533
MARICEL CO	97,750	-	-	-	97,750	-	97,750
MARICEL LUNA	17,500	111,850	17,500	-	111,850	-	111,850
MARICEL REYES	12,327	-	-	-	12,327	-	12,327
MARICOR AMATA	156,000	-	-	-	156,000	-	156,000
MARIE ARCIE ANNE SERCADO	32,000	-	-	-	32,000	-	32,000
MARIE CRISTINA NUQUE	139,668	-	-	-	139,668	-	139,668
MARIE STEPHANIE M. NOLIDO	10,250	630,618	-	-	640,868	-	640,868
MARILAG LATORRE	12,208	-	-	-	12,208	-	12,208
MARILYN ORDENIS	200,000	-	-	-	200,000	-	200,000
MARIO LOPE PAR	99,105	563,010	-	-	662,115	-	662,115
MARISSA C. GORRE	90,000	-	-	-	90,000	-	90,000
MARJORIE BALINOYOS	30,334	-	-	-	30,334	-	30,334
MARJORIE R. VENTOSO	32,000	-	-	-	32,000	-	32,000
MARK ANTHONY AMORES	21,100	-	-	-	21,100	-	21,100
MARK ANTHONY VALDEZ	10,000	-	-	-	10,000	-	10,000
MARK COPER	4,155	-	-	-	4,155	-	4,155
MARK DANIEL MATA	4,000	-	-	-	4,000	-	4,000
MARK JASON L. GARRERO	1,650	-	-	-	1,650	-	1,650
MARK JOSEPH DIMAYUGA	1,550	-	-	-	1,550	-	1,550
MARK JOSEPH T. OBO	15,527	-	-	-	15,527	-	15,527
MARK LESTER T. GALLEPOSO	14,100	-	-	-	14,100	-	14,100
MARK LLOYD A. RAMIREZ	1,550	-	-	-	1,550	-	1,550
MARK NICKSON P. GARCIA	1,676,987	2,330,059	257,000	-	3,750,046	-	3,750,046
MARK NIEVERA	359,365	618,967	-	-	978,333	-	978,333
MARK ROCAFORT	-	143,326	-	-	143,326	-	143,326
MARK U. VILLAGONZALO	3,273	-	-	-	3,273	-	3,273
MARKUS HENNIG	748,057	-	-	-	748,057	-	748,057
MARLA REMEDIOS AVILA	33,524	-	-	-	33,524	-	33,524
MARRY CHRIS MARPA	106,569	-	-	-	106,569	-	106,569
MARTIN MIGUEL FLORES	356,541	10,717	141,327	-	225,931	-	225,931
MARTIN SIMON GIORDAN	18,411	-	-	-	18,411	-	18,411
MARVIN GLORIA	10,489	-	-	-	10,489	-	10,489
MARVIN M. ENCARNACION	1,650	-	-	-	1,650	-	1,650
MARY ANN ZACARIAS	62,876	258,768	243,918	-	77,727	-	77,727
MARY GRACE GONZAGA	41,600	-	-	-	41,600	-	41,600
MARY HILDA R. SERRANO	1,162	-	-	-	1,162	-	1,162
MARY JANE T. CAJAYON	41,600	-	-	-	41,600	-	41,600
MARY JOY FAMI	86,892	-	-	-	86,892	-	86,892
MARY JOY S. FAMI	95,600	-	-	-	95,600	-	95,600
MARY ROSE HOPE PATRICIO	963	-	-	-	963	-	963
MARYCON SALAZAR	1,905	-	-	-	1,905	-	1,905
MASASHI WATANABE	619,428	813,334	582,437	-	850,325	-	850,325
MAURO SAN JOSE	62,054	20,018	-	-	82,071	-	82,071
MELCHOR V. HERRERA	1,650	-	-	-	1,650	-	1,650
MELISSA P. DAVID	110,000	-	-	-	110,000	-	110,000
MELONA DABLO	1,005,891	-	1,668	-	1,004,223	-	1,004,223
MELVIN GRAY E. DELA CRUZ	32,000	-	-	-	32,000	-	32,000
MELVIN LOZANO	15,050	-	-	-	15,050	-	15,050
MELVINO FAUSTINO	115,991	-	-	-	115,991	-	115,991
MENCHIE C. CADAMPOG	-	-	-	-	-	-	-
MENCHIE DIASEN	33,520	-	-	-	33,520	-	33,520
MIA GRACE PAULA S. CORTEZ	53,367	-	-	-	53,367	-	53,367
MICHAEL BERMUDO	40,000	-	-	-	40,000	-	40,000
MICHAEL JOSEPH PEREYRA	16,400	31,800	26,400	-	21,800	-	21,800
MICHELE A. BARROZO	10,000	148,295	-	-	158,295	-	158,295
Balance forwarded	P 35,259,798	P 25,504,516	P 6,311,251	-	P 54,453,063	-	P 54,453,063

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			Amounts Collected	Written Off	Current	Non-current	
Balance carried forward	P 35,259,798	P 25,504,516	P 6,311,251	-	P 54,453,063	-	P 54,453,063
MISCHIEL U. ENRIQUEZ	36,905	-	31,560	-	5,345	-	5,345
MICHELLE GATAL	-	148,295	-	-	148,295	-	148,295
MOTHI LAL	3,800	-	-	-	3,800	-	3,800
MYLENE TIBON	335	-	-	-	335	-	335
NAZARENO C. ABALOS	-	125,693	-	-	125,693	-	125,693
NELSON LEGARDE	150,000	-	-	-	150,000	-	150,000
NELSON M. CASADO	17,640	-	-	-	17,640	-	17,640
NEMIA M. CORILLA	854,167	-	-	-	854,167	-	854,167
NESTOR C. ABRIAL	8,925	-	-	-	8,925	-	8,925
NESTOR L. SIERVO JR	20,117	-	-	-	20,117	-	20,117
NICANOR NICKIE B. ARENAS	13,875	-	-	-	13,875	-	13,875
NIDA H. GREFALDO	-	507,522	-	-	507,522	-	507,522
NIKKO F. DEL ROSARIO	7,609	-	-	-	7,609	-	7,609
NIÑO DELOS REYES	124,195	358,247	287,938	-	194,504	-	194,504
NOE G. GERAPUSO	1,027	-	-	-	1,027	-	1,027
NOEL CADIENTE	1,550	-	-	-	1,550	-	1,550
NONILON F. MUDLONG	1,650	-	-	-	1,650	-	1,650
NORMAN N. ESCOBAR	2,873,712	1,284,182	2,479,669	-	1,678,225	-	1,678,225
NORMAN RESURECCION	3,000	-	-	-	3,000	-	3,000
PANFILO MARTIN, JR.	1,876,654	1,736,654	-	-	3,613,308	-	3,613,308
PEDRO PISUEÑA	3,200	-	-	-	3,200	-	3,200
PENNYLANE CARAVANA	50,000	-	-	-	50,000	-	50,000
PETER ENRILE	8,000	-	-	-	8,000	-	8,000
PHILIP ROMULO FRANCIA	681,038	315,519	-	-	996,557	-	996,557
PHOEBE KATHERINE B. REYES	29,554	-	-	-	29,554	-	29,554
POLICARPIO VEGA JR.	15,000	-	-	-	15,000	-	15,000
PREMIER C. SEMILLA	48,320	6,720	-	-	55,040	-	55,040
PRINCESS DELOS SANTOS	5,367	-	-	-	5,367	-	5,367
PRINCESS GUMIRAN	14,000	9,000	-	-	23,000	-	23,000
RACHELLE E. CUYOS	525	-	-	-	525	-	525
RAFFY FELICIANO	8,000	-	-	-	8,000	-	8,000
RAIZA JACKIE LOUISE ESPINO	19,974	448,497	374,178	-	94,293	-	94,293
RALPH LIM	237,496	-	-	-	237,496	-	237,496
RAMON LOR	56,283	61,833	-	-	118,117	-	118,117
RAMON PACHECO III	19,900	2,600	-	-	22,500	-	22,500
RANDY ADRIANO	28,870	16,970	-	-	45,840	-	45,840
RANDY ESGUERRA	3,000	-	-	-	3,000	-	3,000
RANDY RETES	1,550	-	-	-	1,550	-	1,550
RANIEL ASUELO MONTEROLA	4,000	2,000	-	-	6,000	-	6,000
RAQUEL VERZOSA	26,500	-	-	-	26,500	-	26,500
RAUL B. GOLEZ	15,345	-	-	-	15,345	-	15,345
RAUL SAPIANDANTE	2,400	-	-	-	2,400	-	2,400
RAVISHANKAR SARAVU	61,169	-	-	-	61,169	-	61,169
RAY ALEXIS C. VALINO	46,295	-	-	-	46,295	-	46,295
RAYMUNDO LAYSON	346,188	187,788	58,560	-	475,416	-	475,416
RAYMUNDO P. PRONDA	246,794	-	-	-	246,794	-	246,794
REA G. RUBION	3,845	-	-	-	3,845	-	3,845
REALINO MONTEMOR	6,463	-	-	-	6,463	-	6,463
RECILE POSECION	12,158	-	12,158	-	-	-	-
REDINTO M. OLIVERAS	1,475	-	-	-	1,475	-	1,475
REGAN A. TACANDONG	6,720	-	-	-	6,720	-	6,720
REGAN TACANDONG	825,504	-	-	-	825,504	-	825,504
REGGIE DASALLA	1,550	-	-	-	1,550	-	1,550
REGIE DELOS NIÑOS	1,650	-	-	-	1,650	-	1,650
REGINA CARMELLI TOLOSA	20,000	-	-	-	20,000	-	20,000
REGOR TITO	497,857	85,000	45,000	-	537,857	-	537,857
REJEAN VALENZUELA	41,600	-	-	-	41,600	-	41,600
RENATO ALEGADO	3,255	-	-	-	3,255	-	3,255
RENATO C. ALEGADO	3,360	-	-	-	3,360	-	3,360
REY C. RAMIREZ	19,010	-	-	-	19,010	-	19,010
REYMOND DALAOYAN	4,000	-	-	-	4,000	-	4,000
REYNALDO CANDO	3,200	-	-	-	3,200	-	3,200
REYNALDO RODRIN	688,990	115,640	-	-	804,630	-	804,630
REYNOLD JAZARENO	2,600	-	-	-	2,600	-	2,600
RHEA A. TANEO	3,000	-	-	-	3,000	-	3,000
RHODA M. GUCILATAR	2,240	-	-	-	2,240	-	2,240
RHODESSA MALLARI	243,701	-	-	-	243,701	-	243,701
RICARDO AMOTO JR.	1,550	-	-	-	1,550	-	1,550
RICARDO MANUEL	75,000	140,196	46,134	-	169,062	-	169,062
RICARDO SABANAL	2,525	-	-	-	2,525	-	2,525
RICHARD ORTEGA	2,400	-	-	-	2,400	-	2,400
RICHARD PELOTOS	8,000	12,000	20,000	-	-	-	-
RICHEL BORDE	41,600	-	-	-	41,600	-	41,600
RICHEL PAGAWITAN	3,800	-	3,800	-	-	-	-
RICHIE R. MANLAPAZ	161,600	-	161,600	-	-	-	-
RICIA VINELLI MONTEJO	37,033	-	-	-	37,033	-	37,033
RICKY DOMONDON	761,061	-	-	-	761,061	-	761,061
ROBERT JASON TORRES	151,388	-	-	-	151,388	-	151,388
ROBERTSON G. QUIRES	1,475	20,000	-	-	21,475	-	21,475
ROBY CHARLIE G. MALLARI	15,631	-	-	-	15,631	-	15,631
RODERIC CORPORAL	1,650	-	-	-	1,650	-	1,650
RODNEY ANDRE MORALES	5,000	23,654	-	-	28,654	-	28,654
RODNEY C. GARCIA	3,000	-	-	-	3,000	-	3,000
RODNEY DELICANO	1,550	-	-	-	1,550	-	1,550
RODRIGO S. PAMAHOY	22,292	1,225,000	-	-	1,247,292	-	1,247,292
ROGELIO RAMOS JR.	1,225,000	-	-	-	1,225,000	-	1,225,000
ROGILYN PONES	29,667	-	-	-	29,667	-	29,667
Balance forwarded	P 48,177,128	P 32,337,526	P 9,831,848	-	P 70,682,807	-	P 70,682,807

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			Amounts Collected	Written Off	Current	Non-current	
Balance carried forward	P 48,177,128	P 32,337,526	P 9,831,848	-	P 70,682,807	-	P 70,682,807
ROHSAN ARIEL N. LUCES	1,150	-	-	-	1,150	-	1,150
ROLAND N. RIÑA	1,950	-	-	-	1,950	-	1,950
ROLANDO C. SUAZO	12,600	-	-	-	12,600	-	12,600
ROLEN L. JALIMBAWA	1,650	-	-	-	1,650	-	1,650
ROMAR B. CARNIYAN	1,650	110,096	54,305	-	57,441	-	57,441
ROMEO B. BOBILES	1,650	-	-	-	1,650	-	1,650
ROMEO C. SAKAY	1,444	-	-	-	1,444	-	1,444
ROMEO DIAZ	1,000	-	-	-	1,000	-	1,000
ROMEO FURIGAY	636,008	45,200	-	-	681,208	-	681,208
ROMMEL ONDONG	150,801	-	-	-	150,801	-	150,801
ARABELLE VALENCIA	-	218,750	140,000	-	78,750	-	78,750
ROMMEL S. OBISPO	988	-	-	-	988	-	988
ROMNICK T. LLENADO	1,650	-	-	-	1,650	-	1,650
RONALD ALLAN M. NICOLAS	31,374	-	-	-	31,374	-	31,374
RONALD ROSELLER B. MANGAHAS	127,092	-	-	-	127,092	-	127,092
RONALDO A. NOEL	1,838	-	-	-	1,838	-	1,838
RONALDO PALIN	2,625	-	-	-	2,625	-	2,625
RONIEL ROLDAN	-	-	-	-	-	-	-
RONILO C. PONSICA	1,650	-	-	-	1,650	-	1,650
RONNIE SALINGAY	1,550	-	-	-	1,550	-	1,550
ROSE ANN ENRIQUEZ	204,310	-	-	-	204,310	-	204,310
ROSE CELINE CASTRO	524,000	524,000	290,330	-	757,670	-	757,670
ROWENA B. TRILLANA	21,637	-	-	-	21,637	-	21,637
ROY GARCHITORENA	4,000	-	-	-	4,000	-	4,000
ROYCE MILTON CATACUTAN	20,159	-	-	-	20,159	-	20,159
RUBEN PEÑALOSA	2,525	-	-	-	2,525	-	2,525
RUBIELIZA ALBAY	128,572	-	-	-	128,572	-	128,572
RUFINO DIZO	-	90,735	70,385	-	20,350	-	20,350
RUSKY L. FERRER	30	-	-	-	30	-	30
RUSTOM ESTROPIA	37,241	-	-	-	37,241	-	37,241
RYAN ERMAC	40	-	-	-	40	-	40
RYAN GALINDEZ	1,550	-	-	-	1,550	-	1,550
RYAN JAY LAI	238	-	-	-	238	-	238
RYAN P. ERMAC	200,000	-	-	-	200,000	-	200,000
SALVADOR DE GUZMAN	6,350	-	-	-	6,350	-	6,350
SAMUEL A. ELLE	5,000	-	-	-	5,000	-	5,000
SATURNINO D. OLIVER JR.	1,550	-	-	-	1,550	-	1,550
SERGIO S. MALIGRO JR.	7,200	-	-	-	7,200	-	7,200
SHARON D. PEREZ	9,600	-	-	-	9,600	-	9,600
SHEILA G. ANGELES	660	-	-	-	660	-	660
SHEILA MAY V. LLUVIDO	855	-	-	-	855	-	855
SHERRY LEE L. HATAGUE	3,360	-	-	-	3,360	-	3,360
SHERWIN ELOPRE	1,550	-	-	-	1,550	-	1,550
SHERWIN GATBONTON	50,000	-	-	-	50,000	-	50,000
SHERWIN SEGUI	95,000	-	-	-	95,000	-	95,000
SHIELA NEPOMUCENO	5,734	-	-	-	5,734	-	5,734
SONNY BOY G. ENRIQUEZ	51,460	-	-	-	51,460	-	51,460
STEPHANIE GRACE G. MANAL	10,887	-	-	-	10,887	-	10,887
STEPHANIE M. LIM	3,340	-	-	-	3,340	-	3,340
SUDARSHAN MADHAV DODDATHOTA	34,982	-	-	-	34,982	-	34,982
SULPICIA POLINGA	5,750	-	-	-	5,750	-	5,750
SULPICIO A. GARCIA	36,766	-	-	-	36,766	-	36,766
TARCYZJUSZ FROEHLICH	87,328	-	-	-	87,328	-	87,328
TECSON, ULYSSES P.	33,478	-	-	-	33,478	-	33,478
TEDY L. VALLESTERO	480	-	-	-	480	-	480
TIMOTHY JIM ALTONAGA	46,200	-	-	-	46,200	-	46,200
TRACELLE ANNE A. BASILISCO	33,586	-	-	-	33,586	-	33,586
TRACELLE ANNE B. NAVARRO	35,360	-	-	-	35,360	-	35,360
TRISTAN JOHN Y. SANTOS	480	-	-	-	480	-	480
VALERIE AYRA RAMOS	-	-	-	-	-	-	-
VEN ROGER GOCOTANO	1,650	-	-	-	1,650	-	1,650
VENER TEOPE	12,100	-	-	-	12,100	-	12,100
VENUS V. LOGDAT	32,000	-	-	-	32,000	-	32,000
VICTOR L. ASPA, JR.	2,625	-	-	-	2,625	-	2,625
VILMA P. LUMAPAS II	4,320	-	-	-	4,320	-	4,320
VIRGILIO CARSIDO JR.	41,537	-	-	-	41,537	-	41,537
VIRGILIO UMALI JR.	50,552	-	-	-	50,552	-	50,552
WENNIE S. PALACIO	14,352	-	-	-	14,352	-	14,352
WILLIE G. RUFINO	16,192	-	-	-	16,192	-	16,192
WILTON DY	62,500	-	-	-	62,500	-	62,500
WINSTON V. JIMENEZ	259,500	113,150	95,071	-	277,579	-	277,579
YASMIN LAMBATAN	56,000	-	-	-	56,000	-	56,000
YOLANDA D. SURIO	32,000	20,000	-	-	52,000	-	52,000
YUNICE C. PRADHAN	2,500	-	-	-	2,500	-	2,500
ZANDY BAUIT	48,906	-	-	-	48,906	-	48,906
TOTAL ADVANCES TO OFFICERS AND EMPLOYEES	P 51,503,789	P 33,459,458	P 10,481,940	-	P 74,481,307	-	P 74,481,307
Advances to related parties under common ownership							
Future State Myspace, Inc.	30,257	3,317	-	-	33,574	-	**33,574**
MySpace Properties Inc.	10,144,834	90,650,799	-	-	100,795,633	-	**100,795,633**
ISOC Holdings, Inc.	757,143	-	(757,143)	-	-	-	**-**
Megawide Foundation	-	39,845	-	-	39,845	-	**39,845**
ESA Group of Companies Inc.	30,805	-	(30,805)	-	-	-	**-**
Altria East Land, Inc.	3,779	56,649	-	-	60,428	-	**60,428**
Citicore Infrastructure Holdings, Inc.	-	31,716	-	-	31,716	-	**31,716**
Citicore Power Inc.	3,175,803,689	310,214	-	-	3,176,113,903	-	**3,176,113,903**
TOTAL ADVANCES TO RELATED PARTIES UNDER COMMON OWNERSHIP	3,186,770,507	91,092,541	(787,948)	-	3,277,075,099	-	3,277,075,099
ULTIMATE PARENT COMPANY	3,069,371,725	19,923,383	-	-	3,089,295,108	-	**3,089,295,108**
Advances to non-controlling interest							
Others	11,404,267	32,915,199	-	-	44,319,466	-	44,319,466
TOTAL ADVANCES TO MINORITY INTEREST	11,404,267	32,915,199	-	-	44,319,466	-	44,319,466
	6,319,050,288	**177,390,581**	**9,693,992**	**-**	**6,485,170,980**	**-**	**6,485,170,980**

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule C
Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2020

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
MWM Terminals, Inc. (MWMTI)	P 1,517,747,144	P -	P 679,350,028	P -	P 838,397,116	P -	P 838,397,116
Megawide Construction (BVI) Corporation (MCBVI)	148,353,434	-	-	-	148,353,434	-	148,353,434
Megawide Terminals, Inc. (MTI)	480,178,708	66,740	-	-	480,245,448	-	480,245,448
Globemerchants, Inc.	25,000,000	-	25,000,000	-	-	-	-
Megawide Land Inc. (MLI)	2,643,495	15,549,370	-	-	18,192,865	-	18,192,865
Megawide International Limited (MIL)	102,906,182	148,426,012	-	-	251,332,194	-	251,332,194
Cebu2World Development, Inc.	-	2,084,290	-	-	2,084,290	-	2,084,290
Wide-Horizons, Inc.	-	1,250,000	-	-	1,250,000	-	1,250,000
GMR Megawide Cebu Airport Corporation (GMCAC), Subsidiary	229,987,749	-	11,829,387	-	218,158,362	-	218,158,362

Supplementary information –

Megawide has receivables from MWMTI and MIL for construction and engineering services provided.
MSPI paid certain expenses related to the development of SJDM Prima Casa Project and audit fee in behalf of MLI.
In November 2019, Globemerchants, 50% owned by Megawide, declared P50 million dividends. The dividends declared remained unpaid as of December 31, 2019.
Megawide, through its share in assets of the Megawide GISPL Construction Joint Venture (MGCJV), has a receivable to GMCAC for the billings of completed works at the end of the year.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule D
Long-Term Debt
December 31, 2020

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption"Current Portion of Long-term Debt" in Related Statement of Financial Position	Amount Shown Under Caption"Long-Term Debt" in Related Statement of Financial Position
Bank loans (i)	P 39,796,906,098	P 12,915,285,156	P 26,881,620,942
Note payable (ii)	5,590,791,232	-	5,590,791,232
Lease liabilities (iii)	532,667,977	195,172,595	337,495,382
Total	**P 45,920,365,307**	**P 13,110,457,751**	**P 32,809,907,556**

Supplementary information on Long-term Debt

(i) *Total bank loans represent certain omnibus loan security agreement (OLSA) and other bank loans that were entered into with various local universal banks comprising of P17,200.0 million drawdown from the OLSA with maturity of 15 years, and P2,500.0 million short-term unsecured bank loans.*

(ii) *Total notes payable represents unsecured availments from three notes facility agreement with a local bank for private placement amounting to P100.0 million in 2013, P2,000.0 million in 2016, and P3,600.0 million in 2020. These notes have maturity term that ranges from five to ten years from date of issue.*

In September 2016 and December 2016, the Parent Company availed an unsecured corporate 10-year corporate loans amounting to P650.0 million and P350.0 million to refinance the 5-year corporate note issued in 2011. Also, the Parent Company availed another P1,000.0 million unsecured 10-year corporate note for capital expenditures and general corporate requirments.

In February 2020, the Parent Company availed P3,600.0 unsecured corporate loans from its third loan facility for repayment of maturing debts, funding of new projects and general corporate requirements.

(iii) *Lease liabilities have an effective interest rate of 7.0% and 6.0% in 2020 and 2019 with maturity of three to five years from the date of transaction.*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule E
Indebtedness to Related Parties
December 31, 2020

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Advances from Citicore-Megawide Consotium, Inc. (CMCI)	P 20,000,000	P 20,000,000
Total	**P 20,000,000**	**P 20,000,000**

Supplementary information on Indebtedness to Related Parties

[1] *The Group obtained unsecured, noninterest-bearing cash advances from its associate, CMCI, for working capital requirements, which are payable on demand.*
its working capital requirements, which are payable on demand. Citicore paid for the Parent Company's agreed subscription of CMCI in 2012.
These advances are noninterest-bearing and payable on demand.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule F
Guarantees of Securities of Other Issuers
December 31, 2020

Name of Related Party	Amount	
MWM Terminals, Inc. (MWMTI)	P	3,900,000,000
Citicore Holdings, Inc. (CHI)		1,500,000,000
Citicore Megawide Consortium, Inc. (CMCI)		656,000,000
Total	**P**	**6,056,000,000**

Supplementary information on Guarantees of Securities and Other Issuers

[1] *MWMTI entered in to an OLSA with a local universal bank in 2015, with the Parent Company as guarantor, for a for a loan facility amounting to P3,300.0 million to finance the construction of the ITS Project. In 2019, the Company requested the lender to increase the loan facility by P600.0 million making the total principal loan to P3,900.0 million.*

[2] *On December 26, 2019, the Parent Company's Board of Directors approved the issuance of corporate guaranty in the amount of P4,500.0 million infavour of CHI as part of the governance initiative of the Group to provide assistance, as needed, to new and other businesses to help them mature and produce strong and predictable cash flows to become stable and consistend to the Group. Subsequently on March 28, 2021, the BOD of the Parent Company approved the reduction of the amount of corporate guaranty to P1.5 billion.*

[3] *On March 23, 2015, CMCI, with the Parent Company as guarantor, executed an RPA with certain local commercial banks, whereby the CMCI shall offer an outstanding arising from PPP school infrastructure project finance lease receivable within thepurchase period on a limited recourse basis such as upon the occurrence of certain repurchase event under the RPA. Pursuant to the continuing obligations of the CMCI under the RPA, CMCI has been in compliance with the RPA during the reporting periods. CMCI has an oustanding loan amounting to P656 million as of December 31, 2020*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule G
Capital Stock
December 31, 2020

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Postion Caption (i)	Number of Shares Reserved for Options, Warrants, Coversion and Other Rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Common	4,930,000,000	2,013,409,717	-	1,330,634,698	18,775,289	663,999,730
Preferred	124,000,000	87,001,010.00	-	-	-	87,001,010

(i) On July 20, 2016, the Parent Company's BOD approved the buy-back of 410.8 million common shares held by Sybase Equity Investment Corporation at a price equal to the 7-trading day volume weighted average price ending on July 28, 2016 or equivalent to P10.03 per share. Total purchase price of the treasury shares including incidental cost of the buy-back amounted P4.138.8 million.

On October 20, 2016, the Parent Company's BOD approved the sale of its 150.0 million treasury shares at P14.90 per share. Net proceeds of the sale of treasury share amounted to P2,181.7 million, net of incidental cost of the transaction. Outstanding balance of the treasury shares after the sale is 260.8 million treasury shares at cost of P2,627.7 million.

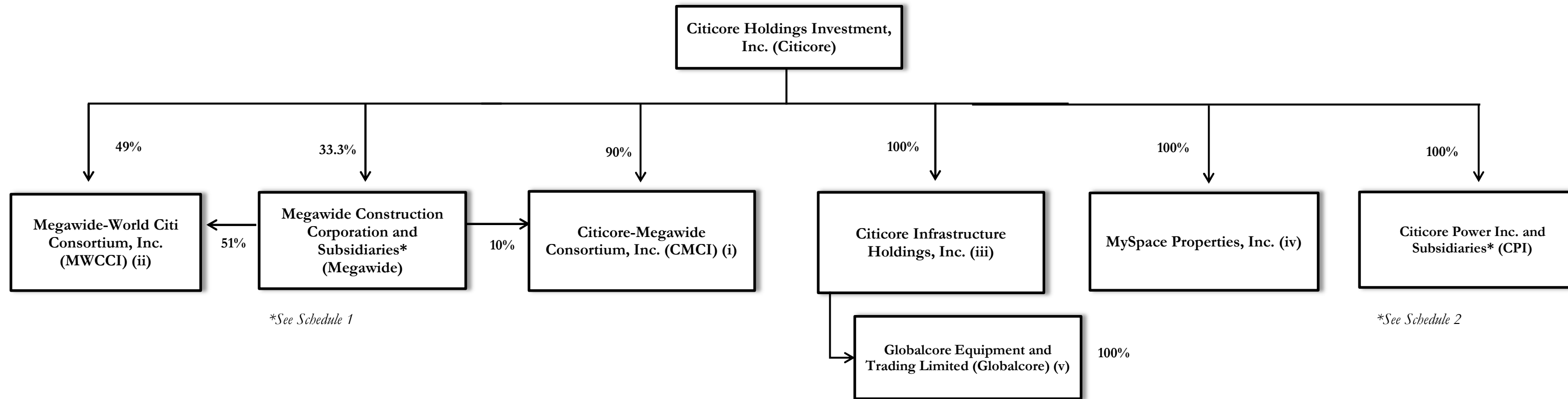
On October 1, 2018, the Parent Company's BOD approved a share buyback program worth up to P2.0 billion over a period of two years. Total cost to acquire treasury shares in 2018 amounted to P824.77 million which is equivalent to 48.81 shares. In 2019, pursuant to the share buyback program, the Company acquired treasury cost amounted to P458 million (equivalent to 26 million shares). On March 3, 2020, the BOD approved an additional P3 billion to its Share buyback program (the "Program"), making it a total of P5 billion and removal of the period within which to execute the Program, making it open-ended.

On September 30, 2020, the Parent Company entered into a Subscription Agreement with CHI whereby CHI subscribed to 13,500,000 preferred shares of the Parent Company at P1.00 each, and paid 25% of such subscription in cash amounting to P3.38 million. On November 5, 2020, the SEC has approved the Parent Company's offer and sale of Series 2 preferred shares which are to be issued in two subseries: Series 2A and Series 2B preferred shares, at a subscription price of P100.00. As of December 31, 2020, 26,220,130 and 17,405,880 of Series 2A and 2B preferred shares, respectively, were subscribed and listed in the PSE.

MEGAWIDE CONSTRUCTION CORPORATION
Reconciliation of Retained Earnings Available for Dividend Declaration
For Year Ended December 31, 2020

Unappropriated Retained Earnings of the Parent Company at Beginning of Year	P	1,147,521,577
Prior Periods' Outstanding Reconciling Item		
Deferred tax income	(	124,563,177)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		1,022,958,400
Net Profit of the Parent Company Realized During the Year		
Net profit per audited financial statements		123,975,469
Non-actual/unrealized income		
Deferred tax income related to deferred tax assets recognized in the profit or loss during the year	(	89,561,778)
Other Transaction During the Year		
Treasury shares - at cost	(	703,073,040)
Cash dividends to preferred and common shareholders	(	281,001,164)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P**	**73,297,887**

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIP BETWEEN THE COMPANY AND ITS RELATED ENTITIES
December 31, 2020



Supplementary information:

(i) *The rights and powers of Megawide over the management and control of the CMCI are exercised through a seat in the Board of Directors (BOD). Taking this into consideration, the Megawide concluded that it has significant influence over the investee; accordingly the investment is accounted for as an investment in associate.*

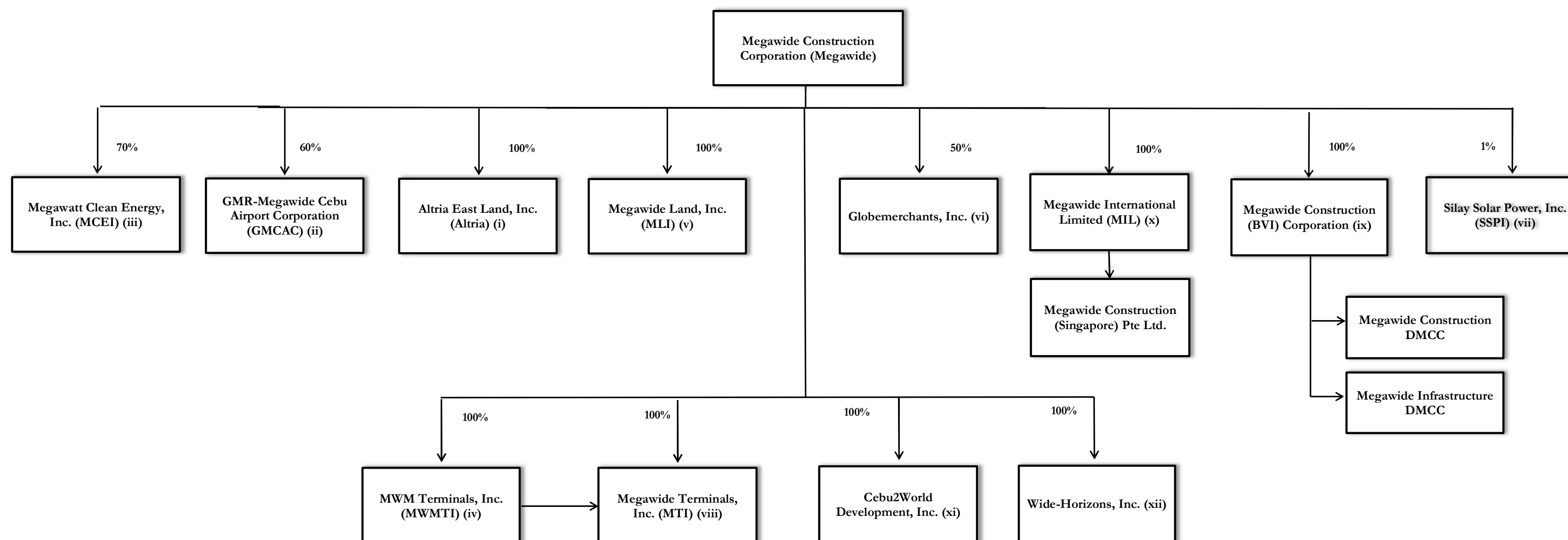
(ii) *Megawide acquired 51% ownership interest in MWCCI, but accounted for the investment as an associate since it does not have control over MWCCI's relevant activities. Citicore acquired 68% effective ownership interest over MWCCI, hence, obtained the control over MWCCI.*

(iii) *In March 2015, CHI acquired 100% ownership to CIHI. CIHI was established primarily to engage in buying and holding shares of other companies, either by subscribing to unissued shares of capital stock in public or private offering or by purchasing the shares of other stockholders by way of assignment in private sale.*

(iv) *In January 2012, upon execution of Deed of assignment between CHI and Myspace's stokholders, the 100% ownership of Myspace was transferred to CHI.*

(v) *Globalcore is a foreign registered and domiciled in Hong Kong, which is primarilty engaged in buying, selling, importing, and exporting of general equipment.*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIP BETWEEN THE COMPANY AND ITS RELATED ENTITIES
Schedule 1: Megawide Construction Corporation and Subsidiaries
December 31, 2020



Supplementary information:

(i) *Megawide's acquisition of Altria is treated as an acquisition of asset and not a business acquisition. Hence, Altria is not considered a subsidiary of the Megawide.*

(ii) *Megawide acquired 15.0 million shares of stock of GMCAC which represent 60% of GMCAC's issued and outstanding capital stock, giving Megawide control over the financial and operations of GMCAC.*

(iii) *On September 4, 2014, the Company acquired 70% of the issued and outstanding capital stock of MCEI. The investment in MCEI is accounted for as an investment in subsidiary.*

(iv) *MWMTI was accounted for as a subsidiary due to the acquisition of 100% ownership in MTI, resulting to the increase in effective ownership of Megawide in MWMTI from 51% to 100%.*

(v) *On October 28, 2016, the Parent Company acquired a 100% ownership interest in MLI, an entity incorporated in the Philippines. MLI is incorporated primarily to engage in real estate and related business.*

(vi) *On May 5, 2016, the Parent Company acquired a 60% ownership interest in Globemerchants, a company incorporated in the Philippines, primarily engaged in exporting, buying, selling, distributing, marketing at a wholesale in so far as may be permitted by law all kinds of goods, wares and merchandise of every kind and description. As of December 31, 2020, the Parent Company's ownership interest in Globemerchants, Inc. is 50%.*

(vii) *In February 2016, SSPI's unissued shares of stock were acquired by CPI resulting in a 75% equity interest over SSPI and diluting Megawide's equity interest over SSPI from 100% to 25%. Hence, SSPI ultimatley became a subsidiary of CPI. In 2016, the Megawide's equity interest was reduced from 100% to 1% upon acquisition of a related party under common ownership.*

(viii) *In August 2018, Megawide acquired the outstanding shares of MTI representing 100% ownership, making it a wholly owned subsidiary of Megawide.*

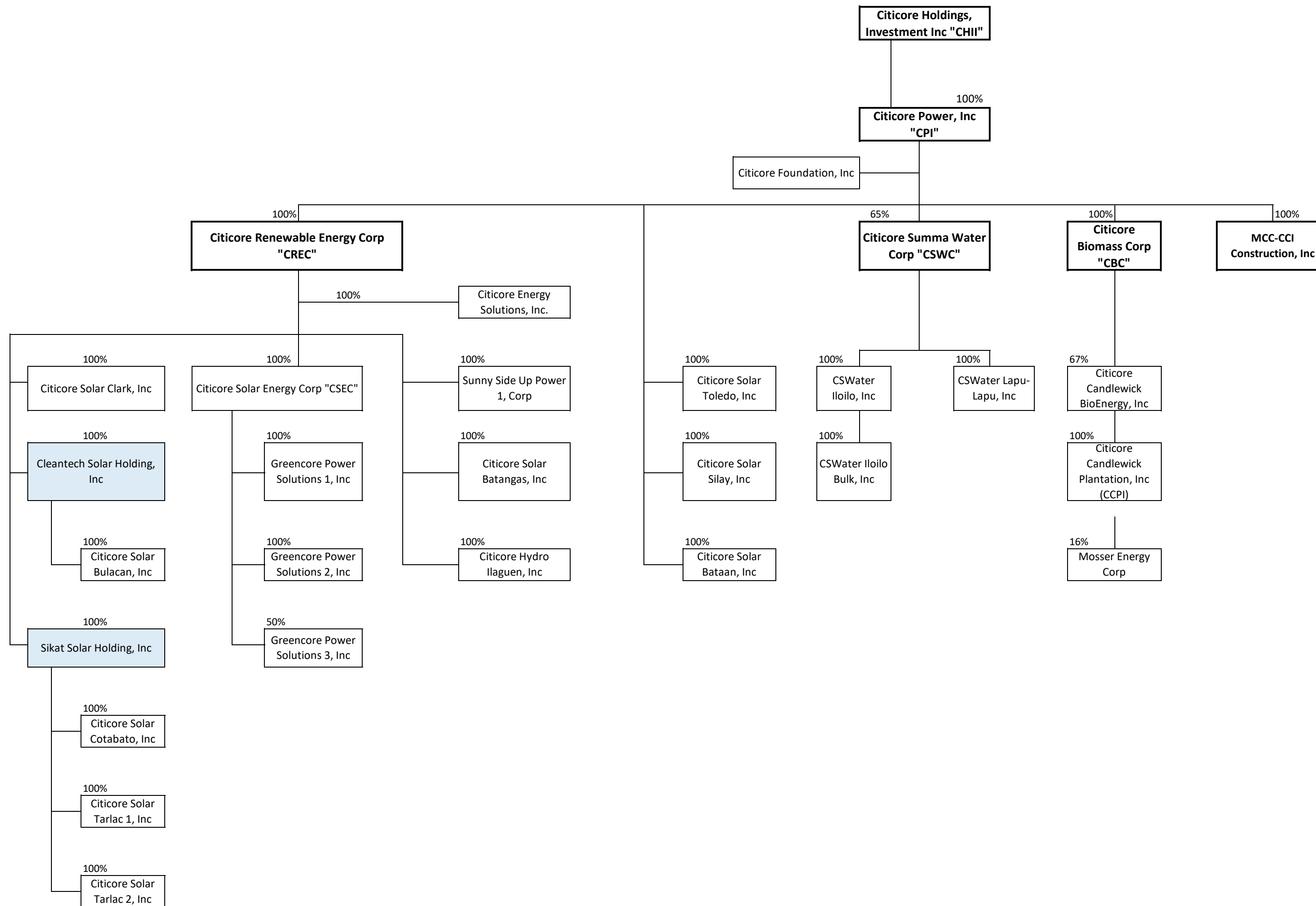
(ix) *On June 20, 2017, the Parent Company acquired a 100% ownership interest in MCBVI, an entity incorporated in the territory of British Virgin Islands, a primarily engage in buying and holding shares of other companies.*

(x) *MIL, whose registered office is at Marcy Building, 2nd Floor, Purcell Estate, P.O. Box 2416, Road Town Tortola, British Virgin Islands, was incorporated on July 26, 2019.*

(xi) *Cebu2World, whose registered office is at Unit 1504 Ayala Life FGU Center Cebu, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City, was incorporated on November 3, 2020.*

(xii) *Wide-Horizons, whose registered office is at at 20 N. Domingo Street, Brgy. Valencia, Quezon City., was incorporated on November 16, 2020*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIP BETWEEN THE COMPANY AND ITS RELATED ENTITIES
Schedule 2: Citicore Power Inc. and Subsidiaries
December 31, 2020



Supplementary information:

(i) *In February 2016, SSPI's unissued shares of stock were acquired by CPI resulting in a 75% equity interest over SSPI and diluting Megawide's equity interest over SSPI from 100% to 25%. Hence, SSPI ultimatley became a subsidiary of CPI. In 2016, the Megawide's equity interest was reduced from 100% to 1% upon acquisition of a related party under common ownership.*

(ii) *In 2016, the following newly incorporated entities: HBPI, CESI, BGESSI, NGESSI, LGESSI and CGESSI, become wholly owned subsidiaries of the CPI upon subscription on their common shares.*

In 2015, CPI acquired NGPTC. CPI acquired additional shares of NGPTC through conversion of advances to equity investments.

In November 2015, CPI entered into a share purchase agreement (SPA) for the acquisition of FTSEC for $12.0 million. CPI paid the former stockholder of FTSEC amounting to P40.1 million. The agreement was subsequently amended and reduced the purchased price to $9.6 million. CPI gained control on FTSEC in May 2016 upon significant compliance of the parties to the SPA. CPI then recognized FTSEC as its subsidiary.

P&A Grant Thornton

Report of Independent Auditors on Components of Financial Soundness Indicators

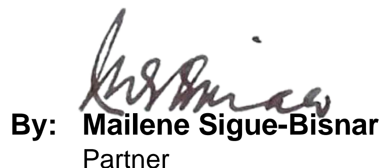
Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
Megawide Construction Corporation and Subsidiaries
(A Subsidiary of Citicore Holdings Investment, Inc.)
20 N. Domingo Street
Brgy, Valencia
Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Megawide Construction Corporation and Subsidiaries (the Group) for the year ended December 31, 2020 and 2019, on which we have rendered our report dated April 8, 2021. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the two years in the period ended December 31, 2020 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO



By: **Mailene Sigue-Bisnar**
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8533222, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 8, 2021

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2020 and 2019

Ratio	Formula	2020	Formula	2019
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 36,432,587,464 Divide by: Total Current Liabilities 26,214,516,570 Current ratio 1.39	1.39	Total Current Assets divided by Total Current Liabilities Total Current Assets 35,465,662,114 Divide by: Total Current Liabilities 27,999,982,419 Current ratio 1.27	1.27
Acid test ratio	Quick assets (Total Current Assets less Inventories, Contract Assets and Other Current Assets) divided by Total Current Liabilities Total Current Assets 36,432,587,464 Less: Inventories (1,719,042,863) Contract Assets (4,231,600,246) Other Current Assets (7,956,744,328) Quick Assets 22,525,200,027 Divide by: Total Current Liabilities 26,214,516,570 Acid test ratio 0.86	0.86	Quick assets (Total Current Assets less Inventories Contract Assets and Other Current Assets) divided by Total Current Liabilities Total Current Assets 35,465,662,114 Less: Inventories (1,287,127,532) Contract Assets (3,975,734,097) Other Current Assets (6,310,724,077) Quick Assets 23,892,076,408 Divide by: Total Current Liabilities 27,999,982,419 Acid test ratio 0.85	0.85
Solvency ratio	Total Assets divided by Total Liabilities Total Assets 81,343,769,067 Divide by: Total Liabilities 60,821,301,203 Solvency ratio 1.34	1.34	Total Assets divided by Total Liabilities Total Assets 80,764,326,231 Divide by: Total Liabilities 62,765,813,535 Solvency ratio 1.29	1.29
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities 60,821,301,203 Divide by: Total Equity 20,522,467,864 Debt-to-equity ratio 2.96	2.96	Total Liabilities divided by Total Equity Total Liabilities 62,765,813,535 Divide by: Total Equity 17,998,512,696 Debt-to-equity ratio 3.49	3.49
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets 81,343,769,067 Divide by: Total Equity 20,522,467,864 Assets-to-equity ratio 3.96	3.96	Total Assets divided by Total Equity Total Assets 80,764,326,231 Divide by: Total Equity 17,998,512,696 Assets-to-equity ratio 4.49	4.49
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT 1,653,541,057 Divide by: Interest expense 2,263,350,133 Interest rate coverage ratio 0.73	0.73	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT 3,460,420,384 Divide by: Interest expense 2,025,182,848 Interest rate coverage ratio 1.71	1.71
Return on equity	Net Profit divided by Total Equity Net Profit (874,595,891) Divide by: Total Equity 20,522,467,864 Return on equity (0.04)	(0.04)	Net Profit divided by Total Equity Net Profit 1,111,034,814 Divide by: Total Equity 17,998,512,696 Return on equity 0.06	0.06
Return on assets	Net Profit divided by Total Assets Net Profit (874,595,891) Divide by: Total Assets 81,343,769,067 Return on assets (0.01)	(0.01)	Net Profit divided by Total Assets Net Profit 1,111,034,814 Divide by: Total Assets 80,764,326,231 Return on assets 0.01	0.01
Net profit margin	Net Profit divided by Total Revenue Net Profit (874,595,891) Divide by: Total Revenue 12,923,226,465 Net profit margin (0.07)	(0.07)	Net Profit divided by Total Revenue Net Profit 1,111,034,814 Divide by: Total Revenue 19,881,804,848 Net profit margin 0.06	0.06

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 4 1 1 4 6 1

Company Name

M E G A W I D E
C O N S T R U C T I O N
C O R P O R A T I O N

Principal Office (No./Street/Barangay/City/Town)Province)

2 0 N . D O M I N G O S T
B R G Y V A L E N C I A
Q U E Z O N C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A F S		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
		12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
EDGAR SAAVEDRA		655-1111	

Contact Person's Address

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

[EXT] Your BIR AFS eSubmission uploads were received

eafs@bir.gov.ph <eafs@bir.gov.ph>
Fri 4/30/2021 12:59 PM

To: MCC - Taxes <mcc.taxes@megawide.com.ph>
Cc: MCC - Taxes <mcc.taxes@megawide.com.ph>

Hi MEGAWIDE CONSTRUCTION CORPORATION,

Valid files

- EAFS232715069OTHTY122020.pdf
- EAFS232715069TCRTY122020-01.pdf
- EAFS232715069RPTTY122020.pdf
- EAFS232715069ITRTY122020.pdf
- EAFS232715069AFSTY122020.pdf
- EAFS232715069TCRTY122020-02.pdf
- EAFS232715069TCRTY122020-03.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-65B65GKG0NRPQVYRTNWMWYP2Y0J9E6L7B**
Submission Date/Time: **Apr 30, 2021 08:45 PM**
Company TIN: **232-715-069**

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

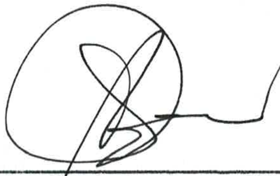
The management of **Megawide Construction Corp.** (the Company) is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

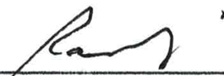
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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



ENGR. EDGAR B. SAAVEDRA
President and Chief Executive Officer
195-661-064-000



RAMON H. DIAZ
Group Chief Financial Officer
133-692-824-000

20 N. Domingo Street, Barangay Valencia 1112, Quezon City, Philippines
+632 655 1111
www.megawide.com.ph

MEGAWIDE

SUBSCRIBED AND SWORN TO before me this APR 13 2021 at QUEZON CITY affiants exhibiting to me their valid Tax Identification Numbers stated above.

Signed this APR 13 2021 day of 2021.

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PAGE NO. 78
BOOK NO. I
SERIES OF 2021

Charlotte King
CHARLOTTE Y. KING
Commission Serial No. NP-210 (2020-2021)
Notary Public for Quezon City
Until 31 December 2021
Roll of Attorney No. 66162
IBP Lifetime No. 015223
PTR No. 0684045, 6 January 2021, Quezon City
MCLE Compliance No. VI-0004991; 21 December 2017
No. 20 N. Domingo St., Brgy. Valencia, Quezon City, 1112

P&A
Grant Thornton

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

T +63 2 8988 2288

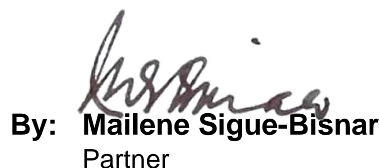
Report of Independent Certified Public Accountants to Accompany Income Tax Return

The Board of Directors and Stockholders
Megawide Construction Corporation
(A Subsidiary of Citicore Holdings Investment, Inc.)
20 N. Domingo Street
Brgy, Valencia
Quezon City

We have audited the financial statements of Megawide Construction Corporation (the Company) for the year ended December 31, 2020, on which we have rendered the attached report dated April 8, 2021.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

PUNONGBAYAN & ARAULLO



By: **Mailene Sigue-Bisnar**
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8533222, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 8, 2021

P&A Grant Thornton

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

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors and Stockholders
Megawide Construction Corporation
(A Subsidiary of Citicore Holdings Investment, Inc.)
20 N. Domingo Street
Brgy, Valencia
Quezon City

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 1 to the financial statements, which describes the management's assessment of the continuing impact on the Company's financial statements of the business disruption brought by the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

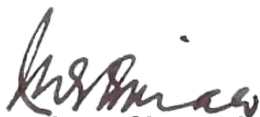
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2020 required by the Bureau of Internal Revenue as disclosed in Note 31 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner in the audits resulting in this independent auditors' report is Mailene Sigue-Bisnar.

PUNONGBAYAN & ARAULLO



By: **Mailene Sigue-Bisnar**
Partner

CPA Reg. No. 0090230
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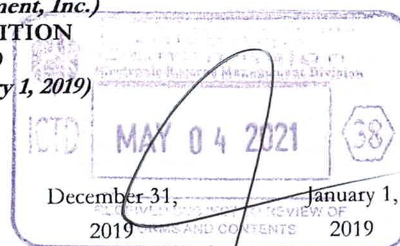
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 8, 2021

MEGAWIDE CONSTRUCTION CORPORATION
(A Subsidiary of Citicore Holdings Investment, Inc.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
(With Corresponding Figures as of January 1, 2019)
(Amounts in Philippine Pesos)



	Notes	2020	December 31, 2019 (As Restated - see Note 2)	January 1, 2019 (As Restated - see Note 2)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	4	**P 5,705,269,885**	P 3,592,457,302	P 3,614,715,055
Trade and other receivables - net	5	**14,590,302,737**	17,031,952,532	11,766,716,806
Construction materials	6	**1,701,872,969**	1,260,333,152	699,492,752
Contract assets	7	**3,721,458,728**	3,465,592,579	2,603,903,846
Other current assets	9	**6,598,037,863**	5,096,399,956	3,752,235,917
Total Current Assets		**32,316,942,182**	30,446,735,521	22,437,064,376
NON-CURRENT ASSETS				
Financial assets at fair value	8	**3,544,472**	3,544,472	3,544,472
Investments in subsidiaries, associates and joint venture	10	**5,470,901,859**	5,471,221,977	5,423,661,339
Property, plant and equipment - net	11	**6,556,583,026**	6,842,840,814	4,849,274,760
Investment property	12	**337,411,236**	302,145,175	302,145,175
Other non-current assets	9	**216,907,988**	264,108,662	182,485,597
Total Non-current Assets		**12,585,348,581**	12,883,861,100	10,761,111,343
TOTAL ASSETS		**P 44,902,290,763**	P 43,330,596,621	P 33,198,175,719

	Notes	2020	December 31, 2019 (As Restated - see Note 2)	January 1, 2019 (As Restated - see Note 2)
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	15	**P 12,224,338,740**	P 14,136,688,132	P 6,408,573,493
Trade and other payables	14	**5,860,497,253**	5,993,207,370	4,148,816,073
Contract liabilities	16	**4,626,737,333**	4,931,269,957	4,335,018,916
Other current liabilities	17	**103,557,958**	102,598,533	91,555,151
Total Current Liabilities		**22,815,131,284**	25,163,763,992	14,983,963,633
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	15	**5,921,305,402**	5,436,374,512	5,246,885,410
Deferred tax liabilities - net	23	**26,184,049**	111,232,414	76,602,550
Post-employment defined benefit obligation	22	**316,461,355**	318,955,353	165,909,222
Total Non-current Liabilities		**6,263,950,806**	5,866,562,279	5,489,397,182
Total Liabilities		**29,079,082,090**	31,030,326,271	20,473,360,815
EQUITY	25			
Capital stock		**2,486,427,137**	2,439,426,127	2,439,426,127
Treasury shares - at cost		**(4,615,690,576)**	(3,912,617,536)	(3,454,826,462)
Additional paid-in capital		**13,057,711,509**	8,776,358,765	8,776,358,765
Revaluation reserves		**(8,352,815)**	(63,036,119)	13,215,257
Retained earnings		**4,903,113,418**	5,060,139,113	4,950,641,217
		15,823,208,673	12,300,270,350	12,724,814,904
TOTAL LIABILITIES AND EQUITY		**P 44,902,290,763**	P 43,330,596,621	P 33,198,175,719

See Notes to Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION
(A Subsidiary of Citicore Holdings Investment, Inc.)
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	**2020**	2019	2018 (As Restated - see Note 2)
CONTRACT REVENUES	18	**P 11,205,571,308**	P 15,960,487,950	P 13,979,999,431
CONTRACT COSTS	19	**9,703,470,585**	13,807,479,916	11,650,202,774
GROSS PROFIT		**1,502,100,723**	2,153,008,034	2,172,428,507
OTHER OPERATING EXPENSES	20			
General and administrative		**721,862,025**	772,139,035	542,487,422
Impairment losses on receivables		**15,499,679**	(1,266,592)	305,526,593
		737,361,704	770,872,444	848,014,015
OPERATING PROFIT		**764,739,019**	1,382,135,591	1,324,414,492
OTHER INCOME (CHARGES)	21			
Finance costs		**(1,236,994,124)**	(1,232,635,494)	(636,946,676)
Finance income		**477,325,400**	471,901,887	250,355,049
Others - net		**59,321,499**	144,257,479	(6,978,245)
		(700,347,225)	(616,476,128)	(236,201,722)
PROFIT BEFORE TAX		**64,391,794**	765,659,463	1,088,212,770
TAX INCOME (EXPENSE)		**59,583,675**	(127,525,508)	(287,719,191)
NET PROFIT		**P 123,975,469**	P 638,133,955	P 800,493,579

See Notes to Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION
(A Subsidiary of Citicore Holdings Investment, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018 (As Restated - see Note 2)
NET PROFIT		**P 123,975,469**	P 638,133,955	P 800,493,579
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified subsequently to profit or loss				
Realized loss on fair value change of available-for-sale financial assets	10	**-**	-	(8,263,159)
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit plan	22	**78,119,007**	(108,930,537)	36,477,411
Tax income (expense)	23	**(23,435,703)**	32,679,161	(10,943,223)
		54,683,304	(76,251,376)	25,534,188
Other Comprehensive Income (Loss) – net of tax		**54,683,304**	(76,251,376)	17,271,029
TOTAL COMPREHENSIVE INCOME		**P 178,658,773**	P 561,882,579	P 817,764,608

See Notes to Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Capital Stock		Additional Paid-in Capital			Treasury	Revaluation	Retained	
	Common	Preferred	Common	Preferred	Treasury Shares	Shares	Reserves	Earnings	Total
Balance at January 1, 2020	P 2,399,426,127	P 40,000,000	P 4,207,276,193	P 3,898,474,283	P 670,608,289	(P 3,912,617,536)	(P 63,036,119)	P 5,060,139,113	P 12,300,270,350
Acquisition of treasury shares	-	-	-	-	-	(703,073,040)	-	-	(703,073,040)
Issuance of preferred shares	-	47,001,010	-	4,281,352,744	-	-	-	-	4,328,353,754
Cash dividends declared	-	-	-	-	-	-	-	(281,001,164)	(281,001,164)
Total comprehensive income	-	-	-	-	-	-	54,683,304	123,975,469	178,658,773
Balance at December 31, 2020	**P 2,399,426,127**	**P 87,001,010**	**P 4,207,276,193**	**P 8,179,827,027**	**P 670,608,289**	**(P 4,615,690,576)**	**(P 8,352,815)**	**P 4,903,113,418**	**P 15,823,208,673**
Balance at January 1, 2019	P 2,399,426,127	P 40,000,000	P 4,207,276,193	P 3,898,474,283	P 670,608,289	(P 3,454,826,462)	P 13,215,257	P 4,950,641,217	P 12,724,814,904
Acquisition of treasury shares	-	-	-	-	-	(457,791,074)	-	-	(457,791,074)
Cash dividends declared	-	-	-	-	-	-	-	(528,636,059)	(528,636,059)
Total comprehensive income	-	-	-	-	-	-	(76,251,376)	638,133,955	561,882,579
Balance at December 31, 2019	P 2,399,426,127	P 40,000,000	P 4,207,276,193	P 3,898,474,283	P 670,608,289	(P 3,912,617,536)	(P 63,036,119)	P 5,060,139,113.00	P 12,300,270,350
Balance at January 1, 2018	P 2,399,426,127	P 40,000,000	P 4,207,276,193	P 3,898,474,283	P 670,608,289	(P 2,627,738,885)	(P 4,055,772)	P 4,687,776,938	P 13,271,767,173
Acquisition of treasury shares	-	-	-	-	-	(827,087,577)	-	-	(827,087,577)
Cash dividends declared	-	-	-	-	-	-	-	(537,629,300)	(537,629,300)
Total comprehensive income	-	-	-	-	-	-	17,271,029	800,493,579	817,764,608
Balance at December 31, 2018	P 2,399,426,127	P 40,000,000	P 4,207,276,193	P 3,898,474,283	P 670,608,289	(P 3,454,826,462)	P 13,215,257	P 4,950,641,217	P 12,724,814,904

See Notes to Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION
(A Subsidiary of Citicore Holdings Investment, Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 64,391,794**	P 765,659,463	P 1,088,212,770
Adjustments for:				
Depreciation and amortization	20	**1,019,034,386**	837,723,252	595,695,972
Finance costs	21	**998,420,788**	1,215,052,408	523,836,562
Finance income	21	**(477,325,399)**	(471,901,887)	(250,355,049)
Gain on disposals of property, plant and equipment	21	**(1,874,270)**	(9,603,797)	(2,876,026)
Operating profit before working capital changes		**1,602,647,299**	2,336,929,439	1,954,514,229
Decrease (increase) in trade and other receivables		**3,331,776,373**	(3,894,690,843)	(949,669,628)
Increase in construction materials		**(441,539,817)**	(560,840,400)	(122,198,683)
Increase in contract assets		**(255,866,149)**	(861,688,733)	(2,068,502,909)
Increase in other current assets		**(1,527,102,597)**	(1,384,683,988)	(2,746,925,052)
Decrease (increase) in other non-current assets		**46,040,278**	(74,069,576)	1,638,862
Increase in trade and other payables		**78,261,541**	1,598,385,301	322,979,383
Increase (decrease) in contract liabilities		**(304,532,624)**	596,251,041	3,759,748,373
Increase in other liabilities		**959,425**	11,043,382	24,117,917
Increase in post employment defined benefit obligation		**75,625,009**	44,115,594	28,342,614
Cash generated from (used in) operations		**2,606,268,738**	(2,189,248,783)	204,045,106
Cash paid for income taxes		**(23,435,703)**	(19,696,534)	(32,154,693)
Net Cash From (Used in) Operating Activities		**2,582,833,035**	(2,208,945,317)	171,890,413
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment and intangible assets	11	**(734,059,315)**	(2,817,195,695)	(755,989,380)
Interest received		**44,200,399**	471,901,887	142,497,961
Acquisitions of investment properties	12	**(35,266,061)**	-	-
Proceeds from sale of property, plant and equipment	11	**4,317,383**	22,234,338	30,085,389
Investments in subsidiaries and associates and joint ventures	11, 24	**320,118**	(47,560,638)	(902,965,733)
Proceeds from sale of financial assets at FVPTL	8	**-**	-	3,209,481,581
Proceeds from disposal of available-for-sale financial assets		**-**	-	913,306,185
Net Cash From (Used) in Investing Activities		**(720,487,476)**	(2,370,620,108)	2,636,416,003
Balance carried forward		**P 1,862,345,559**	(P 4,579,565,425)	P 2,808,306,416

	Notes	2020	2019	2018
Balance brought forward		**P 1,862,345,559**	(P 4,579,565,425)	P 2,808,306,416
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of interest-bearing loans and borrowings	15	**(11,479,843,246)**	(9,826,072,518)	(4,780,636,563)
Proceeds of interest-bearing loans and borrowings	15	**10,052,424,744**	17,709,398,618	7,907,992,562
Proceeds from issuance of preferred shares	25	**4,328,353,754**	-	-
Interest paid	15	**(978,178,127)**	(1,211,475,762)	(487,681,052)
Acquisition of treasury shares	25	**(703,073,040)**	(457,791,074)	(827,087,577)
Dividends paid	25	**(520,495,293)**	(288,698,201)	(537,629,300)
Advances granted to related parties	5, 24	**(457,001,578)**	(1,370,544,883)	(3,797,634,270)
Advances collected from related parties	14, 24	**8,279,810**	2,491,492	12,457,603
Net Cash From Financing Activities		**250,467,024**	4,557,307,672	(2,510,218,597)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,112,812,583**	(22,257,753)	298,087,819
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**3,592,457,302**	3,614,715,055	3,316,627,236
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**P 5,705,269,885**	P 3,592,457,302	P 3,614,715,055

See Notes to Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION
(A Subsidiary of Citicore Holdings Investment, Inc.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

Megawide Construction Corporation (the Company) was incorporated in the Philippines on July 28, 2004 and is engaged in the general construction business, including constructing, enlarging, repairing, or engaging in any work upon buildings, houses and condominium, roads, plants, bridges, piers, waterworks, railroads and other structures. It performs other allied construction business like the construction and sale of precast items, concrete production, and purchase sale and/or lease of formworks system and construction equipment.

On January 28, 2011, the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) approved the Company's application for the listing of its common stock. The approval covered the initial public offering (IPO) of 292.0 million unissued common shares of the Company at P7.84 offer price per share and the listing of those shares in PSE's main board on February 18, 2012. On December 3, 2014, the Company made a primary offer of 40.0 million preferred shares at an offer price of P100.0 per share. These preferred shares are also listed in the PSE (see Note 25.1).

On September 22, 2014, the SEC approved the Company's amendment of articles of incorporation, which includes: (a) the Company's power to extend corporate guarantees to its subsidiaries and affiliates; and, (b) the increase in its authorized capital stock of P5,000.0 million divided into 4,930.0 million common shares and 70.0 million cumulative, non-voting, non-participating, non-convertible to common shares and redeemable, at the option of the Company, perpetual preferred shares (see Note 25.1). Both common and preferred shares have a par value of P1.0 per share.

On August 16, 2017, Megacore Holdings, Inc. (Megacore) acquired 313,786,575 shares representing 14.7% ownership over the Company from Citicore Holdings Investment, Inc. (Citicore or Parent Company). This resulted in a decrease in Citicore's ownership over the Company from 66.7% to 51.0%.

On December 20, 2017, the state-owned Social Security System acquired a total of 110,532,500 shares or equivalent to 5.2% interest in the Company through purchase of 3.45% stake held by Megacore and the remaining interest to the public.

On December 22, 2017, Megacore further acquired additional shares from Citicore which resulted to an increase in Megacore's ownership to the Company equivalent to 28.9% or 617,709,197 shares as of December 31, 2017.

On September 22, 2020, the SEC has approved the Company's increase in its authorized capital stock to 5,054.0 million, divided into the 4,930.0 million common shares and 124.0 million cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares (see Note 25.1). Both common and preferred shares have a par value of P1.0 per share.

On September 30, 2020, the Company entered into a subscription agreement with Citicore whereby Citicore subscribed to 13.5 million preferred shares of the Parent Company at P1.00 each, and paid 25% of such subscription in cash amounting to P3.38 million (see Note 25.1).

On November 5, 2020, the SEC has approved the Company's offer and sale of cumulative, non-voting, non-participating, non-convertible, and perpetual Series 2 preferred shares which are to be issued in two subseries: Series 2A and Series 2B preferred shares, at a subscription price of P100 per share. As of December 31, 2020, 26,220,130 and 17,405,880 of Series 2A and 2B preferred shares, respectively, were subscribed and listed in the PSE (see Note 25.1).

The Company remains as a subsidiary of Citicore which owns and controls 33.3% of the issued and outstanding capital stock of the Company as of December 31, 2018 because Citicore still directs the overall business operations of the Company through its Chief Executive Officer and President, who is also the President of Citicore.

Percentage of effective ownership on each affiliate is as follows:

	2020	2019
Subsidiaries:		
GMR Megawide Cebu Airport Corporation (GMCAC)	**60%**	60%
Megawatt Clean Energy, Inc. (MCEI)	**70%**	70%
Globemerchants, Inc. (GMI)	**50%**	50%
Megawide Land, Inc. (MLI)	**100%**	100%
Megawide Construction (BVI) Corporation (MCBVI)	**100%**	100%
Megawide Terminals, Inc. (MTI, *formerly WM Properties Management, Inc.)*	**100%**	100%
Megawide International Limited, SG (MIL)	**100%**	100%
Cebu2World Development, Inc. (CDI)	**100%**	-
Wide-Horizons, Inc. (WHI)	**100%**	-
Accounted for as Asset Acquisition –		
Altria East Land, Inc. (Altria)	**100%**	100%
Associates:		
Megawide World Citi Consortium, Inc. (MWCCI)	**51%**	51%
Citicore Megawide Consortium, Inc. (CMCI)	**10%**	10%
Joint Arrangements:		
Joint Operations –		
Megawide GISPL Construction Joint Venture (MGCJV)	**50%**	50%
Megawide GMR Construction Joint Venture, Inc. (MGCJVI)	**50%**	50%
Joint Venture –		
MWM Terminals, Inc. (MWMTI)	**51%**	51%

Moreover, the Company has interest in Silay Solar Power, Inc. (SSPI) but it neither exercises control nor significant influence over SSPI (see Note 8).

The registered address of Citicore and the Company, which is also their principal place of business, is at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

1.2 Impact of COVID-19 on the Company's Business

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

The following are the impact of the COVID-19 pandemic to the Company's business:

- suspension of construction activities during the lockdown periods;
- decline in contract revenues by 30% or P4.5 billion due to work stoppage during the second quarter of 2020 as mandated by the government;
- recognition of additional impairment on trade receivables amounting to P15.5 million; and,
- administrative expenses were incurred to ensure health and safety of its employees, subcontractors and customers, although these are not considered substantial in amount.

In response to this matter, the Company has taken the following actions:

- implemented effective cost-reduction and cash preservation strategies, including flexible working arrangement, recruitment freeze, deferral of some non-essential and capital expenditures, maximizing credit terms provided by suppliers and creditors and focus to collect outstanding receivables;
- automation and digitization to improve processes, enhance operational efficiencies, and support remote work arrangements;
- regular information updates on health and safety protocols to all its employees;
- comprehensive and regular monitoring of the Company's liquidity position and cash flow;
- tighter tracking of loan maturities, as well as debt covenants;
- review of insurance coverage to protect against potential risk; and,
- evaluation of labor and manpower complements, such as retention, reduced compensation, and employee reduction.

Based on the above actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Company would continue to report positive results of operations and remain liquid to meet current obligations as they fall due. Accordingly, management has not determined any material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

1.3 Approval of the Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2020 (including the comparative financial statements as of December 31, 2019 and for the years ended December 31, 2019 and 2018 and the corresponding figures as of January 1, 2019) were authorized for issue by the Company's Board of Directors (BOD) on April 8, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are discussed below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

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

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents statement of comprehensive income separate from statement of income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed. In 2020, the Company presented a statement of financial position as of January 1, 2019 to reflect the effect of prior period adjustment discussed in item (d) below.

(c) Functional and Presentation Currency

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

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

(d) Prior Period Adjustment and Reclassification of Accounts

The Company made certain prior period adjustments to reflect the appropriate classification and presentation of certain parcels of land which were previously recognized and presented as part of Property, Plant and Equipment account to Investment Property accounts as those properties were originally intended to be held for capital appreciation. Moreover, reclassification of Income from Rental of Equipment in 2018 was made from Others – net under Other Income (Charges) to Contract Revenues to conform to the current classification and presentation of the account.

The effect of prior period adjustment on the Company's statement of financial position as of December 31 and January 1, 2019 are presented below.

	As Previously Reported	Prior Period Adjustments	As Restated
December 31, 2019			
Change in non-current assets:			
Property, Plant and Equipment – net	P 7,144,985,989	(P 302,145,175)	P 6,842,840,814
Investment Properties - net	-	302,145,175	302,145,175
Net effect in equity		P -	
January 1, 2019			
Change in non-current assets:			
Property, Plant and Equipment – net	P 5,151,419,935	(P 302,145,175)	P 4,849,274,760
Investment Properties - net	-	302,145,175	302,145,175
Net effect in equity		P -	

The effects of these prior period reclassifications in the statement of comprehensive income for the years ended December 31, 2019 and 2018 are summarized as follows:

	As Previously Reported	Prior Period Reclassifications	As Restated
December 31, 2018			
Revenues – Contract revenues	P 13,822,631,281	P 157,368,150	P 13,979,999,431
Other Income (Charges) – Others – net	150,389,905	(157,368,150)	(6,978,245)
Net effect in equity		P -	

The reclassifications does not have an impact on the statements of cash flows for the years ended December 31, 2019 and 2018.

2.2 *Adoption of New and Amended PFRS*

(a) *Effective in 2020 that are Relevant to the Company*

The Company adopted for the first time the following amendments and revisions to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

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

Discussed below and in the succeeding page are the relevant information about these pronouncements.

(i) Revised Conceptual Framework for Financial Reporting. The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

Management has assessed that this has no impact on the Company's financial statements.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other Standards that contain definition of material or refer to the term 'material' to ensure consistency. The application of these amendments did not have significant impact on the Company's financial statements.

(iii) PFRS 3 (Amendments), *Business Combinations – Definition of Business.* The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

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

(b) Effective Subsequent to 2020 but not Adopted Early

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

(i) PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions16* (effective from June 30, 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

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

(iii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

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

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

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

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

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

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

2.3 Separate Financial Statements and Investments in Subsidiaries and Associates, and Interests in Joint Arrangements

These financial statements are prepared as the Company's separate financial statements. The Company also prepares consolidated financial statements as required under PFRS.

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when (i) it has power over the entity; (ii) it is exposed, or has rights to, variable returns from its involvement with the entity; and, (iii) it has the ability to affect those returns through its power over the entity.

The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above.

Associates are those entities over which the Company is able to exert significant influence, but which are neither subsidiaries nor interests in a joint arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A jointly controlled entity is a corporation, partnership, or other entity in which two or more operators have an interest, under a contractual arrangement that establishes joint control over the entity.

The Company's investments in subsidiaries and associates, and its interest in joint venture are accounted for in these separate financial statements at cost, less any impairment loss (see Note 2.16). On the other hand, the Company accounts for its relevant assets, liabilities, revenues and expenses relating to its interest in MGCJV and MGCJVI in accordance with the PFRS applicable to the particular assets, liabilities, revenues and expenses (see Note 10.4).

2.4 Financial Assets

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

(a) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described below and in the succeeding pages.

(i) Financial Assets at Amortized Cost

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

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to officers and employees) and Refundable security and bond deposits (presented under Other Current Assets) in the statement of financial position.

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

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

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

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

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,
- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Company for trading or as mandatorily required to be classified as FVTPL. The Company has designated equity instruments as at FVOCI on initial recognition.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity.

When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Any dividends earned on holding equity instruments are recognized in profit or loss as part of Other Income (Charges) account, when the Company's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

(b) *Impairment of Financial Assets*

At the end of the reporting period, the Company assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Company uses the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables and contract assets. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. The Company uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Company also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due [see Note 28.2(b)].

On the other hand, the Company applies a general approach in relation to advances to and rental receivables from related parties. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded.

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

For financial assets other than trade and other receivables and contract assets, the Company determines whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

The key elements used in the calculation of ECL are as follows:

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

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

- *Exposure at default* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Company recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments measured at FVOCI, for which the loss allowance is recognizes in other comprehensive income and accumulated in Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(c) Derecognition of Financial Assets

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

2.5 Construction Materials

Construction materials are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of construction materials includes all costs directly attributable to acquisition such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

The net realizable value of construction materials is the current replacement cost.

2.6 Other Assets

Other assets, which are non-financial assets, pertain to other resources controlled by the Company as a result of past events. They are initially recognized at cost in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably. These are subsequently charged to profit or loss as utilized or reclassified to another asset account, if capitalizable.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period, are classified as non-current assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater that its estimated recoverable amount (see Note 2.17)

2.7 Property, Plant and Equipment

Property, plant and equipment, except land and construction in progress, are carried at acquisition cost or construction cost less subsequent depreciation and any impairment losses. Land held for use in operations or administration is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

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

Building	25 years
Precast factory	25 years
Precast and construction equipment	3 to 15 years
Office furniture, fixtures and equipment	5 years
Transportation equipment	5 years

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction of the Company's building, batching plant and precast factory, and any applicable borrowing costs (see Note 2.19). The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

The residual value, estimated useful lives and method of depreciation of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge in depreciation is made in respect of these assets.

An item of property, plant and equipment 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.8 Intangible Assets

Intangible assets (shown as part of Other Non-current Assets), include acquired computer software licenses, which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of five years as the lives of these intangible assets are considered finite. In addition, intangible assets are subject to impairment testing as described in Note 2.16.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

Costs that are directly attributable to the development phase of new customized software for information technology are recognized as intangible assets if, and only if, the Company can demonstrate all of the following recognition requirements:

(i) technical feasibility of completing the prospective product for internal use or sale;
(ii) the intangible asset will generate probable economic benefits through internal use or sale;
(iii) intention and ability to complete, i.e., availability of sufficient technical, financial and other resources necessary for completion, and use or sell the asset; and,
(iv) ability to measure reliably the expenditure attributable to the intangible asset during development.

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an intangible asset is determined as the difference between the net disposal proceeds and carrying value of the asset and is charged to profit or loss for the period.

2.9 Acquisition of Asset

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

2.10 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property comprising of asset under construction and development are measured initially at acquisition cost, including transaction costs. This includes cost of construction, any applicable borrowing costs (see Note 2.19) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

Following initial recognition, investment properties are carried at cost less accumulated depreciation and any impairment in value (see Note 2.17).

The carrying value of the investment properties are reviewed for impairment when changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount and impairment losses are recognized in the consolidated statement of income.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

2.11 Financial Liabilities

Financial liabilities are recognized when the entity becomes a party to the contractual provisions of the financial instrument. These include interest-bearing loans and borrowings, trade and other payables [except output value-added tax (VAT) and other taxes payable], and other non-current liabilities (except unearned rent income), are recognized when the Company becomes a party to the contractual terms of the instrument. These are recognized initially at their fair values and subsequently measured at amortized cost, using the effective interest method for maturities beyond one year, less settlement payments. All interest-related charges incurred on a financial liability, except capitalized borrowings costs which is recognized as part of the related qualifying asset (see Note 2.18), are recognized as an expense in profit or loss under the caption Finance Costs in the statement of income.

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Lease liabilities and obligations under finance lease (included as part of Interest-bearing Loans and Borrowings) are recognized at amounts equal to the fair value of the leased property or, if lower, at the present value of minimum lease payments, at the inception of the lease (see Notes 2.15 and 27.2).

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the BOD.

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

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.12 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.13 Provisions and Contingencies

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

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

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

2.14 Revenue and Expense Recognition

Revenue arises mainly from sale of construction materials and rendering of construction services.

To determine whether to recognize revenue, the Company follows a five-step process described below:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

(i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
(iii) the payment terms for the goods or services to be transferred or performed can be identified;
(iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(v) collection of the consideration in exchange of the goods and services is probable.

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

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

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

The Company often enters into transactions involving construction services, sale of construction materials and other contracts containing performance obligations with counterparties. The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(c). The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the asset or services transfers to the customer.

If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The normal credit term of the Company is 30 to 60 days after billing. In addition, the following specific recognition criteria for each identified performance obligation must also be met before revenue is recognized:

(a) *Construction revenues* – Revenue from construction services is recognized over time as the service is provided. The Company uses the percentage of completion method to determine the appropriate amount to recognize as contract revenue in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

(b) *Sale of construction materials* – Revenue from sale of ready mixed concrete and precast materials are recognized over time as goods are manufactured as there is alternate use for these construction materials.

(c) *Management fee* – This is recognized on a time-and-materials basis as the services are provided. Customers are invoiced monthly as work progresses, which are due upon receipt by the customers. Any amounts remaining unbilled at the end of a reporting period are presented in the statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

(d) *Rental revenue* – Revenue from rentals arising from the lease of its office space and construction equipment is recognized on the straight-line basis over the lease term based on the provisions of the covering lease contracts, including any minimum rent free period therein, plus additional rent free period as mutually agreed by the contracting parties [see Note 2.14(b)]. This is outside the scope of PFRS 15.

The Company presents a contract asset when it transfers control of goods or performs services before the customer pays consideration or before payment is due. A contract asset is the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer. The Company's right to consideration is conditional on something other than the passage of time (i.e. project should be completed for the Company to have an unconditional right to payment).

The Company presents a contract liability when a customer pays the consideration, or the Company has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Company transfers goods or performs services to the customer. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

Contract liability also includes cash received from customers which are applied to subsequent progress billings for construction contracts. The Company considers effects of significant financing component in the contract [see Note 3.1(b)]. The effect of financing component is recognized as part of Contract Revenues and Finance Cost in the statement of income.

The Company incurs incremental costs in obtaining customer contracts (i.e., biddings costs on construction contracts). These costs are expensed when incurred as these are incurred regardless whether the contract is obtained.

The Company also incurs costs in fulfilling contracts with customers. These costs are divided into: (i) costs that give rise to an asset; and, (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company first considers any other applicable standards. If other standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to contract fulfillment costs, the Company applies the following criteria, which, if met, result in capitalization:

(i) the costs directly relate to a contract or to a specifically identifiable anticipated contract;
(ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and,

(iii) the costs are expected to be recovered.

Contract fulfillment assets or capitalized costs (which are recognized as part of Other Current Assets account) are are subsequently included as part of construction costs and considered in determining the stage of completion of the project. Furthermore, these are derecognized either upon disposal or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Company determines whether there is an indication that deferred fulfillment costs may be impaired. An impairment loss is recognized when the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive, less the costs of providing the services under the relevant contract.

In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Contract revenues* – Revenue from construction of buildings is recognized using the percentage of completion method based on the physical completion of the project.

(b) *Management fees* – Revenues are recognized when services are substantially rendered.

(c) *Rental revenue* – Revenue from rentals arising from the lease of its office space is recognized on the straight-line basis over the lease term based on the provision of the covering lease contracts, including any minimum rent free period therein, plus additional rent free period as mutually agreed by the contracting parties

(d) *Interest income* – Income is recognized as the interest accrues taking into account the effective yield on the asset.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except for capitalized borrowing costs which are included as part of the cost of the related qualifying asset.

2.15 Leases

The Company accounts for its leases as follows:

(a) Company as Lessee

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

For any new contracts entered into, the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

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

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

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

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability, which is presented as part of Property, Plant, and Equipment and Interest-Bearing Loans and Borrowings, respectively, in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.17).

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

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

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been presented as part of Property and Equipment – net account while lease liabilities have been presented as part of Interest-bearing Loans and Borrowings account.

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

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

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

Finance lease obligations, net of finance charges, are included in Interest-bearing Loans and Borrowings account in the consolidated statement of financial position.

For sale and leaseback transactions resulting in a finance lease, any excess of sales proceeds over the carrying amount of the asset is not immediately recognized as income by the Company (as seller-lessee) but deferred and amortized over the lease term. However, if the carrying amount of the asset exceeds the sales proceeds, the loss is immediately charged to profit or loss in the consolidated statement of income.

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

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific or identified asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

(b) Company as Lessor

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

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

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.16 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.17 Impairment of Non-financial Assets

The Company's investments in subsidiaries, associates and joint venture, property, plant and equipment, intangible assets and other non-financial assets are subject to impairment testing. All non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows.

The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.18 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

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

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise.

Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the statement of income.

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

(b) *Post-employment Defined Contribution Plans*

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

(c) *Bonus Plans*

The Company recognizes a liability and an expense for bonuses based on a formula that takes into consideration the employees' performance evaluation attributable to a calendar year. The Company recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(d) *Compensated Absences*

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

2.19 Borrowing Costs

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

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

2.20 Income Taxes

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

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

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

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

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

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.21 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless of whether a price is charged.

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

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

2.22 Equity

Capital stock represents the nominal value of common and preferred shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock or reissuance of treasury shares. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise actuarial gains and losses due to remeasurements of post-employment defined benefit plan and the mark-to-market valuation of financial assets at FVOCI (previously available-for-sale financial assets).

Retained earnings, the appropriated portion of which is not available for dividend declaration, represent all current and prior period results of operations as reported in the statement of income, reduced by the amounts of dividends declared.

2.23 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS required management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Determination of Lease Term of Contracts with Renewal and Termination Options

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

The Company applies the definition of a contract and determines the period for which the contract is enforceable. Renewal options are included in assessment of lease term when it creates an enforceable right to use the asset beyond original non-cancellable lease term.

For leases of vehicles, construction equipment, warehouses and offices, the factors that are normally the most relevant are (a) if there are significant penalties should the Company pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Company is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Company included the renewal period as part of the lease term for leases of warehouses and offices due to the significance of these assets to its operations. These leases have a short, non-cancellable lease period (i.e., four to ten years) and there will be a significant negative effect on production if a replacement is not readily available. However, the renewal options for leases of transportation equipment were not included as part of the lease term because the Company has historically exercised its option to buy these transportation equipment at the end of the lease term.

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

(b) *Determination of Timing of Satisfaction of Performance Obligations*

(i) Construction Revenue

The Company determined that its revenue from construction services shall be recognized over time in accordance with the percentage-of-completion method. In making its judgment, the Company considers the timing of receipt and consumption of benefits provided by the Company to the customers. The Company provides the construction services that create or enhance an asset that the customer controls as the asset is created or enhanced. This demonstrates that the customer obtains the benefits of the Company's rendering of construction service as it performs.

In determining the best method of measuring the progress of the Company's rendering of construction services, management considers the input method (i.e., based on the Company's inputs to the satisfaction of a performance obligation) under PFRS 15, because of the direct relationship between the Company's effort, in terms of incurred labor hours and materials, and the transfer of service to the customer.

(ii) Sale of Construction Materials

The Company determines that its revenue from sale of construction materials shall be recognized over time as the Company creates the construction materials.

(c) *Determination of Transaction Price and Amounts Allocated to Performance Obligations*

The transaction price for a contract is allocated amongst the material right and other performance obligations identified in the contract based on their stand-alone contract prices. The transaction price for a contract excludes any amounts collected on behalf of third parties (e.g., VAT).

In determining the transaction price, the Company adjusts the amount of consideration for the effects of time value of money for payments received prior to rendering construction services when the construction period is more than one year. This circumstance indicate that the contract contains significant financing component. The Company uses the prevailing interest rate at the time of receipt of advance payments, which approximates the Company's borrowing rate.

(d) *Determination of ECL on Trade and Other Receivables, Refundable Security and Bond Deposits, Equity advances and Contract Assets*

The Company uses a provision matrix to calculate ECL for trade and other receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Company's historical observed default rates. The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Company's trade and other receivables are disclosed in Note 28.2(b).

On the other hand, the Group applies a general approach in relation to equity advances. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. Management determines possible impairment based on the assessment of the recoverability of the investment based on the eventual conversion of these advances to shares.

With respect to refundable security and bond deposits, management does not expect significant risks of collectability since the same can be applied to the last period rentals at the option of the Group.

(e) Evaluation of Business Model Applied in Managing Financial Instruments

The Company developed business models which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Company evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Company's investment and trading strategies.

(f) Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model

In determining the classification of financial assets, the Company assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Company assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Company considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Company considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessary inconsistent with a held-to-collect business model if the Company can explain the reasons for those sales and why those sales do not reflect a change in the Company's objective for the business model.

(g) Distinction Between Business Combination and Asset Acquisition

The Company determines whether the acquisition of an entity constitute a business combination or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a "business" taking into consideration the substance of the transaction. Failure to make the right judgment will result in misstatement of assets.

Management has assessed that the acquisition of ownership in Altria is to be accounted for as asset acquisition (see Note 10.3) since it does not constitute a purchase of business. Conversely, the equity ownership in GMCAC, MCEI, MLI, MCBVI, MTI, MIL, and GMI are accounted for as investment in subsidiaries (see Note 10.1).

(h) Determination of Control over an Entity which the Company Holds 50% Ownership Interest

Management considers that the Company has de facto control over GMI even though it effectively holds 50% of the investee's ordinary shares. The Company exercises control over the operating and financial policies of GMI and routine participation in management decision making involving entering and negotiating Supply and Delivery Agreements with Duty Free Philippines Corporation [see Note 10.1(f)].

(i) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition of provisions and contingencies are discussed in Note 2.12 and relevant disclosures are presented in Note 27.

(j) Determination of Joint Control and Significant Influence

Judgment is exercised in determining whether the Company has joint control of an arrangement or significant influence over an entity. In assessing each interest over an entity, the Company considers voting rights, representation on the BOD or equivalent governing body of the investee, participation in policy-making process and all other facts and circumstances, including terms of any contractual arrangement.

The Company believes to have significant influence over CMCI, due to the Company's ability to participate over the entity's relevant activities; hence, the investee is treated as an associate (see Note 10.2). The Company's ownership interest in MWCCI was accounted for as an associate even though it holds 51% ownership interest. In making the assessment of whether the Company has control over the relevant activities of MWCCI, management considers that Citicore has the ultimate control since it effectively owns 66% of MWCCI as of December 31, 2020 and 2019.

The Company has also determined that it has joint control over MWMTI, MGCJV and MGCJVI due to the contractually agreed sharing of control over these investees wherein decision on relevant activities require unanimous consent between the Company and co-venturers.

The Company recognizes its interest in MWMTI as a joint venture, while its interests in MGCJV and MGCJVI are recognized as joint operations [see Notes 10.4(a) and 10.4(b)]. However, the Company has determined that its ownership interest in SSPI neither result in control nor significant influence over SSPI (see Note 8).

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Company measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Company's incremental borrowing rate [see Note 2.15(a)]. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 28.2.

The provision matrix is based on the Company's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Company's trade and other receivables and contract assets are disclosed in Note 28.2.

On the other hand, the Company applies a general approach in relation to equity advances. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. Management determines possible impairment based on the assessment of the recoverability of the investment based on the eventual conversion of these advances to shares.

With respect to refundable security and bond deposits, management does not expect significant risks of collectability since the same can be applied to the last period rentals at the option of the Company.

(c) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate.
Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

(d) Determination Net Realizable Value of Construction Materials

In determining the net realizable value of construction materials, management takes into account the most reliable evidence available at the time the estimates are made. The Company periodically reviews its construction materials for possible damaged and obsolete items. Items identified as obsolete are provided with impairment allowance.

Management has assessed that no allowance for obsolescence is required to be recognized on construction materials in all years.

(e) Estimation of Useful Lives of Intangible Assets and Property, Plant and Equipment

The Company estimates the useful lives of computer software and property, plant and equipment (which includes right-of-use assets) based on the period over which the assets are expected to be available for use. The related estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

Based on management's assessment as at December 31, 2020 and 2019, there is no change in estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

The carrying amounts of intangible assets and property, plant and equipment (which includes right-of-use assets) are analyzed in Notes 9 and 11, respectively.

(f) Determination of Realizable Amount of Deferred Tax Assets

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2020 and 2019 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 23.3.

(g) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.16).

Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that no impairment losses are required to be recognized on the Company's non-financial assets in 2020, 2019 and 2018.

(h) *Valuation of Post-employment Defined Benefit*

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

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of defined benefit obligation, as well as the significant assumptions used in estimating such obligation are presented in Note 22.2.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31 are as follows:

	2020	2019
Cash on hand	**P 5,014,695**	P 6,709,529
Cash in banks	**1,639,344,812**	2,416,429,068
Short-term placements	**4,060,910,378**	1,169,318,705
	P 5,705,269,885	P3,592,457,302

Cash in banks generally earn interest based on daily bank deposit rates.

Short-term placements are made for varying periods from 30 to 90 days and earn annual effective interest of 0.7% to 1.6% in 2020, 2.0% to 6.0% in 2019, and 1.0% to 6.0% in 2018.

Total interest income earned from these financial assets amounted to P25.4 million, P31.4 million and P54.1 million in 2020, 2019 and 2018, respectively, and is presented as part of Finance Income in the statements of income (see Note 21.2).

5. TRADE AND OTHER RECEIVABLES

This account consists of the following as of December 31:

	Notes	**2020**	2019
Contract receivables:			
Third parties		**P 2,988,196,097**	P 5,795,906,349
Related parties	24.1	**1,523,205,694**	2,023,053,055
		4,511,401,791	7,818,959,404
Retention receivables:			
Third parties		**1,604,706,123**	1,750,053,758
Related parties	24.1	**1,097,723,076**	1,053,084,779
		2,702,429,199	2,803,138,537
Advances to:			
Related parties	24.4	**5,912,940,245**	5,455,938,667
Officers and employees	24.3	**65,958,790**	43,529,655
		5,978,899,035	5,499,468,322
Interest receivable	24.4	**1,040,171,943**	608,544,799
Other receivables	24.2, 24.6	**382,109,327**	311,050,349
		14,615,011,295	17,041,161,411
Allowance for impairment		**(24,708,558)**	(9,208,879)
		P14,590,302,737	P17,031,952,532

Contract receivable amounting to P125.5 million and P3.3 billion, respectively, includes 50% share in MGCJVI's receivable from Bases Conversion Development Authority (BCDA) representing amount billed for the completion of a certain billing milestone as of December 31, 2020 and 2019, respectively.

Retention receivables pertain to progress billings which are withheld by the project owner equivalent to 5.0% or 10% as provided in the respective construction contract of each project. This will only be collected after a certain period of time upon acceptance by project owners of the certificate of completion.

Certain advances to related parties are earmarked for potential investment opportunities being pursued by the said related party in line with the Company's expansion and diversification plans.

Trade and other receivables except Advances to related parties do not bear any interest.

All receivables except Advance to officers and employees are subject to credit risk exposure (see Note 28.2).

Allowance for Impairment

In 2020, the Company provided additional impairment losses on identified customers of its equipment rental, precast and ready mixed used concrete operations whose credit standing have been significantly affected by COVID.

Total allowance for ECL provided by the Company amounted to P24.7 million and P9.2 million as of December 31, 2020 and 2019, respectively.

None of the remaining outstanding receivables were found to be impaired upon measuring of its expected credit loss using the provision matrix as determined by the management; hence, no amount of allowance for impairment have been recognized (see Note 28.2).

A reconciliation of the allowance for impairment provided for long outstanding contract and retention receivables at the beginning and end of the reporting periods is shown below.

	Note	2020	2019
Balance at beginning of year		**P 9,208,879**	P 409,634,473
Impairment losses during the year	20	**15,499,679**	-
Write off		**-**	(400,425,594)
Balance at end of year		**P 24,708,558**	P 9,208,879

After a series of demands and negotiation related to a long outstanding and disputed receivable from a certain customer, which ended up into a settlement agreement, the Company has written off in 2019 certain receivables amounting to P405.6 million. The impairment loss of P305.5 million was recognized on these receivables in 2018 on top of the P94.9 million recognized prior to 2018.

Impairment loss in 2020 and 2018 are presented under Other Operating Expenses section in the 2020 and 2018 statements of income (see Note 20).

6. CONSTRUCTION MATERIALS

This account consists of the following as of December 31:

	2020	2019
Work in progress	**P 963,166,389**	P 457,942,166
Spare parts and consumables	**281,222,077**	297,630,728
Mechanical electrical plumbing and fireproof materials	**219,528,702**	221,448,225
Hardware	**60,728,374**	77,832,491
Precast	**92,773,144**	38,330,842
Rebars	**31,159,478**	52,724,034
Others	**53,294,805**	114,424,666
	P 1,701,872,969	P1,260,333,152

Work in progress inventories pertains to various construction materials delivered to project warehouses and are yet to be installed or used by its subcontractors.

Certain scrap construction materials were sold for P1.7 million, P7.3 million and P3.4 million in 2020, 2019 and 2018, respectively. Proceeds from the sale transactions were presented as part of Others – net account under the Other Income (Charges) section in the statements of income (see Note 21.3).

Others pertain to construction materials which include cement, painting materials, adhesive items.

7. CONTRACT ASSETS

The significant changes in the contract asset balances during the reporting periods are as follows:

	2020	2019
Balance at beginning of year	**P 3,465,592,579**	P 2,603,903,846
Increase as a result of changes in measurement of progress	**9,642,837,195**	16,154,534,822
Decrease as a result of reversal to trade receivables	**(9,386,971,046)**	(15,292,846,089)
Balance at end of year	**P 3,721,458,728**	P 3,465,592,579

The balance of contract assets as of December 31, 2020 and 2019 is net of allowance for impairment amounting to P288.2 million [see Note 28.2(b)].

Contract assets pertain to the gross amount due from customers for contract works of all contracts in progress which are not yet billed (see Note 2.13).

The Company satisfies its performance obligation when the full completion of the project and benefit therefrom can be derived by the customers. Invoices are due once related accomplishments for the month is complete.

The Company recognizes contract assets, due to timing difference of payment and satisfaction of performance obligation, to the extent of satisfied performance obligation on all open contracts as of the end of the reporting period. Contract liabilities are also recognized due to billings related to unsatisfied performance obligations. Other contract liabilities include advances from customers representing payments received prior to the Company's satisfaction of its performance obligations (see Note 16).

Changes in the contract assets and contract liabilities are recognized by the Company when a right to receive payment is already established and upon performance of unsatisfied performance obligation, respectively.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

These financial assets pertain to investments in medium to long-term retail treasury bond, certain equity investment acquired in 2015 wherein the Company does not exercise control or significant influence (see Note 1.1) and proprietary golf club shares.

The details of the financial assets at FVOCI as of December 31, 2020 and 2019 are shown below [see Note 2.4(1)(ii)].

Investment in SSPI	P 2,500,000
Gold club shares	1,044,472
	P 3,544,472

In 2018, the Company sold RTBs with original face values of P921.5 million for P913.3 million. Consequently, the Company recognized a loss amounting to P8.2 million, which is presented as Loss on sale of financial assets at FVOCI under Finance Costs in the statements of income (see Note 21.1).

As discussed in Notes 1.1, the Company's equity interest of 1% as of December 31, 2020 and 2019 over SSPI is accounted for at cost. SSPI was incorporated in the Philippines on August 7, 2015 and established for the operation of solar power and other clean or renewable energy infrastructure. Its registered office, which is also its principal place of business, is located at 20 N. Domingo Street, Barangay Valencia, Quezon City.

As of December 31, 2020, and 2019, the amounts of investment in SSPI and golf club shares approximates their fair values. Furthermore, in 2018, management has assessed that the carrying value of these investments is recoverable and that there is no indication or permanent decline in fair value; hence, no impairment loss is required. In 2018, upon adoption of PFRS 9, impairment assessment for equities is no longer applicable.

9. OTHER ASSETS

This account is composed of the following:

	Notes	**2020**	2019
Current:			
Advances to contractors and suppliers	9.1	**P4,552,807,018**	P 3,554,431,577
Deferred fulfillment cost	9.6	**787,283,237**	579,089,321
Prepaid taxes	9.2	**585,437,807**	437,006,315
Deferred input VAT	9.3	**455,766,085**	280,841,845
Refundable security and bond deposits	2.4	**145,729,097**	142,009,325
Prepaid insurance		**28,156,359**	12,827,915
Input VAT	9.3	**17,050,386**	30,042,564
Prepaid rent		**16,699,653**	17,505,228
Prepaid subscription		**8,982,984**	7,915,306
Miscellaneous		**125,237**	126,254
Deferred contract cost		**-**	34,604,306
		6,598,037,863	5,096,399,956
Non-current:			
Deposits for condominium units	9.4	**121,265,571**	136,301,359
Deferred input VAT	9.3	**69,339,606**	100,344,096
Intangible assets - net	9.5	**26,302,811**	27,463,207
		216,907,988	264,108,662
		P6,814,945,851	P5,360,508,618

9.1 Advances to Contractors and Suppliers

Advances to contractors and suppliers pertain to down payments made by the Company based on a certain percentage of the contract price. The initial payment will eventually be recouped or deducted from the amount payable of the Company either in a pro-rated basis or in full once billed by the contractors and supplier. This account also includes materials and supplies provided by the Company to subcontractors and will be deducted to the progress billings of the subcontractors upon installation. The risk of loss on the materials and supplies provided by the Conpany are borne by the subcontractors. These advances are classified as current since it would be applied payments for subcontractors.

Impairment of current portion of advances to contractors and suppliers was assessed through determining the position of the contractors and suppliers on their capacity to comply according to their performance obligation. Despite the impact of COVID 19, the Company deemed the advances to be recouped by qualifying contractors and suppliers through their work progress as well as using outstanding liability of the Company to the contractors and suppliers as leverage.

9.2 Prepaid Taxes

Prepaid taxes pertain to the excess of quarterly income tax payments over the current tax due during the year and creditable withholding taxes.

9.3 Input VAT and Deferred Input VAT

Input VAT under other current assets pertains to the payment of VAT on purchases of services and goods that is recoverable within 12 months.

Deferred input VAT pertains to the unamortized input VAT on purchases of capital goods exceeding P1.0 million. Deferred input VAT arising from purchase of capital goods exceeding P1.0 million is to be amortized and credited against output tax evenly over five years or the life of the asset, whichever is shorter.

Based on management's assessment, input VAT and deferred input VAT are not impaired as of December 31, 2020 and 2019.

9.4 Deposits for Condominium Units

Deposits for condominium units represent initial downpayments made for the purchase of condominium units. This will be reclassified to investment property upon execution of contract to sell and deed of sale.

9.5 Intangible Assets

Intangible assets represent the cost of computer license software. The details of this account are presented below.

	2020	2019
Cost	**P 103,798,467**	P 93,295,154
Accumulated amortization	**(77,495,656)**	(65,831,947)
	P 26,302,811	P 27,463,207

A reconciliation of the carrying amounts of intangible assets at the beginning and end of the reporting periods is shown below.

		2020		2019
Balance at beginning of year	**P**	**27,463,207**	P	19,909,718
Additions		**10,503,313**		18,367,875
Amortization expense for the year	**(**	**11,663,709)**	(	10,814,386)
Balance of end of year	**P**	**26,302,811**	P	27,463,207

Amortization expense is charged to the following accounts in the statements of income:

	Notes		2020		2019		2018
Contract costs	19	**P**	**5,765,656**	P	5,442,513	P	4,857,868
Other operating expenses			**5,898,053**		5,371,873		5,055,284
	20	**P**	**11,663,709**	P	10,814,386	P	9,913,152

9.6 Deferred Fulfillment Cost

Deferred fulfilment cost pertains to costs that are directly related to a specific construction contract, generate or enhance resources that will be used to fulfill a performance obligations of the Company in the future, and are recoverable under the contract. Such costs include, but are not limited to, mobilization costs of equipment and labor, engineering and design costs, insurance and depreciation of equipment related to a specific contract.

The policy on initial and subsequent measurement of these deferred fulfilment costs are discussed in Note 2.14.

The movement of deferred fulfillment costs is shown below:

		2020		2019
Balance at beginning of year	**P**	**579,089,321**	P	1,633,221,503
Additions		**430,684,262**		351,994,854
Amortization	**(**	**222,490,346)**	(	1,406,127,036)
Balance at end of year	**P**	**787,283,237**	P	579,089,321

10. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURE, JOINT OPERATIONS, AND ACQUISITION OF ASSETS

The components of the investments in subsidiaries, associates and joint venture as of December 31 are as follows:

	Note	**2020**	2019
Subsidiaries:	10.1		
GMCAC:			
Investment		**P 3,200,724,828**	P 3,200,724,828
MLI:			
Investment		**25,000,000**	25,000,000
Deposit for future stock subscription		**189,366,675**	189,366,675
		214,366,675	214,366,675
MCBVI:			
Investment		**15,276,505**	15,276,505
MCEI:			
Investment		**386,500**	386,500
Deposit for future stock subscription		**17,925,132**	17,925,132
		18,311,632	18,311,632
MTI		**344,149,804**	344,149,804
GMI		**10,001,510**	10,001,510
MIL:			
Investment		**11,223,052**	50,744
Deposit for future stock subscription		**-**	11,172,307
		11,223,052	11,223,051
CDI		**1,250,000**	-
WHI		**4,149,812**	-
Associates:	10.2		
MWCCI:		**604,462,864**	604,462,864
CMCI		**200,000,000**	200,000,000
		804,462,864	804,462,864
Joint Venture – MWMTI:	10.4(c)		
Investment		**846,985,177**	310,243,626
Deposit for future stock subscription		**-**	542,461,482
		846,985,177	852,705,108
		P 5,470,901,859	P 5,471,221,977

These subsidiaries, associates and joint ventures are not listed in the local stock exchange; hence, the fair value of the shares cannot be determined reliably. However, management believes that the carrying amounts of the investments are fully recoverable based on either the prospect of the business or the recoverable amount from the net assets of these associates and joint ventures.

Investment in MWMTI decreased by P5.7 million as a result of reversal of unconverted deposit for future stock subscription to advances.

10.1 Investments in Subsidiaries

(a) GMCAC

In 2013, the Company, together with GMR Infrastructure Limited, an entity incorporated under the laws of India, formed GMCAC, a consortium to undertake the public-private partnership (PPP) projects of the government, which is to construct and operate the Mactan-Cebu International Airport Project (the MCIA Project). GMCAC was incorporated on January 13, 2014 and the Company retains 60% ownership interest equivalent to P15.0 million. GMCAC's registered address, which is also its principal place of business, is located at Mactan-Cebu International Airport Passenger Terminal Building, Airport Terminal, Lapu-Lapu City Cebu. In 2018, the Company infused additional P5.8 million that is intended to be converted into capital stock. No similar transaction in 2020 and 2019.

(b) MLI

The Company acquired a 100% ownership interest in MLI, an entity incorporated in the Philippines on October 28, 2016. MLI is primarily engage in land or real estate business. The Company acquired the 100% ownership interest by subscribing to the 25% authorized capital stock of MLI or 25.0 million shares at par value of P1.0 per share, which have been subscribed and paid up. Its registered address, which is also its principal place of business, is 20 N. Domingo Street, 1112 Valencia, Quezon City.

The Company also infused equity amounting to P36.1 million in 2019 to MLI, which were recognized as part of investment in MLI. These amounts are intended for the future issuance of MLI's capital stock to the Company. As of December 31, 2020, MLI has not yet started commercial operations.

(c) MCBVI

The Company acquired a 100% ownership interest in MCBVI, an entity incorporated in the territory of British Virgin Islands on June 20, 2017. MCBVI is primarily engaged in buying and holding shares of other companies. The Company acquired the 100% ownership interest equivalent to US Dollar ($)10,000 or P0.5 million by subscribing to the 100% authorized capital stock of MCBVI or 10,000 shares at par value of $1.0 per share, which have been subscribed and paid up. Its registered address, which is also its principal place of business, is Marcy Building, 2nd Floor, Purcell Estate, Road Town Tortola, British Virgin Islands.

The Company also infused equity amounting to $290,000 or P14.8 million in 2017 to MCBVI. MCBVI has commenced business operations in 2018.

(d) MCEI

On September 4, 2014, the Company acquired 70% of the issued and outstanding capital stock of MCEI by subscribing 1,749,997 shares at P1.0 per share, to which the Company paid 25% of the minimum capital stock equivalent to P0.4 million. MCEI, which was incorporated to engage in the development of clean or renewable energy sources for power generation, has an authorized capital stock of P10.0 million divided into 10.0 million common stock with a par value of P1.0 per share. Its registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City. As of December 31, 2020, MCEI has not started operations yet.

(e) MTI

On August 9, 2018, the Company purchased 344.5 million shares or 100% ownership interest from shareholders of MTI with a purchase price of P344.1 million. MTI owns 49% interest over MWMTI. In November 2018, MWMTI commenced its operations.

MTI is an entity incorporated and registered on November 11, 2011 to establish, own, manage, administer, operate, maintain, and carry the business of providing property management services, either directly or through third parties, but not limited to the services of rent collection, tenant and lease management, marketing and advertising, repair and maintenance, liaison and other similar services. MTI's registered address and principal place of business is at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

(f) GMI

On May 5, 2016, the Company, together with GMR Holdings Overseas Pte. Ltd. incorporated GMI, an entity primarily engaged in general merchandise operations. The Company owns 50% of the issued and outstanding capital stock. GMI has an authorized capital stock of P50.0 million divided into 50.0 million common stock with par value of P1.0 per share. Its registered address, which is also its principal place of business, is Mactan International Airport, Passenger Terminal Building, Pusok Lapu-Lapu City, Cebu. GMI has started its commercial operations in March 2017. On March 15, 2017, the Company sold 2,000,000 shares or 10% interest of GMI to GMR Holdings Overseas (Singapore) Pte. Ltd. (GHOSPL).

(g) MIL

MIL, whose registered office is at Marcy Building, 2nd Floor, Purcell Estate, P.O. Box 2416, Road Town Tortola, British Virgin Islands, was incorporated on July 26, 2019.

(h) CDI

CDI, whose registered office is at Unit 1504 Ayala Life FGU Center Cebu, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City, was incorporated on November 3, 2020 to deal, engage, or otherwise acquire an interest in land or real estate business, without engaging in real estate investment trust. As of December 31, 2020, CDI has not yet started commercial operations.

(i) WHI

WHI, whose registered office is at at 20 N. Domingo Street, Brgy. Valencia, Quezon City., was incorporated on November 16, 2020 to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description. As of December 31, 2020, WHI has not yet started commercial operations.

10.2 Investments in Associates

(a) MWCCI

MWCCI was incorporated in the Philippines on January 16, 2014 and is primarily engaged to undertake the construction of a 700-bed capacity super-specialty tertiary orthopedic hospital (New Hospital Facility), under the Modernization of the Philippine Orthopedic Center (MPOC Project) with the Philippine Department of Health (DOH). MWCCI's registered office, which is also its principal place of business, is at 20 N. Domingo Street, 1112 Valencia, Quezon City. The equity advances in 2017 were intended for future issuance of MWCCI's capital stock to the Company.

As of December 31, 2019, and 2018, the Company has 51% ownership interest in MWCCI.

The Company's ownership interest in MWCCI was accounted for as an associate even though it holds 51% ownership interest. In making the assessment of whether the Company has control over the relevant activities of MWCCI, management considers that Citicore has the ultimate control since it effectively owns 66% of MWCCI as of December 31, 2020 and 2019.

MWCCI sent a Notice of termination of its BOT Agreement with the DOH, which was accepted by DOH in 2016. MWCCI is undertaking measures to recover compensation costs from DOH and believes that it will ultimately recover in full the costs it incurred relative to the MPOC Project. Accordingly, the Company has not recognized any impairment losses for its investment in MWCCI.

(b) CMCI

The Company, together with Citicore, formed CMCI to undertake the construction of public classrooms in regions 3 and 4 under the build-lease-transfer PPP agreement with the Philippine Department of Education (DepEd) (see Note 26.3). CMCI was incorporated in the Philippines on October 15, 2012 and is primarily engaged in general construction business. CMCI's registered address, which is also its principal place of business, is located at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

As of December 31, 2020, and 2019, the Company owns 10% interest in CMCI. The rights and powers of the Company over the management and control of CMCI are exercised through a seat in the BOD of CMCI. Taking this into consideration, the Company concluded that it has significant influence over the investee; accordingly, the investment is accounted for as an investment in an associate.

The following table presents the audited financial information as of and for the years ended December 31, 2020 and 2019 of the associates (amounts in thousands of PHP).

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenues	Net Income (Loss)
2020						
MWCCI	**P 338,947**	**P 847,397**	**P 87,447**	**P -**	**P -**	**P 5,999**
CMCI	**3,608,377**	**2,646,046**	**1,916,524**	**2,026,347**	**344,183**	**75,945**
2019						
MWCCI	P 1,186,343	P -	P 87,447	P -	P -	(P 6,000)
CMCI	3,977,412	3,090,155	2,188,642	2,581,309	408,764	100,438

Based on management's assessment, there are no impairment losses, required to be recognized on these investments as of December 31, 2020 and 2019.

As of December 31, 2020, 2019 and 2018, the Company did not receive any dividends from its subsidiaries and associates.

10.3 Acquisition of Assets of Altria

On December 26, 2012, pursuant to a memorandum of agreement dated December 17, 2012, the Company acquired 100% ownership interest in Altria. Altria is a company incorporated in the Philippines and holds an investment property in the form of land. The registered office of Altria, which is also its principal place of business, is located at Coastal Road Bangiad, San Juan, Taytay, Rizal.

As of December 31, 2020, and 2019, Altria has no operations and its assets mainly pertain to the land where the Company's precast and batching facilities are constructed. In accordance with Company's policy (see Note 2.9), the transaction is treated by the Company as an asset acquisition since the transaction does not constitute a business combination.

The purchase price was allocated among the following accounts based on their relative fair values at the date of acquisition.

Cash in bank	P 486,426
Bond deposits	1,500,958
Land	303,468,569
Accrued expenses	(100,000)
	P 305,355,953

Subsequent to the date of acquisition, any changes in the carrying value of the net assets acquired in the books of Altria, including the expenses incurred in administering the property (i.e, property taxes), shall be reflected in the books of the Company on a line-by-line basis, as if they are consolidated into a single entity. The difference shall be charged directly to profit or loss as part of Others – net account under the Other Income (Charges) section in the statements of income. The Company charged P0.05 million in 2020 and 2019 and P0.1 million in 2018 to profit or loss to account for the expenses incurred by Altria, net of changes in cash in bank, bond deposits and accrued expenses (see Note 21.3).

The Land acquired from Altria under Property, Plant and Equipment has a market value of P3,518.0 million and P1,125.7 million as of December 31, 2020 and 2019, respectively.

10.4 Interest in Joint Operations and Joint Ventures

The Company's interests in MGCJV and MGCJVI are accounted for as joint operations as the Company exercises joint control over the arrangements' relevant activities. Accordingly, the Company accounts for its interest in the relevant assets, liabilities, revenues and expenses of MGCJV and MGCJVI.

(a) Megawide GISPL Construction Joint Venture

MGCJV is an unincorporated joint venture formed on September 16, 2014 by the Company and GMR Infrastructure (Singapore) PTE Limited – Philippines Branch (GISPL) each owning 50% interest and exercising joint control to direct the relevant activities of MGCJV. MGCJV was established to provide all proper and suitable personnel and labor including supervision, materials, offices, workshops, tools, machinery, equipment and all other resources required for the construction works for the renovation and expansion of the MCIA Project.

As of and for the years ended December 31, 2020 and 2019, the relevant financial information of the Company's interest in MGCJV which are included in the appropriate accounts in the Company's statements of financial position and statements of income is presented below.

	2020	2019
Assets:		
Cash and cash equivalents	**P 6,389,051**	P 191,823,985
Trade and other receivables	**218,296,184**	254,851,958
Other assets	**24,538,818**	16,875,594
Property, plant, and equipment – net	**183,779**	525,034
	P 249,407,832	P 464,076,571
Liabilities:		
Trade and other payables	**P 187,735,246**	P 395,655,286
Due to related parties	**-**	5,734,090
	P 187,735,246	P 401,389,376
Revenue and expenses:		
Contract revenues	**P 214,945,351**	P 548,512,385
Contract costs	**(161,497,804)**	(515,682,301)
Other operating expenses	**(897,191)**	(4,379,443)
Finance income	**825,596**	5,057,830
	P 53,375,952	P 33,508,471

(b) Megawide GMR Construction Joint Venture, Inc.

MGCJVI is a joint venture arrangement formed on January 31, 2018 by the Company owning 50% interest and GISPL and GHOSPL owning 45% interest and 5%, respectively. The Company GISPL and GHOSPL exercises joint control. MGCJVI was established to provide general construction business including construction, improvement and repair of Clark Airport project. MGJCVI began to operate in the same year it was formed.

As of and for the years ended December 31, 2020 and 2019, the relevant financial information of the Company's interest in MGCJVI which are included in the appropriate accounts in the Company's statements of financial position and statements of income is presented below:

	2020	2019
Assets:		
Cash and cash equivalents	**P 1,002,763,052**	P 975,339,921
Contract receivables	**20,488,778**	3,707,491,758
Other assets	**2,354,125**	25,256,507
Property, plant, and equipment – net	**4,757,949**	10,099,186
	P 1,030,363,904	P 4,718,187,372
Liabilities:		
Trade and other payables	**P 459,445,936**	P 532,075,719
Due to related parties	**3,088,767**	3,347,978
Loan payables	**-**	3,750,000,000
	P 462,534,703	P 4,285,423,697

	2020	2019
Revenue and expenses:		
Contract revenues	**P 1,098,733,332**	P 3,005,480,820
Contract costs	**(897,011,393)**	(2,579,714,937)
Other operating expenses	**(67,305,009)**	(125,911,691)
Finance income (expense)	**(7,465,154)**	(39,267,613)
	P 126,951,776	P 260,586,579

(c) MWMTI

MWMTI was incorporated in the Philippines on February 3, 2015 and established primarily to engage in the business of constructing, operating, and maintaining integrated transport system terminals, stations, hubs and all allied business in relation thereto, including the construction, operations and maintenance of the commercial assets and establishments. This is pursuant to the development and implementation of the Paranaque Integrated Terminal Exchange (PITX, formerly Southwest Integrated Transport System Project) granted by the Philippine Government to MWMTI under a Build-Operate-Transfer Agreement (BOT or Concession Agreement) through the Philippine Department of Transportation and Communications, now the Department of Transportation (DOTr), that was signed on February 25, 2015 by MWMTI and DOTr.

MWMTI is effectively owned by the Company and MTI at 51% and 49%, respectively, as of December 31, 2020 and 2019. However, the Company and MTI are exercising joint control over MWMTI. In 2018, the Company and MTI infused additional P542.5 and P526.6 million that is intended to be converted into capital stock. The same has been converted to capital stock in 2020 upon approval of SEC of the increase in authorized capital stock which was filed in 2019.

In 2018, the construction of the terminal area was completed and started operations in the same year. The commercial area was completed in July 2019.

11. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation at the beginning and end of December 31, 2020 and 2019 are shown below.

	Land [As Restated - See Note 2.1d]	**Building**	**Precast Factory**	**Office Furniture, Fixture and Equipment**	**Transportation Equipment**	**Precast and Construction Equipment**	**Construction in Progress**	**Right of Use Asset**	**Total**
December 31, 2020									
Cost	P 994,061,255	P 497,808,967	P 683,560,325	P 337,961,318	P 845,304,693	P 7,224,485,750	P 366,264,959	P 838,358,566	P 11,787,805,833
Accumulated depreciation	-	(123,157,023)	(276,713,333)	(250,008,917)	(575,017,911)	(3,765,741,759)	-	(240,583,864)	(5,231,222,807)
Net carrying amount	**P 994,061,255**	**P 374,651,944**	**P 406,846,992**	**P 87,952,401**	**P 270,286,782**	**P 3,458,743,991**	**P 366,264,959**	**P 597,774,702**	**P 6,556,583,026**
December 31, 2019									
Cost	P 989,509,286	P 479,778,272	P 675,212,912	P 306,172,573	P 788,134,890	P 7,060,981,275	P 95,917,546	P 698,753,160	P 11,094,459,914
Accumulated depreciation	-	(88,099,586)	(221,638,815)	(198,713,495)	(489,856,620)	(3,120,637,338)	-	(132,673,246)	(4,251,619,100)
Net carrying amount	P 989,509,286	P 391,678,686	P 453,574,097	P 107,459,078	P 298,278,270	P3,940,343,937	P 95,917,546	P 566,079,914	P 6,842,840,814
January 1, 2019									
Cost	P 640,009,398	P 269,271,011	P 542,682,127	P 213,217,274	P 684,433,752	P 5,807,530,680	P 139,420,322	P -	P 8,296,564,564
Accumulated depreciation	-	(72,604,990)	(158,881,054)	(160,547,284)	(451,955,518)	(2,603,300,958)	-	-	(3,447,289,804)
Net carrying amount	P 640,009,398	P 196,666,021	P 383,801,073	P 52,669,990	P 232,478,234	P 3,204,229,722	P 139,420,322	P -	P 4,849,274,760

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of 2020 and 2019 are shown below.

	Land [As Restated - See Note 2.1d]	Building	Precast Factory	Furniture, Fixture and Equipment	Transportation Equipment	Precast and Construction Equipment	Construction in Progress	Right Use Asset	Total
Balance at January 1, 2020, net of accumulated depreciation	P 989,509,286	P 391,678,686	P 453,574,097	P107,459,078	P 298,278,270	P 3,940,343,937	P 95,917,546	P 566,079,914	P6,842,840,814
Additions	4,551,969	18,030,695	15,799,464	31,052,636	61,201,139	190,197,628	254,346,772	148,375,700	723,556,003
Disposal	-	-	-	(63,393)	(47,849)	(1,095,170)	-	(1,236,701)	(2,443,113)
Reclassification due to CIP Reversal	-	-	(9,021,063)	1,955,112	(3,803,589)	5,399,727	16,000,641	(10,530,829)	-
Depreciation charges for the year	-	(35,057,437)	(53,505,506)	(52,451,032)	(85,341,189)	(676,102,131)	-	(104,913,382)	(1,007,370,677)
Balance at December 31, 2020, net of accumulated depreciation	**P 994,061,255**	**P 374,651,944**	**P 406,846,992**	**P 87,952,401**	**P 270,286,782**	**P 3,458,743,991**	**P 366,264,959**	**P 597,774,702**	**P6,556,583,026**
Balance at January 1, 2019, net of accumulated depreciation	P 640,009,398	P 196,666,021	P 383,801,073	P 52,669,990	P 232,478,234	P 3,204,229,722	P 139,420,322	P -	P 4,849,274,760
Effect of adoption of PFRS 16	-	-	-	-	(43,014,177)	(134,891,630)	-	212,183,448	34,277,641
As restated	640,009,398	196,666,021	383,801,073	52,669,990	189,464,057	3,069,338,092	139,420,322	212,183,448	4,883,552,401
Additions	349,499,888	97,057,738	70,436,606	87,701,899	185,837,326	1,512,988,096	73,339,253	421,967,014	2,798,827,820
Disposal	-	-	-	(72,693)	(102,083)	(12,455,765)	-	-	(12,630,541)
Reclassification	-	118,386,041	42,559,334	3,778,735	970,651	(48,852,732)	(116,842,029)	-	-
Depreciation charges for the year	-	(20,431,114)	(43,222,916)	(36,618,853)	(77,891,681)	(580,673,754)	-	(68,070,548)	(826,908,866)
Balance at December 31, 2019, net of accumulated depreciation	P 989,509,286	P 391,678,686	P 453,574,097	P107,459,078	P 298,278,270	P 3,940,343,937	P 95,917,546	P 566,079,914	P 6,842,840,814

Construction in progress pertains to accumulated costs incurred in constructing a new precast warehouse, workers barracks and logistics department facility which are located in Taytay, Rizal.

The land acquired from Altria under property, plant and equipment has a market value of P3,518.0 million (see Note 10.3).

In 2020, 2019 and 2018, certain property and equipment were sold for P4.3 million, P22.2 million and P30.1 million, respectively. As a result, the Company recognized gains amounting to P1.9 million, P9.6 million and P2.9 million in 2020, 2019 and 2018, respectively and are presented as Gain on disposals of property and equipment under Others – net account in the statements of income (see Note 21.3).

On January 1, 2019, the Company reclassified assets relating to leased transportation and construction equipment under a finance lease with net carrying value amounting to P177.9 million to right-of-use assets due to the adoption of PFRS 16 (see Note 13.1). Both items are presented within property, plant, and equipment in the statements of financial position.

Lease liabilities as of December 31, 2020 and 2019 amounted to P521.9 million and P485.7 million, respectively, and are presented as lease liabilities under Interest-bearing Loans and Borrowings account in the statements of financial position (see Note 14.3).

As of December 31, 2020 and 2019, the gross carrying amounts of the Company's fully-depreciated property, plant and equipment that are still in use amounted to P678.2 million and P596.1 million, respectively.

Depreciation expense is charged to the following accounts in the statements of income:

	Note	**2020**	2019	2018
Contract costs	19	**P 924,021,681**	P 773,562,002	P 555,622,247
Other operating expenses		**83,348,996**	53,346,864	30,160,573
		P 1,007,370,677	P 826,908,866	P 585,782,820

12. INVESMENT PROPERTY

On January 1, 2020, the Company reclassified certain parcels of land located in Taytay, Rizal amounting to P302.3 million which were previously recorded as property, plant and equipment to investment property [see Note 2.1(d)]. The parcels of land were initially classified as property and equipment but reclassified to investment property as the Company uses the parcels of land for capital appreciation only and not used in any sale or construction activities of the Company.

A reconciliation of the carrying amounts of intangible assets at the beginning and end of the reporting periods is shown below.

	2020	2019 [As Restated - see Note 2.1(d)]
Balance at beginning of year	**P 302,145,175**	P 302,145,175
Additions	**35,266,061**	-
Balance of end of year	**P 337,411,236**	P 302,145,175

The fair value of Investment Property as of December 31, 2020 amounts to P1,470.89 million.

13. LEASES

The Company has leases for certain construction equipment and transportation equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as part of Property, Plant and Equipment and as part of Interest-bearing loans and borrowings.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. Further, the Company must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognized in the statement of financial position.

	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with options to purchase	Number of leases with termination options
2020						
Transportation equipment	160	1 – 5 years	3 years	-	71	-
Precast and construction equipment	164	2 – 5 years	4 years	-	164	-
2019						
Transportation equipment	138	1 – 5 years	3 years	-	47	-
Precast and construction equipment	54	2 – 5 years	4 years	-	54	-

13.1 Right-of-use Assets

The carrying amounts of the Company's right-of-use assets as at December 31, 2020, and 2019, and the movements during the period are shown below.

	Precast and Construction Equipment	Transportation Equipment	Total
Balance at beginning of year	P 376,631,729	P 189,448,185	P 566,079,914
Additions	121,647,007	26,728,692	148,375,699
Disposals	-	(1,236,700)	(1,236,700)
Reclassification	(6,727,240)	(3,803,589)	(10,530,829)
Depreciation and amortization	(51,127,125)	(53,786,257)	(104,913,382)
Balance at of December 31, 2020	**P 440,424,371**	**P 157,350,331**	**P 597,774,702**
Balance as of December 31, 2018	P -	P -	P -
Effect of adoption of PFRS 16	134,891,630	77,291,818	212,183,448
Balance as of January 1, 2019	134,891,630	77,291,818	212,183,448
Additions	272,329,885	149,637,129	421,967,014
Depreciation and amortization	(30,589,786)	(37,480,762)	(68,070,548)
Balance at end of year	P 376,631,729	P 189,448,185	P 566,079,914

13.2 Lease Liabilities

Lease liabilities are presented as part of Interest-bearing Loans and Borrowings in the statement of financial position as at December 31, 2020 and 2019 as follows (see Note 15):

	2020	2019
Current	**P 191,417,144**	P 138,983,535
Non-current	**330,514,170**	333,444,522
	P 521,931,314	P 472,428,057

13.3 Lease Payments Not Recognized as Liabilities

The Company has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The expenses relating short-term leases and low-value assets amounted to P13.8 million and P30.3 million in 2020 and 2019, respectively, and is presented as Rentals as part of Administrative expenses under Other Operating Expenses (Income) in the statements of income (see Note 20).

13.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P209.8 million and P128.6 million in 2020 and 2019, respectively. Interest expense in relation to lease liabilities amounted to P35.9 million and P20.2 million in 2020 and 2019, respectively, and is presented as part of finance costs presented under Other Income (Costs) in the statements of income (see Note 21.1).

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at December 31, 2020 and 2019 is as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
2020						
Lease payments	P 228,453,381	P 189,176,679	P 112,370,452	P 55,399,646	P 8,266,159	P 593,666,317
Finance charges	(37,036,237)	(21,984,708)	(9,872,250)	(2,635,426)	(206,382)	(71,735,003)
Net present value	**P 191,417,144**	**P 167,191,971**	**P 102,498,202**	**P 52,764,220**	**P 8,059,777**	**P 521,931,314**
2019						
Lease payments	P 173,129,138	P 154,185,181	P 117,907,445	P 71,144,479	P 33,435,175	P 549,801,418
Finance charges	(34,145,603)	(22,987,389)	(13,357,626)	(6,135,297)	(747,446)	(77,373,361)
Net present value	P 138,983,535	P 131,197,792	P 104,549,819	P 65,009,182	P 32,687,729	P 472,428,057

14. TRADE AND OTHER PAYABLES

This account consists of the following as of December 31, 2020:

	Notes	**2020**	2019
Trade payables		**P3,194,697,036**	P2,912,139,439
Retention payable		**2,021,755,635**	1,939,946,431
Accrued expenses	10.3	**469,053,063**	751,607,223
Accrued salaries		**73,561,520**	77,545,697
Interest payable	15	**68,708,547**	48,465,886
Due to stockholders and other related parties	24.4	**31,844,646**	23,564,836
Dividends payable	25.2	**443,729**	239,937,858
Others		**433,077**	-
		P5,860,497,253	P5,993,207,370

Retention payable pertains to amounts withheld from payments made to subcontractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Upon completion of the subcontracted projects, the amounts are returned to the subcontractors.

Accrued expenses include unpaid utilities and unclaimed salaries and wages of resigned employees. Other payables include share includes 50% share in MGCJV's dividends payable.

15. INTEREST-BEARING LOANS AND BORROWINGS

The short-term and long-term interest-bearing loans and borrowings are as follows as of December 31:

	Notes	**2020**	2019
Current:			
Bank loans	15.1	**P12,032,921,596**	P10,247,704,597
Lease liabilities	13	**191,417,144**	138,983,535
Notes payable	15.2	**-**	3,750,000,000
		12,224,338,740	14,136,688,132
Non-current:			
Notes payable	15.2	**5,590,791,232**	5,102,929,990
Lease liabilities	13	**330,514,170**	333,444,522
		5,921,305,402	5,436,374,512
		P 18,145,644,142	P19,573,062,644

The total unpaid interest from the foregoing interest-bearing loans and borrowings as of December 31, 2020 and 2019 amounted to P68.7 million and P48.5 million, respectively, and is presented as Interest payable under Trade and Other Payables account in the statements of financial position (see Note 14).

15.1 Bank Loans

The Company obtained various bank loans with total outstanding balance of P12,032.9 million and P10,247.7 million as of December 31, 2020 and 2019, respectively, representing unsecured short-term loans from other local banks. The loans bear fixed annual interest rates ranging from 5.10% to 7.5% in 2020, 5.13% to 7.0% in 2019 and 4.25% to 6.1% in 2018. Total interest on these bank loans amounted to P624.4 million, P629.9 million and P160.9 million in 2020, 2019 and 2018, respectively, and is presented as Interest expense from bank loans under Finance Costs account in the statements of income (see Note 21.1). The unpaid portion of these interest amounted to P37.4 million and P18.7 million as of December 31, 2020 and 2019, respectively, and is presented as part of Interest payable under Trade and Other Payables in the statements of financial position (see Note 14).

15.2 Notes Payable

(a) Notes Payable – Current

As of December 31, 2019, current portion of Notes Payables pertains to 50% share in loans availed to MGCJVI. On March 22, 2018, MGCJVI entered into a P7.50 billion Omnibus Loan and Security Agreement (OLSA) with Metropolitan Bank & Trust Company (MBTC) and Philippine National Bank (PNB) as Lenders, PNB Trust Banking Group as Facility Agent and Security Trustee, and PNB Capital and Investment Corp. and First Metro Investment Corp. as Lead Arrangers.
The proceeds from the loan were used to partially finance the capital expenditures and costs in relation to the Project. The loans were paid in full in 2020 upon receipt of project milestone billings. As of December 31, 2020, and 2019, the carrying amount of all the corporate notes are nil and P8,852.9 million, respectively.

Details of the loan follow:

1) Interest: Interest is the sum of the benchmark rate plus 100 basis points. Benchmark rate is the PDST-R2 benchmark tenor for three (3) months as published on the PDEx page (or such successor page) of Bloomberg (or such successor electronic service provider) under the heading "PDST-R2" at approximately 4:15 pm on the Interest Rate Setting Date; provided, that, in the event that a new benchmark rate will be adopted by the Bankers' Association of the Philippines or the existing benchmark rate is no longer reflective of the prevailing market rates, as may be reasonably determined by the Lenders together with the MGCJVI, all parties shall adopt a new benchmark rate appropriate for the Loan. Such interest shall accrue from and including the first day of each interest period and excluding the last day of such interest period.

2) Repayment: The principal amount shall be paid in the following installments, within three (3) banking days from the MGCJVI's receipt of the relevant milestone payments from BCDA for the construction services rendered.

Principal Repayment Schedule	Milestone payment from BCDA - at 100% (in Bn)	Principal repayment of the Loan amount
First	P5.58	85% of milestone payment
Second	1.66	100% of milestone payment
Third	2.12	remaining balance of loan

As of January 23, 2020, the MGCJVI paid the first milestone payment to MTBC and PNB amounting to P4,785 million. The full repayment of the Loan shall be made not later than the maturity date which is May 18, 2021.

3) Security: As security for timely payment of the loan and prompt observance of all provisions of the OLSA, the following are assigned as collateral on the Loan:

- Project receivables and all monies standing in the MGCJVI's Payment Accounts amounting to P365.0 million.

- Project documents (EPC Contract, Notice of Award Certificate of Funds Availability and Bid Proposal)

4) Covenants: The OLSA provide certain restrictions and requirements which include among others, maintaining and preserving its corporate existence, complying with all of its material obligations under the project arrangements, restrictions on granting of loans or advances and disposal of major properties and restrictions on payment of dividends. The OLSA also provide financial covenants which include maintaining at each testing date a maximum debt-to-equity ratio of 80:20 after the first principal repayment date.

(b) First Unsecured Note

On February 19, 2013, the Company executed a notes facility agreement with a local universal bank. In this agreement, the Company desired to offer and issue fixed-rate corporate notes in the aggregate principal amount of P4,000.0 million. The net proceeds of the notes after deducting direct issue costs, such as underwriting fees and commissions, documentary stamp tax (DST) and other expenses associated with the issuance, amounted to P3,957.3 million.

The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation ranking at least pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Company.

The notes are issued in three tranches with the following details:

	Principal	Term in years	Interest Rate
Tranche A	P 650,000,000	5	5%
Tranche B	3,250,000,000	7	6%
Tranche C	100,000,000	10	6%
	P 4,000,000,000		

The nominal rates refer to the Philippine Dealing System Treasury Fixing (PDST-F) rates with respect to the term of each tranche plus an interest spread of 1.75% for Tranche A and B and 1.50% for Tranche C.

The notes, among other things, restrict the Company's ability to:

1) incur any indebtedness to be secured by or to benefit from any lien, in favor of any creditor on, or in respect of any present or future assets or revenues or the right to receive income;
2) make any material change in the nature of its business from that being carried on as of the signing date;
3) enter into any merger or consolidation except if the issuer retains control of the surviving corporation, such merger or consolidation is required by law, and such merger does not result in material adverse effect;
4) amend its articles of incorporation and/or by-laws except as required by law;
5) declare or pay any cash dividend to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the Notes are current and updated and provided that any such payment is made out of retained earnings and the debt to equity ratio of 2.33:1 are maintained. Debt pertains to all interest bearing loans and borrowing.;
6) sell, assign, lease, transfer, and/or dispose all or substantially all of its properties;

7) assign, transfer or otherwise convey any right to receive any of its income or revenues;
8) voluntarily suspend its business operations in a manner that will result in a material adverse effect;
9) extend any loan, advance or subsidy to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business or financing or guarantees for the direct or indirect purchase or sale of the assets of Company, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
10) permit its financial debt to equity ratio to exceed 2.33:1. Debt pertains to all interest-bearing loans and borrowing.; and, voluntarily prepay any indebtedness.

In 2020 and 2019, the Company has complied with all debt covenants.

Tranche A has matured already, leaving tranche B and C outstanding, with a carrying value of P3,162.9 million as at December 31, 2019. In 2020, Tranch B has matured already, leaving tranche C outstanding with a carrying value of P70.8 million as at December 31, 2020.

(c) Second Unsecured Note

In 2016, the Company entered into various notes facility arrangement with a local bank to refinance the corporate note issued in 2011 and to finance its capital expenditure and general corporate requirements. The notes are issued with the following details:

Date Issued	Principal	Term in years	Interest Rate
September 16, 2016	P 650,000,000	10	5.50%
December 5, 2016	350,000,000	10	6.37%
December 16, 2016	1,000,000,000	10	6.37%
	P 2,000,000,000		

These 10-year corporate notes bear an interest rate based on the closing per annum rates of a ten (10)-year PDST-R2 rate on the PDS Group website plus a certain spread. The Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.10. Debt pertains to all interest-bearing loans and borrowing.

The notes, among other things, restrict the Company's ability to:

1) engage in any business or make or permit any material change in the character of its business from that authorized on its amended articles of incorporation and by-laws;
2) amendment of articles of incorporation and by-laws which would cause a material adverse effect or be inconsistent with the provisions of the finance document;
3) change of ownership and management if as a result the stockholdings of Citicore will fall below 51% or enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect;
4) sale of asset, transfer or dispose of all or substantially all of its properties and assets except in the ordinary course of business;
5) declaration of dividends or retirement of capital if the issuer shall not be in compliance with the financial covenants or would result to an event of default;
6) loans and advances to its directors, officers and stockholders;
7) make a capital expenditure not in the ordinary course of business;

8) incur additional debt or act as surety on behalf of third parties or incur monetary obligation which shall cause the issuer to breach the financial covenants;
9) loans and advances to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business or financing or guarantees for the direct or indirect purchase or sale of the assets of Company, its subsidiaries or affiliates);
10) directly or indirectly incur or suffer to exist any lien upon any assets and revenues, present and future of the issuer or enter into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future whether registered or unregistered of the issuer;
11) except for permitted investments, invest in or acquire any (i) share in or any security issued by any person, (ii) acquire directly or indirectly the business or going concern or all substantially all the properties and assets or business of any other corporation or entity or invest in a controlling entity therein; and,
12) it will not voluntarily suspend or discontinue its entire or a substantial portion of its business operation.

In 2020 and 2019, the Company has complied with all debt covenants.

All of the three tranches of the second corporate note remained outstanding, with a carrying value of P1,920.0 million and P1,940.0 million as at December 31, 2020 and 2019, respectively.

(d) Third Unsecured Note

On February 19, 2020, the Company signed a P5,000.0 million corporate note facility, the proceeds of which will be used by the Company to (a) retire maturing debt obligations; (b) to fund growth projects; and, (c) for general corporate purposes.

The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation ranking at least pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Company.
The notes will be issued in five tranches as follows:

	Principal
Tranche A	P 3,600,000,000
Tranche B	350,000,000
Tranche C	350,000,000
Tranche D	350,000,000
Tranche E	350,000,000
	P 5,000,000,000

These 4.5-year corporate notes bear an interest rate based on the closing per annum rates of a 4.5-year PHP BVAL reference rate on the PDS Group website plus a certain spread, subject to a floor rate of 5%. The Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.10. Debt pertains to all interest-bearing loans and borrowing.

The notes, among other things, restrict the Company's ability to:

1) incur any indebtedness to be secured by or to benefit from any lien, in favor of any creditor on, or in respect of any present or future assets or revenues or the right to receive income;

2) make any material change in the nature of its business from that being carried on as of the signing date;
3) enter into any merger or consolidation except if the issuer retains control of the surviving corporation, such merger or consolidation is required by law, and such merger does not result in material adverse effect;
4) amend its articles of incorporation and/or by-laws except as required by law;
5) declare or pay any cash dividend to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the Notes are current and updated and provided that any such payment is made out of retained earnings and the debt to equity ratio of 70:30 is maintained. Debt pertains to all interest-bearing loans and borrowing.;
6) sell, assign, lease, transfer, and/or dispose all or substantially all of its properties;
7) assign, transfer or otherwise convey any right to receive any of its income or revenues;
8) purchase or repurchase the indebtedness, or assume, guarantee, endorse, or otherwise become directly contingently liable for or in connection with any person (other than to its subsidiaries or affiliates, or financing or guarantees for the direct or indirect purchase or sale of the assets of Company, its subsidiaries or affiliates).
9) voluntarily suspend its business operations in a manner that will result in a material adverse effect;
10) extend any loan, advance or subsidy to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business or financing or guarantees for the direct or indirect purchase or sale of the assets of Company, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business; permit its financial debt to equity ratio to exceed 70:30 nor permit its debt service coverage ratio to fall below 1.10x. Debt pertains to all interest-bearing loans and borrowing.; and, voluntarily prepay any indebtedness.

In 2020, the Company made its first drawdown on its third unsecured corporate note amounting to P3,600.0 million and remained outstanding as at December 31, 2020. The Company has complied with all debt covenants as of December 31, 2020.

Finance Cost, Events of Default and Covenant Compliance

Total interest on these notes payable amounted to P338.1 million, P304.8 million and P341.7 million in 2020, 2019 and 2018, respectively, and is presented as Interest expense from notes payable under Finance Costs account in the statements of income (see Note 21.1). Unpaid interest as of December 31, 2020 and 2019 amounting to P31.3 million and P29.8 million, respectively, and is presented as Interest payable under Trade and Other Payables account in the statements of financial position (see Note 14).

The Company is in compliance with all other covenants required to be observed under the loan facility agreements as of December 31, 2020 and 2019.

In the event of a default, the loan and all interest accrued and unpaid shall be due and payable as instructed by the facility agent and all declared commitments terminated, then the Security Trustee and the Lenders may foreclose upon any of the Security pursuant to the terms of the Agreement and the proceeds of any sale, disposition or other realization or foreclosure shall be paid to the loan distributed in the manner stated in the Agreement.

Events of default constitutes default on loan payment due and payable, except due to technical or administrative error, material misrepresentation, non-remediable violation of the covenants in the Loan Document, revocation of the project documents, cross default, failure to observe material obligations in the Project Documents or it becomes unlawful resulting to a material adverse effect, suspension, insolvency, payment of decree or writ of garnishment, the assigned assets are substantially impaired or seized and any event resulting in a material adverse effect.

15.3 Lease Liabilities

The lease liabilities have an effective interest rate of 6.0% both in 2020 and 2019. Lease payments are made on a monthly basis. Total interest from these obligations amounted to P35.9 million, P22.0 million and P11.0 million in 2020, 2019 and 2018, respectively, and is presented as interest expense from finance lease under Finance Costs account in the statements of income (see Note 21.1).

16. CONTRACT LIABILITIES

The significant changes in the contract liability balances during the reporting periods are as follows:

	2020	2019
Balance at beginning of year	**P 4,931,269,957**	P 4,335,018,916
Increase due to billings excluding amount recognized as revenue during the year	**1,636,876,964**	3,931,138,002
Revenue recognized that was included in contract liability at the beginning of the year	**(2,049,952,403)**	(3,429,987,361)
Effect of financing component	**108,542,815**	95,100,400
Balance at end of year	**P 4,626,737,333**	P 4,931,269,957

Advances from customers will be applied against the progress billing to clients based on work accomplishment on the project.

17. OTHER CURRENT LIABILITIES

The details of this account are as follows:

	2020	2019
Withholding taxes	**P 36,705,850**	P 41,399,494
Deferred output VAT	**-**	10,350,696
Others	**66,852,108**	50,848,343
	P 103,557,958	P 102,598,533

Others significantly include government-related payables for employee benefits.

18. CONTRACT REVENUES

The details of this account are composed of revenues from:

	2020	2019	2018 [As Restated - see Note 2.1 (d)]
Contracts in progress	**P 10,184,937,955**	P 15,791,616,538	P13,124,716,964
Completed contracts	**1,020,633,353**	168,871,412	855,282,467
	P 11,205,571,308	P 15,960,487,950	P 13,979,999,431

About 11%, 10%, and 29%, of the contract revenues for 2020, 2019 and 2018, respectively, were earned from contracts with certain subsidiary, associate, former shareholder and other related parties under common ownership (see Note 24.1).

Further, when the Company prepares its investor presentations, it disaggregates revenue. The Company determines that the categories used in the investor presentations and financial reports used by the Company's management can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. A summary of disaggregation from the construction revenues are shown below:

	Note	**Point in time**	**Over time**	**Short-term**	**Long-term**	**Total**
2020:						
Construction revenues:						
Contract Revenues		P -	P 10,787,741,603	P -	P 10,787,741,603	P 10,787,741,603
Sale of precast		-	328,824,111	328,824,111	-	328,824,111
Sale of RMC		-	15,546,847	15,546,847	-	15,546,847
Rental of equipment		-	73,458,747	73,458,747	-	73,458,747
		P -	**P 11,205,571,308**	**P 417,829,705**	**P10,787,741,603**	**P 11,205,571,308**
2019:						
Contract Revenues		P -	P 15,053,310,338	P -	P 15,053,310,338	P 15,053,310,338
Sale of precast		-	690,145,856	690,145,856	-	690,145,856
Sale of RMC		-	48,707,959	48,707,959	-	48,707,959
Rental of equipment		-	168,323,797	168,323,797	-	168,323,797
		P -	P 15,960,487,950	P 907,177,612	P15,053,310,338	P 15,960,487,950
2018: As restated -see Notes 2.1(d)						
Construction revenues:						
Contract Revenues		P -	P 13,528,725,632	P -	P13,528,725,632	P 13,528,725,632
Sale of precast		-	293,905,649	293,905,649	-	293,905,649
Rental of equipment	2.1 (d)	-	157,368,150	157,368,150	-	157,368,150
		P -	P 13,979,999,431	P 451,273,799	P13,528,725,632	P13,979,999,431

19. CONTRACT COSTS

The following is the breakdown of contract costs:

	Notes	2020	2019	2018
Materials		**P 3,590,284,116**	P 5,522,991,966	P 4,646,904,233
Outside services		**3,493,249,411**	5,246,842,368	4,804,919,117
Salaries and employee benefits	22.1	**1,243,034,290**	1,424,719,435	1,037,493,759
Depreciation and amortization	9.5, 11	**924,021,681**	773,562,002	560,480,115
Project overhead	32(e)	**452,881,087**	839,364,145	600,405,550
	20	**P 9,703,470,585**	P 13,807,479,916	P11,650,202,774

Project overhead includes insurance, repairs and maintenance, gas and oil, travel and transportation, professional fees, utilities, municipal permits, taxes, security services, office supplies and various rental expenses of staging areas.

20. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	2020	2019	2018
Materials, supplies and facilities		**P 3,591,259,876**	P 5,532,032,700	P 4,654,235,693
Outside services		**3,510,576,649**	5,270,139,433	4,835,978,463
Salaries and wages	22.1	**1,586,776,998**	1,661,304,890	1,235,859,882
Depreciation and amortization	9.5 11, 13	**1,019,034,386**	837,723,252	595,695,972
Project overhead	32(e)	**452,881,087**	839,364,144	600,405,550
Taxes and licenses	32(e)	**75,241,342**	97,866,083	32,388,554
Professional fees		**64,010,191**	80,698,189	14,397,488
Miscellaneous		**58,392,531**	143,064,361	84,113,449
Transportation		**22,463,487**	27,127,622	10,212,264
Impairment losses on receivables	5	**15,499,679**	-	305,526,593
Rentals	13, 24.2	**13,780,573**	30,315,791	29,881,214
Representation		**10,514,638**	23,159,582	11,808,259
Insurance		**9,188,551**	1,850,585	553,260
Repairs and maintenance		**3,979,757**	3,944,369	6,486,930
Security services		**3,943,842**	3,437,271	8,278,721
Utilities		**1,152,870**	14,982,279	16,974,449
Advertising		**1,094,984**	10,482,207	609,252
Gas and oil		**1,040,848**	859,601	1,173,858
Management Fees		**-**	-	53,636,938
		P 10,440,832,289	P 14,578,352,359	P 12,444,579,851

Miscellaneous expense in 2020, 2019 and 2018 include certain construction reworks and warranty cost for certain projects already completed.

These expenses are classified in the statements of income as follows:

	Note	2020	2019	2018
Contract costs	19	**P 9,703,470,585**	P13,807,479,916	P11,650,202,774
Other operating expenses		**737,361,704**	770,872,443	848,014,015
		P10,440,832,289	P14,578,352,359	P12,498,216,789

21. OTHER INCOME (CHARGES)

21.1 Finance Costs

The breakdown of this account is as follows:

	Notes	2020	2019	2018
Interest expense from:				
Bank loans	15.1	**P 624,410,138**	P 629,900,007	P 160,886,171
Notes payable	15.2	**338,071,478**	304,778,086	341,717,197
Lease liability	13, 15.3	**35,939,172**	22,027,951	10,987,097
		998,420,788	956,706,044	513,590,465
Finance cost – PFRS 15		**221,797,799**	258,346,364	104,906,299
Post-employment benefit – net	22.2	**16,617,574**	12,476,373	9,296,745
Loss on sale of financial assets at FVOCI	8	**-**	-	8,203,815
Bank charges		**157,963**	5,106,713	949,352
		P 1,236,994,124	P1,232,635,494	P 636,946,676

21.2 Finance Income

The details of finance income are the following:

	Notes	2020	2019	2018
Interest income from:				
Advances to related parties	24.4	**P 433,125,000**	P 441,000,000	P 101,024,121
Cash in banks	4	**7,195,567**	26,289,280	17,798,285
Short-term placements	4	**18,194,897**	5,152,907	36,258,500
Financial assets at FVTPL		**-**	-	72,389,335
		458,515,464	472,442,187	227,470,241
Foreign currency gains (losses) – net		**18,809,936**	(540,300)	22,884,808
		P 477,325,400	P 471,901,887	P 250,355,049

21.3 Others

This consists of the following:

	Notes	2020	2019	2018 [As Restated - see Note 2.1(d)]
Rental income	24.2	**P 62,709,153**	P 59,817,209	P 42,236,812
Gain on disposals of property and equipment – net	11	**1,874,270**	9,603,797	2,876,026
Income from scrap sales	6	**1,682,895**	7,294,766	3,369,824
Management fees	24.5	**-**	-	41,927,017
Others		**(6,944,819)**	67,541,707	(97,387,924)
		P 59,321,499	P 144,257,479	(P 6,978,245)

Management fees in 2018 pertains to the Company's billings to MGCJV, MGCJVI and MWMTI for the procurement, design, engineering and other technical services provided for the construction of their respective projects.

Others include excess of standard input VAT over actual input VAT attributable to sales to government and penalty charges on late collections from customers [see Note 31(b)].

22. EMPLOYEE BENEFITS

22.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2020	2019	2018
Short-term employee benefits		**P1,527,769,563**	P1,629,665,669	P1,205,870,790
Post-employment benefit	22.2	**59,007,435**	31,639,221	29,989,092
	20	**P1,586,776,998**	P1,661,304,890	P1,235,859,882

The expenses are allocated in the statements of income as follows:

	Notes	2020	2019	2018
Contract costs	19	**P1,243,034,290**	P1,424,719,435	P1,037,493,759
Other operating expenses		**343,742,708**	236,585,455	198,366,123
	20	**P1,586,776,998**	P 1,661,304,890	P1,235,859,882

22.2 Post-employment Benefit

(a) Characteristics of Defined Benefit Plan

The Company maintains a partially funded and non-contributory post-employment defined benefit plan covering all regular full-time employees. The Company conforms to the minimum regulatory benefit under the Retirement Pay Law which is of the defined benefit type and provides a retirement benefit in lump sum equal to 22.5-day pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement. The normal retirement age is 60 with a minimum of five years of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2020 and 2019.

The amounts of post-employment defined benefit obligation in the statements of financial position are determined as follows:

	2020	2019
Present value of the obligation	**P 321,096,034**	P 323,340,054
Fair value of plan assets	**(4,634,679)**	(4,384,701)
	P 316,461,355	P 318,955,353

The movements in the present value of the defined benefit obligation are as follows:

	2020	2019
Balance at beginning of year	**P 323,340,054**	P 169,844,195
Current service cost	**59,007,435**	31,639,221
Interest cost	**16,846,017**	12,772,283
Remeasurement/actuarial losses (gains) arising from:		
Changes in financial assumptions	**(12,027,879)**	98,920,474
Experience adjustments	**(66,069,593)**	10,163,881
Balance at end of year	**P 321,096,034**	P 323,340,054

Actuarial losses arising from experience adjustments pertain to the net effect of differences between the previous actuarial assumptions and what actually occurred.

The movements in the fair value of plan assets are presented below.

	2020	2019
Balance at beginning of year	**P 4,384,701**	P 3,934,973
Interest income	**228,443**	295,910
Return on plan assets (excluding amounts included in net interest)	**21,535**	153,818
Balance at end of year	**P 4,634,679**	P 4,384,701

The plan assets significantly pertain to short term investments managed by Unit Investment Trust Fund (UITF) amounting to P4.6 million and P4.4 million as of December 31, 2020 and 2019, respectively, [see Note 24.6(a)]. Actual return on plan assets amounted to P0.25 million and P0.45 million in 2020 and 2019, respectively, while actual loss on plan assets amounted to P0.04 million in 2018.

The plan assets do not comprise any of the Company's own financial instruments or any of its assets occupied and/or used in its operation.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows (see Note 21.1):

	2020	2019	2018
Recognized in profit or loss:			
Current service cost	**P 59,007,435**	P 31,639,221	P 29,989,092
Net interest expense	**16,617,574**	12,476,373	9,296,745
	P 75,625,009	P 44,115,594	P 39,285,837
Recognized in other comprehensive income (loss) –			
Actuarial gains (losses) arising from:			
Changes in financial assumptions	**P 12,027,879**	(P 98,920,474)	P 57,325,756
Experience adjustments	**66,069,593**	(10,163,881)	(20,576,700)
Return on plan assets (excluding amounts included in net interest)	**21,535**	153,818	(271,645)
	P 78,119,007	(P 108,930,537)	P 36,477,411

Current service cost is included as part of Salaries and employee benefits under Other Operating Expenses account in the statements of income. The net interest expense is included in Finance Costs account in the statements of income (see Note 21.1).

Amounts recognized in other comprehensive income are presented under item that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2020	2019	2018
Discount rate	**3.95%**	5.20%	7.50%
Expected return on plan assets	**5.00%**	5.00%	5.00%
Employee turn-over rate	**3.00%**	3.00%	3.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 24 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Defined Benefit Plan

The plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

However, this will be partially offset by an increase in the return on the plan and if the return on plan asset falls below this rate, it will create a deficit in the plan. As of December 31, 2020, and 2019, the plan has short-term investments managed through UITF.

(ii) Longevity and Salary Risks

The present value of the DBO is calculated by reference to the best estimate of the mortality of the plan participants during their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Company's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the post-employment defined benefit plan are described in the succeeding page.

The table in the succeeding page summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation as of December 31.

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
2020:			
Discount rate	**+/- 1%**	**(P 46,651,074)**	**P 56,964,885**
Salary growth rate	**+/- 1%**	**56,040,280**	**(46,744,083)**
2019:			
Discount rate	+/- 1%	(P 48,502,483)	(P 59,729,362)
Salary growth rate	+/- 1%	58,622,237	(48,589,911)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the DBO has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the post-employment defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(i) Funding Arrangements and Expected Contributions

The retirement plan trustee has no specific matching strategy between the plan assets and the plan liabilities.

The Company is not required to pre-fund the future defined benefits payable under the plan assets before they become due. For this reason, the amount and timing of contributions to the plan assets are at the Company's discretion. However, in the event a benefit claim, the shortfall will be due and payable from the Company to the plan assets.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2020	2019
More than one year to five years	**P 43,476,510**	P 43,952,028
More than five years to 10 years	**86,013,059**	106,349,953
	P 129,489,569	P 150,301,981

The weighted average duration of the defined benefit obligation at the end of the reporting period is 16.1 years.

23. TAXES

23.1 Registration with the Board of Investments

On May 29, 2015, the BOI approved the Company's application for registration of the Public Private Partnership for School Infrastructure Project Phase 2 – Contract Package A pursuant to build-lease-transfer agreement with DepEd on a non-pioneer status. Under the terms of the registration, the Company is entitled to the following tax and non-tax incentives, among others:

(a) ITH for a period of four years from May 30, 2015 or actual start of commercial operations, whichever is earlier;

(b) Importation of capital equipment, spare parts and accessories at zero duty for a period of five years from May 30, 2015;

(c) Additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment; and,

(d) Employment of foreign nationals which will hold supervisory, technical or advisory positions for five years from May 30, 2015.

On June 13, 2019, the BOI has approved the Company's request for extension of the of ITH incentive for a period of one year, nine months and one day, from May 28, 2019 to February 28, 2021.

On September 22, 2020, the Company filed another request for extension of the ITH incentive with the BOI until February 28, 2022, due to delays in obtaining ownership documents and necessary permits as condition for release of Certificate of Final Acceptance.

On February 22, 2019, the BOI approved the Company's application for registration as New Producer of Housing Components (Hollow Core Precast Pre-Stressed Slab) on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226). As such, the Company is entitled to the following incentives:

(a) ITH for a period of four years from February 2019 or actual start of commercial operations, whichever is earlier;

(b) Importation of capital equipment, spare parts and accessories at zero-duty under Executive Order No. 57 and its Implementing Rules and Regulations:

(c) Additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment; and,

(d) Employment of foreign nationals which will hold supervisory, technical or advisory positions for five years from the date of registration.

23.2 Registration with Clark Freeport Zone

MGCJVI was registered as Clark Freeport Zone (CFZ) enterprise on April 12, 2018 with registration number C2018-169. On April 26, 2007, RA 9400 or "An Act Amending RA 7227 as Amended, otherwise known as the Bases Conversion and Development Act of 1992 and for Other Purposes" was approved.

One of the major amendments to RA 7227, now embodied in RA 9400, is the official declaration of Clark, which used to be a Special Economic Zone, as a Freeport Zone that would cover 4,400 hectares of the former Clark Air Base. Under RA 9400, the CFZ shall be operated and managed as a separate customs territory ensuring free flow or movement of goods and capital equipment within, into and exported out of Clark, as well as provide incentives such as tax and duty-free importation of raw materials and capital equipment. However, exportation or removal of goods from the territory of Clark to other parts of the country will also be subjected to customs duties and taxes under the Tariff and Customs Code of the Philippines, as amended by the National Internal Revenue Code. As a CFZ-registered enterprise, in lieu of paying the regular corporate income tax rate of 30%, the MGCJVI shall pay 5% tax on gross income earned, divided as follows: 3% to the national government and 2% to the municipality or city where the zone is located. In addition, it is exempt from other internal revenue tax dues for its registered activities within the Freeport Zone, such as business tax, value-added tax, and excise tax.

Under Revenue Regulation (RR) No. 02-01, enterprises registered pursuant to the Bases Conversion and Development Act of 1992 under RA 7227, as well as other enterprises duly registered under special economic zones declared by law which enjoy payment of special tax rate on their registered operations or activities in lieu of other taxes, are not subject to improperly accumulated earnings tax.

23.3 Current and Deferred Taxes

The components of tax expense (income) as reported in the statements of income and other comprehensive income are as follows:

	2020	2019	2018
Reported in profit or loss:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	**P 35,073,612**	P -	P 93,943,285
Gross income tax of MGCJVI at 5%	**8,980,018**	15,865,847	4,597,495
Final tax at 20% and 7.5% in 2019 and 20% and 15% in 2018	**4,846,762**	3,830,687	23,877,358
Minimum corporate income tax (MCIT) at 2%	**-**	40,519,947	-
	48,900,392	60,216,481	122,418,138
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(108,484,067)**	67,309,027	165,301,053
	(P 59,583,675)	P 127,525,508	P 287,719,191

	2020	2019	2018
Reported in other comprehensive income –			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**P 23,435,703**	(P 32,679,161)	P 10,943,223

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of income is as follows:

	2020	2019	2018
Tax on pretax profit at 30%	**P 19,317,538**	P 229,697,839	P 326,463,831
Adjustment for income subjected to lower tax rates	**(25,321,455)**	(9,377,111)	(32,502,891)
Tax effects of:			
Non-deductible cost under ITH	**(71,925,786)**	(30,766,164)	(55,862,891)
Non-deductible expenses	**7,294,097**	8,519,600	38,161,001
Non-deductible interest expense	**350,692**	369,600	11,460,141
Applied MCIT	**11,126,212**	-	-
Non-taxable income	**(424,973)**	(70,918,256)	-
	(P 59,583,675)	P 127,525,508	P 287,719,191

The net deferred tax liabilities recognized in the statements of financial position as of December 31, 2020 and 2019 relate to the following:

	2020	2019
Deferred fulfilment cost	**(P 227,139,057)**	(P 224,534,781)
Retirement benefit obligation	**95,056,963**	95,686,605
Excess of MCIT over RCIT	**-**	11,126,212
Effect of significant financing component	**68,001,650**	34,025,156
Unbilled (uncollected) non-taxable income*	**30,248,969**	(29,576,382)
Impairment losses on trade receivables	**7,412,568**	2,762,665
Right-of-use assets – net	**75,467**	(432,271)
Fair value gains on financial assets at FVTPL	**(198,950)**	(198,950)
Unrealized foreign currency gains	**358,341**	(90,668)
	(P 26,184,049)	(P 111,232,414)

**This pertains to the deficiency (excess) of revenue recognized under percentage of completion over collection of non-taxable revenues under ITH.*

The deferred tax expense (income) recognized in the statements of income and other comprehensive income for December 31 relate to the following:

	Profit or Loss			Other Comprehensive Income		
	2020	2019	2018	**2020**	2019	2018
Deferred fulfilment cost	**P 2,604,276**	P -	P 331,989,735	P -	P -	P -
Impairment losses on trade receivables	**(4,649,903)**	120,127,678	(91,657,978)	-	-	-
Uncollected non-taxable income*	**(59,825,351)**	(59,275)	(56,603,445)	-	-	-
Interest expense- PFRS 15	**(66,539,340)**	(77,503,909)	(31,471,890)	-	-	-
Excess of MCIT over RCIT	**11,126,212**	(11,126,212)	-	-	-	-
Construction revenue- PFRS 15	**32,562,846**	48,973,789	25,976,855	-	-	-
Retirement obligation	**(17,820,788)**	(9,491,766)	(8,921,464)	**(23,435,702)**	(32,679,161)	10,943,223
Right-of-use assets – net	**(507,738)**	432,271	-	-	-	-
Net interest expense from retirement	**(4,985,272)**	(3,742,912)	(2,789,024)	-	-	-
Deferred charges on loans	**-**	-	(905,210)	-	-	-
Unrealized foreign currency gains (losses) – net	**(449,009)**	(300,638)	(321,932)	-	-	-
Fair value gain on financial assets at FVTPL	**-**	-	5,406	-	-	-
Deferred tax expense (income)	**(P 108,484,067)**	P 67,309,026	P 165,301,053	**(P 23,435,702)**	(P 32,679,161)	P 10,943,223

The Company is subject to MCIT, which is computed at 2% of gross income as defined under the tax regulations, or RCIT, whichever is higher. No MCIT was reported in 2020, 2019 and 2018 as RCIT was higher than MCIT in those years.

In 2020, 2019 and 2018, the Company opted to claim itemized deductions in computing for its income tax due.

24. RELATED PARTY TRANSACTIONS

The Company's related parties include its parent company, subsidiaries, associates, parties related to the Company by common ownership, key management personnel and others as described below and in the succeeding page.

The summary of the Company's outstanding balances and transactions with its related parties as of December 31, 2020 are as follows:

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Parent Company:					
Cash granted	5, 24.4	P 19,923,383	P 3,089,295,108	Interest-bearing	Unsecured; Unimpaired
Interest income	21.2, 24.4	216,562,500	505,537,823	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rental income	24.2	53,571	114,643	On demand; Noninterest-bearing	Unsecured; Unimpaired
Shareholder:					
Revenue from services	5, 18, 24.1	115,289,394	153,195,975	Normal credit terms	Unsecured; Unimpaired
Joint Venture Arrangement:					
Cash granted	5, 24.4	(4,047,912)	1,356,355	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	14, 24.4	15,099,896	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Revenue from services	5, 18, 24.1	272,993,860	364,434,825	Normal credit terms	Unsecured; Unimpaired

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Subsidiaries:					
Cash obtained	5, 24.4	471,634,063	(471,634,063)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash granted	5, 24.4	(628,532,141)	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Revenue from services	5, 18, 24.1	177,324,953	803,614,247	Normal credit terms	Unsecured; Unimpaired
Management fee	14, 24.5	(298,184,597)	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associates:					
Revenue from services	5, 18, 24.1	231,199,604	1,093,283,190	Normal credit terms	Unsecured; Unimpaired
Rent income	24.2	53,571	229,286	Normal	Unsecured; Unimpaired
Cash granted	5, 24.4	(36,205,968)	42,205,968	On demand; Noninterest-bearing	Unsecured; Unimpaired
Related Parties Under Common Ownership:					
Rent income	24.2	5,956,791	332,411	Normal credit terms	Unsecured; Unimpaired
Revenue from services	5, 18, 24.1	389,869,209	206,400,533	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 24.4	64,946,370	3,251,716,877	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	14, 24.4	(23,379,704)	(31,844,644)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Interest income	21.2, 24.4	216,562,500	505,537,823	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund	24.7(a)	249,978	4,634,679	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	5, 14, 24.3	22,429,135	65,958,790	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel – Compensation	24.7	249,133,057	-	On demand	Unsecured; Unimpaired

The summary of the Company's outstanding balances and transactions with its related parties as of December 31, 2019 are as follows:

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Parent Company:					
Cash granted	5, 24.4	P 2,923,049,503	P 3,069,371,725	Interest-bearing	Unsecured; Unimpaired
Interest income	21.2, 24.4	220,500,000	249,095,386	On demand; Noninterest-bearing	Unsecured; Unimpaired
Joint Venture Arrangement:					
Cash granted	5, 24.4	(741,202,128)	5,404,267	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	14, 24.4	(4,043,594)	(15,099,896)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Revenue from services	5, 18, 24.1	375,956,491	298,184,598	Normal credit terms	Unsecured; Unimpaired

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Subsidiaries:					
Cash granted	5, 23.4	593,094,576	628,532,141	On demand; Noninterest-bearing	Unsecured; Unimpaired
Revenue from services	5, 17, 23.1	-	1,742,334,903	Normal credit terms	Unsecured; Unimpaired
Management fee	13, 23.5	(80,568,563)	108,306,172	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associates:					
Revenue from services	5, 14, 24.1	313,577	905,413,727	Normal credit terms	Unsecured; Unimpaired
Rent income	24.2	53,571	57,321	Normal	Unsecured; Unimpaired
Cash granted	5, 24.4	6,000,000	6,000,000	On demand; Noninterest-bearing credit terms	Unsecured; Unimpaired
Related Parties Under Common Ownership:					
Rent income	24.2	160,714	778,749	Normal credit terms	Unsecured; Unimpaired
Revenue from services	5, 18, 24.1	317,104,708	130,204,606	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 24.4	(1,398,750,115)	1,746,630,534	On demand; Noninterest-bearing	Unsecured; Unimpaired
Interest income	21.2, 24.4	220,500,000	249,095,385	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent expense	20, 24.2	(1,766,433)	-	Normal credit terms	Unsecured; Unimpaired
Cash obtained	14, 24.4	1,552,102	(8,464,940)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund	24.7(a)	(449,728)	-	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	5, 14, 24.3	14,067,588	43,529,655	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel – Compensation	24.7	229,199,403	-	On demand	Unsecured; Unimpaired

The summary of the Company's outstanding balances and transactions with its related parties as of December 31, 2018 are as follows:

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Parent Company –					
Cash granted	5, 24.4	(P 92,210,371)	P 146,736,123	Interest-bearing	Unsecured; Unimpaired
Interest income	21.2, 24.4	39,684,277	32,565,764	On demand; Noninterest-bearing	Unsecured; Unimpaired
Shareholders –					
Revenue from services	5, 18, 24.1	14,782,658	1,008,487	Normal credit terms	Unsecured; Unimpaired
Joint Venture Arrangement:					
Cash granted	5, 24.4	743,641,639	746,606,395	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	14, 24.4	(14,883,628)	(11,056,302)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Revenue from services	5, 18, 24.1	2,336,594,840	1,510,700,681	Normal credit terms	Unsecured; Unimpaired
Interest income	21.2, 24.4	61,339,844	60,509,491	On demand; Noninterest-bearing	Unsecured; Unimpaired
Subsidiaries –					
Cash granted	5, 24.4	841,103	46,670,617	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associates:					
Revenue from services	5, 18, 24.1	153,157,722	905,100,150	Normal credit terms	Unsecured; Unimpaired
Rent income	24.2	53,571	175,178	Normal credit terms	Unsecured; Unimpaired
Management fee	21.3, 24.5	(41,927,017)	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Related Parties Under Common Ownership:					
Rent income	24.2	P 160,714	P 606,785	Normal credit terms	Unsecured; Unimpaired
Revenue from services	5, 18, 24.1	172,643,576	237,415,486	Normal credit terms	Unsecured; Unimpaired
Rent expense	20, 24.2	(2,811,703)	-	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 23.4	2,615,361,898	3,145,380,649	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	14, 23.4	(1,462,432)	(10,017,042)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund	24.7(a)	44,798	-	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	5, 14, 24.3	10,326,209	29,462,067	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel –					
Compensation	24.7	150,409,675	-	On demand	Unsecured; Unimpaired

24.1 Rendering of Services

In the normal course of business, the Company provides construction services to subsidiaries, associate, a certain previous shareholder and other related parties. The related revenue from these transactions amounted to P1,186.7 million, P693.4 million and P2,677.2 million in 2020, 2019 and 2018, respectively, and is recorded as part of Contract Revenues account in the statements of income (see Note 18). Services rendered to the above related parties are based on normal terms similar to terms that would be available to non-related parties.

The outstanding contract receivables from these transactions, which are generally unsecured and settled through cash within 45 to 60 days, and the related retention receivables, which can only be collected after a certain period of time upon acceptance by project owners of the certificate of completion, are presented as part of Contract and Retention receivables under Trade and Other Receivables account in the statements of financial position (see Note 5).

There were no impairment losses recognized in 2020, 2019 and 2018 for these related party receivables.

24.2 Rental of Land and Building

The Company is a lessee of certain parcels of land and building owned by related parties under common ownership.

In 2020, 2019 and 2018, the Company recognized rent expense amounting to nil, P1.8 million and P2.8 million, respectively, from the lease agreement with Megapolitan Realty and Development Corporation (Megapolitan), a related party under common ownership, for the land where the Company's building is located (see Notes 11, and 20). The Company has no outstanding payables from the rental transaction with Megapolitan as of December 31, 2020 and 2019.

The Company also leases an office space where its registered address is located from Philwide Construction and Development Corporation (Philwide).

Megapolitan and Philwide are entities owned by the Company's stockholders and their close family members.

The Company also leases out its office space to its associates and related parties under common ownership. As a result, the Company recognized rent income amounting to P6.06 million in 2020. P0.4 million in 2019 and P0.2 million in 2018 from the lease of its office building to several related parties. This is recorded as part of Other Income (Charges) – net account in the statements of income (see Note 21.3). The outstanding balances arising from the transactions are presented as part of Other receivables under the Trade and Other Receivables account in the statements of financial position (see Note 5).

24.3 Advances to Officers and Employees

Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures that are to be liquidated 60 days from the date the cash advances were received. The outstanding receivables from these transactions are presented as part of Trade and Other Receivables account (see Note 5).

No impairment losses were recognized in 2020, 2019, and 2018 for these advances.

24.4 Advances to/from Related Parties

The Company obtained unsecured, noninterest-bearing cash advances from its related parties to finance portion of its working capital requirement which are payable upon demand. The outstanding balance from these transactions is shown under Trade and Other Payables account in the statements of financial position (see Note 14).

On the other hand, the Company gave unsecured, interest-bearing cash advances to its affiliates and certain related parties under common ownership for their working capital requirements. In 2018, the Company also provided bridge financing to its affiliates for the Group's business expansion and diversification program. The outstanding balance from this transaction is recognized as Other receivables under Trade and Other Receivables account in the statements of financial position (see Note 5). The interest income amounted to P433.1 million and P441.0 million as of December 31, 2020 and 2019, respectively are presented under finance income (see Note 21.2). The outstanding balance is presented as part of Interest receivable under Trade and Other Receivables account in the statements of financial position (see Note 5).

Further, no impairment losses were recognized in 2020, 2019, and 2018 for these advances.

The Company's outstanding receivables from and payables to the same related parties as presented can be potentially offset to the extent of their corresponding outstanding balances.

24.5 Management Fees

Management fees in 2020, 2019, and 2018 pertains to the Company's billings to MGCJV, MGCJVI and MWMTI for the procurement, design, engineering and other technical services provided for the construction of their respective projects.

24.6 Others

The Company's retirement plan is in the form of a bank-trustee managed account. The fair value of the retirement plan totalled P4.6 million and P4.4 million as of December 31, 2020 and 2019, respectively. The details of the retirement plan are presented in Note 22.2.

24.7 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows:

	2020	2019	2018
Short-term employee benefits	**P 239,868,552**	P 213,007,386	P 149,291,900
Post-employment benefits	**9,264,504**	16,192,017	1,117,775
	P 249,133,056	P 229,199,403	P 150,409,675

25. EQUITY

25.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2020	2019	2018	**2020**	2019	2018
Common shares – P1 par value						
Authorized	**4,930,000,000**	4,930,000,000	4,930,000,000	**P 4,930,000,000**	P4,930,000,000	P4,930,000,000
Subscribed and paid in:	**2,399,426,127**	2,399,426,127	2,399,426,127	**P 2,399,426,127**	P2,399,426,127	P2,399,426,127
Less:						
Treasury shares						
Balance at beginning of year	**335,792,310**	309,660,510	260,842,702	**P 3,912,617,536**	P3,454,826,462	P2,627,738,885
Reacquisition	**50,224,100**	26,131,800	48,817,808	**703,073,040**	457,791,074	827,087,577
Balance at end of year	**386,016,410**	335,792,310	309,660,510	**P 4,615,690,576**	P3,912,617,536	P3,454,826,462
Issued and outstanding	**2,013,409,717**	**2,063,633,817**	**2,089,765,617**			
Preferred shares – P1 par value						
Authorized	**124,000,000**	70,000,000	70,000,000	**P 124,000,000**	P 70,000,000	P 70,000,000
Issued and outstanding:						
Balance at beginning of year:						
Series 1	**40,000,000**	40,000,000	40,000,000	**P 40,000,000**	P 40,000,000	P 40,000,000
Issuance during the year:						
Series 2A	**26,220,130**	-	-	**26,220,130**	-	-
Series 2B	**17,405,880**	-	-	**17,405,880**	-	-
Series 3	**13,500,000**	-	-	**3,375,000**	-	-
Balance at end of year	**97,126,010**	40,000,000	40,000,000	**P 87,001,010**	P 40,000,000	P 40,000,000

On September 22, 2020, the SEC has approved the increase of the authorized capital stock and the corresponding Amended Articles of Incorporation of Megawide Construction Corporation (the "Company"), increasing the total authorized capital stock of the Company to 5,054.0 million, divided into the following classes:

a. 4,930,000,000 voting common shares with the P1 par value; and
b. 124,000,000 cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares with the P1 par value

The Preferred Shares shall be issued in series, sub-series or in tranches as the BOD may determine, and authority is hereby expressly granted to the BOD, to establish and designate the series, sub-series or tranches of the Preferred Shares, fix the issue price and the number of shares in each sub-series or tranche, establish the specific terms and conditions of each sub-series or tranche and determine the manner by which the Preferred Shares will be subscribed and paid for, such as but not limited to, a private placement transaction or public offering.

Preferred shares of stock shall be cumulative, non-voting, non-participating, non-convertible, perpetual; Provided, that no share will be issued below par value. The preferred shares shall have the following features, rights and privileges:

a) The issue value shall be determined by the BOD at the time of the issuance of the shares;
b) The BOD shall declare a dividend rate equivalent to the 7-year benchmark rate or any other rate determined by the BOD as of issue date, payable on a date to be set by the BOD in accordance with Philippine laws, rules and regulations;
c) Preferred shares shall be non-convertible into common shares;

d) Preference over holders of common stock in the distribution of the corporate assets in the event of dissolution and liquidation of the corporation and in the payment of the dividend at the rate specified at the time of issuance;
e) Preferred shares shall be cumulative;
f) Preferred shares shall be non-participating in any other or further dividends beyond that specifically payable on the shares;
g) Holders of preferred shares shall have no pre-emptive rights to any issue of shares, common or preferred; and,
h) The preferred shares may be redeemed by the corporation at the sole option of the BOD at the price to be determined by the BOD.

On September 30, 2020, the Company entered into a Subscription Agreement with CHI whereby CHI subscribed to 13,500,000 preferred shares of the Company at P1.00 each, and paid 25% of such subscription in cash amounting to P3.4 million.

On November 5, 2020, the SEC has approved the Company's offer and sale of Series 2 preferred shares which are to be issued in two subseries: Series 2A and Series 2B preferred phares, at a subscription price of P100.00. As of December 31, 2020, 26,220,130 and 17,405,880 of Series 2A and 2B preferred shares, respectively, were subscribed and listed in the PSE.

In 2020, the Parent Company recognized additional paid in capital amounting to P4.3 billion, arising from the excess of subscription price over par value of the issuance of Series 2A and 2B preferred shares. The Parent Company also recognized issuance-related costs amounting to P37.1 million which was charged against the additional paid in capital recorded from the issuance of Series 2A and 2B preferred shares.

As of December 31, 2020, the Parent Company incurred issuance cost for Series 2A and Series 2B amounting to P37.1 million. Amount was charged to additional paid in capital arising excess of subscription price over par value of Series 2A and 2B preferred shares amounting to P4.3 billion.

As of December 31, 2020, and 2019, the Company has 26 and 23 holders of its common equity securities owning at least one board lot of 100 shares listed in the PSE, respectively, and its share price closed as of such dates at P7.94 and P16.25 per share in 2020 and 2019, respectively. The Company has 2,399.4 million common shares traded in the PSE as of December 31, 2020 and 2019.

As of December 31, 2020, and 2019, the Company has 40.0 million, 26.2 million and 17.4 million of Series 1, Series 2A and Series 2B preferred shares, respectively, traded in the PSE. The Series 1, Series 2A and Series 2B preferred shares prices closed at P100.5, P100.0 and P100.9 per share, respectively, as of December 31, 2020. The Series 1 preferred shares closed at P96.0 per share as of December 31, 2019.

25.2 Dividends

In 2020, 2019 and 2018, the Company's BOD approved the declaration of cash dividends of P1.76 per share or equivalent to P70.3 million per quarter (total of P281.0 million per year) to holders of Series 1 preferred shares, which were taken out of the unrestricted earnings of the Company as of December 31, 2020, 2019, and 2018, respectively. The series of record dates and payments are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2020:				
Approval dates	January 8, 2020	May 8, 2020	July 7, 2020	October 5, 2020
Record dates	February 6, 2020	May 25, 2020	August 8, 2020	November 6, 2020
Payment dates	March 3, 2020	June 3, 2020	September 3, 2020	December 3, 2020

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2019:				
Approval dates	January 8, 2019	April 3, 2019	July 8, 2019	October 10, 2019
Record dates	February 13, 2019	May 16, 2019	August 14, 2019	November 15, 2019
Payment dates	March 3, 2019	June 3, 2019	September 3, 2019	December 3, 2019
2018:				
Approval dates	January 30, 2018	May 3, 2018	August 11, 2018	October 30, 2018
Record dates	February 15, 2018	May 18, 2018	August 16, 2018	November 16, 2018
Payment dates	March 3, 2018	June 3, 2018	September 3, 2018	December 3, 2018

The dividends on preferred shares bear cumulative, non-participating cash dividends based on the issue price, payable quarterly in arrears every dividend payment date, at the fixed rate of 7.03% per annum from listing date.

On December 26, 2019, the Company's BOD approved the declaration of cash dividends for common shares in the amount of P0.12 per share to all stockholders of record as of January 15, 2020, payable on January 31, 2020. The outstanding dividends payable are presented as part of Trade and Other Payables in the 2019 statement of financial position. The dividend payable was subsequently paid in January 2020.

On October 1, 2018, the BOD approved the declaration of cash dividends for common shares at P0.12 per share equivalent to P256.6 million. The cash dividends were paid on November 12, 2018 to all common stockholders of record as of October 15, 2018 and. The dividends were paid out of the unrestricted retained earnings of the Corporation distributable as dividends as of December 31, 2017.

25.3 Treasury shares

On March 3, 2020, the BOD approved an additional P3 billion to its Share buyback program (the "Program"), making it a total of P5 billion and removal of the period within which to execute the Program, making it open-ended.

On October 1, 2018, the Company's BOD approved a share buyback program worth up to P2.0 billion over a period of two years. Total cost to acquire treasury shares in 2020 and 2019 amounted to P703.1 million and P457.8 million, respectively, which is equivalent to 50.2 million and 26.1 million shares, respectively.

On July 20, 2016, the Company's BOD approved the buy-back of 410.8 million common shares held by Sybase Equity Investment Corporation at a price equal to the Seven-trading day volume weighted average price ending on July 28, 2016 or equivalent to P10.03 per share. Total purchase price of the treasury shares including incidental cost of the buy-back amounted P4,138.8 million.

On October 20, 2016, the Company's BOD approved the sale of its 150.0 million treasury shares at P14.90 per share. Net proceeds of the sale of treasury share amounted to P2,181.7 million, net of incidental cost of the transaction. Outstanding balance of the treasury shares after the sale is 260.8 million treasury shares at cost of P2,627.7 million.

25.4 Retained Earnings

On April 8, 2013, the BOD of the Company approved the declaration of dividends and gave management the authority to decide the type (cash, stock or mixed) and amount of any dividends to be declared subsequently. Accordingly, several dividend declarations were made in 2020, 2019 and 2018 (see Notes 25.1 and 25.2).

The Company's retained earnings are restricted to the extent of the cost of treasury shares (see Note 25.3).

25.5 Revaluation Reserves

The movements of this account pertaining to retirement benefit obligation for the years ended December 31, 2020 and 2019 are shown below:

	Notes	**2020**	2019
Balance at beginning of year		**(P 63,036,119)**	P 13,215,257
Remeasurements of post-employment defined benefit plan	22.2	**78,119,007**	(108,930,537)
Tax expense	23.3	**(23,435,702)**	32,679,161
Balance at end of year		**(P 8,352,814)**	(P 63,036,119)

26. EVENTS AFTER THE END OF THE REPORTING PERIOD

26.1 Declaration of Dividends

On January 18, 2021, the Company's BOD approved the declaration of cash dividends of P1.19 per share and P1.4 per share or equivalent to P31.1 million and P25.0 million, respectively, to holders of Series 2A and Series 2B preferred shares, respectively, on record as of February 3, 2021. The dividends which is payable on March 1, 2021, shall be taken out of the unrestricted earnings of the Company as of December 31, 2020.

On January 11, 2021, the Company's BOD approved the declaration of cash dividends of P1.76 per share or equivalent to P70.3 million to holders of Series 1 preferred shares on record as of February 8, 2021. The dividends which is payable on March 3, 2021, shall be taken out of the unrestricted earnings of the Company as of December 31, 2020.

26.2 Increase in Authorized Capital Stock

On February 26, 2021, the BOD has approved the resolution to increase the authorized capital stock of the Parent Company to P 5,080.0 million, divided into the 4,930.0 million common shares and 150.0 million cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares. Both common and preferred shares have a par value of P1.0 per share.

26.3 Sale of Parcels of Land

In January 2021, the Company sold parcels of land with cost amounting to P219.8 million for P909.3 million to a subsidiary.

26.4 Republic Act No. 11524, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, R.A. No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law, amending certain provisions of the National Internal Revenue Code of 1997, as amended, was signed into law with veto on certain provisions and shall be effective 15 days after its publication. The CREATE Law has several provisions with retroactive effect beginning July 1, 2020. The following are the major changes brought about by the CREATE Law that are relevant to the Company:

(a) regular corporate income tax rate is decreased from 30% to 25% starting July 1, 2020;
(b) minimum corporate income tax rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
(c) the imposition of 10% tax on improperly accumulated retained earnings is repealed; and,
(d) the allowable deduction for interest expense is reduced to 20% (from 33%) of the interest income subjected to final tax.

Given that the CREATE Act was signed after the end of the current reporting period, the Company determined that this event is a non-adjusting subsequent event. Accordingly, its impact was not reflected in the Company's financial statements as of and for the year ended December 31, 2020, and instead, will be taken up prospectively in the next applicable reporting period. The Company used the prevailing tax rates as of December 31, 2020 in determining its current and deferred taxes in its 2020 financial statements.

As a result of the application of the lower regular corporate income tax (RCIT) rate of 25% starting July 1, 2020, the current income tax expense and income tax payable (or asset, in case of overpayment), as presented in the 2020 annual income tax return (ITR) of the Company, would be lower than the amount presented in the 2020 financial statements.

In addition, the recognized deferred tax liabilities as of December 31, 2020 would be remeasured to 25% in the 2021 financial statements. This will result in a decline in the recognized deferred tax liability in 2020 by P4.4 million, which will be charged to 2021 profit or loss, unless it can be recognized in other comprehensive income as provided in the applicable financial reporting standard (see Notes 23.3).

27. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Company:

27.1 Public-Private Partnership with Department of Education

On October 8, 2012, the Company, together with Citicore (collectively referred to as proponent), executed a build-lease-transfer agreement with the Philippine Government, through its DepEd under the PPP for school infrastructure project, which provides initiatives on the construction of classroom nationwide to address the current classroom backlog and future requirements for classrooms.

The agreement requires the construction, maintenance and lease of school buildings, whereby, the project proponent is authorized to finance and construct the school facility within 16 months from the execution date and upon its completion turns it over to the government agency or local government unit concerned on a lease agreement for a period of 10 years from the issuance of certificate of completion. After which, ownership of the facility is automatically transferred to the government agency or local government unit concerned.

During the lease period, the proponent shall be responsible for the maintenance works, which shall be performed twice, the first time at any point between the fourth and fifth years, and the second time at any point between the eighth and ninth years. At the end of the 10-year term, the proponent shall bear all costs incurred in connection with the transfer of rights to the Philippine Government.

Pursuant to the above agreements, the Company and Citicore established CMCI [see Note 10.2(b)] to handle the PPP school infrastructure project. As of December 31, 2016, the construction of the school buildings has been completed.

On March 23, 2015, CMCI executed an RPA with certain local commercial banks, whereby CMCI shall offer all outstanding finance lease receivables arising from the PPP school infrastructure project within the purchase period on a limited recourse basis such as upon the occurrence of certain repurchase events under the RPA. Consequently, the Company became a guarantor under the RPA [see Note 23.6(b)].

Pursuant to the continuing obligations of CMCI under the RPA, CMCI has been in compliance with the RPA during the reporting periods.

27.2 Credit Lines and Guarantees

27.2.1 Credit Lines

The Company has existing credit lines with local banks totalling P29,500.0 million and P24,500.0 million in 2020 and 2019, respectively.

The Company availed of bank loans totalling P9,831.3 million and P19,573.1 million from the credit lines in 2020 and 2019, respectively (see Note 15). Unused credit lines as of December 31, 2020 and 2019 amounted to P6,317.3 million and P4,917.3 million, respectively.

27.2.2 Guarantee and Others

On December 26, 2019 the BOD approved the issuance of corporate guaranty in the amount of P4.5 billion in favor of CHI. Subsequently on March 28, 2020, the BOD of the Company approved the reduction of the amount of corporate guaranty from P4.5 billion to P1.5 billion. The approval is part of the governance initiative of the Group and is deemed a regular corporate transaction to provide assistance, as needed, to new and other businesses to help them mature and produce strong and predictable cash flows to become stable and consistent contributors to the Group. These include forward integration opportunities in real estate development such as affordable housing segment and mid to high-end residential developments as well as in high-growth potential and fast-growing industries to support Group's long-term goal of strengthening its portfolio to provide additional legs for next level of growth.

On March 23, 2015, CMCI, with the Company as guarantor, executed an RPA with certain local commercial banks, whereby the CMCI shall offer an outstanding finance lease receivable arising from PPP school infrastructure project within the purchase period on a limited recourse basis such as upon the occurrence of certain repurchase event under the RPA. Pursuant to the continuing obligations of the CMCI under the RPA, CMCI has been in compliance with the RPA during the reporting periods.

MWMTI entered in to an OLSA with a local universal bank in 2015, with the Company as guarantor, for a loan facility amounting to P3,300.0 million to finance the construction of the ITS Project. In 2019, the Company requested the lender to increase the loan facility by P600.0 million making the total principal loan to P3,900.0 million.

27.3 Legal Claims

There are pending claims and legal actions filed by the Company or against the Company arising from the normal course of business. There are no related provisions recognized in the financial statements as management believes that the Company has strong legal positions related to such claims. Moreover, management believes that the ultimate liability, if any, with respect to such litigations, claims and disputes will not materially affect the financial position and results of operations of the Company.

27.4 Capital Commitments on Use of Proceeds

The Company has capital commitments to utilize the proceeds from the issuance of its preferred shares amounting to P4,362.6 million for various PPP projects, development of renewable energy projects, and bid preparation and preliminary works for PPP projects that the Company will bid for (see Note 27.1). As of December 31, 2020, the balance of the unutilized proceeds amounted to P4,109.6 million.

27.5 Others

Apart from the forgoing significant commitments, and the Company's construction commitments with various counterparties under the ordinary course of business, there are other commitments and contingent liabilities that arise in the normal course of the Company's operations which are not reflected in the financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Company's financial statements, taken as a whole.

28. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks in relation to its financial instruments. The Company's financial assets and liabilities by category are summarized in Note 28. The main types of risk are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated with the parent company, in close cooperation with the BOD, and focuses on actively securing the Company's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Company is exposed to are described in the succeeding pages.

28.1 Market Risk

The Company is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates, however, arise from the Company's cash which are denominated in United States dollars and Euro amounting P32.6 million and P89.9 million as of December 31, 2020 and 2019, respectively. To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

The following paragraph illustrates the sensitivity of the Company's net result with respect to changes in Philippine peso against U.S. dollar exchange rates. It assumes a +/- 9.51% and +/- 12.93% change in Philippine peso/U.S. dollar exchange rate for the year ended December 31, 2020 and 2019, respectively. This percentage has been determined based on the average market volatility in exchange rates, using standard deviation, for the periods then ended, December 31, 2020 and 2019, estimated 99% level of confidence. The sensitivity analysis is based on the Company's foreign current financial instruments held at the end of the reporting period.

If the Philippine peso had strengthened against the U.S. dollar at the end of the year, the profit before tax would have been higher by P3.1 million and P11.6 million, in 2020 and 2019, respectively. Conversely, if the Philippine peso had weakened by the same percentage, with all other variables held constant, profit before tax in 2020 and 2019 would have been lower by the same amount.

(b) Interest Rate Risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually made at fixed rates.

As at December 31, 2020 and 2019, the Company is exposed to changes in market rates through its cash in banks and short-term placements which are subject to monthly repricing intervals (see Note 4) and certain short term payable which is subject to variable interest rate (see Note 14). All other financial assets and financial liabilities have fixed rates or are noninterest bearing.

The sensitivity of the profit before tax is analyzed based on a reasonably possible change in interest rates of +/-268.0, +/-268.0 and +/-239.0 basis points in 2020, 2019 and 2018, respectively, based on observation of current market conditions with effect from the beginning of the year. The changes in interest rates have been determined based on the average market volatility in interest rates for each period using standard deviation and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables held constant, if the interest rates increased by 268.0 basis points, 268.0 basis points and 239.0 basis points in 2020, 2019 and 2018, respectively, profit before tax would have decreased by P249.6 million, P231.1 million and P175.1 million in 2020, 2019 and 2018, respectively. Conversely, if the interest rates decreased by the same basis points, profit before tax in 2020, 2019 and 2018 would have been higher by the same amounts.

28.2 Credit risk

Credit risk is the risk that counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, such as the granting of loans and receivables to customers and related parties and placing deposits with local banks, and investment in bonds and UITF.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties. The maximum credit risk exposure of financial assets and contract assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to the financial statements, as summarized below and in the succeeding pages.

	Notes	**2020**	2019
Cash and cash equivalents	4	**P 5,705,269,885**	P 3,592,457,302
Trade and other receivables – net *(excluding advances to officers and employees)*	5	**14,524,343,947**	16,988,422,877
Refundable security and bond deposits	9	**145,729,097**	142,009,325
Contract assets	7	**3,721,458,728**	3,465,592,579
		P 24,096,801,657	P24,188,482,083

None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and trade and other receivables as described below and in the succeeding page.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

To measure the ECL, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from both third and related parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2020 or 2019, respectively, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The Company identifies a default when the receivables become credit impaired or when the customer has not able to settle the receivables within the normal credit terms of 30 to 60 days, depending on the terms with customers; hence, these receivables were already considered as past due on its contractual payment. In addition, the Company considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.

On that basis, the loss allowance as at December 31, 2020 and January 1, 2020 was determined based on months past due, as follows for both trade and other receivables:

	Not more than 3 months	More than 3 mos. but not more than 6 mos.	More than 6 mos. but not more than 1 year	More than 1 year	Total
December 31, 2020:					
Expected credit loss rate	-	-	-	*15.96%*	*0.50*
Trade receivables	**P3,508,952,286**	**P 151,550,897**	**P 696,114,488**	**P 154,784,121**	**P 4,511,401,792**
Other receivables	**382,109,327**	**-**	**-**	**-**	**382,109,327**
	P 3,891,061,613	**P 151,550,897**	**P 696,114,488**	**P 154,784,121**	**P 4,893,511,119**
Loss Allowance	**-**	**-**	**-**	**24,708,558**	**24,708,558**
January 1, 2020:					
Expected credit loss rate	-	-	-	*2.40%*	*0.15*
Trade receivables	P 5,274,953,872	P 134,628,362	P 163,794,090	P 383,756,439	P5,957,132,763
Other receivables	311,050,349	-	-	-	311,050,349
	P 5,586,004,221	P 134,628,362	P 163,794,090	P 383,756,439	P6,268,183,112
Loss Allowance	-	-	-	9,208,879	9,208,879

For contract assets, the Company has recognized an allowance for ECL amounting to P288.2 representing unbilled costs incurred by the Company and assessed to be not recoverable. No additional impairment losses on contract assets have been recognized in 2020 and 2019.

(c) Refundable Security and Bond Deposits and Investments in RTB

The Company is not exposed to any significant credit risk exposures to its lessors as lease agreements were executed with reputable entities. The Company can negotiate, before the end of the lease term, to apply deposit to rentals due. Also, the bond deposits are made with certain reputable Philippine Government offices, hence, the exposure on credit risk is assessed by the management to be not be significant.

28.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for six-month and one-year periods are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, the Company's financial liabilities have contractual maturities which are presented in the below.

	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
2020:			
Interest-bearing loans and borrowings	P15,504,360,468	P 409,881,027	P 7,045,900,301
Trade and other payables	5,860,497,253	-	-
	P21,364,857,721	**P 409,881,027**	**P7,045,900,301**
2019:			
Interest-bearing loans and borrowings	P14,091,077,144	P 80,747,982	P 5,478,610,960
Trade and other payables	5,993,207,370	-	-
	P20,084,284,514	P 80,747,982	P5,478,610,960

The contractual maturities presented reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of reporting period.

28.4 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

		2020		2019	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	4	**P 5,705,269,885**	**P 5,705,269,885**	P 3,592,457,302	P 3,592,457,302
Trade and other receivables – net	5	**14,524,343,947**	**14,524,343,947**	16,988,422,878	16,988,422,878
Refundable security and bond deposits	9	**3,721,458,728**	**3,721,458,728**	142,009,325	142,009,325
		23,951,072,560	**23,951,072,560**	20,722,889,505	20,722,889,505
Financial assets at FVOCI:	8				
Investment in SSPI – at cost		**2,500,000**	**2,500,000**	2,500,000	2,500,000
Golf club shares		**1,044,472**	**1,044,472**	1,044,472	1,044,472
		3,544,472	**3,544,472**	3,544,472	3,544,472
		P 23,954,617,032	**P 23,954,617,032**	P 20,726,433,977	P 20,726,433,977
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	15	**P 18,145,644,142**	**P 18,145,644,142**	P 19,573,062,644	P 19,573,062,644
Trade and other payables	14	**5,860,497,253**	**5,860,497,253**	5,993,207,370	5,993,207,370
		P 24,006,141,395	**P 24,006,141,395**	P 25,566,270,014	P 25,566,270,014

See Notes 2.4 and 2.10 for a description of the accounting policies for each category of financial instrument. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 28.

28.5 Offsetting of Financial Assets and Financial Liabilities

The Company has not set-off financial instruments in 2020 and 2019 and does not have relevant offsetting arrangements except as disclosed in Note 24.4. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders. As such, the Company's outstanding receivables from and payables to the same related parties as presented in Note 23 can be potentially offset to the extent of their corresponding outstanding balances. Further, in the event of the default of the Company, outstanding loans payable as disclosed in Note 14 can be potentially offset against cash deposits maintained with the same bank.

28.6 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement,* the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels.

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.
When the Company uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

28.7 Financial Instruments Measured at Fair Value

Since the fair value of the Company's financial assets through FVOCI approximates the cost amounting to P1.0 million as of December 31, 2020 and 2019, the fair value change is deemed immaterial (see Note 8).

The Company's AFS financial assets are under Level 2 of the fair value hierarchy. Moreover, certain equity investment classified as AFS financial asset is carried at cost (see Note 8); hence, such is no longer categorized in the fair value hierarchy.

The fair value hierarchy of the Company's classes of financial asset measured at fair value pertains to golf club shares amounting to P1.0 million both as of December 31, 2020 and 2019.

The Company has no financial liabilities measured at fair value as of December 31, 2020 and 2019.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

Described below and in the succeeding page is the information about how the fair values of the Company's classes of financial assets are determined.

(a) Equity Securities

As of December 31, 2020, and 2019, golf club shares classified as financial assets through other comprehensive income are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

28.8 Financial Instruments Measured at Amortized Cost

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
2020:				
Financial assets:				
Cash and cash equivalents	P 5,705,269,885	P -	P -	P 5,705,269,885
Trade and other receivables – net	-	-	14,524,343,947	14,524,343,947
Refundable security and bond deposits	-	-	145,729,097	145,729,097
	P 5,705,269,885	**P -**	**P 14,670,073,044**	**P20,375,342,929**
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 18,145,644,142	P 18,145,644,142
Trade and other payables	-	-	5,860,497,253	5,860,497,253
	P -	**P -**	**P 24,006,141,395**	**P24,006,141,395**
2019:				
Financial assets:				
Cash and cash equivalents	P 3,592,457,302	P -	P -	P 3,592,457,302
Trade and other receivables – net	-	-	16,988,422,878	16,988,422,878
Refundable security and bond deposits	-	-	142,009,325	142,009,325
	P3,592,457,302	P -	P 17,130,432,203	P20,722,889,505

	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 19,573,062,644	P19,573,062,644
Trade and other payables	-	-	5,993,207,370	5,993,207,370
	P -	P -	P 25,566,270,014	P25,566,270,014

29. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing services commensurate with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the statements of financial position.

The Company sets the amount of capital in proportion to its overall financing structure, equity and liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, re-issuance of treasury shares or sell assets to reduce debt.

	Note	**2020**	2019
Interest-bearing loans and borrowings	15	**P 18,145,644,142**	P19,573,062,644
Total equity		**15,823,208,673**	12,300,270,350
		1.15: 1.00	1.59 : 1.00

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Company's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Bank Loans (Note 15.1)	**Corporate Notes (Note 15.2)**	**Lease liabilities (Note 15.3)**	**Total**
Balance as of January 1, 2020	P 10,247,704,597	P 8,852,929,990	P 472,428,057	P 19,573,062,644
Cash flows from financing activities:				
Additional borrowings	6,231,300,000	3,600,000,000	221,124,744	10,052,424,744
Repayment of borrowings	(4,446,083,001)	(6,862,138,758)	(171,621,487)	(11,479,843,246)
Balance as of December 31, 2020	**P 12,032,921,596**	**P 5,590,791,232**	**P 521,931,314**	**P 18,145,644,142**
Balance as of January 1, 2019	P 5,651,033,174	P 5,846,502,472	P 157,923,257	P 11,655,458,903
Cash flows from financing activities:				
Effect of adoption of PFRS 16	-	-	34,277,641	34,277,641
Additional borrowings	14,257,773,199	3,056,288,759	395,336,660	17,709,398,618
Repayment of borrowings	(9,661,101,776)	(49,861,241)	(115,109,501)	(9,826,072,518)
Balance as of December 31, 2019	P 10,247,704,597	P 8,852,929,990	P 472,428,057	P 19,573,062,644

	Bank Loans (Note 15.1)	Corporate Notes (Note 15.2)	Lease liabilities (Note 15.3)	Total
Balance as of January 1, 2018	P 2,485,500,000	P 5,836,791,231	P 205,811,673	P 8,528,102,904
Cash flows from financing activities:				
Additional borrowings	7,185,000,000	693,711,241	29,281,321	7,907,992,562
Repayment of borrowings	(4,019,466,826)	(684,000,000)	(77,169,737)	(4,780,636,563)
Balance as of December 31, 2018	P 5,651,033,174	P 5,846,502,472	P 157,923,257	P 11,655,458,903

31. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding pages are the supplementary information which is required by the BIR under its existing RR to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 are as follows:

(a) Output VAT

In 2020, the Company declared output VAT as follows:

	Tax Base	Output VAT
Taxable sales of services	P 8,169,532,645	P 980,343,917
Zero-rated sales	349,950,535	-
Sales to government	317,625,671	38,115,081
Exempt	-	-
	P 8,837,108,851	**P1,018,458,998**

The Company's zero-rated and VAT exempt sales were determined pursuant to Section 108B, *Zero-rated VAT on Sale of Services* and Section 109, *VAT Exempt Transactions*, of the National Internal Revenue Code of 1997, as amended. These are included as part of Revenues in the 2020 statement of income.

The tax bases are based on Company's gross receipts for the year; hence may not be the same as the amount accrued in the 2020 statement of comprehensive income.

(b) Input VAT

The movements in input VAT in 2020 are summarized below.

	Note	
Balance at beginning of year		P 30,042,564
Services lodged under cost of construction		363,508,875
Goods other than for resale or manufacture		472,131,135
Imported goods		38,226,377
Capital goods not subject to amortization		134,879
Capital goods subject to amortization		37,128,487
VAT withheld from sales to government		17,645,871
Input tax on sales to government Closed to expense		21,491,051
Services lodged under other accounts		20,189,718
VAT paid		19,394,906
Applied against output VAT	31(a)	(1,018,458,998)
Balance at end of year		**P 1,434,865**

A reconciliation of input VAT per VAT returns to input VAT presented as part of Other Current Assets account in the 2020 statement of financial position (see Note 9) is as follows:

	Note	
Balance per VAT returns		P 1,434,865
Share in MGCJV's Input VAT		13,489,387
Net adjustments on amended VAT returns		2,126,134
Balance at end of year		**P 17,050,386**

(c) Excise Tax

The Company did not have any transactions in 2020 which are subject to excise tax.

(d) Documentary Stamp Tax

In 2020, the Company incurred DST in relation to the short-term bank loans and finance lease of certain construction equipment and transportation equipment as follows:
[see Note 32(e)]

Loan instruments	P 62,681,668
Finance lease agreements	179,097
Others	2,596,050
	P 65,456,815

(e) Taxes and Licenses

The details of Taxes and licenses account are broken down as follows:

	Notes		
DST	31(d)	P	65,456,815
Municipal license and permits			63,493,246
Real property tax			7,582,805
Miscellaneous			4,480,800
	20	**P**	**141,013,666**

The amounts of taxes and licenses are allocated as follows:

	Notes		
Other operating expense		P	75,241,342
Project overhead cost	19		62,010,529
Construction in progress			3,761,794
	20	**P**	**141,013,666**

(f) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2020 are shown below.

Expanded	P	183,014,028
Compensation and employee benefits		145,529,454
Final		12,593,852
Fringe benefits tax		1,222,313
	P	**342,359,646**

(g) Deficiency Tax Assessments and Tax Cases

In 2020, the Company paid deficiency taxes amounting to P22.8 million for taxable year 2019.

As of December 31, 2020, the Company does not have any other final deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any other open taxable years.