

COVER SHEET

SEC Registration Number

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COMPANY NAME

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PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

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C	Y	B	E	R	P	A	R	K	,																			
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B	A	G	U	M	B	A	Y	A	N	,		Q	U	E	Z	O	N		C	I	T	Y					
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Form Type

1	7	-	A
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Department requiring the report

S	E	C
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Secondary License Type, If Applicable

Certificate of Permit to Offer Securities for Sale

(For December 31, 2022)

COMPANY INFORMATION

Company's Email Address

dinainting@allianceglobal.com.ph

Company's Telephone Number/s

8709-2038 to 41

Mobile Number

N/A

No. of Stockholders

990

Annual Meeting
Month/Day

3rd Thursday of June

Fiscal Year
Month/Day

DECEMBER 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

DINA INTING

Email Address

dinainting@allianceglobal.com.ph

Telephone Number/s

8709-2038 to 41

Mobile Number

N/A

Contact Person's Address

7th Floor, 1880 Eastwood Avenue, Eastwood City Cyberpark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City

Note 1: In case of death, resignation 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.

Note 2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



P&A
Grant Thornton

FOR SEC FILING

Consolidated Financial Statements and
Independent Auditors' Report

Alliance Global Group, Inc. and Subsidiaries

December 31, 2022, 2021 and 2020

Report of Independent Auditors

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 the Stockholders
Alliance Global Group, Inc. and Subsidiaries**

7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

Opinion

We have audited the consolidated financial statements of Alliance Global Group, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) and described in Note 2 to the consolidated financial statements.

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 2 to the consolidated financial statements, which indicates that the consolidated financial statements have been prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. The qualitative impact of the financial reporting reliefs on the consolidated financial statements are disclosed in Note 2 to the consolidated financial statements. 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 Recognition for Sale of Consumer Goods and Sales from Group-operated Quick-service Restaurants***Description of the Matter***

Sale of consumer goods amounting to P61.4 billion, which is mainly from its Emperador business segment, represents 33.4% of the Group's total revenues and income. Revenue from sale of goods is recognized when control over the goods has been transferred at a point in time to the customer, i.e., generally when the customer has acknowledged receipt of the goods.

Sale from group-operated quick-service restaurants amounting to P31.3 billion, which is mainly from its GADC business segment, represents 17.0% of the Group's total revenues and income. The Group recognizes revenue from restaurant sales at a point in time when services are rendered, that is, when food and beverage products or promotional items purchased by customers have been delivered and accepted by the customers.

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

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

How the Matter was Addressed in the Audit

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

On sale of consumer goods:

- Tested the design and operating effectiveness of the Group's processes and controls over revenue recognition, approval and documentation, including the implemented information technology IT general and application controls over automated systems that process and record the revenue transaction;

- Evaluated the appropriateness of the Group's revenue recognition policy in accordance with the requirements of PFRS 15, *Revenue from Contracts with Customers*;
- Tested, on a sample basis, sales invoices, delivery receipts and cash receipts of sales transactions throughout the current period to determine whether sale of goods occurred;
- Confirmed trade receivables using positive confirmation, on a sample basis, and performed alternative procedures for non-responding customers, such as, examination of evidence of subsequent collections, or corresponding sales invoices and proof of deliveries;
- Tested sales invoices and delivery receipts immediately prior and subsequent to the current period to determine whether the related sales transactions are recognized in the proper reporting period; and,
- Performed substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of sales per product/brand and location, and sales mix composition based on our expectations and following up variances from our expectations; and, verified that the underlying data used in the analyses are valid and accurate.

On sales from group-operated quick-service restaurants:

- Tested the design and operating effectiveness of the Group's internal controls including IT general and application controls over the recognition and accuracy of revenues from sales from group-operated quick-service restaurants;
- Performed test of completeness and cut-off testing by obtaining store reports, on a sample basis, and matching with system-wide sales report;
- Obtained an understanding of the revenue recognition policy regarding quick-service restaurants and the related significant business processes of the Group; and,
- Performed substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of sales per product/brand and location, and sales mix composition based on our expectations and following up variances from our expectations; and, verifying that the underlying data used in the analyses are valid.

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

Description of the Matter

The Group's revenue recognition process, policies and procedures on real estate sales and cost of real estate sales are significant to our audit because these involve the application of significant judgment and estimation. In addition, real estate sales and costs of real estate sales amounted to P36.8 billion or 20.1% of the consolidated revenues and income and P18.6 billion or 12.2% of the consolidated costs and expenses, respectively, for the year ended December 31, 2022. The areas affected by revenue recognition, which requires significant judgments and estimates, include determining when a contract will qualify for revenue recognition, measuring the progress of the development of real estate projects which defines the amount of revenue to be recognized and determining the amount of actual costs incurred as cost of real estate sales. These areas were significant to our audit as an error in application of judgments and estimates could cause a material misstatement in the consolidated financial statements.

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

How the Matter was Addressed in the Audit

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

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

(c) Revenue Recognition on Gaming Operations*Description of the Matter*

The Group, through its Travellers business segment, is the operator of integrated gaming resorts and tourist destination, Newport World Resorts. The total revenue from gaming operations amounted to P21.6 billion in 2022, representing 11.8% of the Group's total revenues. Gaming transactions of the Group with fixed-odds wagers known at the time of bet are considered derivative transactions wherein the Group takes a position against a patron and the resulting unsettled position becomes a derivative instrument under PFRS 9, *Financial Instruments*. In our view, gaming transaction is significant to our audit because the amount is material and it involves voluminous transactions at any given period of time, which undergo complex automated and manual gaming processes and controls under the Group's principal gaming and gaming-related systems.

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

How the Matter was Addressed in the Audit

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

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

(d) Impairment of Goodwill and Trademarks with Indefinite Useful Life*Description of the Matter*

Under Philippine Accounting Standard 36, *Impairment of Assets*, the Group is required to annually test the carrying amounts of its goodwill and trademarks with indefinite useful lives for impairment. As of December 31, 2022, goodwill amounted to P20.3 billion, while the trademarks with indefinite useful lives amounted to P20.1 billion. We considered the impairment of these assets as a key audit matter because the amounts of goodwill and trademarks with indefinite useful life are material to the consolidated financial statements. In addition, management's impairment assessment process involved significant judgments and high estimation uncertainty based on the assumptions used. The significant assumptions include the determination of the discount rate, growth rate and cash flow projections used in determining the value-in-use of the trademarks and the cash-generating units over which the goodwill was allocated. The assumptions used by management are generally affected by expected future market and economic conditions.

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

How the Matter was Addressed in the Audit

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

- Evaluated the appropriateness and reasonableness of methodology and assumptions used in determining the value-in-use of cash-generating units attributable to the trademarks and goodwill, which include the discount rate, growth rate and the cash flow projections, by comparing them to external and historical data, with assistance from our Firm's valuation specialists;
- Tested the calculation of valuation model for mathematical accuracy and validating the appropriateness and reliability of inputs and amounts used;
- Performed independent sensitivity analysis of the projections and discount rate using the valuation model used to determine whether a reasonably possible change in assumptions could cause the carrying amount of cash generating units to exceed the recoverable amount; and,
- Evaluated the adequacy of the financial statement disclosures relating to goodwill, trademarks and impairment, including disclosure of key assumptions and judgments.

(e) Consolidation Process*Description of the Matter*

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

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

How the Matter was Addressed in the Audit

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

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

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, 2022, 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, 2022 are expected to be made available to us after the date of this auditors' report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements, 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.

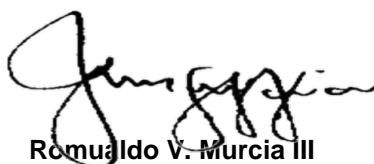
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 2022 audit resulting in this independent auditors' report is Romualdo V. Murcia III.

PUNONGBAYAN & ARAULLO



By: **Romualdo V. Murcia III**
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 9566639, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 95626-SEC (until financial period 2026)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 30, 2023

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	5	P 79,929,420,988	P 82,278,122,850
Trade and other receivables - net	6	78,381,241,085	72,659,307,764
Contract assets	24	13,613,227,726	11,970,852,843
Financial assets at fair value through profit or loss	7	14,962,280,499	13,512,733,032
Inventories - net	8	168,184,703,157	152,847,415,170
Other current assets	9	19,150,406,701	18,149,365,608
		374,221,280,156	351,417,797,267
Non-current assets classified as held for sale	16	961,744,740	961,740,550
		375,183,024,896	352,379,537,817
NON-CURRENT ASSETS			
Trade and other receivables - net	6	22,030,887,658	14,049,075,860
Contract assets	24	6,006,696,047	7,951,394,519
Advances to landowners and joint operators	10	7,896,413,808	7,158,576,223
Financial assets at fair value through other comprehensive income	11	342,843,851	420,870,489
Investments in associates and joint ventures	12	6,441,645,845	6,793,930,448
Property, plant and equipment - net	13	148,458,368,969	141,904,029,538
Investment properties - net	14	129,355,913,097	120,539,734,330
Intangible assets - net	15	40,665,090,713	40,483,366,565
Deferred tax assets - net	29	5,062,963,643	4,970,539,083
Other non-current assets	9	6,576,302,090	7,308,890,602
		372,837,125,721	351,580,407,657
TOTAL ASSETS		P 748,020,150,617	P 703,959,945,474

	Notes	2022	2021
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Trade and other payables	17	P 84,620,688,818	P 64,572,635,732
Interest-bearing loans	18	32,504,240,444	80,303,949,739
Bonds payable	19	14,026,453,110	-
Lease liabilities	13	1,361,900,995	1,309,447,535
Contract liabilities	24	3,392,947,567	2,447,089,883
Income tax payable		2,299,470,084	2,099,665,745
Advances from other related parties	30	1,627,756,528	2,469,533,312
Redeemable preferred shares	20	-	251,597,580
Other current liabilities	21	18,689,682,065	19,005,123,221
		<u>158,523,139,611</u>	<u>172,459,042,747</u>
TOTAL CURRENT LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing loans	18	136,287,705,784	93,108,742,222
Bonds payable	19	31,212,622,400	41,982,042,246
Lease liabilities	13	16,405,976,571	15,336,726,680
Contract liabilities	24	4,853,473,963	4,956,605,925
Retirement benefit obligation	28	754,923,733	982,052,130
Redeemable preferred shares	20	1,537,091,539	1,365,641,108
Deferred tax liabilities - net	29	19,323,313,874	18,167,163,730
Other non-current liabilities	21	13,153,790,806	20,379,289,896
		<u>223,528,898,670</u>	<u>196,278,263,937</u>
TOTAL NON-CURRENT LIABILITIES			
TOTAL LIABILITIES			
		<u>382,052,038,281</u>	<u>368,737,306,684</u>
EQUITY			
Equity attributable to owners of the parent company	22	232,732,073,072	209,903,697,035
Non-controlling interest	22	133,236,039,264	125,318,941,755
		<u>365,968,112,336</u>	<u>335,222,638,790</u>
TOTAL EQUITY			
TOTAL LIABILITIES AND EQUITY			
		<u>P 748,020,150,617</u>	<u>P 703,959,945,474</u>

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
REVENUES AND INCOME				
Sale of goods	24	P 98,235,209,238	P 88,035,908,845	P 77,014,663,718
Rendering of services	24	80,512,683,661	54,910,229,642	47,540,714,247
Share in net profits of associates and joint ventures - net	12	-	-	115,185,780
Finance and other income	27	4,864,336,528	9,846,377,786	4,119,238,110
		<u>183,612,229,427</u>	<u>152,792,516,273</u>	<u>128,789,801,855</u>
COSTS AND EXPENSES				
Cost of goods sold	25	60,598,041,604	53,187,520,993	49,667,709,342
Cost of services	25	42,933,749,824	30,019,769,583	27,289,295,321
Other operating expenses	26	37,922,896,998	32,043,367,974	29,277,193,282
Share in net losses of associates and joint ventures - net	12	41,478,932	14,744,130	-
Finance costs and other charges	27	10,800,898,629	9,451,171,367	7,650,283,520
		<u>152,297,065,987</u>	<u>124,716,574,047</u>	<u>113,884,481,465</u>
PROFIT BEFORE TAX		31,315,163,440	28,075,942,226	14,905,320,390
TAX EXPENSE	29	<u>6,126,220,887</u>	<u>4,286,957,389</u>	<u>4,645,709,637</u>
NET PROFIT		<u>25,188,942,553</u>	<u>23,788,984,837</u>	<u>10,259,610,753</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains (losses) on remeasurement of retirement benefit obligation	28	415,908,397	1,366,967,353	(396,925,867)
Net unrealized fair value gain (loss) on financial assets at fair value through other comprehensive income	11	(77,741,121)	23,956,056	(17,674,933)
Deferred tax expense relating to components of other comprehensive income (loss)	28, 29	(70,320,718)	(278,240,315)	(208,421,283)
		<u>267,846,558</u>	<u>1,112,683,094</u>	<u>(623,022,083)</u>
Items that will be reclassified subsequently to profit or loss				
Translation adjustments	2	(2,133,567,217)	2,576,961,097	(1,895,572,159)
Net unrealized fair value gain (loss) on cash flow hedge	21	91,147,190	199,713,502	(144,749,961)
Share in other comprehensive income of associates	12	6,138,277	20,926,197	1,474,538
Deferred tax income (expense) relating to components of other comprehensive income (loss)	29	(34,939,076)	(11,813,411)	4,481,239
		<u>(2,071,220,826)</u>	<u>2,785,787,385</u>	<u>(2,034,366,343)</u>
TOTAL COMPREHENSIVE INCOME		<u>P 23,385,568,285</u>	<u>P 27,687,455,316</u>	<u>P 7,602,222,327</u>
Net profit attributable to:				
Owners of the parent company		<u>P 16,107,842,209</u>	<u>P 16,944,095,592</u>	<u>P 8,829,293,379</u>
Non-controlling interest		<u>9,081,100,344</u>	<u>6,844,889,245</u>	<u>1,430,317,374</u>
		<u>P 25,188,942,553</u>	<u>P 23,788,984,837</u>	<u>P 10,259,610,753</u>
Total comprehensive income attributable to:				
Owners of the parent company		<u>P 14,152,371,053</u>	<u>P 19,529,875,614</u>	<u>P 6,751,980,148</u>
Non-controlling interest		<u>9,233,197,232</u>	<u>8,157,579,702</u>	<u>850,242,179</u>
		<u>P 23,385,568,285</u>	<u>P 27,687,455,316</u>	<u>P 7,602,222,327</u>
Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company:				
Basic and Diluted	23	<u>P 1.7960</u>	<u>P 1.8194</u>	<u>P 0.9213</u>

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

Attributable to Owners of the Parent Company																
Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares – at Cost	Net Actuarial Losses on Retirement Benefit Plan	Net Fair Value Gains on Financial Assets at FVOCI	Accumulated Translation Adjustments	Revaluation Reserves on Cash Flow Hedge	Share Options	Other Reserves	Retained Earnings			Total	Noncontrolling Interest	Total Equity	
										Appropriated	Unappropriated	Total	Total			
Balance at January 1, 2022	P 10,269,827,979	P 34,518,916,029	(P 10,516,348,052)	P 85,011,950	P 72,946,670	(P 4,036,461,315)	(P 34,608,267)	P 620,625,162	P 19,778,512,767	P 4,454,180,000	P 154,691,094,112	P 159,145,274,112	P 209,903,697,035	P 125,318,941,755	P 335,222,638,790	
Transactions with owners:																
Change in percentage of ownership	22	-	-	-	-	-	-	-	13,670,302,866	-	-	-	13,670,302,866	485,498,589	14,155,801,455	
Acquisition of treasury shares	22	-	(3,895,393,284)	-	-	-	-	-	-	-	-	(3,895,393,284)	-	(3,895,393,284)		
Dividend paid by investee	22	-	-	-	-	-	-	-	-	-	-	(1,894,389,145)	(1,894,389,145)	(1,894,389,145)		
Cash dividends declared		-	-	-	-	-	-	-	-	-	(1,103,832,146)	(1,103,832,146)	(1,103,832,146)	(1,103,832,146)		
Share-based compensation	22	-	(3,895,393,284)	-	-	-	-	-	13,670,302,866	-	(1,103,832,146)	(1,103,832,146)	92,790,833	(92,790,833)		
		-	-	-	-	-	-	-	13,670,302,866	-	(1,103,832,146)	(1,103,832,146)	8,671,077,436	(8,671,077,436)		
Changes in legal reserves during the year		-	-	-	-	-	-	(2,449,420)	-	-	7,376,968	7,376,968	4,927,548	-	4,927,548	
Appropriation of retained earnings	22	-	-	-	-	-	-	-	-	3,479,000,000	(3,479,000,000)	-	-	-	-	
Reversal of appropriation	22	-	-	-	-	-	-	-	-	(3,168,340,000)	3,168,340,000	-	-	-	-	
Total comprehensive income (loss)		-	-	108,948,715	86,456,517	(2,214,303,867)	63,427,479	-	-	-	16,107,842,209	16,107,842,209	14,152,371,053	9,233,197,232	23,385,568,285	
Balance at December 31, 2022	P 10,269,827,979	P 34,518,916,029	(P 14,411,741,336)	P 193,960,665	P 159,403,187	(P 6,250,765,182)	P 28,819,212	P 620,625,162	P 33,446,366,213	P 4,764,840,000	P 169,391,821,143	P 174,156,661,143	P 232,732,073,072	P 133,236,039,264	P 365,968,112,336	
Balance at January 1, 2021	P 10,269,827,979	P 34,518,916,029	(P 7,596,939,422)	(P 783,537,209)	P 504,426,943	(P 6,047,509,788)	(P 172,210,870)	P 620,625,162	P 9,436,023,550	P 3,993,550,000	P 138,533,653,159	P 142,527,203,159	P 183,276,765,473	P 112,542,694,728	P 295,819,460,201	
Transactions with owners:																
Change in percentage of ownership	22	-	-	-	-	-	-	-	10,315,081,441	-	-	-	10,315,081,441	2,408,294,498	12,723,375,939	
Acquisition of treasury shares	22	-	(2,919,408,630)	-	-	-	-	-	-	-	-	(2,919,408,630)	-	(2,919,408,630)		
Deposit on future stock subscription		-	-	-	-	-	-	-	-	-	-	-	3,443,750,000	3,443,750,000		
Dividend paid by investee	22	-	-	-	-	-	-	-	-	-	-	-	(1,449,114,546)	(1,449,114,546)		
Redemption of perpetual securities	22	-	-	-	-	-	-	-	-	-	333,653,373	333,653,373	(333,653,373)	(333,653,373)		
Cash dividends declared	22	-	-	-	-	-	-	-	-	-	(639,678,912)	(639,678,912)	(639,678,912)	(639,678,912)		
Acquisition and incorporation of new subsidiaries		-	-	-	-	-	-	-	-	-	-	-	10,000,000	10,000,000		
Share-based compensation	22	-	(2,919,408,630)	-	-	-	-	-	10,315,081,441	-	(326,024,639)	(326,024,639)	7,069,648,172	4,618,667,325	11,688,315,497	
Changes in legal reserves during the year	22	-	-	-	-	-	-	-	27,407,776	-	-	-	27,407,776	-	27,407,776	
Appropriation of retained earnings	22	-	-	-	-	-	-	-	-	4,198,180,000	(4,198,180,000)	-	-	-	-	
Reversal of appropriation	22	-	-	-	-	-	-	-	-	(3,737,550,000)	3,737,550,000	-	-	-	-	
Total comprehensive income (loss)		-	-	868,549,219	(431,480,273)	2,011,108,473	137,602,603	-	-	-	16,944,095,592	16,944,095,592	19,529,875,614	8,157,579,702	27,687,455,316	
Balance at December 31, 2021	P 10,269,827,979	P 34,518,916,029	(P 10,516,348,052)	P 85,011,950	P 72,946,670	(P 4,036,461,315)	(P 34,608,267)	P 620,625,162	P 19,778,512,767	P 4,454,180,000	P 154,691,094,112	P 159,145,274,112	P 209,903,697,035	P 125,318,941,755	P 335,222,638,790	
Balance at January 1, 2020	P 10,269,827,979	P 34,518,916,029	(P 6,793,114,766)	(P 237,089,623)	P 399,058,137	(P 4,510,575,970)	(P 72,970,297)	P 620,625,162	P 11,001,806,871	P 3,931,650,000	P 130,245,674,104	P 134,177,324,104	P 179,373,807,626	P 117,742,987,878	P 297,116,795,504	
Transactions with owners:																
Change in percentage of ownership	22	-	-	-	-	-	-	-	(1,560,413,791)	-	-	(1,560,413,791)	(5,343,757,820)	(6,904,171,611)		
Acquisition of treasury shares	22	-	(803,824,656)	-	-	-	-	-	-	-	-	(803,824,656)	-	(803,824,656)		
Dividend paid by investee	22	-	-	-	-	-	-	-	-	-	-	(755,117,591)	(755,117,591)	(755,117,591)		
Cash dividends declared		-	-	-	-	-	-	-	-	-	(479,414,324)	(479,414,324)	(479,414,324)	(479,414,324)		
Share-based compensation	22, 28	-	(803,824,656)	-	-	-	-	-	(1,560,413,791)	-	(479,414,324)	(479,414,324)	48,340,082	(48,340,082)		
		-	-	-	-	-	-	-	(1,560,413,791)	-	(479,414,324)	(479,414,324)	2,843,652,771	(6,050,535,329)	(8,894,188,100)	
Changes in legal reserves during the year	22	-	-	-	-	-	-	-	(5,369,530)	-	-	-	(5,369,530)	-	(5,369,530)	
Appropriation of retained earnings	22	-	-	-	-	-	-	-	-	3,337,550,000	(3,337,550,000)	-	-	-	-	
Reversal of appropriation	22	-	-	-	-	-	-	-	-	(3,275,650,000)	3,275,650,000	-	-	-	-	
Total comprehensive income (loss)		-	-	(546,447,646)	105,368,806	(1,536,993,818)	(99,240,573)	-	-	-	8,829,293,379	8,829,293,379	6,751,980,148	850,242,179	7,602,222,327	
Balance at December 31, 2020	P 10,269,827,979	P 34,518,916,029	(P 7,596,939,422)	(P 783,537,209)	P 504,426,943	(P 6,047,509,788)	(P 172,210,870)	P 620,625,162	P 9,436,023,550	P 3,993,550,000	P 138,533,653,159	P 142,527,203,159	P 183,276,765,473	P 112,542,694,728	P 295,819,460,201	

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	P	31,315,163,440	P 28,075,942,226	P 14,905,320,390
Adjustments for:				
Depreciation and amortization	25, 26	11,299,521,390	11,078,788,962	10,842,387,970
Interest expense	27	8,517,493,283	7,239,976,324	6,840,980,033
Interest income	27	(3,202,355,753)	(2,158,373,961)	(2,160,829,212)
Unrealized foreign currency losses - net		2,191,644,269	1,874,730,622	161,039,461
Impairment loss on inventories	8	244,758,199	160,751,949	109,688,887
Gain from COVID-19-related rent concessions	27	(239,692,435)	(509,232,978)	(413,426,144)
Stock option benefit expense	28	92,790,833	55,132,310	48,340,082
Recognition (reversal) of impairment losses - net	26, 27	(72,582,971)	1,762,128,794	268,392,304
Net loss on disposal of assets	27	65,065,014	91,383,298	174,787,449
Share in net losses (profits) of associates and joint ventures	12	41,478,932	14,744,130	(115,185,780)
Provisions	13, 21	41,117,103	38,060,790	56,331,220
Fair value loss on financial assets at fair value through profit or loss	27	20,898,129	2,772,787	(130,149)
Gain from derecognition of right-of-use assets and lease liabilities	13	(6,920,584)	(32,926,577)	(51,149,786)
Dividend income	27	(1,631,280)	(19,524,671)	(7,117,104)
Operating profit before working capital changes		50,306,747,569	47,674,354,005	30,659,429,621
Decrease in trade and other receivables		5,131,443,431	1,789,346,781	1,543,230,149
Increase in inventories		(14,264,327,698)	(11,929,089,727)	(3,163,712,363)
Decrease (increase) in contract assets		302,323,589	(541,521,049)	(737,721,626)
Decrease (increase) in financial assets at fair value through profit or loss		(94,704,533)	(1,924,681,622)	528,750,678
Decrease (increase) in advances to contractors and suppliers		(737,837,585)	354,803,949	(454,495,711)
Decrease (increase) in other current assets		(2,094,657,538)	(1,631,329,367)	1,080,165,305
Increase (decrease) in trade and other payables		21,987,744,326	(8,463,256,249)	11,314,393,569
Increase in contract liabilities		842,725,722	1,560,066,505	630,074,260
Increase (decrease) in retirement benefit obligation		118,459,282	(361,533,758)	(374,405,332)
Increase (decrease) in other current liabilities		(315,441,156)	(3,351,481,217)	5,250,324,829
Increase (decrease) in other non-current liabilities		(7,031,199,090)	8,964,115,778	(4,006,312,015)
Cash generated from operations		54,151,276,319	32,139,794,029	42,269,721,364
Cash paid for taxes		(4,554,550,464)	(2,464,195,157)	(4,906,590,957)
Net Cash From Operating Activities		49,596,725,855	29,675,598,872	37,363,130,407
<i>Balance carried forward</i>	P	49,596,725,855	P 29,675,598,872	P 37,363,130,407

	Notes	2022	2021	2020
<i>Balance brought forward</i>		P 49,596,725,855	P 29,675,598,872	P 37,363,130,407
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property, plant and equipment	13	(12,713,725,444)	(5,884,326,566)	(7,536,618,838)
Investment properties	14	(12,115,399,232)	(7,055,426,460)	(6,731,614,968)
Intangible assets	15	(28,365,606)	(39,978,451)	(14,931,794)
Proceeds from:				
Disposal of property, plant and equipment	13	784,315,633	16,968,082	122,632,048
Advances collected from related parties	30	546,138,474	51,246,075	41,795,703
Disposal of investment property	14	832,805	-	793,598
Collections of advances from associates and other related parties	30	-	89,575,462	35,608,643
Sale of investment in financial asset at FVOCI		-	-	1,960,000
Additional advances granted to associates and other related parties	30	(2,766,629,151)	(562,591,392)	(447,681,357)
Interest received		2,352,361,201	2,200,985,307	1,166,137,587
Cash dividends received	30	291,632,530	19,524,671	7,117,104
Decrease (increase) in other non-current assets		173,458,941	636,475,753	(831,036,259)
Net Cash Used in Investing Activities		(23,475,379,849)	(10,527,547,519)	(14,185,838,533)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of interest-bearing loans and bonds	18, 19, 36	(29,902,560,084)	(44,311,503,846)	(26,034,969,977)
Proceeds from interest-bearing loans and bonds	18, 19, 36	21,473,670,017	41,661,571,715	39,804,855,872
Interest paid		(9,352,933,407)	(10,612,511,415)	(10,871,776,813)
Acquisition of treasury shares	22	(3,895,393,284)	(2,919,408,630)	(803,824,656)
Dividends paid	22	(2,998,221,291)	(2,108,792,558)	(836,705,875)
Advances paid to related parties	30	(2,433,986,742)	(101,413,628)	(86,895,390)
Payment of lease liabilities	13	(1,785,136,226)	(1,819,030,854)	(1,800,935,151)
Advances received from related parties	30	1,592,209,958	336,874,510	24,157,233
Buyback of shares from non-controlling interest	22	(916,099,229)	(1,159,117,081)	(3,892,492,056)
Redemption of preferred shares	20, 36	(251,597,580)	(251,597,580)	(251,597,580)
Proceeds from secondary offering of subsidiary's shares	22	-	14,717,312,432	-
Net Cash Used in Financing Activities		(28,470,047,868)	(6,567,616,935)	(4,750,184,393)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(2,348,701,862)	12,580,434,418	18,427,107,481
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		82,278,122,850	69,697,688,432	51,270,580,951
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		P 79,929,420,988	P 82,278,122,850	P 69,697,688,432

Supplemental information on non-cash investing and financing activities is fully disclosed in Note 36 to the consolidated financial statements.

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 General Information

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

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

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI		
			2022	2021	2020
Subsidiaries					
Megaworld and subsidiaries					
Megaworld Corporation					
Megaworld	Megaworld	(a)	70%	69%	69%
Megaworld Resort Estates, Inc.		(b)	84%	84%	84%
Townsquare Development, Inc.			51%	50%	50%
Golden Panda-ATI Realty Corporation			51%	50%	50%
Arcovia Properties, Inc.			70%	69%	69%
Belmont Newport Luxury Hotels, Inc.			70%	69%	69%
Davao Park District Holdings Inc.			70%	69%	69%
Eastwood Cyber One Corporation	ECOC		70%	69%	69%
Global One Hotel Group, Inc.			70%	69%	69%
Global One Integrated Business Services, Inc.			70%	69%	69%
Hotel Lucky Chinatown, Inc.			70%	69%	69%
Landmark Seaside Properties, Inc.			70%	69%	69%
Luxury Global Hotels and Leisures, Inc.			70%	69%	69%
Luxury Global Malls, Inc.			70%	69%	69%
Mactan Oceanview Properties and Holdings, Inc.			70%	69%	69%
Megaworld Cayman Islands, Inc.		(c)	70%	69%	69%
Megaworld Cebu Properties, Inc.			70%	69%	69%
Megaworld Land, Inc.			70%	69%	69%
Citywalk Building Administration, Inc.			70%	69%	69%
Forbestown Commercial Center Administration, Inc.			70%	69%	69%
Iloilo Center Mall Administration, Inc.			70%	69%	69%
Newtown Commercial Center Administration, Inc.			70%	69%	69%
Paseo Center Building Administration, Inc.			70%	69%	69%
San Lorenzo Place Commercial Center Administration, Inc.			70%	69%	69%
Southwoods Lifestyle Mall Management, Inc.			70%	69%	69%
Cityfront Commercial Center Administration, Inc.		(e)	70%	-	-

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI		
			2022	2021	2020
Subsidiaries					
Megaworld and subsidiaries					
Uptown Commercial Center Administration, Inc.			70%	69%	69%
Valley Peaks Property Management, Inc.			70%	69%	69%
Megaworld Newport Property Holdings, Inc.			70%	69%	69%
Oceantown Properties, Inc.			70%	69%	69%
Piedmont Property Ventures, Inc.			70%	69%	69%
Prestige Hotels and Resorts, Inc.			70%	69%	69%
Richmonde Hotel Group International Ltd.	RHGI	(d)	70%	69%	69%
San Vicente Coast, Inc.			70%	69%	69%
Savoy Hotel Manila, Inc.			70%	69%	69%
Savoy Hotel Mactan, Inc.			70%	69%	69%
Kingsford Hotel Manila, Inc.			70%	69%	69%
Agile Digital Ventures, Inc.			70%	69%	69%
MREIT Fund Managers, Inc.	MFMI	(f)	70%	69%	-
MREIT Property Managers, Inc.	MPMI	(f)	70%	69%	-
MREIT, Inc.	MREIT	(f)	44%	43%	-
Belmont Hotel Mactan, Inc.		(e)	70%	-	-
Stonehaven Land, Inc.			70%	69%	69%
Streamwood Property, Inc.			70%	69%	69%
Megaworld Bacolod Properties, Inc.			64%	63%	63%
Manila Baysshore Property Holdings, Inc.	MBPHI		66%	63%	62%
Megaworld Capital Town, Inc.	MCTI		53%	53%	52%
Megaworld Central Properties, Inc.			53%	53%	52%
Soho Cafe and Restaurant Group, Inc.			52%	52%	51%
La Fuerza, Inc.	LFI		46%	46%	46%
Megaworld-Daewoo Corporation			42%	41%	41%
Northwin Properties, Inc.			42%	41%	41%
Gilmore Property Marketing Associates Inc.			36%	36%	36%
Integrated Town Management Corporation			35%	34%	34%
Maple Grove Land, Inc.			35%	34%	34%
Megaworld Globus Asia, Inc.	MGAI		35%	34%	34%
Suntrust Properties, Inc.	SPI		70%	69%	69%
Governor's Hills Science School, Inc.			70%	69%	69%
Sunrays Property Management, Inc.			70%	69%	69%
Suntrust Ecotown Developers, Inc.	SEDI		70%	69%	69%
Suntrust One Shanata, Inc.			70%	69%	69%
Suntrust Two Shanata, Inc.			70%	69%	69%
Stateland, Inc.	STLI	(g)	68%	68%	66%
Global-Estate Resorts, Inc.	GERI	(h)	57%	57%	56%
Southwoods Mall Inc.			63%	63%	62%
Twin Lakes Corp.	TLC		63%	63%	62%
Twin Lakes Hotel, Inc.			63%	63%	62%
Megaworld Global-Estate, Inc.		(i)	62%	62%	61%
Fil-Estate Golf and Development, Inc.			57%	57%	56%
Golforce, Inc.			57%	57%	56%
Southwoods Ecocentrum Corp.			34%	34%	34%
Philippine Aquatic Leisure Corp.			34%	34%	34%
Fil-Estate Properties, Inc.			57%	57%	56%
Aklan Holdings Inc.			57%	57%	56%
Blu Sky Airways, Inc.			57%	57%	56%
Fil-Estate Subic Development Corp.			57%	57%	56%
Fil-Power Concrete Blocks Corp.			57%	57%	56%
Fil-Power Construction Equipment Leasing Corp.			57%	57%	56%
Golden Sun Airways, Inc.			57%	57%	56%
La Compañía De Sta. Barbara, Inc.			57%	57%	56%
MCX Corporation			57%	57%	56%
Pioneer L-5 Realty Corp.			57%	57%	56%
Prime Airways, Inc.			57%	57%	56%
Sto. Domingo Place Development Corp.			57%	57%	56%
Fil-Estate Industrial Park, Inc.			45%	45%	45%
Sherwood Hills Development Inc.			32%	31%	31%
Fil-Estate Urban Development Corp.			57%	57%	56%
Global Homes and Communities, Inc.			57%	57%	56%
Savoy Hotel Boracay, Inc.			57%	57%	56%
Belmont Hotel Boracay, Inc.			57%	57%	56%

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI		
			2022	2021	2020
Subsidiaries					
Megaworld and Subsidiaries					
Novo Sierra Holdings Corp.			57%	57%	56%
Elite Communities Property Services, Inc.			57%	57%	56%
Oceanfront Properties, Inc.			29%	28%	28%
Empire East Land Holdings, Inc.	EELHI		57%	57%	56%
Sonoma Premiere Land, Inc.		(j)	74%	74%	74%
Pacific Coast Mega City, Inc.	PCMI	(k)	75%	75%	83%
Valle Verde Properties, Inc.			57%	56%	56%
Laguna BelAir School, Inc.			42%	41%	41%
20th Century Nylon Shirt, Inc.			57%	56%	56%
Eastwood Property Holdings, Inc.			57%	56%	56%
Empire East Communities, Inc.			57%	56%	56%
Sherman Oak Holdings, Inc.			57%	56%	56%
Emperador and subsidiaries					
Emperador Inc.	EMI or Emperador	(l)	81%	86%	84%
Emperador Distillers, Inc.	EDI		81%	86%	84%
Alcazar de Bana Holdings Company, Inc.			81%	86%	84%
ProGreen AgriCorp, Inc.	PAI		81%	86%	84%
South Point Science Park, Inc.			81%	86%	84%
Anglo Watsons Glass, Inc.	AWGI		81%	86%	84%
Cocos Vodka Distillers Philippines, Inc.			81%	86%	84%
The Bar Beverage, Inc.			81%	86%	84%
Tradewind Estates, Inc.	TEI		81%	86%	84%
BoozyLife, Inc.			50%	53%	52%
Zabana Rum Company Inc.			81%	86%	84%
The World's Finest Liquor Inc.	World's Finest	(e, w)	81%	-	-
Emperador International Ltd.	EIL	(d)	81%	86%	84%
Emperador Asia Pte Ltd.	EA	(m)	81%	86%	84%
Grupo Emperador Spain, S.A.	GES	(m)	81%	86%	84%
Bodega San Bruno, S.L.	BSB	(m)	81%	86%	84%
Bodegas Fundador, S.L.U.	BFS	(m, o)	81%	86%	84%
Harvey's Cellars S.L.U (formerly Destilados de la Mancha S.L.)	HCS	(m)	81%	86%	84%
Grupo Emperador Gestion S.L.	GEG	(m)	81%	86%	84%
Domecq Bodega Las Copas, S.L.	DBLC	(m)	40%	43%	42%
Stillman Spirits, S.L.	SSSL	(m)	81%	86%	84%
Domecq Distribucion De Bebidas S.A. de C.V.	DDDB	(m, n)	-	-	42%
Pedro Domecq S.A. de C.V.	PDSC	(m, n)	40%	43%	42%
Emperador Europe SARL	EES	(m)	81%	86%	84%
Emperador Holdings (GB) Limited	EGB	(m)	81%	86%	84%
Emperador UK Limited	EUK	(m)	81%	86%	84%
Whyte and Mackay Global Limited	WMGL	(m)	81%	86%	84%
Whyte and Mackay Group Limited	WMG	(m)	81%	86%	84%
Whyte and Mackay Limited	WML	(m)	81%	86%	84%
Whyte and Mackay Warehousing Ltd.	WMWL	(m)	81%	86%	84%
GADC and subsidiaries					
Golden Arches Development Corporation					
GADC			49%	49%	49%
Advance Food Concepts Manufacturing, Inc.			49%	49%	49%
Golden Arches Realty Corporation			49%	49%	49%
Red Asian Food Solutions, Inc.			37%	37%	37%
Clark Mac Enterprises, Inc.			49%	49%	49%
Golden Laoag Foods Corporation			38%	38%	38%
Davao City Food Industries, Inc.			37%	37%	37%
First Golden Laoag Ventures, Inc.			34%	34%	34%
McDonald's Anonas City Center			34%	34%	34%
McDonald's Puregold Taguig			29%	29%	29%
Golden City Food Industries, Inc.			29%	29%	29%
McDonald's Bonifacio Global City			27%	27%	27%
Molino First Golden Foods Inc.			26%	26%	26%
GY Alliance Concepts, Inc.			19%	19%	19%

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI		
			2022	2021	2020
Subsidiaries					
Travellers and subsidiaries					
Travellers International Hotel Group, Inc.					
Travellers	(p)	60%	50%	50%	
Agile Fox Amusement and Leisure Corporation		60%	50%	50%	
APEC Assets Limited		60%	50%	50%	
Aquamarine Delphinium Leisure and Recreation Corporation		60%	50%	50%	
Bright Pelican Leisure and Recreation, Inc.		60%	50%	50%	
Brightleisure Management, Inc.		60%	50%	50%	
Brilliant Apex Hotels and Leisure Corporation		60%	50%	50%	
Coral Primrose Leisure and Recreation Corporation		60%	50%	50%	
Deluxe Hotels and Recreation, Inc.	DHRI	60%	50%	50%	
Entertainment City Integrated Resorts & Leisure, Inc.		60%	50%	50%	
FHTC Entertainment & Productions, Inc.	FHTC	60%	50%	50%	
Golden Peak Leisure and Recreation, Inc.		60%	50%	50%	
Grand Integrated Hotels and Recreation, Inc.		60%	50%	50%	
Grandservices, Inc.		60%	50%	50%	
Grandventure Management Services, Inc.		60%	50%	50%	
Lucky Star Hotels and Recreation, Inc.	LSHRI	60%	50%	50%	
Lucky Panther Amusement and Leisure Corporation		60%	50%	50%	
Luminescent Vertex Hotels and Leisure Corporation		60%	50%	50%	
Magenta Centaurus Amusement and Leisure Corporation		60%	50%	50%	
Majestic Sunrise Leisure & Recreation, Inc.		60%	50%	50%	
Netdeals, Inc.		60%	50%	50%	
Newport Star Lifestyle, Inc.		60%	50%	50%	
Royal Bayshore Hotels & Amusement, Inc.		60%	50%	50%	
Sapphire Carnation Leisure and Recreation Corporation		60%	50%	50%	
Scarlet Milky Way Amusement and Leisure Corporation		60%	50%	50%	
Sparkling Summit Hotels and Leisure Corporation		60%	50%	50%	
Valiant Leopard Amusement and Leisure Corporation		60%	50%	50%	
Vermillion Triangulum Amusement and Leisure Corporation		60%	50%	50%	
Westside City, Inc. (formerly Westside City Resorts World, Inc.)	WCI	(q)	59%	49%	49%
Purple Flamingos Amusement and Leisure Corporation	PFALC	(q)	59%	49%	49%
Red Falcon Amusement and Leisure Corporation	RFALC	(q)	59%	49%	49%
Captain View Group Limited	Captain View	(d, q)	59%	49%	49%
Westside Theatre Inc.			60%	50%	50%
Corporate and Others					
Alliance Global Brands, Inc.			100%	100%	100%
McKester Pik-nik International Limited	MPIL	(d)	100%	100%	100%
Great American Foods, Inc.		(r)	100%	100%	100%
New Town Land Partners, Inc.	N'TLPI		100%	100%	100%
Alliance Global Group Cayman Islands, Inc.	AG Cayman	(c)	100%	100%	100%
Boracay Newcoast Resorts, Inc.			100%	100%	100%
Dew Dreams International, Inc.			100%	100%	100%
First Centro, Inc.	FCI		100%	100%	100%
ERA Real Estate Exchange, Inc.			100%	100%	100%
Oceanic Realty Group International, Inc.			100%	100%	100%
Greenspring Investment Holdings Properties Ltd.		(d)	100%	100%	100%
Alliance Global-Infracorp Development, Inc. (formerly Infracorp Development, Inc.)	Infracorp	(s)	100%	100%	100%

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI		
			2022	2021	2020
Subsidiaries					
Corporate and Others					
Shiok Success International, Inc.			100%	100%	100%
Travellers Group Ltd.		(d)	100%	100%	100%
Venezia Universal Ltd.		(d)	100%	100%	100%
Dew Dreams International, Ltd.		(d)	100%	100%	100%
Shiok Success International, Ltd.		(d)	100%	100%	100%
Adams Properties, Inc.	Adams		60%	60%	60%
Associates					
First Premiere Arches Restaurant Inc.	FPARI		49%	49%	49%
Bonifacio West Development Corporation	BWDC		32%	32%	32%
Suntrust Resorts Holdings, Inc. (formerly Suntrust Home Developers, Inc.)	SUN	12.2	24%	23%	23%
Citylink Coach Services, Inc.	CCSI	(t)	-	-	6%
First Oceanic Property Management, Inc.	FOPMI	(t)	-	-	6%
Palm Tree Holdings and Development Corporation	PTHDC		28%	28%	27%
SWC Project Management Limited	SPML	(t)	24%	23%	23%
WC Project Management Limited	WPML	(t)	24%	23%	23%
Suncity WC Hotel Inc.	Suncity WC	(t)	24%	23%	-
Fil-Estate Network, Inc.	FENI		11%	11%	11%
Fil-Estate Sales, Inc.	FESI		11%	11%	11%
Fil-Estate Realty and Sales Associates, Inc.	FERSAI		11%	11%	11%
Fil-Estate Realty Corp.	FERC		11%	11%	11%
Nasugbu Properties, Inc.	NPI		8%	8%	8%
Joint Ventures					
Bodegas Las Copas, S.L.	BLC	(u), 12.3	40%	43%	42%
Front Row Theatre Management, Inc.	FRTMI	(v)	30%	25%	25%

Explanatory notes:

- (a) AGI's effective ownership interest is derived from its 47% direct ownership, 3% direct holdings of FCI, 18% direct holdings of NTLPI and 2% holdings of other subsidiaries.
- (b) AGI and Megaworld directly own 49% and 51%, respectively.
- (c) Foreign subsidiaries operating under the laws of the Cayman Islands.
- (d) Foreign subsidiaries operating under the Business Companies Act of the British Virgin Islands.
- (e) Newly incorporated subsidiaries in 2022.
- (f) MFMI, MPMI, and MREIT are newly incorporated subsidiaries of Megaworld in 2021. MFMI is engaged in the business of providing fund management services to real estate investment trust ("REIT") companies. MPMI is engaged in the business of providing services in relation to property management, lease management, marketing and project management. MREIT is engaged in the business of an REIT, as provided under Republic Act ("R.A.") No. 9856, *The Real Estate Investment Trust Act of 2009*, including its implementing rules and regulations, and other applicable laws.
- (g) In 2021, Megaworld acquired additional common shares of STLI from previous stockholders representing 1.44% ownership interest.
- (h) AGI's effective ownership interest represents its indirect holdings through Megaworld, which owns 82% of GERI as of December 31, 2022 and 2021.
- (i) A subsidiary through 60% and 40% direct ownership of GERI and Megaworld, respectively.
- (j) A subsidiary through 60% and 40% direct ownership of EELHI and FCI, respectively.
- (k) In 2021, AGI sold a certain number of shares of PCMI to Megaworld which decreased the effective ownership of AGI over PCMI to 75%.
- (l) AGI's effective ownership was affected by EMP's buyback program and AGI's disposals. On February 5, 2020, EMI reissued a portion of its treasury shares which decreased AGI's effective ownership (see Note 22.9). In 2021, EMI repurchased common shares which resulted in the increase of AGI's effective ownership over EMI. In 2022 and 2021, AGI disposed a total of 800.6 million and 27.0 million shares, respectively, of EMI through the stock market which reduced AGI's effective ownership over EMI.
- (m) Subsidiaries under EIL, EA, EES and EGB are direct subsidiaries of EIL. EA is operating under the laws of Singapore. A subsidiary of EA, GES and its subsidiaries BSB, BFS, GEG, DBLC, SSSL and HCS (a subsidiary of BFS) are operating under the laws of Spain. DBLC's subsidiaries PDSC and DDDDB are operating under the laws of Mexico. EES is operating under the laws of Luxembourg. EGB is the ultimate UK parent of EUK, WMG, WMGL, WML and WMWL which are operating under the laws of Scotland.
- (n) On December 15, 2021, PDSC merged with DDDDB with the former as the surviving entity [see Note 2.11(b)].

- (o) On January 1, 2020, Complejo Bodeguero San Patricio, S.L.U. (“CBSP”), an existing subsidiary of GES at that time, was merged with BFS by absorption wherein the latter is the absorbing entity. The Group accounted for this business combination under common control using pooling-of-interests method [see Note 2.11(b)].
- (p) Effective ownership is based on total voting rights of both common and preferred shares held by the Group - 33% by AGI, 2% by FCI, 2% by Megaworld, and 39% by Adams [24% by Genting Hongkong Limited (“GHL”) and negligible by the public]. As for Travellers’ common shares are directly owned 42% by AGI, 4% by FCI, 3% by Megaworld, 20% by Adams, 31% by Genting Hongkong Limited (“GHL”) and less than 1% by the public.
- (q) Established to primarily engage in the business of hotels, restaurants, leisure parks, entertainment centers and other related businesses which include holding investments in and opening casinos and other gaming activities as part of its main operations. WCI has three wholly owned subsidiaries, PFALC, RFALC, and Captain View. Captain View is a foreign entity incorporated in the British Virgin Islands and is engaged in rendering of consultancy and advisory services, among others. PFALC and RFALC have not yet started commercial operations as of December 31, 2022. AGI’s effective ownership in WCI is through 1% direct ownership, 57% through 95% ownership of Travellers, and 1% through ownership of other subsidiaries within the Group (i.e., FCI, Megaworld and Adams).
- (r) Foreign subsidiary of MPIL operating under the laws of United States of America.
- (s) Infracorp is a subsidiary incorporated to engage in infrastructure business.
- (t) Subsidiaries of SUN, an associate of Megaworld. SPML, WPML and Suncity WC are wholly-owned subsidiaries of SUN. These companies are engaged in project management and consultancy services. In 2021, SUN disposed its investments in CCSI and FOPMI.
- (u) A foreign joint venture under GES and operating under the laws of Spain.
- (v) A joint venture through FHTC.
- (w) World Finest was incorporated in 2022 to engage in among others, the business of retailing, merchandising, marketing, warehousing, trading, e-commerce or otherwise dealing with all kinds of products, services, goods, chattels, wares, merchandise and commodities of all kinds, including but not limited to alcoholic and non-alcoholic beverages.

The Company, its subsidiaries, associates and joint ventures are incorporated and operating in the Philippines, except for such foreign subsidiaries and a joint venture as identified in the preceding table (see explanatory notes c, d, m, r, and u above).

AGI’s shares of stock and those of Megaworld, EMI, GERI, EELHI, MREIT and SUN are listed in and traded through the PSE as of December 31, 2022. EMI’s shares were secondary listed and started trading on the Main Board of the Singapore Exchange Securities Trading Limited on July 14, 2022.

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

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

1.2 Approval of the Consolidated Financial Statements

The Board of Directors (“BOD”) approved on March 30, 2023 the issuance of the consolidated financial statements of the Group as of and for the year ended December 31, 2022 (including the comparative consolidated financial statements as of December 31, 2021 and for the years ended December 31, 2021 and 2020).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (“PFRS”) which include the availment of financial reporting reliefs issued and approved by the SEC discussed below. 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, as modified by the application of the financial reporting reliefs issued and approved by the SEC, for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) SEC Financial Reporting Reliefs Availed by the Group

The Group has availed of several financial reporting reliefs granted by the SEC relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry under following Memorandum Circular (MC):

- MC No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*
- MC No. 3-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*
- MC No. 4-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*
- MC 34-2020, *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry for another period of three years or until 2023*

MC No. 08-2021, *Amendment to SEC MC No. 14-2018, MC No. 03-2019, MC No. 04-2020, and MC No. 34-2020 to Clarify Transitory Provision*, provides real estate companies the accounting policy option of applying either the full retrospective approach or the modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncement.

The Group opted to avail of the following financial reliefs, with the descriptions of the implementation issues and their qualitative impacts to the consolidated financial statements, until the end of the deferment period as provided under the relevant MC.

- (i) IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry (deferred until December 31, 2023)

The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.

Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact in the consolidated financial statements:

- interest expense would have been higher;
- cost of real estate inventories would have been lower;
- total comprehensive income would have been lower;
- retained earnings would have been lower; and,
- the carrying amount of real estate inventories would have been lower.

- (ii) PIC Q&A No. 2018-12-D, *Concept of the Significant Financing Component in the Contract to Sell* and PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch Between the Percentage of Completion and Schedule of Payments* (deferred until December 31, 2023)

PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.

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

Had the Group elected not to defer this provision of the standard, it would have an impact in the consolidated financial statements as there would have been a significant financing component when there is a difference between the percentage of completion (POC) of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and an interest expense when lesser. Both interest income and expense will be calculated using the effective interest rate method.

This will impact the retained earnings, real estate sales, and profit or loss in the year of adoption and in comparative periods presented. Should the Group elect to apply the modified retrospective approach as allowed by MC No. 08-2021, this will impact the opening retained earnings in the year of adoption.

(c) *Presentation of Consolidated Financial Statements*

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

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

(d) *Functional and Presentation Currency*

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

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

2.2 Basis of Consolidation

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

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

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

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

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

(a) *Investments in Subsidiaries*

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

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

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss. Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of the related goodwill (see Note 2.12).

(b) *Investments in Associates*

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

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

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

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

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

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

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

(c) *Interests in Joint Arrangements*

Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

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

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

(d) *Transactions with Non-Controlling Interest*

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

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

2.3 Adoption of Amended PFRS

(a) *Effective in 2022 that are Relevant to the Group*

The Group adopted for the first time the following pronouncements, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PFRS 3 (Amendments)	:	Business Combinations – Reference to the Conceptual Framework
PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities
PFRS 16 (Amendments):		Leases – Lease Incentives

Discussed below and in the succeeding page are the relevant information about these pronouncements.

- (i) PFRS 3 (Amendments), *Business Combinations – Reference to the Conceptual Framework*. The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard. The application of these amendments had no impact on the Group's consolidated financial statements.

- (ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*. 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. The application of these amendments had no impact on the Group's consolidated financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.
- (iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Group's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that the amendments do not have significant impact on the Group's consolidated financial statements.
- (iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact, and which are effective from January 1, 2022, are relevant to the Group's consolidated financial statements:
- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
 - Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) *Effective in 2022 that are not Relevant to the Group*

Among the Annual Improvements to PFRS 2018-2020 Cycle, the following amendments, which are effective from January 1, 2022, are not relevant to the Group's consolidated financial statements:

- (i) PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*
- (ii) PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) *Effective Subsequent to 2022 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following 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) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective January from 1, 2023)
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)
- (v) PFRS 17, *Insurance Contracts – Insurance Contracts* (effective from January 1, 2023)
- (vi) PFRS 17 (Amendments), *Insurance Contracts – Initial Application of PFRS 17 and PFRS 9 – Comparative Information* (effective from January 1, 2023)
- (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)

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instruments (see Note 2.24). For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) *Classification and Measurement of Financial Assets*

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

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

(i) *Financial Assets at Amortized Cost*

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

- Business model test: the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- Cash flow characteristics test: the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

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

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

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statement of comprehensive income as part of Finance and Other Income (see Note 27).

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

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

- Business model test: they are held under a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset (“hold to collect and sell”); and,
- Cash flow characteristics test: SPPI on the principal amount outstanding.

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

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

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

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

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

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

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

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

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

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

(b) *Reclassification of Financial Assets*

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

- From amortized cost to FVTPL: Fair value is measured at reclassification date, with the difference between the amortized cost and fair value recognized as gain or loss in profit or loss.
- From amortized cost to FVOCI (debt instruments): Fair value is measured at reclassification date, with the difference between the amortized cost and the fair value recognized as gain or loss in other comprehensive income ("OCI"). The effective interest rate and the measurement of expected credit losses ("ECL") remain the same.
- From FVTPL to amortized cost: Fair value at the reclassification date becomes its new gross carrying amount. The effective interest rate is determined on the basis of the fair value at reclassification date, which is now treated as the date of initial recognition.

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

There was no reclassification of financial assets in 2022 and 2021.

(c) *Impairment of Financial Assets*

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

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

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

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

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

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

- *Probability of Default ("PD")* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.
- *Loss Given Default ("LGD")* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.
- *Exposure at Default ("EAD")* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation which pertains to its amortized cost.

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

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

The put option on a co-development agreement meets the definition of financial guarantee contract, wherein it provides the holder of the instrument with protection against an adverse event (put option event). The put option transfers a risk to the Group, in which the Group is obligated to pay a specified amount if the holder chooses to exercise the put option upon the happening of any put option event [see Note 31.7(iv)].

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

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

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

(e) *Derecognition of Financial Assets*

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

2.5 Derivative Financial Instruments and Hedge Accounting

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

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

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

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

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

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

2.6 Inventories

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

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

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

2.7 Real Estate Inventories and Transactions

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

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

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

2.8 Other Assets

Other assets, presented either under current or non-current assets classification in the consolidated statement of financial position, pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably (see Notes 9 and 2.24).

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

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

2.9 Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

An item of PPE, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon sale or disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.10 Investment Properties

Investment properties include properties held for lease under operating lease agreements, properties intended to be held for lease, and properties held for currently undetermined use. These properties are carried at cost, net of accumulated depreciation and any impairment in value, except for land which is not subject to depreciation. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Depreciation of investment properties, excluding land, is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 40 years [see Notes 2.20, 3.1(g), and 14].

Cost capitalization, depreciation, impairment loss and asset derecognition are recorded in the same manner as in Property, Plant and Equipment (see Note 2.9).

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

The residual values, estimated useful lives and method of depreciation of investment properties, except for land, are reviewed and adjusted, if appropriate, at the end of each reporting period.

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

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 investment properties are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

2.11 Business Combinations and Asset Acquisitions

(a) Accounting for Business Combination using the Acquisition Method

A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participants. When a unit acquired does not constitute a business, it is accounted for as an asset acquisition [see Note 2.11(c)].

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

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. 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 consolidated profit or loss or as a change to consolidated other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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

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

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

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

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

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

(c) *Accounting for Asset Acquisition*

Acquisition of assets in an entity which does not constitute a business is accounted for as an asset acquisition. Under the asset purchase accounting, the purchase costs are allocated to identifiable assets and liabilities based on relative fair values of individual items; any goodwill or gain on bargain purchase is not recognized; and transaction costs are capitalized.

2.12 Intangible Assets

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

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

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

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

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

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

2.13 Financial Liabilities

Financial liabilities, which include Interest-bearing Loans (see Note 18), Bonds Payable (see Note 19), Lease Liabilities (see Note 13.3), Trade and Other Payables (except tax-related payables) (see Note 17), Advances from Other Related Parties (see Note 30.6), Redeemable Preferred Shares (see Note 20), and Equity-linked debt securities (“ELS”), Derivative liability, Guarantee deposits, Commission payable, Subscription payable and Retention payable [which are presented as part of Other Current Liabilities and Other Non-Current Liabilities accounts (see Note 21)] are recognized when the Group becomes a party to the contractual agreements of the instrument (see Note 2.24).

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

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

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

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

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

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

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized as gain or loss in profit or loss. If the modification is not considered substantial, the liability is restated to the net present value of revised cash flows discounted at the original effective interest rate, with the adjustment recognized as gain or loss in profit or loss.

2.14 Provisions and Contingencies

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

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

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

2.15 Equity

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

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

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

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

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

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

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

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

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

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

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

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

2.16 Revenue and Expense Recognition

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

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

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

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

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

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

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

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

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

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue for contracts where performance obligations are expected to be satisfied within 12 months of the end of reporting period.

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

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

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

Sales cancellations are accounted for as contract modification on the year of forfeiture. Cumulative revenue and costs recognized on cancelled contracts are reversed in the year of cancellation, and any gain or loss is charged to profit or loss.

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

- (c) *Sale of undeveloped land and golf and resort shares (included as Part of Real Estate Sales under Sale of Goods)* – Revenues on sale of undeveloped land and golf and resort shares for sale are recognized at point in time when control on the undeveloped land and golf and resort shares have passed to the buyer and the amount of revenue can be measured reliably.
- (d) *Food, beverage and others (included in Hotel Operations under Rendering of Services)* – Revenues are recognized at point in time upon delivery to and receipt of consumer goods by the customer. Invoices for consumer goods transferred are due upon receipt by the customer.

- (e) *Hotel accommodation (included in Hotel Operations under Rendering of Services)* – Revenues are recognized over time during the occupancy of hotel guest and end when the scheduled hotel room accommodation has lapsed (i.e., the related room services have been rendered). As applicable, invoices for hotel accommodations are due upon receipt by the customer.
- (f) *Sales from Group-operated quick-service restaurants (under Rendering of Services)* – Revenues are recognized at point in time upon delivery to and receipt of consumer goods by the customer, and the Group has no obligation that could affect the customer's acceptance of the goods. Invoices for consumer goods transferred are due upon receipt by the customer.
- (g) *Franchise revenues (under Rendering of Services)* – Revenues from franchised McDonald's restaurants (including the restaurant operated by a joint venture) include royalty and management fees. These are recognized in the period earned.
- (h) *Rendering of other services* – Revenue is recognized over time (i.e., time-and-materials basis as the services are provided) until the performance of contractually agreed tasks has been substantially rendered. Revenue from other services include commissions, cinema and production shows and other activities incidental to the Group's main operations.

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

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

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

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

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

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

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

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

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

2.17 Borrowing Costs

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

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

2.18 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

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

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- there is a right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- there is a right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

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

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

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

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

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

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

(b) *Group as Lessor*

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

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

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

2.19 Foreign Currency Transactions and Translation

(a) Transactions and Balances

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

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

(b) Translation of Financial Statements of Foreign Subsidiaries

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

- (i)* Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii)* Income and expenses for each profit or loss account are translated at the average exchange rates over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,
- (iii)* All resulting exchange differences are recognized in other comprehensive income and in a separate component of equity under Accumulated Translation Adjustments account.

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

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

2.20 Impairment of Non-Financial Assets

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

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

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

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

2.21 Employee Benefits

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

(a) Short-term Employee Benefits

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

(b) Post-employment Benefit Plan

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

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

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

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

(c) *Post-employment Contribution Plan*

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

(d) *Termination Benefits*

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

(e) *Share-based Employee Remuneration*

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

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

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

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

(f) *Bonus Plans*

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

(g) *Compensated Absences*

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

2.22 Income Taxes

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

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

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

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

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

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

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

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

2.23 Non-Current Assets Classified as Held for Sale

Non-Current Assets classified as held for sale refer to land and buildings that the Group intends to sell within one year from the date of reclassification as held for sale (see Note 16).

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

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

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

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

2.24 Current or Non-current Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current or non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities, respectively.

2.25 Earnings per Share

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

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

2.26 Segment Reporting

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

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

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

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

2.27 Related Party Transactions and Relationships

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

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

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

Transactions individually or in aggregate over a 12-month period with the same related party, amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with related parties are considered material.

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

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

2.28 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Evaluating the Timing of Satisfaction of Performance Obligations

(i) Real Estate Sales

The Group exercises critical judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time. In making this judgment, the Group considers the following:

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

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

(ii) Sales of Consumer Goods

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

(iii) *Hotel Accommodations*

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

(iv) *Food and Beverages, and Others*

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

(v) *Forfeited Collections and Deposits*

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

(vi) *Property Management Services*

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

(b) *Estimating Collection Threshold for Real Estate Revenue Recognition*

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

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

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

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

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

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

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

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

- How the performance of the business model and the financial assets held within the business model are evaluated and reported to key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and,
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

(e) *Determining the ECL on Trade and Other Receivables*

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

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

The provision matrix is based on historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). The Group has considered the continuing impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. Details about the ECL on the Group's trade and other receivables are disclosed in Notes 2.4(c) and 32.2.

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

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

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

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

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

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

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

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

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

(i) *Classifying Perpetual Debt Securities*

The Group exercises judgment in classifying its perpetual debt securities as financial liabilities or equity instruments. In making its judgment, the Group considers the terms of the securities including any restrictions on the Group's ability to defer interest payments. As of December 31, 2020, Megaworld had perpetual capital securities that did not appear in the consolidated statement of financial position because all were bought back by subsidiaries of AGI in 2019.

In 2021, Megaworld fully redeemed the perpetual capital securities for P9.8 billion (see Note 22.8).

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

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

(k) *Distinguishing Asset Acquisition and Business Combinations*

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

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

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

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

(m) *Determining Whether Lease Concessions Constitute a Lease Modification*

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges as part of various lease concessions it granted to certain lessees, such as lease payment holidays or lease payment reductions.

The Group also received lease concessions from its lessors in 2022, 2021 and 2020.

In making this judgment, the Group determines whether the rent concessions have changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Group assessed that the lease concessions it granted to lessees and received from lessors do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, are not lease modifications under PFRS 16.

The rent concessions granted by the Group amounted to P1.4 billion, P2.3 billion and P2.2 billion in 2022, 2021 and 2020, respectively, while the total gain on lease concessions received by the Group amounted to P239.7 million, P509.2 million and P413.4 million in 2022, 2021 and 2020, respectively, and is presented as Gain on COVID-19-related rent concessions under the Finance and Other Income account in the consolidated statements of comprehensive income (see Notes 13.3 and 27).

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

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

The Group determined that the risk transferred to the Group is significant; hence, the put option is accounted for under PFRS 9 [see Notes 2.4(d) and 31.7(iv)].

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

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

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

Based on management's assessment, the letter of intent dated December 27, 2022 and 2020, which provides the Group's commitment to sell certain land and buildings to a related party, is the main consideration for classifying these assets as non-current assets classified as held for sale (see Note 13).

In 2021, the sale of certain land development classified as part of non-current assets classified as held for sale was completed (see Note 16).

(p) *Recognizing Provisions and Contingencies*

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

3.2 Key Sources of Estimation Uncertainty

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 are as follows.

(a) *Revenue Recognition for Performance Obligation Satisfied Over Time*

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

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

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

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

Further, the measurement of the put option value under the ECL model required the use of significant assumptions with regard to the possibility of any of the option events from happening in the future and the possible change in the evaluation of the collateral within the 12-month assessment period, as further detailed in Note 31.7.

(c) *Valuation of Inventories*

In determining the NRV of inventories (see Notes 2.6 and 2.7), management takes into account the most reliable evidence available at the dates the estimates are made. NRV is one of the key variables used in analyzing possible impairment.

The Group's core business is subject to changes in market factors that directly affect the demand for inventories, such as purchasing power of consumers, degree of competition, and other market-related factors. Future realization of the carrying amounts of these assets is also affected by price changes in the costs incurred necessary to produce the inventories and make a sale as well as market trends. Changes in the sources of estimation may cause significant adjustments to the Group's inventories and real estate properties within the next financial reporting period.

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

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

(d) *Fair Value Measurement of Financial Assets at FVOCI*

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

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

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

(e) *Fair Value Measurement of Investment Properties*

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

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

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

A significant change in these elements may affect prices and the value of the assets. As of December 31, 2022 and 2021, the Group determined that there were no significant circumstances that may affect the fair value measurement of these properties. The fair value of the investment properties is disclosed in Notes 14 and 34.4.

(f) *Fair Value Estimation of Share Options*

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

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

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

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

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

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

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

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

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

Based on management's assessment, no change in the estimated useful lives of property, plant and equipment, investment properties and intangible assets is necessary in 2022 and 2021.

(i) *Impairment of Non-Financial Assets*

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

Impairment losses and reversals recognized on property, plant and equipment are discussed in Note 13. There is no other impairment loss recognized on the Group's investment properties, goodwill and other intangible assets, and other non-financial assets based on management's evaluation for the years ended December 31, 2022, 2021 and 2020.

(j) *Determination of Realizable Amount of Deferred Tax Assets*

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

(k) *Valuation of Post-Employment Defined Benefit Obligation*

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

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

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

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

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

The Equity-linked securities (“ELS”) instrument (see Note 22.9) contains both a financial liability, which is the Group’s contractual obligation to pay cash, and an equity component, which is the holder’s option to convert it into an equity instrument of the issuer. The equity component is assigned the residual value after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Valuation techniques were used to determine fair values, which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as own credit risk, volatilities and correlations require management to make estimates. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on conditions existing at the end of each reporting period.

In 2017, as a result of the amendments on the ELS, management reassessed the compound financial instrument and recomputed the fair values of the components at the time of amendment, which resulted in a revalued financial liability component and an equity component with value.

On December 4, 2019, the Group exercised the option to extend the redemption date of ELS until December 4, 2021 which did not result to substantial modification of terms. On December 3, 2021, the financial liability component of the ELS amounting to P3.4 billion was derecognized, and an equity component was recognized amounting to P3.4 billion, which is presented as part of Non-controlling Interest account under the Equity section in the consolidated statements of financial position. The actual conversion pertaining to issuance of ELS shares is expected to happen in 2023.

(n) *Provision for Restoration of Leased Property*

Determining the provision for leased property restoration requires estimation of the cost of dismantling and restoring leased properties (building and leasehold improvements) to their original condition for which the Group is liable (see Note 2.9). The estimated cost was initially determined based on a recent cost to restore the facilities and is being adjusted to consider the estimated incremental annual costs up to the end of the lease term. The estimated dismantling cost was discounted using the prevailing market rate at the inception of the lease for an instrument with maturity similar to the term of the lease.

The carrying amount of ARO and provision for dilapidation are presented as part of Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 21).

(o) *Provision for Onerous Lease*

The Group determines the provision for leasehold properties which are no longer used in the business for which the recoverable amount of the interest in the property is expected to be insufficient to cover future obligations relating to the lease using discounted cash flows and assumptions relating to future sublease income expectations. A significant change in the credit-adjusted risk-free rate used in discounting the estimated cost and sublease assumptions would result in a significant change in the amount of provision recognized with a corresponding effect on consolidated profit or loss.

In 2022, 2021 and 2020, an additional provision was recognized. The carrying amount of provision for onerous lease is presented as part of Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 21).

(p) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

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

(q) *Business Combinations*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment (see Note 2.11).

4. **SEGMENT INFORMATION**

4.1 Business Segments

The Group is organized into major business segments, which are the major subsidiaries of the Group. These represent the main products and services provided by the Group and the line of business in which the Group operates (see Note 2.26).

Presented below is the basis of the Group in reporting its primary segment information.

- (a) The *Megaworld* segment consists of development of real estate, integrated resorts, leasing of properties and hotel operations business, which is primarily undertaken by Megaworld Corporation and subsidiaries, the Group's forerunner in the real estate industry.
- (b) The *Emperador* segment refers to the manufacture and distribution of distilled spirits, including the production of glass containers, which is undertaken by Emperador Inc. and subsidiaries.
- (c) The *Travellers* segment relates to tourism-oriented business that integrates entertainment, hospitality and leisure, including gaming, as that of Resorts World Manila, which is operated by Travellers International Hotel Group, Inc. and subsidiaries.
- (d) The *GADC* segment refers to operations of McDonald's restaurants in the Philippines in accordance with the franchise agreement between GADC and McDonald's Corporation, USA.

The Group disaggregates revenues recognized from contracts with customers into these segments that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This same disaggregation is used in earnings releases, annual reports, and investor presentations.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, contract assets, inventories, property, plant and equipment, intangible assets and investment properties. Segment liabilities include all operating liabilities and consist principally of trade and other payables, contract liabilities, lease liabilities, interest-bearing loans and bonds payable.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4.4 Analysis of Segment Information

Segment information can be analyzed as follows for the years ended December 31, 2022, 2021 and 2020:

	2022				
	<u>Megaworld</u>	<u>Travellers</u>	<u>GADC</u>	<u>Emperador</u>	<u>Total</u>
REVENUES					
Sales to external customers	P 55,975,462,269	P 26,906,252,986	P 34,480,810,931	P 60,671,184,025	P 178,033,710,211
Intersegment sales	304,571,337	2,487,657	-	35,944,484	343,003,478
Finance and other income	<u>3,247,223,045</u>	<u>64,825,475</u>	<u>418,739,950</u>	<u>955,168,614</u>	<u>4,685,957,084</u>
Segment revenues	59,527,256,651	26,973,566,118	34,899,550,881	61,662,297,123	183,062,670,773
Cost of sales and expenses excluding depreciation and amortization	(<u>31,322,179,772</u>)	(<u>19,690,768,476</u>)	(<u>28,460,711,228</u>)	(<u>48,227,801,281</u>)	(<u>127,701,460,757</u>)
	28,205,076,879	7,282,797,642	6,438,839,653	13,434,495,842	55,361,210,016
Depreciation and amortization	(3,279,686,211)	(3,929,707,605)	(2,755,285,324)	(1,486,209,879)	(11,450,889,019)
Finance cost and other charges	(<u>5,783,076,956</u>)	(<u>2,558,983,889</u>)	(<u>1,142,015,079</u>)	<u>464,015,648</u>	(<u>9,020,060,276</u>)
Profit before tax	19,142,313,712	794,106,148	2,541,539,250	12,412,301,611	34,890,260,721
Tax expense	(<u>3,767,557,891</u>)	(<u>34,944,222</u>)	(<u>718,249,851</u>)	(<u>1,498,453,879</u>)	(<u>6,019,205,843</u>)
SEGMENT PROFIT	<u>P 15,374,755,821</u>	<u>P 759,161,926</u>	<u>P 1,823,289,399</u>	<u>P 10,913,847,732</u>	<u>P 28,871,054,878</u>
SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 407,268,364,874	P 120,512,238,096	P 42,258,378,031	P 139,215,259,307	P 709,254,240,308
Segment liabilities	154,955,291,814	82,974,847,246	33,549,877,780	47,695,845,248	319,175,862,088
OTHER SEGMENT INFORMATION					
Share in net profit (loss) of associates and joint ventures	(<u>155,429,591</u>)	(<u>19,791</u>)	-	113,970,450	(<u>41,478,932</u>)
Interest income	2,840,715,801	64,825,475	63,265,523	140,827,313	3,109,634,114
Interest expense	2,257,631,482	2,510,796,297	1,049,115,625	597,655,650	6,415,199,054
Impairment reversal (losses) – net	-	-	74,555,613	-	74,555,613
Investment property and PPE acquisition	12,848,481,035	27,034,697,382	5,852,501,619	4,182,886,314	49,918,566,350

	2021				
	Megaworld	Travellers	GADC	Emperador	Total
REVENUES					
Sales to external customers	P 47,852,574,643	P 13,178,792,085	P 24,981,223,562	P 54,859,868,391	P 140,872,458,681
Intersegment sales	333,685,748	3,781,754	53,279,180	20,861,004	411,607,686
Finance and other income	<u>2,430,598,039</u>	<u>5,869,561,754</u>	<u>540,662,873</u>	<u>543,129,154</u>	<u>9,383,951,820</u>
Segment revenues	50,616,858,430	19,052,135,593	25,575,165,615	55,423,858,549	150,668,018,187
Cost of sales and expenses excluding depreciation and amortization					
	(<u>27,357,969,647</u>)	(<u>13,926,615,339</u>)	(<u>20,192,198,403</u>)	(<u>40,193,894,605</u>)	(<u>101,670,677,994</u>)
	23,258,888,783	5,125,520,254	5,382,967,212	15,229,963,944	48,997,340,193
Depreciation and amortization	(3,467,925,032)	(3,438,789,892)	(2,699,707,554)	(1,547,143,708)	(11,153,566,186)
Finance cost and other charges	(<u>4,958,100,463</u>)	(<u>1,852,218,880</u>)	(<u>1,007,891,042</u>)	(<u>656,306,587</u>)	(<u>8,474,516,972</u>)
Profit before tax	14,832,863,288	(165,488,518)	1,675,368,616	13,026,513,649	29,369,257,035
Tax expense	(<u>564,917,329</u>)	(<u>33,572,786</u>)	(<u>839,581,930</u>)	(<u>2,746,817,808</u>)	(<u>4,184,889,853</u>)
SEGMENT PROFIT (LOSS)	<u>P 14,267,945,959</u>	<u>(P 199,061,304)</u>	<u>P 835,786,686</u>	<u>P 10,279,695,841</u>	<u>P 25,184,367,182</u>
SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 395,561,313,126	P 113,652,601,547	P 36,054,436,750	P 126,100,101,392	P 671,368,452,815
Segment liabilities	153,768,820,135	81,552,270,631	29,083,047,027	45,003,038,365	309,407,176,158
OTHER SEGMENT INFORMATION					
Share in net profit (loss) of associates and joint ventures	(176,548,383)	(19,847)	-	161,824,100	(14,744,130)
Interest income	1,940,725,166	19,958,194	43,191,682	85,581,808	2,089,456,850
Interest expense	1,915,870,863	1,884,329,596	1,010,566,223	764,622,658	5,575,389,340
Impairment reversal (losses) – net	-	(1,970,737,642)	182,933,013	-	(1,787,804,629)
Investment property and PPE acquisition	7,578,086,399	6,403,291,716	1,228,412,180	2,340,741,404	17,550,531,699

	2020				
	Megaworld	Travellers	GADC	Emperador	Total
REVENUES					
Sales to external customers	P 40,359,723,561	P 12,167,008,299	P 19,872,519,690	P 51,395,295,032	P 123,794,546,582
Intersegment sales	379,396,452	302,114,071	60,894,560	20,935,609	763,340,692
Finance and other income	<u>2,731,878,167</u>	<u>(176,954,741)</u>	<u>781,791,127</u>	<u>1,324,441,878</u>	<u>4,661,156,431</u>
Segment revenues	43,470,998,180	12,292,167,629	20,715,205,377	52,740,672,519	129,219,043,705
Cost of sales and expenses excluding depreciation and amortization					
	<u>(23,499,228,103)</u>	<u>(12,030,590,679)</u>	<u>(17,267,508,300)</u>	<u>(40,791,074,691)</u>	<u>(93,588,401,773)</u>
	19,971,770,077	261,576,950	3,447,697,077	11,949,597,828	35,630,641,932
Depreciation and amortization	<u>(3,104,661,233)</u>	<u>(3,415,318,051)</u>	<u>(2,871,924,719)</u>	<u>(1,567,325,817)</u>	<u>(10,959,229,820)</u>
Finance cost and other charges	<u>(2,902,210,084)</u>	<u>(2,122,927,402)</u>	<u>(1,203,893,047)</u>	<u>(513,380,443)</u>	<u>(6,742,410,976)</u>
Profit before tax	13,964,898,760	(5,276,668,503)	(628,120,689)	9,868,891,568	17,929,001,136
Tax expense	<u>(3,347,906,258)</u>	<u>(26,305,278)</u>	<u>145,292,878</u>	<u>(1,399,085,656)</u>	<u>(4,628,004,314)</u>
SEGMENT PROFIT (LOSS)	<u>P 10,616,992,502</u>	<u>(P 5,302,973,781)</u>	<u>(P 482,827,811)</u>	<u>P 8,469,805,912</u>	<u>P 13,300,996,822</u>
SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 374,893,702,823	P 116,426,830,157	P 34,826,330,051	P 117,650,258,379	P 643,797,121,410
Segment liabilities	148,742,486,482	84,390,957,849	29,262,553,333	52,427,534,132	314,823,531,796
OTHER SEGMENT INFORMATION					
Share in net profit (loss) of associates and joint ventures	(69,879,672)	(42,607)	-	185,108,059	115,185,780
Interest income	1,815,477,035	78,077,879	51,261,830	181,474,347	2,126,291,091
Interest expense	1,612,876,982	2,118,900,450	1,028,710,347	527,374,333	5,287,862,112
Impairment reversal (losses) – net	-	(132,628,909)	90,993,216	-	(41,635,693)
Investment property and PPE acquisition	7,162,324,039	8,896,976,635	742,674,846	818,549,748	17,620,525,268

4.5 Reconciliations

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues			
Total segment revenues	P 183,062,670,773	P 150,668,018,187	P 129,219,043,705
Unallocated corporate revenue	892,562,132	2,536,105,772	334,098,842
Elimination of intersegment revenues	(343,003,478)	(411,607,686)	(763,340,692)
Revenues and income as reported in consolidated comprehensive income	<u>P 183,612,229,427</u>	<u>P 152,792,516,273</u>	<u>P 128,789,801,855</u>
Profit or loss			
Segment profit	P 28,871,054,878	P 25,184,367,182	P 13,300,996,822
Unallocated corporate loss	(3,339,108,847)	(983,774,659)	(2,278,045,377)
Elimination of intersegment revenues	(343,003,478)	(411,607,686)	(763,340,692)
Profit as reported in consolidated comprehensive income	<u>P 25,188,942,553</u>	<u>P 23,788,984,837</u>	<u>P 10,259,610,753</u>
Assets			
Segment assets	P 709,254,240,308	P 671,368,452,815	P 643,797,121,410
Unallocated corporate assets	<u>38,765,910,309</u>	<u>32,591,492,659</u>	<u>24,695,663,757</u>
Total assets reported in the consolidated statements of financial position	<u>P 748,020,150,617</u>	<u>P 703,959,945,474</u>	<u>P 668,492,785,167</u>
Liabilities			
Segment liabilities	P 319,175,862,088	P 309,407,176,158	P 314,823,531,796
Unallocated corporate liabilities	<u>62,876,176,193</u>	<u>59,330,130,526</u>	<u>57,849,793,170</u>
Total liabilities reported in the consolidated statements of financial position	<u>P 382,052,038,281</u>	<u>P 368,737,306,684</u>	<u>P 372,673,324,966</u>

Concentration of revenue is considered when at least 10% of total segment revenue is generated from a single customer. There is no concentration of the Group's revenue in a single customer as the 10% threshold has not been met in any of the years presented.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

	<u>2022</u>	<u>2021</u>
Cash on hand and in banks	P 38,151,438,227	P 34,946,747,460
Short-term placements	<u>41,777,982,761</u>	<u>47,331,375,390</u>
	<u>P 79,929,420,988</u>	<u>P 82,278,122,850</u>

Cash in banks generally earn interest based on daily bank deposit rates [see Notes 27 and 32.1(b)].

Short-term placements are made for varying periods up to 63 days and earn effective interest per annum ranging from 0.1% to 5.8% in 2022, 0.03% to 4.5% in 2021, and 0.3% to 4.9% in 2020.

Interest income from Cash and Cash Equivalents is presented under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

The Group has restricted short-term placements and time deposits, which are shown under Other Current Assets account in the consolidated statements of financial position (see Note 9).

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of:

	Notes	2022	2021
Current:			
Trade receivables	18(q), 24.2	P 46,622,239,420	P 44,402,333,541
Advances to contractors and suppliers		20,341,652,581	18,475,110,817
Due from related parties	30.4, 30.5	6,706,248,461	4,485,757,784
Advances to condominium associations		942,457,297	609,826,161
Accrued interest receivable		200,476,960	116,987,049
Finance lease receivable		140,205,473	49,650,856
Note receivable		30,628,886	20,685,368
Loan receivable		26,086,957	26,086,957
Receivable from sale of land	30.10	-	378,391,250
Others		4,757,913,126	5,480,806,320
		79,767,909,161	74,045,636,103
Allowance for impairment	32.2	(1,386,668,076)	(1,386,328,339)
		<u>78,381,241,085</u>	<u>72,659,307,764</u>
Non-current:			
Trade receivables	18(q), 24.2	16,458,968,156	7,879,307,774
Advances to contractors and suppliers		3,923,853,195	4,466,629,924
Finance lease receivable		408,618,895	523,254,133
Receivable from employees		120,453,977	115,288,876
Loans receivable		6,521,722	32,608,678
Others		1,124,696,649	1,044,211,411
		22,043,112,594	14,061,300,796
Allowance for impairment	32.2	(12,224,936)	(12,224,936)
		<u>22,030,887,658</u>	<u>14,049,075,860</u>
		<u>P 100,412,128,743</u>	<u>P 86,708,383,624</u>

Trade receivables are noninterest-bearing. Most trade receivables, particularly those relating to real estate sales, are covered by post-dated checks.

The Group obtains various loans through assignment of trade receivables. The assigned receivables have an average term between 10 to 15 years and bear interests between 10% to 15%. The carrying value of assigned receivables amounting to P0.9 billion and P1.4 billion as of December 31, 2022 and 2021, respectively, is equal to the outstanding balance of the loans [see Note 18(q)]. None of the assigned receivables were found to be impaired.

The installment period of real estate sales contracts averages from one to fifteen years. Noninterest-bearing trade receivables with maturity of more than one year after the end of the reporting period are remeasured at amortized cost using the effective interest rate of similar financial instruments. The fair values of noninterest-bearing contracts are determined by calculating the present value of the cash inflows anticipated to be received until the end of the contract term using the effective interest rate. This resulted in the recognition of day one loss amounting to P543.3 million, P483.3 million and P269.8 million in 2022, 2021 and 2020, respectively, which is presented under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). Interest income from unwinding the day one losses on noninterest-bearing receivables amounted to P799.0 million, P641.6 million and P408.3 million in 2022, 2021 and 2020, respectively. These amounts are presented as part of Interest income under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

Advances to contractors and suppliers pertain to noninterest-bearing and unsecured advances or downpayments to the Group's contractors and suppliers as initial payment or mobilization funds for services to be rendered and goods to be delivered to the Group. These are reduced proportionately upon receipt of progress billings from said suppliers. The current portion relates to purchases of inventories while the non-current portion relates to the construction of property, plant and equipment and investment properties.

Current note receivable pertains mainly to a three-year unsecured interest-bearing advances granted by Travellers in prior years to a certain third party.

Due from related parties pertain to noninterest-bearing, unsecured and immediately demandable advances, settlement of which is generally made in cash (see Notes 30.4 and 30.5).

Receivable from employees pertain to advances made to employees which are generally settled in cash or through deductions from employees' salary or employees' liquidation of business-related expenses.

Other current receivables include, among others, non-trade receivables from tenants and advances to raw landowners.

All of the Group's trade and other receivables have been assessed for impairment using the ECL model required under PFRS 9 [see Notes 32.2 and 2.4(c)]. Certain past due accounts from real estate sales are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer as the titles to the real estate properties remain with the Group until the receivables are fully collected; hence there is no loss given default in case of non-payment (see Note 32.2).

A reconciliation of the allowance for impairment at the beginning and end of the reporting periods is shown below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Balance at beginning of year		P 1,398,553,275	P 1,418,013,870
Impairment losses during the year	26	37,657,409	70,025,018
Reversal of impairment previously recognized	27	(35,684,766)	(95,700,853)
Translation adjustment		(1,570,571)	7,196,807
Write-off of trade receivables previously provided with allowance		(62,335)	(981,567)
Balance at end of year		<u>P 1,398,893,012</u>	<u>P 1,398,553,275</u>

Impairment losses are presented under Other Operating Expenses account (see Note 26), while the reversal of impairment, which pertains to recovery of receivables previously provided with allowance, is presented as Reversal of impairment losses on receivables under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

All trade receivables are subject to credit risk exposure (see Note 32.2). However, the Group does not identify specific concentrations of credit risk with regard to trade and other receivables as the amounts recognized consist of a large number of receivables from various customers.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of local and foreign investments, held for trading, as follows:

	<u>2022</u>	<u>2021</u>
Marketable debt securities	P 10,015,227,600	P 9,130,210,667
Quoted equity securities	4,817,133,925	4,379,228,173
Derivative financial assets	<u>129,918,974</u>	<u>3,294,192</u>
	<u>P 14,962,280,499</u>	<u>P 13,512,733,032</u>

Marketable debt securities, which bear interest ranging from 4.3% to 6.7%, 4.3% to 7.7% and 4.3% to 7.5% per annum as of December 31, 2022, 2021 and 2020, respectively, are measured at their fair values determined directly by reference to published prices quoted in an active market. The net changes in fair values of these financial assets are presented as part of Fair value gains under Finance and Other Income account or Fair value losses under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). Interest income is shown as part of Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

Derivative financial assets arise from the Group's foreign exchange forward and cross-currency swap contracts.

The Group's forward contracts are usually one month to one year. Changes in foreign currency value arising from such forward contracts are taken up in profit or loss and are recorded either as part of Fair value gains under Finance and Other Income account or Fair value losses under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). As of December 31, 2022 and 2021, the hedging instrument related to forward contracts has a negative fair value of P140.9 million and positive fair value of P3.3 million, respectively.

In 2020, GADC entered into a cross-currency swap arrangement with a local bank. The terms of the agreement provide for the repayment of the principal and interest to be made in fixed peso amounts [see Note 18(gg)]. The instrument has a positive fair value of P73.4 million as of December 31, 2022 and a negative fair value of P4.0 million as of December 31, 2021. The changes in fair value resulted in unrealized loss of P68.1 million, P52.5 million and P91.0 million in 2022, 2021 and 2020, respectively, presented as part of Miscellaneous under the Other Operating Expenses account (see Note 26).

Megaworld also entered into cross-currency swap arrangements in 2017 and 2019 designated as cash flow hedge (see Note 2.5). Under the cross currency swap agreement in 2017, Megaworld would receive a total of \$98.87 million to be paid on a quarterly basis beginning March 2019 up to December 2022 plus interest based on 3-month LIBOR plus a certain spread. In exchange, Megaworld would make fixed quarterly payments in Philippine pesos plus a fixed interest of 4.91%. In the other cross currency swap agreement in 2019, Megaworld will receive \$95.62 million to be paid on a quarterly basis beginning December 2020 up to September 2024 plus interest based on three-month LIBOR plus a certain spread. Megaworld shall make fixed quarterly payments in Philippine pesos plus a fixed interest of 4.82%.

Megaworld has designated the cross currency swap as a hedging instrument to hedge the risk in changes in cash flows of its loan denominated in U.S. dollar as an effect of changes in foreign currency exchange rates and interest rates [see Note 18(g) and (i)]. The hedging instruments have a positive fair value of P197.4 million as of December 31, 2022 and a negative fair value of P147.8 million as of December 31, 2021. The Group recognized unrealized gain on cash flow hedges amounting to P91.1 million and P199.7 million in 2022 and 2021, respectively, and unrealized loss on cash flow hedges amounting to P144.7 million in 2020. These are presented under items that will be reclassified subsequently to consolidated profit or loss as part of other comprehensive income in the consolidated statements of comprehensive income.

As of December 31, 2022 and 2021, the Group has assessed that the cross currency swaps designated as cash flow hedges will continue to be highly effective over the term of the agreement; hence, the Group used hedge accounting on the hedging relationship of its cross currency swaps and on its interest-bearing loans [see Note 3.2 (g)].

The negative fair value of the financial instruments in 2021 is presented under Other Current Liabilities in the 2021 consolidated statement of financial position (see Note 21).

8. INVENTORIES

The details of inventories are shown below [see Notes 2.6, 2.7, 3.1(g) and 3.2(c)].

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
At cost:			
Real estate for sale		P 99,256,713,141	P 87,369,037,909
Raw land inventory		11,823,319,249	12,718,498,816
Property development costs		9,509,115,059	12,770,169,977
Golf and resort shares for sale		<u>2,983,103,368</u>	<u>2,973,987,068</u>
		<u>123,572,250,817</u>	<u>115,831,693,770</u>
At net realizable value:			
Work-in-process goods		25,603,632,966	24,225,660,909
Finished goods	18(dd)	7,308,357,489	6,070,587,781
Food, supplies and other consumables		6,949,228,809	4,228,753,586
Raw materials		<u>5,359,004,122</u>	<u>3,016,276,952</u>
		45,220,223,386	37,541,279,228
Allowance for inventory write-down	2.6	(<u>607,771,046</u>)	(<u>525,557,828</u>)
		<u>44,612,452,340</u>	<u>37,015,721,400</u>
		<u>P 168,184,703,157</u>	<u>P 152,847,415,170</u>

Real estate for sale pertains to the accumulated costs incurred in developing residential houses, lots and condominium units for sale which refer to the Group's horizontal and condominium projects and certain integrated tourism projects. Total cost includes capitalized borrowing costs amounting to P727.2 million and P655.0 million in 2022 and 2021, respectively (see Note 18). The amount capitalized was determined using a capitalization rate of 3.11%, 3.01% and 4.25% in 2022, 2021, and 2020, respectively.

Certain real estate for sale are subject to negative pledge on certain loans obtained by the Group [see Note 18(dd)].

Property development costs pertain to accumulated costs incurred for properties undergoing development. The relative cost of a unit sold under development is charged to cost of sales in the same manner as revenue is recognized. The relative costs of units completed prior to sale are reclassified to Real estate for sale.

Raw land inventory pertains to properties which the Group intends to develop into residential properties to be held for sale.

Golf and resort shares for sale comprise of proprietary or membership shares (landowner resort shares and founders shares) that are of various types and costs. The cost of the landowner resort shares is based on the acquisition and development costs of the land and the project. The cost of the founders shares is based on the par value of the resort shares which is P100.0 per share.

Work-in-process goods pertain mainly to substantial inventory of aged whisky stocks in Scotland which mature over periods of up to 60 years. These maturing whisky stock inventory amounted to P21.1 billion and P19.7 billion as of December 31, 2022 and 2021, respectively, which included capitalized depreciation costs (see Note 13).

Food, supplies and other consumables include paper and packaging, promotional materials, membership program items, operating supplies, spare parts, fuel and lubricants.

A reconciliation of the allowance for inventory write-down at the beginning and end of the reporting periods is shown below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Balance at beginning of year		P 525,557,828	P 364,805,879
Additional losses during the year	25, 26	82,268,265	160,751,949
Reversal of write-down	27	(55,047)	-
Balance at end of year		<u>P 607,771,046</u>	<u>P 525,557,828</u>

The additional losses were recognized to reduce the carrying values of inventories in 2022 and 2021. These are shown as part of Other direct and overhead costs under Cost of Goods Sold account (see Note 25) while the losses pertaining to promotional supplies are shown as Write-down of inventories under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). The reversals of write-down are shown as part of Miscellaneous under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

In 2022, the certain inventories amounting to P162.5 million were impaired, and presented as Write-down of inventories under Other Operating Expenses account in the 2022 consolidated statement of comprehensive income (see Note 26). No similar transaction in 2021 and 2020.

9. OTHER ASSETS

The composition of this account is shown below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Current:			
Input VAT		P 6,536,300,500	P 6,404,826,959
Prepayments		4,957,726,190	3,463,843,555
Restricted short-term placements	5, 31.2(a)	2,632,933,283	2,961,842,891
Creditable withholding taxes		2,045,669,232	2,752,214,334
Deferred commission	24.3	1,962,421,561	1,552,396,393
Office supplies		154,702,644	171,417,014
Time deposits	5	125,693,932	124,806,266
Refundable deposits		87,168,226	184,826,265
Others		<u>647,791,133</u>	<u>533,191,931</u>
		<u>19,150,406,701</u>	<u>18,149,365,608</u>
Non-current :			
Advances for future investment	31.2(a)	2,714,748,353	2,126,513,059
Refundable deposits		1,883,641,015	1,740,902,199
Deferred commission	24.3	1,034,827,696	2,022,525,348
Advance payments for assets acquisition		244,158,114	66,462,757
Claims for tax refund		49,954,694	49,954,694
Deferred input VAT		42,442,867	69,900,392
Property mortgage receivable	13.2, 13.3	-	646,636,072
Others		<u>606,529,351</u>	<u>585,996,081</u>
		<u>6,576,302,090</u>	<u>7,308,890,602</u>
		<u>P 25,726,708,791</u>	<u>P 25,458,256,210</u>

Restricted short-term placements [see Note 31.2(a)] are made for varying periods ranging from 30 to 90 days in 2022 and 2021, and earn effective interest of 0.3% to 1.4% per annum in both 2022 and 2021, and 0.3% to 0.4% per annum in 2020 (see Note 27).

Time deposits pertain to placements with maturity of 360 days, which earn an effective interest of 0.7% in 2022, 0.9% in 2021, and 1.9% in 2020.

Interest income from Restricted short-term placements and Time deposits are presented as part of Interest income under Finance and Other Income in the consolidated statements of comprehensive income (see Note 27).

Prepayments include prepaid taxes, insurance, rentals and advertising, which are expected to be realized in the next reporting period.

Advances for future investment pertain to the advances made by the Group to Philippine Amusement and Gaming Corporation (“PAGCOR”) starting 2014 in connection with the development of Site A. In 2022 and 2021, the Group made additional payments to PAGCOR amounting to P588.2 million in each year to fulfill the future investment [see Note 31.2(a)]. In 2020, the Group received parcels of land with a fair value of P1,782.9 million. As consideration for the transfers, the advances for future investment were reduced by the value of the land received.

The advance payment for assets acquisition represents the deposits made for future purchase of machinery and equipment. Amounts reclassified to property and equipment amounted to P44.5 million and P113.2 million in 2022 and 2021, respectively.

In 2022, the property mortgage receivable was reversed upon the Group’s acquisition of the subject property, which was classified as part of Buildings and leasehold improvements under Property, Plant and Equipment in the 2022 consolidated statement of financial position. The related right-of-use assets and lease liabilities were also derecognized. The resulting gain on lease termination is presented as part of Miscellaneous – net under Finance and Other Income in the 2022 consolidated statement of comprehensive income (see Notes 13.2, 13.3 and 27).

Current others include payroll funds and food and beverage supplies while non-current others include prepaid rentals, prepayment of condominium units, various security and other deposits.

10. ADVANCES TO/FROM LANDOWNERS AND JOINT OPERATORS

10.1 Advances to Landowners and Joint Operators

The Group enters into numerous joint arrangements for the joint development of various real estate projects. The joint operation agreements stipulate that the Group’s joint operator shall contribute parcels of land while the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of residential and condominium units to be constructed on the properties. In addition, there were no separate entities created by these joint arrangements. Costs incurred by the Group on these projects are recorded under the Inventories account in the consolidated statements of financial position (see Notes 2.7 and 8).

The Group also grants noninterest-bearing, secured cash advances to a number of landowners and joint operators under agreements they entered into with the landowners covering the development of certain parcels of land. Under the terms of the arrangements, the Group, in addition to providing specified portion of total project development costs, also commits to advance mutually agreed-upon amounts to the landowners to be used for pre-development expenses such as the relocation of existing occupants.

The total amount of advances made by the Group less amounts liquidated is presented as Advances to Landowners and Joint Operators account in the consolidated statements of financial position.

As of December 31, 2022 and 2021, management has assessed that the advances to joint ventures are fully recoverable. Further, there has been no outstanding commitment for cash advances under the joint agreements.

The net commitment for construction expenditures amounts to:

	<u>2022</u>	<u>2021</u>
Total commitment for construction expenditures	P 54,990,686,120	P 43,260,563,281
Total expenditures incurred	(36,794,191,122)	(28,723,107,507)
Net commitment	<u>P 18,196,494,998</u>	<u>P14,537,455,774</u>

The Group's interests in jointly-controlled operations and projects range from 57% to 90% in both 2022 and 2021. The listing of the Group's jointly-controlled projects are as follows:

Megaworld:

- McKinley West
- Manhattan Garden City
- Uptown Bonifacio
- Northhill Gateway
- The Maple Grove
- Vion Tower
- Arden Botanical
- Arden West Park

GERI:

- Alabang West
- Caliraya Spring
- Forest Hills
- Kingsborough
- Monte Cielo de Peñafrancia
- Mountain Meadows
- Pahara at Southwoods
- Sta. Barbara Heights Phase 2 & 3
- Holland Park
- Sta. Barbara Heights Shophouse District

EELHI:

- Pioneer Woodlands
- San Lorenzo Place
- Various Metro Manila and Calabarzon Projects

SPI:

- Capitol Plaza
- Governor's Hills
- Mandara
- Sta. Rosa Heights
- Sta. Rosa Hills
- Sentosa
- Asmara
- 88 Gibraltar
- One Lakeshore
- Two Lakeshore
- Riva Bella
- Solana
- Genti Heights
- Fountain Grove
- Palm City
- The Mist Residence

The aggregate amounts of the current assets, long-term assets, current liabilities, long-term liabilities as of December 31, 2022 and 2021, and income and expenses for each of the three years in the period ended December 31, 2022 related to the Group's interests in joint arrangements are not presented or disclosed in the consolidated financial statements as the joint arrangements in which the Group is involved are not joint operations (see Note 2.2).

As of December 31, 2022 and 2021, the Group either has no other contingent liabilities with regard to these joint operations or has assessed that the probability of loss that may arise from contingent liabilities is remote.

10.2 Advances from Joint Operators

This account represents the share of joint venture partners in the proceeds from the sale of certain projects in accordance with various joint arrangements entered into by the Group.

The advances from golf share partners and lot owners recognized in 2022 and 2021 amounted to P348.0 million and P333.2 million, respectively, is presented as part of Advances from Other Related Parties account in the consolidated statements of financial position (see Note 30.6).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of December 31, 2022 and 2021, financial assets at FVOCI [see Note 2.4(a)(ii)], which pertain to equity securities, are comprised of the following:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Quoted		P 230,169,075	P 54,700,815
Unquoted		<u>112,674,776</u>	<u>366,169,674</u>
	34.2	<u>P 342,843,851</u>	<u>P 420,870,489</u>

The reconciliation of the carrying amounts of these financial assets are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 420,870,489	P 396,914,433
Fair value gain (loss)	(77,741,121)	23,956,056
Disposals	(73,500,000)	-
Additions and translation adjustments	<u>73,214,483</u>	<u>-</u>
Balance at end of year	<u>P 342,843,851</u>	<u>P 420,870,489</u>

Quoted equity securities consist of listed local shares of stock and various proprietary club shares which are denominated in Philippine pesos. Golf club shares are proprietary membership shares of Travellers from certain golf clubs. Unquoted equity securities pertain to investments in shares of stock of local, privately-held companies.

The fair values of the quoted financial assets have been determined by reference to published prices in an active market. The fair value of unquoted equity securities were determined through valuation techniques (see Note 34.2). The changes in the fair value amounted to P77.7 million loss and P24.0 million gain in 2022 and 2021, respectively, and are presented as Net Unrealized Fair Value Gain (Loss) on Financial Assets at FVOCI in the consolidated statements of comprehensive income.

In 2014, the Group entered into a subscription agreement with a certain company whereby the Group agreed to pay up the amount of P73.5 million. Such amount was recognized as financial asset at FVOCI in the Group's consolidated statements of financial position. In 2022, the Group agreed to rescind the subscription agreement and the paid-up amount was returned to the company.

In 2020, investment in equity securities with a total cost of P2.0 million were sold at cost to The Andresons Group, Inc. ("TAGI"), a stockholder of the Group (see Note 30).

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

12.1 Breakdown of Carrying Values

The details of investments in associates and interest in joint ventures, which are carried at equity method, are presented below and in the succeeding page.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Investments of Megaworld in Associates:			
Acquisition costs:			
SUN	12.2	P 2,619,800,008	P 2,619,800,008
NPI		734,396,528	734,396,528
BWDC		199,212,026	199,212,026
PTHDC		<u>64,665,000</u>	<u>64,665,000</u>
		<u>3,618,073,562</u>	<u>3,618,073,562</u>
Accumulated share in net losses:			
Balance at beginning of year		(563,431,938)	(386,883,555)
Share in net losses for the year		(155,429,591)	(176,548,383)
Balance at end of year		(718,861,529)	(563,431,938)
Accumulated equity in other comprehensive income:			
Balance at beginning of year		69,120,911	48,194,714
Share in other comprehensive income of associate		<u>6,138,277</u>	<u>20,926,197</u>
Balance at end of year		<u>75,259,188</u>	<u>69,120,911</u>
Accumulated impact of changes in ownership interest			
		<u>163,711,981</u>	<u>163,711,981</u>
		<u>3,138,183,202</u>	<u>3,287,474,516</u>
<i>Balance carried forward</i>		<u>P 3,138,183,202</u>	<u>P 3,287,474,516</u>

	<u>2022</u>	<u>2021</u>
<i>Balance brought forward</i>	<u>P 3,138,183,202</u>	<u>P 3,287,474,516</u>
Investment of EMI in BLC,		
a joint venture – acquisition cost	12.3 <u>2,845,367,065</u>	<u>2,845,367,065</u>
Accumulated share in net profits:		
Balance at beginning of year	610,319,466	448,495,366
Share in net profits for the year	113,970,450	161,824,100
Dividend received during the year	<u>(290,001,250)</u>	<u>-</u>
Balance at end of year	<u>434,288,666</u>	<u>610,319,466</u>
Translation adjustments	<u>15,388</u>	<u>26,958,086</u>
	<u>3,279,671,119</u>	<u>3,482,644,617</u>
Investment of Travellers in FRTMI,		
a joint venture – acquisition cost	<u>10,000,000</u>	<u>10,000,000</u>
Accumulated share in net losses:		
Balance at beginning of year	<u>(888,685)</u>	<u>(868,838)</u>
Share in net losses for the year	<u>(19,791)</u>	<u>(19,847)</u>
Balance at end of year	<u>(908,476)</u>	<u>(888,685)</u>
	<u>9,091,524</u>	<u>9,111,315</u>
Investment of FCI in FPARI,		
an associate – acquisition cost	<u>14,700,000</u>	<u>14,700,000</u>
	<u>P 6,441,645,845</u>	<u>P 6,793,930,448</u>

The total share in net loss amounts to P41.5 million and P14.7 million for the years ended December 31, 2022 and 2021, respectively. These amounts are shown as Share in Net Losses of Associates and Joint Ventures – Net account in the consolidated statements of comprehensive income.

Management assessed that the recognition of impairment loss on investments in associates and joint ventures in 2022, 2021 and 2020 is not necessary.

12.2 SUN

SUN is engaged in tourism-related businesses including development, construction, operation and management of casino and related businesses. The shares of stock of SUN are listed in the PSE which closed at P0.99 and P1.12 per share as of December 31, 2022 and 2021, respectively.

In December 2019, Megaworld subscribed to 2,177.0 million shares from SUN at 1.00 par value. The unpaid portion of subscription is presented as Subscription payable under Other Current Liabilities account in the consolidated statements of financial position (see Note 21).

12.3 BLC

BLC is a foreign joint venture under GES and operating under the laws of Spain. Its primary business consists of the planting and growing of wine grapes and the exploitation of vineyards, the production, ageing and preparation of wines and vinegars; the production of alcohol; the production, preparation and ageing of brandy, aguardientes, compounds, liquors and in general, all kinds of spirits.

12.4 Summarized Financial Information

The aggregated amounts of assets, liabilities, revenues and net profit (loss) of the individually material associates are as follows as of and for the years ended December 31, 2022 and 2021 (in thousands):

	<u>Current Assets</u>	<u>Non-current Assets</u>	<u>Current Liabilities</u>	<u>Non-current Liabilities</u>	<u>Revenues</u>	<u>Net Profit (Loss)</u>	<u>Other Comprehensive Income</u>
2022:							
SUN	P 2,398,121	P 29,009,662	P 1,205,653	P 21,687,136	P 13	(P 557,053)	P 24,072
NPI	255,482	5,411,009	1,317,012	-	-	-	-
BWDC	1,164,689	1,561,089	882,401	49,000	150,838	73,823	-
PTHDC	<u>1,134,973</u>	<u>108</u>	<u>1,010,203</u>	<u>-</u>	<u>6</u>	<u>(179)</u>	<u>-</u>
	<u>P 4,953,265</u>	<u>P 35,981,868</u>	<u>P 4,415,269</u>	<u>P 21,736,136</u>	<u>P 150,857</u>	<u>(P 483,409)</u>	<u>P 24,072</u>
2021:							
SUN	P 6,828,836	P 23,851,492	P 7,459,885	P 15,336,700	P 359	(P 504,878)	P 61,548
NPI	255,482	5,411,009	1,317,012	-	-	-	-
BWDC	941,814	1,664,190	882,306	31,660	75,876	(10,381)	-
PTHDC	<u>1,134,959</u>	<u>146</u>	<u>1,010,048</u>	<u>-</u>	<u>1</u>	<u>(258)</u>	<u>-</u>
	<u>P 9,161,091</u>	<u>P 30,926,837</u>	<u>P 10,669,251</u>	<u>P 15,368,360</u>	<u>P 76,236</u>	<u>(P 515,517)</u>	<u>P 61,548</u>
2020:							
SUN	P 5,934,436	P 16,559,530	P 350,879	P 13,816,021	P 15,197	(P 211,545)	P 4,337
NPI	260,528	5,411,009	1,317,006	-	-	-	-
BWDC	739,779	1,878,640	873,746	41,797	66,587	5,048	-
PTHDC	<u>1,134,948</u>	<u>277</u>	<u>1,009,910</u>	<u>-</u>	<u>5</u>	<u>(705)</u>	<u>-</u>
	<u>P 8,069,691</u>	<u>P 23,849,456</u>	<u>P 3,551,541</u>	<u>P 13,857,818</u>	<u>P 81,879</u>	<u>(P 207,202)</u>	<u>P 4,337</u>

A reconciliation of the above summarized financial information to the carrying amount of the investment in associates are shown below and in the succeeding page:

	<u>SUN</u>	<u>NPI</u>	<u>BWDC</u>	<u>PTHDC</u>
December 31, 2022				
Net assets	P8,514,993,778	P4,349,479,217	P1,794,376,782	P 124,878,115
Subscription receivable	1,387,499,990	-	-	-
Convertible bonds	<u>(4,592,867,070)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	5,309,626,698	4,349,479,217	1,794,376,782	124,878,115
Proportion of ownership interest by the Group	<u>34%</u>	<u>12%</u>	<u>46%</u>	<u>40%</u>
Ownership share of the Group in the net assets	1,805,273,077	501,060,006	827,387,134	49,951,246
Nominal goodwill	-	122,513,422	-	-
Valuation adjustments	<u>(220,616,505)</u>	<u>104,796,452</u>	<u>(69,412,862)</u>	<u>17,231,232</u>
Carrying amount of investment	<u>P1,584,656,572</u>	<u>P 728,369,880</u>	<u>P 757,974,272</u>	<u>P 67,182,478</u>

	<u>SUN</u>	<u>NPI</u>	<u>BWDC</u>	<u>PTHDC</u>
December 31, 2021				
Net assets	P7,883,742,164	P4,349,479,217	P1,692,037,903	P 125,056,995
Subscription receivable	1,387,499,990	-	-	-
Convertible bonds	(4,592,867,070)	-	-	-
	<u>4,678,375,084</u>	<u>4,349,479,217</u>	<u>1,692,037,903</u>	<u>125,056,995</u>
Proportion of ownership interest by the Group	<u>34%</u>	<u>14%</u>	<u>46%</u>	<u>40%</u>
Ownership share of the Group in the net assets	1,590,647,529	608,927,090	778,337,435	50,022,798
Nominal goodwill	-	122,513,422	-	-
Valuation adjustments	<u>177,268,629</u>	<u>(3,070,632)</u>	<u>(54,402,987)</u>	<u>17,231,232</u>
Carrying amount of investment	<u>P1,767,916,158</u>	<u>P 728,369,880</u>	<u>P 723,934,448</u>	<u>P 67,254,030</u>

The summarized financial information of BLC, a joint venture, as of December 31, 2022 and 2021 and for the years then ended are presented below (in thousands).

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	P 559,940	P 461,439
Trade and other receivables	<u>765,039</u>	<u>1,287,888</u>
Financial assets	<u>P 1,324,979</u>	<u>P 1,749,327</u>
Current assets	P 2,068,571	P 2,378,824
Non-current assets	<u>1,952,519</u>	<u>1,997,584</u>
Total assets	<u>P 4,021,090</u>	<u>P 4,376,408</u>
Current liabilities	P 835,549	P 743,236
Non-current liabilities	<u>2,992</u>	<u>3,072</u>
Total liabilities	<u>P 838,541</u>	<u>P 746,308</u>
Current financial liabilities (excluding trade and other payables and provisions)	P 465,465	P 427,987
Non-current financial liabilities	<u>2,992</u>	<u>3,072</u>
Total financial liabilities	<u>P 468,457</u>	<u>P 431,059</u>
Revenues	<u>P 3,357,931</u>	<u>P 2,772,067</u>
Depreciation and amortization	<u>P 64,193</u>	<u>P 78,583</u>
Net profit for the year	<u>P 227,941</u>	<u>P 323,648</u>

A reconciliation of the above summarized financial information to the carrying amount of the investment in BLC is shown below (in thousands):

	<u>2022</u>	<u>2021</u>
Net assets of BLC	P 3,182,549	P 3,630,100
Proportion of ownership interest by the Group	<u>50.0%</u>	<u>50.0%</u>
Ownership share of the Group in net assets of BLC	1,591,275	1,815,050
Fair value and translation adjustments	<u>1,688,396</u>	<u>1,667,595</u>
Carrying amount of investment	<u>P 3,279,671</u>	<u>P 3,482,645</u>

13. PROPERTY, PLANT AND EQUIPMENT

The carrying amount of this account is composed of the following:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Property, plant and equipment	13.1	P 134,474,884,361	P 128,705,231,303
Right-of-use assets	13.2	<u>13,983,484,608</u>	<u>13,198,798,235</u>
		<u>P 148,458,368,969</u>	<u>P 141,904,029,538</u>

13.1 Carrying Values of Property, Plant and Equipment

The gross carrying amounts and accumulated depreciation, amortization and impairment of property, plant and equipment at the beginning and end of the reporting periods are shown below [see Notes 2.9, 3.1(g) and 3.2(h)(i)].

	<u>Land and Land Improvements</u>	<u>Buildings and Leasehold Improvements</u>	<u>Machinery and Equipment</u>	<u>Transportation Equipment</u>	<u>Condominium Units, Fixtures and Other Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2022							
Cost	P 14,261,243,959	P 99,675,846,219	P 36,705,401,576	P 1,774,322,593	P 20,131,266,365	P 22,256,497,166	P 194,804,577,878
Accumulated depreciation, amortization and impairment	(<u>436,248,040</u>)	(<u>24,543,212,095</u>)	(<u>22,521,795,514</u>)	(<u>1,394,381,908</u>)	(<u>11,434,055,960</u>)	-	(<u>60,329,693,517</u>)
Net carrying amount	<u>P 13,824,995,919</u>	<u>P 75,132,634,124</u>	<u>P 14,183,606,062</u>	<u>P 379,940,685</u>	<u>P 8,697,210,405</u>	<u>P 22,256,497,166</u>	<u>P 134,474,884,361</u>
December 31, 2021							
Cost	P 14,169,237,074	P 76,212,514,732	P 33,678,749,064	P 1,567,427,889	P 18,563,315,791	P 38,212,194,459	P 182,403,439,009
Accumulated depreciation, amortization and impairment	(<u>386,246,896</u>)	(<u>21,843,620,413</u>)	(<u>19,843,299,123</u>)	(<u>1,281,890,731</u>)	(<u>10,342,995,023</u>)	(<u>155,520</u>)	(<u>53,698,207,706</u>)
Net carrying amount	<u>P 13,782,990,178</u>	<u>P 54,368,894,319</u>	<u>P 13,835,449,941</u>	<u>P 285,537,158</u>	<u>P 8,220,320,768</u>	<u>P 38,212,038,939</u>	<u>P 128,705,231,303</u>
January 1, 2021							
Cost	P 13,412,006,314	P 71,225,207,852	P 32,122,388,427	P 1,621,260,671	P 17,601,149,500	P 35,699,233,434	P 171,711,246,198
Accumulated depreciation, amortization and impairment	(<u>334,917,463</u>)	(<u>17,370,224,979</u>)	(<u>17,354,334,868</u>)	(<u>1,200,734,773</u>)	(<u>8,851,898,377</u>)	-	(<u>45,112,110,460</u>)
Net carrying amount	<u>P 13,077,088,851</u>	<u>P 53,884,982,873</u>	<u>P 14,768,053,559</u>	<u>P 420,525,898</u>	<u>P 8,749,251,123</u>	<u>P 35,699,233,434</u>	<u>P 126,599,135,738</u>

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

	<u>Land and Land Improvements</u>	<u>Buildings and Leasehold Improvements</u>	<u>Machinery and Equipment</u>	<u>Transportation Equipment</u>	<u>Condominium Units, Fixtures and Other Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2022, net of accumulated depreciation amortization and impairment	P 13,782,990,178	P 54,368,894,319	P 13,835,449,941	P 285,537,158	P 8,220,320,768	P 38,212,038,939	P 128,705,231,303
Transfer from investment property	-	-	-	-	503,072,024	-	503,072,024
Additions	93,007,372	2,761,314,769	3,082,444,077	244,814,958	829,825,898	6,429,422,855	13,440,829,929
Disposals – net	(1,000,487)	(404,840,115)	(404,259,075)	(13,756,150)	(21,207,169)	(872,457)	(845,935,453)
Reclassifications – net	8,096	21,847,131,059	160,008,389	-	377,100,147	(22,384,247,691)	-
Impairment reversal (loss)	-	74,651,432	(95,818)	-	-	-	74,555,614
Depreciation and amortization charges for the year	(50,009,240)	(3,514,517,340)	(2,489,941,452)	(136,655,281)	(1,211,901,263)	155,520	(7,402,869,056)
Balance at December 31, 2022, net of accumulated depreciation, amortization and impairment	<u>P 13,824,995,919</u>	<u>P 75,132,634,124</u>	<u>P 14,183,606,062</u>	<u>P 379,940,685</u>	<u>P 8,697,210,405</u>	<u>P 22,256,497,166</u>	<u>P 134,474,884,361</u>
Balance at January 1, 2021, net of accumulated depreciation amortization and impairment	P 13,077,088,851	P 53,884,982,873	P 14,768,053,559	P 420,525,898	P 8,749,251,123	P 35,699,233,434	P 126,599,135,738
Transfer from investment property	400,470	-	-	-	-	-	400,470
Additions	756,830,290	4,104,776,929	1,327,130,000	48,154,435	1,014,083,242	3,905,283,010	11,156,257,906
Disposals – net	-	(80,741,241)	(50,437,605)	(26,338,983)	(6,748,408)	(17,113,548)	(181,379,785)
Reclassifications – net	-	1,363,953,037	11,021,850	-	233,550	(1,375,208,437)	-
Derecognition	-	-	-	-	(47,388,166)	-	(47,388,166)
Impairment reversal (loss)	-	(1,887,010,523)	418,080	-	-	-	(1,886,592,443)
Depreciation and amortization charges for the year	(51,329,433)	(3,017,066,756)	(2,220,735,943)	(156,804,192)	(1,489,110,573)	(155,520)	(6,935,202,417)
Balance at December 31, 2021, net of accumulated depreciation, amortization and impairment	<u>P 13,782,990,178</u>	<u>P 54,368,894,319</u>	<u>P 13,835,449,941</u>	<u>P 285,537,158</u>	<u>P 8,220,320,768</u>	<u>P 38,212,038,939</u>	<u>P 128,705,231,303</u>

	<u>Land and Land Improvements</u>	<u>Buildings and Leasehold Improvements</u>	<u>Machinery and Equipment</u>	<u>Transportation Equipment</u>	<u>Condominium Units, Fixtures and Other Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2020, net of accumulated depreciation, amortization and impairment,	P 13,864,127,919	P 54,556,635,615	P 16,265,180,306	P 599,358,098	P 9,051,867,490	P 29,335,143,553	P 123,672,312,981
Transfer from investment property	-	-	-	-	169,332,500	-	169,332,500
Additions	107,808,533	745,080,350	958,244,449	48,079,766	948,094,877	8,075,319,836	10,882,627,811
Disposals – net	-	(94,951,243)	(129,061,453)	(23,377,041)	(16,946,473)	(33,083,287)	(297,419,497)
Transfer to non-current asset classified as held for sale (see Note 16)	(848,888,010)	(112,852,585)	-	-	-	-	(961,740,595)
Reclassifications – net	-	1,575,261,731	64,202,409	-	(7,031,438)	(1,678,146,668)	(45,713,966)
Impairment reversal (loss)	-	163,413,461	(78,925,153)	-	-	-	84,488,308
Depreciation and amortization charges for the year	(<u>45,959,591</u>)	(<u>2,947,604,456</u>)	(<u>2,311,586,999</u>)	(<u>203,534,925</u>)	(<u>1,396,065,833</u>)	-	(<u>6,904,751,804</u>)
Balance at December 31, 2020, net of accumulated depreciation, amortization and impairment	<u>P 13,077,088,851</u>	<u>P 53,884,982,873</u>	<u>P 14,768,053,559</u>	<u>P 420,525,898</u>	<u>P 8,749,251,123</u>	<u>P 35,699,233,434</u>	<u>P 126,599,135,738</u>

Construction in progress includes accumulated costs incurred on the casino and hotel sites being constructed as part of Travellers' investment commitment in accordance with its Provisional License Agreement with PAGCOR [see Note 31.2(a)].

In 2020, Property, Plant and Equipment amounting to P1.0 billion were reclassified to Non-Current assets classified as held for sale account in the consolidated statements of financial position, to reflect the intention of the management to recover these assets through sale rather than continuing use (see Notes 16 and Note 31.8).

Total property, plant and equipment includes capitalized borrowing costs amounting to P895.2 million and P2,500.3 million in 2022 and 2021, respectively, representing the actual borrowing costs, net of related investment income, incurred on specific and general borrowings obtained to fund the construction project (see Note 18). The capitalization rate used was based on effective interest rates of applicable specific and general borrowings ranging from 4.2% to 9.2% and 3.8% to 9.2% in 2022 and 2021, respectively.

In 2022, 2021 and 2020, as a result of increase in earning potential of its stores, including store equipment, GADC's annual impairment testing resulted in recognition of gain on reversal of impairment losses on these assets amounting to P74.6 million, P182.9 million and P296.0 million, respectively, and are presented as part of Reversal of impairment losses on PPE under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27). The recoverable amount was determined using value in use calculations which considers weighted average cost of capital ranging from 3.7% to 5.9%.

In 2021, Travellers recognized impairment losses of P1,970.7 million on certain hotels due to reduction in operating capacity. The impairment loss is presented as Impairment on PPE under Other Operating Expenses in the 2021 consolidated statement of comprehensive income (see Note 26). The recoverable amount was determined using value in use calculations which considers weighted average cost of capital of 4.3%. No additional impairment loss was recognized in 2022. Further, in 2020, certain equipment were determined by GADC to have no future use; hence, an impairment loss of P78.9 million was recognized and presented as part of Impairment of PPE under Other Operating Expenses in the 2020 consolidated statement of comprehensive income (see Note 26).

In 2022, 2021 and 2020, the Group recognized net losses on disposal of various property, plant and equipment amounting to P65.1 million, P91.4 million and P174.8 million, respectively, which are presented as Loss on disposal of PPE – net under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27).

The amount of depreciation and amortization charges is presented as part of Depreciation and amortization which is presented under Cost of Goods Sold, Cost of Services and Other Operating Expenses accounts (see Notes 25 and 26). In 2022, 2021 and 2020, depreciation expense amounting to P391.7 million, P373.1 million and P329.3 million, respectively, was capitalized to form part of the work-in-process inventory. Such capitalized amount represents depreciation expense on barrels and warehouse buildings wherein the maturing bulk stocks of whisky are held (see Note 8).

13.2 Right-of-Use Assets

The Group has leases for certain land, commercial space, buildings and warehouses, gaming equipment and transportation and other equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statements of financial position as ROUA under Property and Equipment account and Lease Liabilities account. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and ROUA.

The table below describes the nature of the Group's leasing activities by type of ROUA recognized in the consolidated statements of financial position.

	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
<u>December 31, 2022</u>					
Land	2	14 to 17 years	16 years	1	-
Commercial space	765	1 to 26 years	14 years	600	560
Buildings and warehouses	38	1 to 12 years	7 years	12	12
Transportation and other equipment	72	1 to 3 years	2 years	-	-
<u>December 31, 2021</u>					
Land	2	14 to 18 years	16 years	1	-
Commercial space	670	1 to 26 years	14 years	545	505
Buildings and warehouses	53	1 to 12 years	7 years	14	12
Gaming equipment	1	3 years	3 years	-	-
Transportation and other equipment	72	1 to 3 years	2 years	-	-

The carrying amounts of the Group's ROUAs as of December 31, 2022 and 2021, and the movements during those year are shown below.

	Land	Commercial Space	Building and Warehouses	Gaming Equipment	Transportation and Other Equipment	Total
Balance at January 1, 2022	P 864,303,254	P12,151,648,085	P 131,392,684	P -	P 51,454,212	P13,198,798,235
Additions	-	2,734,568,694	23,353,768	-	-	2,757,922,462
Translation adjustment	-	11,723,805	-	-	(971,157)	10,752,648
Derecognition	-	(531,371,405)	-	-	-	(531,371,405)
Amortization	(49,140,236)	(1,404,380,996)	6,247,085	-	(5,343,185)	(1,452,617,332)
Balance at December 31, 2022	<u>P 815,163,018</u>	<u>P12,962,188,183</u>	<u>P 160,993,537</u>	<u>P -</u>	<u>P 45,139,870</u>	<u>P13,983,484,608</u>
Balance at January 1, 2021	P 913,443,490	P 12,369,807,607	P 163,680,198	P 52,088,845	P 58,371,765	P13,557,391,905
Additions	-	1,175,078,952	57,261,516	-	-	1,232,340,468
Translation adjustment	-	45,327,683	-	-	(209,623)	45,118,060
Derecognition	-	(52,308,601)	(23,724,068)	(52,088,845)	-	(128,121,514)
Impairment reversal	-	98,787,814	-	-	-	98,787,814
Amortization	(49,140,236)	(1,485,045,370)	(65,824,962)	-	(6,707,930)	(1,606,718,498)
Balance at December 31, 2021	<u>P 864,303,254</u>	<u>P12,151,648,085</u>	<u>P 131,392,684</u>	<u>P -</u>	<u>P 51,454,212</u>	<u>P13,198,798,235</u>

	Land	Commercial Space	Building and Warehouses	Gaming Equipment	Transportation and Other Equipment	Total
Balance at January 1, 2020	P 962,583,724	P11,226,356,917	P 259,882,975	P 77,091,490	P 64,318,160	P12,590,233,266
Additions	-	2,922,801,170	30,130,997	-	-	2,952,932,167
Effect of lease modification	-	(32,482,473)	-	-	-	(32,482,473)
Translation adjustment	-	(63,171,043)	-	-	-	(63,171,043)
Derecognition	-	(77,871,407)	-	-	-	(77,871,407)
Impairment	-	(126,124,001)	-	-	-	(126,124,001)
Amortization	(49,140,234)	(1,479,701,556)	(126,333,774)	(25,002,645)	(5,946,395)	(1,686,124,604)
Balance at December 31, 2020	<u>P 913,443,490</u>	<u>P12,369,807,607</u>	<u>P 163,680,198</u>	<u>P 52,088,845</u>	<u>P 58,371,765</u>	<u>P13,557,391,905</u>

The Group has relied on its historical assessments as to whether leases were onerous immediately before the date of initial application as alternative to performing an impairment review on right-of-use assets, and accordingly reclassified portion of its provision for onerous lease amounting to P355.6 million against the January 1, 2019 balance of ROUA. In 2022, 2021 and 2020, additional onerous lease provisions amounting to P41.1 million, P38.1 million and P56.3 million, respectively, were recognized and are presented as part of Miscellaneous under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). The carrying amount of ARO and provision for dilapidation are presented as part of Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 21).

The derecognition of ROUA pertains to termination of certain lease contracts during the year (see Note 9). The resulting gain is presented as Gain from derecognition of right-of-use assets and lease liabilities under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

GADC's impairment testing of its ROUA resulted in a reversal of impairment losses of P98.8 million in 2021 as stores in leased commercial spaces re-open and maximum capacity increased. The reversal is presented as part of Reversal of impairment losses on PPE under Finance and Other Income account in the 2021 consolidated statement of comprehensive income (see Note 27). Meanwhile in 2020, GADC recognized P126.1 million impairment loss as government restrictions were imposed limiting the operations of stores in leased commercial spaces. The impairment loss is presented as part of Impairment of PPE and intangible assets under Other Operating Expenses account in the 2020 consolidated statement of comprehensive income (see Note 26). No impairment losses in 2022 were recognized. The recoverable amount was determined using value in use calculations which considers weighted average cost of capital of 3.7% and 5.9% in 2022 and 2021, respectively.

As of December 31, 2022 and 2021, none of the Group's ROUAs are used as collateral for any of the Group's interest-bearing loans and borrowings.

The amount of depreciation on ROUAs is presented as part of Depreciation and amortization which is presented under Cost of Goods Sold, Cost of Services and Other Operating Expenses accounts (see Notes 25 and 26).

13.3 Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as of December 31 as follows:

	<u>2022</u>	<u>2021</u>
Current	P 1,361,900,995	P 1,309,447,535
Non-current	<u>16,405,976,571</u>	<u>15,336,726,680</u>
	<u>P 17,767,877,566</u>	<u>P 16,646,174,215</u>

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

As of December 31, 2022, the Group has committed to lease contracts which has not yet commenced. The total future cash outflows for leases that had not yet commenced amounted to P766.2 million in 2022 and P1,847.4 million in 2021.

The maturity analysis of lease liabilities at December 31 is as follows:

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>More Than 5 years</u>	<u>Total</u>
December 31, 2022							
Lease liabilities	P2,261,147,476	P 2,008,015,831	P 2,025,643,688	P 1,835,404,370	P 1,743,682,399	P 16,086,276,930	P 25,960,170,694
Finance charges	(899,246,481)	(833,274,414)	(770,876,691)	(708,488,001)	(647,315,572)	(4,333,091,969)	(8,192,293,128)
Net present values	<u>P1,361,900,995</u>	<u>P 1,174,741,416</u>	<u>P 1,254,766,997</u>	<u>P 1,126,916,369</u>	<u>P 1,096,366,827</u>	<u>P 11,753,184,961</u>	<u>P 17,767,877,566</u>
December 31, 2021							
Lease liabilities	P2,154,681,972	P 3,012,871,437	P 2,956,383,357	P 3,019,020,676	P 2,905,735,484	P 9,864,731,525	P 23,913,424,451
Finance charges	(845,234,437)	(834,647,414)	(823,171,931)	(815,161,222)	(805,469,971)	(3,143,565,261)	(7,267,250,236)
Net present values	<u>P1,309,447,535</u>	<u>P 2,178,224,023</u>	<u>P 2,133,211,426</u>	<u>P 2,203,859,454</u>	<u>P 2,100,265,513</u>	<u>P 6,721,166,264</u>	<u>P 16,646,174,215</u>

The movements in the lease liabilities recognized in the consolidated statements of financial position are as follows:

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Balance at beginning of year		P 16,646,174,215	P 17,291,908,237
Repayments of lease liabilities		(1,783,090,080)	(1,819,030,854)
Additions during the year		2,704,821,116	961,862,054
Accretion of interest	27	866,507,809	860,333,192
Gain on COVID-19-related rent concessions		(239,692,435)	(509,232,978)
Derecognition	9	(800,963,277)	(147,235,562)
Foreign exchange losses		<u>374,120,218</u>	<u>7,570,126</u>
Balance at end of year		<u>P 17,767,877,566</u>	<u>P 16,646,174,215</u>

Interest expense incurred on the lease liabilities amounting to P866.5 million, P860.3 million and P926.4 million in 2022, 2021 and 2020, respectively, is presented as part of Interest expense under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27).

13.4 Lease Payments Not Recognized as Lease Liabilities

The Group has elected not to recognize lease liabilities for short-term leases or for leases of low value assets; instead, expenses relating to these leases, which are significantly from short-term leases, amounting to P3,395.8 million and P1,982.9 million in 2022 and 2021, respectively, are presented as Rentals under Cost of Services and Other Operating Expenses in the consolidated statements of comprehensive income (see Notes 25 and 26).

The future minimum rentals payable of the Group arising from short-term leases amounted to P804.5 million and P1,509.9 million as of December 31, 2022 and 2021, respectively.

14. INVESTMENT PROPERTIES

The Group's investment properties include several parcels of land, buildings and improvements which are held for investment purposes only, either to earn rental income or for capital appreciation, or both. The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of the reporting periods are shown below [see Notes 2.10, 3.1(g), 3.2(e) and 3.2(h)].

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Total</u>
December 31, 2022			
Cost	P 30,156,392,702	P 120,518,128,475	P 150,674,521,177
Accumulated depreciation	(25,251,903)	(21,293,356,177)	(21,318,608,080)
Net carrying amount	<u>P 30,131,140,799</u>	<u>P 99,224,772,298</u>	<u>P 129,355,913,097</u>
December 31, 2021			
Cost	P 27,756,764,466	P 111,334,500,007	P 139,091,264,473
Accumulated depreciation	(25,251,903)	(18,526,278,240)	(18,551,530,143)
Net carrying amount	<u>P 27,731,512,563</u>	<u>P 92,808,221,767</u>	<u>P 120,539,734,330</u>
January 1, 2021			
Cost	P 27,143,977,662	P 104,888,844,599	P 132,032,822,261
Accumulated depreciation	-	(15,668,613,829)	(15,668,613,829)
Net carrying amount	<u>P 27,143,977,662</u>	<u>P 89,220,230,770</u>	<u>P 116,364,208,432</u>

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

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Total</u>
Balance at January 1, 2022, net of accumulated depreciation	P 27,731,512,563	P 92,808,221,767	P 120,539,734,330
Transfer to property, plant and equipment	-	(503,072,024)	(503,072,024)
Additions	2,400,461,041	9,714,938,191	12,115,399,232
Disposals	(832,805)	-	(832,805)
Depreciation charges for the year	-	(2,795,315,636)	(2,795,315,636)
Balance at December 31, 2022, net of accumulated depreciation	<u>P 30,131,140,799</u>	<u>P 99,224,772,298</u>	<u>P 129,355,913,097</u>

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Total</u>
Balance at January 1, 2021, net of accumulated depreciation	P 27,143,977,662	P 89,220,230,770	P 116,364,208,432
Transfer to property, plant and equipment	(400,470)	-	(400,470)
Additions	587,935,371	6,467,491,090	7,055,426,461
Disposals	-	(138,211)	(138,211)
Depreciation charges for the year	<u>-</u>	<u>(2,879,361,882)</u>	<u>(2,879,361,882)</u>
Balance at December 31, 2021, net of accumulated depreciation	<u>P 27,731,512,563</u>	<u>P 92,808,221,767</u>	<u>P 120,539,734,330</u>
Balance at January 1, 2020, net of accumulated depreciation	P 26,982,515,398	P 85,355,672,166	P 112,338,187,564
Transfer from inventories	34,421	14,402,577	14,436,998
Transfer to property, plant and equipment	-	(169,332,500)	(169,332,500)
Additions	161,427,843	6,570,187,125	6,731,614,968
Disposals	-	(793,598)	(793,598)
Depreciation charges for the year	<u>-</u>	<u>(2,549,905,000)</u>	<u>(2,549,905,000)</u>
Balance at December 31, 2020, net of accumulated depreciation	<u>P 27,143,977,662</u>	<u>P 89,220,230,770</u>	<u>P 116,364,208,432</u>

Rental income earned from the investment property amounted to P16.7 billion, P13.8 billion and P13.2 billion for the years ended December 31, 2022, 2021 and 2020, respectively, are presented as Rental income under Rendering of Services account in the consolidated statements of comprehensive income (see Note 24.1). The direct operating costs, exclusive of depreciation, incurred by the Group relating to the investment property that generates income amounted to P937.7 million, P805.4 million and P884.7 million in 2022, 2021 and 2020, respectively, are presented as part of Cost of Services account in the consolidated statements of comprehensive income (see Note 25). The direct operating costs, which mostly pertain to real property taxes, of investment properties that did not generate rental income in 2022, 2021 and 2020 amounted to P32.6 million, P29.6 million, and P37.2 million, respectively. The operating lease commitments of the Group as a lessor are fully disclosed in Note 31.1.

In 2020, the Group reclassified investment properties with a carrying amount of P169.3 million to property, plant and equipment as such properties were used for operations (see Note 13.1). Also in 2020, the Group reclassified inventories with a carrying amount of P14.4 million to investment properties as use for such properties changed to earn rentals (see Note 8).

Investment property includes capitalized borrowing costs amounting to P1,383.3 million, and P1,607.2 million in 2022 and 2021, respectively, representing the actual borrowing costs, net of related investment income, incurred on specific and general borrowings obtained to fund the construction project (see Note 18 and 19). The capitalization rate used was based on effective interest rates of applicable specific and general borrowings ranging from 3.0% to 3.9% and 2.9% to 4.3% in 2022 and 2021, respectively.

Depreciation charges are presented as part of Depreciation and amortization under Cost of Services account in the consolidated statements of comprehensive income (see Note 25).

As of December 31, 2022 and 2021, none of the Group's investment properties are held as collateral.

The fair market values of these properties amounted to P563.0 billion and P562.7 billion as of December 31, 2022 and 2021, respectively. These are estimated either by reference to current prices for similar properties or using the income approach by calculating of the present values of the estimated cash inflows anticipated until the end of the life of the investment property using discount rates that reflect the risks and uncertainty in cash flows (see Note 34.4).

15. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of the reporting periods are shown below (see Notes 2.12 and 2.20).

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Leasehold Rights</u>	<u>Computer Software</u>	<u>Franchise Fee</u>	<u>Total</u>
December 31, 2022						
Cost	P 20,213,960,101	P21,331,241,817	P 131,840,607	P 66,486,957	P 209,322,317	P 41,952,851,799
Translation adjustment	119,956,440	73,774,993	-	-	-	193,731,433
Accumulated amortization	-	(1,300,590,217)	(45,972,299)	(54,566,043)	(80,363,960)	(1,481,492,519)
Net carrying amount	<u>P 20,333,916,541</u>	<u>P20,104,426,593</u>	<u>P 85,868,308</u>	<u>P 11,920,914</u>	<u>P 128,958,357</u>	<u>P40,665,090,713</u>
December 31, 2021						
Cost	P 19,797,100,274	P20,673,713,244	P 180,597,127	P 66,486,954	P 180,956,711	P40,898,854,310
Translation adjustment	416,859,827	657,528,573	-	-	-	1,074,388,400
Accumulated amortization	-	(1,298,974,825)	(86,687,244)	(48,063,723)	(56,150,353)	(1,489,876,145)
Net carrying amount	<u>P 20,213,960,101</u>	<u>P 20,032,266,922</u>	<u>P 93,909,883</u>	<u>P 18,423,231</u>	<u>P 124,806,358</u>	<u>P40,483,366,565</u>
January 1, 2021						
Cost	P 20,044,019,140	P20,954,565,481	P 187,545,568	P 46,980,004	P 160,485,210	P 41,393,595,403
Translation adjustment	(246,918,866)	(280,852,237)	-	-	-	(527,771,103)
Accumulated amortization	-	(1,297,359,434)	(85,969,782)	(46,980,004)	(35,879,596)	(1,466,188,816)
Net carrying amount	<u>P 19,797,100,274</u>	<u>P19,376,353,810</u>	<u>P 101,575,786</u>	<u>P -</u>	<u>P 124,605,614</u>	<u>P39,399,635,484</u>

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

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Leasehold Rights</u>	<u>Computer Software</u>	<u>Franchise Fee</u>	<u>Total</u>
Balance at						
January 1, 2022, net of accumulated amortization	P 20,213,960,101	P20,032,266,992	P 93,909,883	P 18,423,231	P 124,806,358	P40,483,366,565
Additions	-	-	-	-	28,365,606	28,365,606
Translation adjustment	119,956,440	73,774,993	-	-	-	193,731,432
Amortization for the year	-	(1,615,392)	(8,041,575)	(6,502,317)	(24,213,607)	(40,372,891)
Balance at December 31, 2022, net of accumulated amortization	<u>P 20,333,916,541</u>	<u>P20,104,426,593</u>	<u>P 85,868,308</u>	<u>P 11,920,914</u>	<u>P 128,958,357</u>	<u>P40,665,090,713</u>
Balance at						
January 1, 2021, net of accumulated amortization	P 19,797,100,274	P19,376,353,810	P 101,575,786	P -	P 124,605,614	P39,399,635,484
Additions	-	-	-	19,506,950	20,471,501	39,978,451
Translation adjustment	416,859,827	657,528,574	-	-	-	1,074,388,401
Amortization for the year	-	(1,615,392)	(7,665,903)	(1,083,719)	(20,270,757)	(30,635,771)
Balance at December 31, 2021, net of accumulated amortization	<u>P 20,213,960,101</u>	<u>P20,032,266,992</u>	<u>P 93,909,883</u>	<u>P 18,423,231</u>	<u>P 124,806,358</u>	<u>P40,483,366,565</u>

	Goodwill	Trademarks	Leasehold Rights	Computer Software	Franchise Fee	Total
Balance at January 1, 2020, net of accumulated amortization	P 20,044,019,140	P19,658,821,438	P 108,804,339	P 4,474,208	P 127,251,978	P39,943,371,103
Additions	-	-	500,000	-	14,431,794	14,931,794
Translation adjustment	(246,918,866)	(280,852,237)	-	-	-	(527,771,103)
Amortization for the year	-	(1,615,391)	(7,728,553)	(4,474,208)	(17,078,158)	(30,896,310)
Balance at December 31, 2020, net of accumulated amortization	<u>P 19,797,100,274</u>	<u>P19,376,353,810</u>	<u>P 101,575,786</u>	<u>P -</u>	<u>P 124,605,614</u>	<u>P 39,399,635,484</u>

Goodwill primarily relates to growth expectations arising from operational efficiencies and synergies that will be achieved by combining the resources, skills and expertise of the individual components of the Group and by improving the Group’s market reach and industry visibility both in the local and global market.

Trademarks pertain to trademarks registered under the Group for the manufacture and sale of distilled spirits, mostly brandy, which include brand names ‘Emperador Brandy’, ‘Generoso Brandy’, ‘Emperador Deluxe’, and ‘The Bar.’

In 2014, from the Group’s acquisition of WMG Group, the trademarks “Jura” and “The Dalmore” (collectively, “WMG brands”) were recorded for a total of P9.6 billion. In 2016, the Group’s acquisition of Bodegas Fundador in Jerez resulted in the recognition of four trademarks amounting to P6.7 billion, namely “Fundador Brandy”, “Terry Centenario Brandy”, “Tres Cepas Brandy”, and “Harveys” sherry wine (collectively, “Fundador brands”). In 2017, the Group acquired various trademarks amounting to P3.5 billion including “Domecq” brands of Mexican and Spanish brandies which include “Presidente”, “Azteca de Oro” and “Don Pedro”; “Grupo Garvey brands” which include “Garvey Brandy” and “Fino San Patricio”; and, other well-known sherries and liquors brands. These trademarks have indefinite useful lives; hence, are not subject to amortization.

The Group monitors goodwill and trademarks with indefinite useful lives on the cash generating units to which these assets were allocated [see Notes 2.20 and 3.2(i)]. An analysis of the value-in-use and the amount of intangible assets allocated to such groups of cash generating units is presented as follows (amounts in billions of pesos):

	2022				2021			
	Allocated Intangible Assets	Value in Use	Terminal Growth Rate	Discount Rate	Allocated Intangible Assets	Value in Use	Terminal Growth Rate	Discount Rate
Goodwill:								
Megaworld	P 9.14	P 249.4	1.00%	13.00%	P 9.14	P 466.24	1.00%	5.82%
GADC	1.25	76.5	1.00%	6.27%	1.25	13.03	1.00%	5.51%
WMG*	7.89	24.83	3.67%	9.32%	7.77	32.86	2.00%	9.75%
GES*	1.63	16.49	2.60%	6.59%	1.63	2.80	1.60%	9.04%
Trademarks with indefinite lives:								
WMG brands*	9.63	124.45	3.67%	9.32%	9.77	61.85	2.00%	8.68%
Fundador brands	7.43	21.53	2.60%	6.59%	7.43	18.70	1.60%	9.04%
Domecq brands**	2.96	3.99	1.50%	4.50%	2.74	3.99	1.50%	4.50%
Grupo Garvey brands**	0.09	0.10	0.50%	7.65%	0.09	0.10	0.50%	7.65%

* Amounts are translated at closing rates as of the end of the reporting periods in accordance with PAS 21, The Effects of Changes in Foreign Exchange Rates.

** Management believes that, after the impairment provided for Grupo Garvey brands in 2019, the value-in-use as of December 31, 2022 and 2021 approximates its carrying value.

The value-in-use of each group of cash generating unit was determined using cash flow projections for five years, taking into consideration the impact of COVID-19, and extrapolating cash flows beyond the projection period using a perpetual terminal growth rate. The discount rates and growth rates are the key assumptions used by management in determining the value-in-use of the cash generating units.

The amortization of trademarks with finite useful lives amounted to P1.6 million each in 2022, 2021 and 2020. These are shown as part of Depreciation and amortization under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26).

As of December 31, 2022 and 2021, the remaining useful life of the Group's "Emperador Deluxe" trademark with definite life is 0.5 years and 1.5 years, respectively [see Note 3.2(h)].

The "The BaR", "Emperador Brandy" and "Generoso Brandy" trademarks were fully amortized since 2018. Consequently, the Group renewed the trademark application of Emperador Brandy with the Intellectual Property Office of the Philippines in 2017.

As of December 31, 2022 and 2021, the Group has no contractual commitments for the acquisition of any additional trademarks, leasehold rights, computer software and franchise fee.

No intangible assets have been pledged as security for liabilities as of December 31, 2022 and 2021.

16. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The breakdown of these assets as of December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Land and land improvements	P 848,891,700	P 848,888,000
Buildings	<u>112,853,040</u>	<u>112,852,550</u>
	<u>P 961,744,740</u>	<u>P 961,740,550</u>

In 2019, the Group reclassified to non-current assets held for sale the land development cost made for the construction of Site A that WCI has discontinued in the same year, following the Co-Development Agreement (CDA) with SUN. The transfer of assets did not take place in 2020 since certain obligations under the CDA relating to the development of properties, project management and other conditions were not yet performed as of December 31, 2020. In 2021, the obligations relating to the CDA have been completed and the assets transferred [see Note 31.7(ii)]. This resulted in a gain amounting to P5.8 billion and is presented as Gain on co-development agreement under Other Income (Charges) in the 2021 consolidated statement of comprehensive income.

In 2020, the Group discontinued the use of land and buildings called as “Complejo Bellavista” and “Cerro Viejo Vineyards” previously occupied by a business unit and classified under property, plant and equipment (see Note 13.1). On December 27, 2020, management approved their sale at net book value, at any time until three years after the COVID-19 pandemic has ended, through the signed letter of intent with Global One Real Estate Spain, SAU (see Note 31.8). On December 27, 2022, the parties renewed their commitment and the term to complete the sale and purchase of properties is set until December 31, 2023. The carrying value of the asset held for sale amounting to P1.0 billion is presented under the Emperador segment (see Note 4.4).

The Group believes that the sale of these assets is highly probable.

17. TRADE AND OTHER PAYABLES

The breakdown of this account follows (see Note 2.13):

	Notes	2022	2021
Trade payables	30.1	P 52,945,506,113	P 35,979,279,416
Accrued expenses	30.3, 31.2(b), 31.4(e), 31.5	17,752,702,498	15,149,125,243
Retention payable		5,230,223,498	5,237,458,717
Accrued interest payable	18, 19	2,055,784,035	1,644,499,305
Refund liability		1,495,318,078	1,598,037,403
Gaming license fees payable	29.3	896,358,197	341,328,168
Slot jackpot liability	2.5	693,883,849	585,151,683
Due to related parties	30.5	360,249,006	360,249,006
Withholding tax payable		278,297,639	292,632,642
Unredeemed gaming points	3.2(l)	210,845,523	201,220,177
Output VAT payable		123,149,878	602,515,558
Dividends payable	22.5	-	642,658,461
Others		2,578,370,504	1,938,479,953
		<u>P 84,620,688,818</u>	<u>P 64,572,635,732</u>

Trade payables significantly comprise of obligations to subcontractors and suppliers of construction materials for the Group’s projects and suppliers of raw materials. These also include unredeemed gaming chips determined as the difference between total gaming chips placed in service and the actual inventory of gaming chips under control or in custody, casino deposit certificates from patrons and other gaming-related liabilities.

Accrued expenses include accruals for salaries and other benefits, utilities, local and overseas travel, training and recruitment, dues and subscriptions, advertising, rentals, marketing and other operating expenses of the Group.

Retention payable pertains to amount withheld from payments made to contractors for construction work performed to ensure compliance and completion of contracted projects. Upon completion of the contracted projects, the retained amounts are returned to the contractors.

Refund liability pertains to amounts payable to customers due to real estate sales cancellation in respect of instalment sales contracts as covered by the R.A. No. 6552, *Realty Installment Buyer Protection Act*, otherwise known as the Maceda Law.

The unredeemed gaming points liability represents the estimated costs of unredeemed casino gaming points issued, which are redeemable for complimentary goods or services of the Group [see Notes 2.16 and 3.2(l)].

Dividends payable represents the non-controlling interest share on the dividends declared by AGI in 2021 payable on January 2022 (see Note 22.5).

Others include unearned rental, payables to government and other regulatory agencies, and various unreleased checks which are reverted to liability.

18. INTEREST-BEARING LOANS

The composition of the Group's outstanding interest-bearing loans is shown below.

	<u>2022</u>	<u>2021</u>
Current:		
Philippine Pesos	P 26,109,562,529	P 39,841,780,389
Foreign currencies	<u>6,394,677,915</u>	<u>40,462,169,350</u>
	<u>32,504,240,444</u>	<u>80,303,949,739</u>
Non-current:		
Philippine Pesos	74,156,409,544	69,562,138,334
Foreign currencies	<u>62,131,296,240</u>	<u>23,546,603,888</u>
	<u>136,287,705,784</u>	<u>93,108,742,222</u>
	<u>P 168,791,946,228</u>	<u>P 173,412,691,961</u>

The summarized terms and conditions of each availed loan as of December 31, 2022 and 2021 are as follows:

<u>Outstanding Principal Balance</u>		<u>Explanatory Notes</u>	<u>Interest Rate</u>	<u>Security</u>	<u>Maturity Date</u>
<u>2022</u>	<u>2021</u>				
<i>Megaworld</i>					
P 9,931,367,300	P -	(a)	Floating rate	Unsecured	2027
5,227,152,002	5,963,383,173	(b)	Higher of 3-month BVAL or BSP Overnight plus certain spread	Unsecured	2026
3,740,280,220	4,980,567,033	(c)	Floating rate based on a 5-day average reference rate plus a certain spread	Unsecured	2025
3,806,531,342	4,971,765,905	(d)	Fixed at 4.00%	Unsecured	2026
4,666,425,417	4,967,256,443	(e)	Higher of 3-month BVAL or 28-day BSP T-bill rate	Unsecured	2026
2,346,432,074	3,515,246,092	(f)	Higher of 4.75% fixed rate and floating rate plus certain spread	Unsecured	2024
2,341,894,585	3,325,544,496	(g)	Floating rate on a 3-month LIBOR plus a certain spread	Unsecured	2024
1,664,555,691	3,325,434,376	(h)	Fixed at 7.8488%	Unsecured	2023
-	1,255,042,517	(i)	Floating rate on a 3-month LIBOR plus a certain spread	Unsecured	2022
-	769,230,769	(j)	Fixed at 5.25%	Unsecured	2022
-	416,666,666	(k)	Fixed at 5.6286%	Unsecured	2022
<u>P 33,724,638,631</u>	<u>P 33,490,137,470</u>				

<u>Outstanding Principal Balance</u>		<u>Explanatory Notes</u>	<u>Interest Rate</u>	<u>Security</u>	<u>Maturity Date</u>
<u>2022</u>	<u>2021</u>				
<i>EELHI</i>					
P 1,000,000,000	P 1,000,000,000	(l)	Floating rate of 3.5%	Unsecured	2028
-	250,000,000	(m)	Fixed at 5.4% for 2 tranches; floating rate of 3.2% - 3.5% subject to quarterly repricing for the third tranche	Unsecured	2022
P 1,000,000,000	P 1,250,000,000				
<i>SPI</i>					
P 1,375,000,000	P 1,925,000,000	(n)	Floating rate of 4.5% subject to repricing every 30 to 180 days	Unsecured	2025
500,000,000	-	(o)	Fixed at 5.0%	Unsecured	2029
400,000,000	400,000,000	(p)	Fixed at 4.38%	Unsecured	2027
380,900,562	924,807,289	(q)	Variable prevailing market rate of 5.5% to 15.0%	Secured	Upon collection of related assigned receivables
300,000,000	300,000,000	(r)	Fixed at 5.25%	Unsecured	2023
300,000,000	300,000,000	(s)	Floating rate of 4.5% subject to repricing	Unsecured	2027
200,000,000	200,000,000	(p)	Fixed at 4.38%	Unsecured	2027
200,000,000	200,000,000	(t)	Fixed at 4.00%	Unsecured	2023
100,000,000	100,000,000	(p)	Fixed at 4.38% subject to repricing	Unsecured	2027
P 3,755,900,562	P 4,349,807,289				
<i>GERI</i>					
P 705,882,340	P 1,176,470,580	(u)	Floating interest rate	Unsecured	2024
916,666,667	1,000,000,000	(v)	Fixed at 5.26%	Unsecured	2025
916,666,667	1,000,000,000	(w)	Fixed at 5.37%	Unsecured	2025
500,000,000	500,000,000	(x)	Floating interest rate	Unsecured	2027
500,000,000	500,000,000	(y)	Floating interest rate	Unsecured	2027
-	500,000,000	(z)	Floating interest rate	Unsecured	2022
P 3,539,215,674	P 4,676,470,580				
<i>TLC</i>					
P 131,250,000	P 206,250,000	(aa)	Floating interest rate	Unsecured	2024
218,750,000	343,750,000	(aa)	Floating interest rate of 5%-5.3% subject to 30-180 days repricing	Unsecured	2024
87,500,000	137,500,000	(aa)	Floating interest rate	Unsecured	2024
P 437,500,000	P 687,500,000				
<i>MREIT</i>					
P 7,201,241,354	P 7,195,789,259	(bb)	Fixed at 3.64% subject to repricing in 2024	Unsecured	2031
<i>EIL</i>					
P 19,140,082,500	P 20,126,000,000	(cc)	1.05% plus EURIBOR	Unsecured	2024
<i>WMG</i>					
P 2,748,115,215	P 2,633,833,596	(dd)	0.85% over Sterling Overnight Index Average	Secured	2023
<i>DBLC</i>					
P 1,512,989,720	P 1,681,597,050	(ee)	Fixed at 1.6%	Unsecured	2027
<i>PAI</i>					
P 400,000,000	P 400,000,000	(ff)	Fixed at 4.0% in 2021; Fixed at 4.25% latest	Unsecured	2023

<u>Outstanding Principal Balance</u>		<u>Explanatory Notes</u>	<u>Interest Rate</u>	<u>Security</u>	<u>Maturity Date</u>
<u>2022</u>	<u>2021</u>				
GADC					
P 575,895,504	P 814,021,739	(gg)	Fixed at 4.5%	Unsecured	2025
343,750,000	437,500,000	(hh)	Fixed at 4.5%	Unsecured	2025
<u>275,000,000</u>	<u>350,000,000</u>	(ii)	Fixed at 4.5%	Unsecured	2025
P 1,194,645,504	P 1,601,521,739				
Travellers					
P 13,500,000,000	P -	(qq)	Fixed at 8.5%	Unsecured	2029
7,125,000,000	7,456,035,645	(jj)	Fixed at 4.75%	Unsecured	2027
6,202,287,482	11,487,825,815	(jj)	Fixed at 7.0%	Unsecured	2025
5,000,000,000	-	(nn)	Fixed at 7.8%	Unsecured	2036
4,812,500,000	4,972,203,209	(kk)	Floating rate subject to repricing	Unsecured	2026
4,434,782,613	5,888,914,647	(jj)	Fixed at 8.6% for two years and at 9% in the next five years	Unsecured	2025
2,625,000,000	4,368,305,826	(ll)	Fixed at 6.6% to date	Unsecured	2024
2,000,000,000	-	(qq)	Fixed at 6.75%	Unsecured	2023
1,650,000,000	1,747,099,416	(kk)	Fixed at 7.3%, subject to 5.3% floor both plus 1.15% spread	Unsecured	2024
1,562,500,000	2,803,824,270	(kk)	Fixed at 8.2%	Unsecured	2024
1,333,333,333	1,328,776,342	(mm)	Floating rate subject to repricing plus a spread of 1.0% in 2019; with a floor rate of 5.25% in 2020	Unsecured	2023
1,000,000,000	-	(rr)	Floating rate subject to repricing	Unsecured	2023
500,000,000	-	(jj)	Fixed at 7.0%	Unsecured	2023
-	3,000,000,000	(ll)	Fixed at 4.0%	Unsecured	2022
-	2,167,130,435	(jj)	Fixed at 4.75%	Unsecured	2022
-	2,000,000,000	(ll)	Fixed at 4.5%	Unsecured	2022
-	1,500,000,000	(ll)	Fixed at 4.5%	Unsecured	2022
-	1,500,000,000	(ll)	Fixed at 4.0%	Unsecured	2022
-	1,500,000,000	(ll)	Fixed at 4.5%	Unsecured	2022
-	1,500,000,000	(ll)	Fixed at 4.5%	Unsecured	2022
-	1,000,000,000	(kk)	Floating rate subject to repricing	Unsecured	2022
-	975,000,000	(kk)	Fixed at 5.8%	Unsecured	2022
-	312,500,000	(kk)	Floating rate subject to repricing	Unsecured	2022
-	175,000,000	(kk)	Floating rate subject to repricing	Unsecured	2022
-	75,000,000	(kk)	Floating rate subject to repricing	Unsecured	2022
<u>P 51,745,403,428</u>	<u>P 55,757,615,605</u>				
AGI					
P 3,783,288,931	P 4,575,663,794	(oo)	Fixed at 4.5%; subject to repricing at the end of fifth year	Unsecured	2027
AG Cayman					
P 27,596,166,973	P -	(pp)	Floating rate subject to repricing	Unsecured	2027
5,534,340,887	-	(pp)	Floating rate subject to repricing	Unsecured	2027
5,478,416,849	-	(pp)	Floating rate subject to repricing	Unsecured	2027
-	24,993,359,598	(pp)	Fixed at 4.1456%	Unsecured	2022
-	4,997,782,244	(pp)	Fixed at 3.9%	Unsecured	2022
-	4,995,613,737	(pp)	Fixed at 3.8330%	Unsecured	2022
P 38,608,924,709	P 34,986,755,579				
P 168,791,946,228	P 173,412,691,961				

Explanatory Notes:

- (a) Five-year loan amounting to P10,000.0 million obtained by Megaworld in September 2022 from a local bank. Principal is payable quarterly in installments at the end of the fifth quarter from the drawdown date.
- (b) Five-year loan amounting to P6,000.0 million obtained by Megaworld in May 2021 from a local bank. The loan is payable quarterly beginning August 2022. Interest is payable quarterly.
- (c) Five-year loan amounting to P5,000.0 million obtained by Megaworld in March 2020 from a local bank. The loan is payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayments on the loan shall commence in June 2022 and interest is paid quarterly.
- (d) Five-year loan amounting to P5,000.0 million obtained by Megaworld in March 2021 from a local bank. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan shall commence in March 2022.
- (e) Five-year loan amounting to P5,000.0 million obtained by Megaworld in August 2021 from a local bank. The loan is payable quarterly for a term of five years with the first principal payment due in November 2022. Interest is payable quarterly.
- (f) Five-year loan amounting to P5,000.0 million obtained by Megaworld in December 2019 from a local bank. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayments on this loan commenced in December 2020 and interest is payable quarterly.
- (g) Five-year loan amounting to U.S.\$95.62 million obtained by Megaworld in September 2019 from a local bank. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayments on this loan commenced in December 2020 and interest is payable quarterly. Megaworld entered into a cross-currency agreement to hedge the U.S. Dollar and interest rate exposure of the loan (see Note 21).
- (h) Five-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in December 2018. The principal repayment is quarterly after two years from availment. Interest is payable quarterly.
- (i) Five-year foreign-currency denominated loan obtained by Megaworld from a local bank in December 2017 amounting to U.S. \$98.87 million payable quarterly with a grace period of one year upon availment. The principal repayment shall commence in March 2019 and a floating interest is paid quarterly. Megaworld entered into a cross-currency swap agreement to hedge the U.S. dollar exposure of the loan (see Note 21).
- (j) Seven-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in November 2015. The principal repayments commenced in November 2016 and interest is payable semi-annually.

- (k) Seven-year loan obtained by Megaworld from a local bank in two tranches in March and June 2015 totalling P10,000.0 million to fund various real estate projects and to retire currently maturing obligations. Quarterly principal repayment on this seven-year loan commenced in June 2016 and interest is paid quarterly.
- (l) Seven-year loan amounting to P1,000.0 million obtained by EELHI from a local bank in February 2021. The proceeds of the loan were used to fund the development of its various real estate projects. The principal of the loan is payable in 20 equal quarterly payments starting in May 2023 with a two-year grace period and interest is payable quarterly in arrears.
- (m) Seven-year loan amounting to P2,000.0 million obtained by EELHI in 2015 from a local bank released in three tranches from 2015-2016. Proceeds were used to fund development of various real estate projects. In 2022, EELHI has paid in full its outstanding loan balance.
- (n) Seven-year loan amounting to P2,200.0 million obtained by SPI from a local bank in 2018 to fund the acquisition of STLI. Principal repayments is payable on a monthly basis after a grace period of three years from the date of availment.
- (o) Seven-year loan obtained by SPI from a local bank. The principal amount is payable monthly after a grace period of three years from date of availment.
- (p) Six-year loans amounting to P200.0 million, P100.0 million, and P400.0 million obtained by SPI in February 2021, August 2021, and October 2021, respectively, from a local bank. The principal amount is payable on a monthly basis after a grace period of three years from the date of availments.
- (q) Loans obtained by SPI from a local bank through assignment of trade receivables (see Note 6). The local bank is given the right to collect the assigned receivables and apply the collections to the corresponding loan balances. The loans and interests are being paid as the receivables are collected.
- (r) Outstanding balance of short-term and one-year loans availed in 2020 by SPI from local banks. In 2022, the loan was renewed for another year.
- (s) Seven-year loan amounting to P300.0 million obtained by SPI in 2020 from a local bank. The loan bears a floating interest and is payable upon maturity.
- (t) Outstanding balance of a short-term loan availed by SPI in 2021 from a local bank. In 2022, the loan was renewed for another year.
- (u) Five-year loan amounting to P2,000.0 million obtained by GERI in 2019 from a local bank payable quarterly for a term of five years, plus interest.
- (v) Five-year loan amounting to P1,000.0 million obtained by GERI in 2020 from a local bank payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayment on the loan shall commence in December 2022. The loan bears a fixed interest rate and is payable quarterly.

- (w) Four-year loan amounting to P1,000.0 million obtained by GERI in July 2021 from a local bank. The loan is payable quarterly for a term of four years commencing on the beginning of the fifth quarter from the date of availment.
- (x) Seven-year loan amounting to P500.0 million obtained by GERI in 2020 from a local bank. The loan is payable quarterly with a grace period of one year upon availment. The principal repayment on the loan shall commence in March 2022. The loan bears a floating interest rate and is payable quarterly.
- (y) Six-year loan amounting to P500.0 million obtained by GERI in March 2021 from a local bank. The loan is payable quarterly for a term of six years with a grace period of two years upon availment.
- (z) Five-year loan amounting to P2,000.0 million obtained by GERI in December 2017 from a local bank payable quarterly commencing on the beginning of the fifth quarter from the initial drawdown date. Interest is payable quarterly.
- (aa) Five-year loan amounting to P300.0 million and P200.0 million obtained by TLC in August and November 2019, respectively, from a local bank. The loans are payable in quarterly installments commencing in November 2020. In March 2020, TLC obtained additional interest-bearing loan amounting to P500.0 million. The loan bears floating interest rates and quarterly installments beginning in November 2020 are due until the loan will be fully settled in 2024.
- (bb) Ten-year term loan amounting to P7,250.0 million acquired by MREIT in December 2021 from a local bank to finance the acquisition of investment properties from Megaworld. The principal is payable quarterly in installment beginning in the last quarter of the fifth year with a balloon payment at the end of the term.
- (cc) Five-year foreign-currency denominated loan obtained in 2019 from a syndicate of foreign financial institutions at a lower margin to prepay existing loans.
- (dd) WMG has an existing asset-based lending facility with a foreign bank (different bank from July 2021). The loan is secured by way of floating charge against WMG's inventories (see Note 8). The interest and the principal can be paid anytime up to, or balloon payment at, maturity.
- (ee) Foreign-currency-denominated loans of DBLC totaling P3,000.0 million used in relation to asset acquisition in 2017 and maturing in 2027.
- (ff) In 2020, PAI obtained short-term loans at a total amount of P400.0 million from a local bank for working capital purposes. The loan is renewable and repriced every six months.
- (gg) Five-year US dollar loan with a principal amount of P1,000.0 million obtained by GADC from a local bank in March 2020. GADC has a Cross Currency Swap (CCS) agreement with the local bank, whereby GADC will receive and settle the dollar loan and its interest at a fixed foreign exchange rate of P50.60 per US\$1 or total of P1,000.0 million (see Note 21). The loan is payable quarterly and bears a fixed interest rate.

- (hh) Five-year loan obtained by GADC from a local bank in June 2020 payable quarterly starting from September 2021. The loan bears a fixed interest.
- (ii) Five-year loan obtained by GADC from another local bank in June 2020 payable in 20 quarters from September 2020 to June 2025. Interest payments are fixed.
- (jj) In prior years, a local bank approved a credit line which grants Travellers to borrow P33,500.0 million. In 2019, Travellers made an additional drawdown amounting to P7,500.0 million as a short-term loan. In 2021 and 2020, it converted some of the omnibus loans into a long-term loan and made additional borrowings amounting to P2,200.0 million. The loans are outstanding as of December 31, 2022 and 2021.

Further, during the year, Travellers settled the rolled P2.2 billion short-term loan and availed an omnibus loan in the same bank amounting to P0.5 billion which will mature next year.

- (kk) In 2017, Travellers entered into various credit line agreements with a total maximum loanable amount of P10,000.0 million from a local bank. As of December 31, 2018, drawdowns totaled P10,000.0 million, half of which pertains to term loans and the other half to omnibus loans. In 2019, the Group obtained another term loan facility with the bank amounting to P5,000.0 million. This was utilized through the conversion of the P5,000.0 million omnibus loan to a long-term loan. Following the conversion, the Group obtained various short-term loans in 2019 amounting to P3,000.0 million. In 2020, additional omnibus loans amounting to P2,000.0 million were borrowed.

In 2021, the Group availed another long-term facility with the bank amounting to P5.0 billion, which is fully utilized during the year. Following the additions made, the Group obtained other various short-term loans in 2021 amounting to P1.6 billion.

- (ll) Seven-year loans totalling P7,000.0 million obtained by Travellers in 2017 from a P7,000.0 million credit line with a local bank.

In 2021, Travellers opened an omnibus credit facility with the bank in the amount of P15.0 billion and drew P11.0 billion. This was subsequently rolled to another short-term loan which will mature in 2022, resulting to a total unutilized credit line of P4.0 billion as of December 31, 2021.

- (mm) Five-year loan amounting to P4,000.0 million obtained by Travellers from a P5,000.0 million credit line with a local bank in 2018. In 2019, Travellers obtained a P1,000.0 million omnibus loan from a remaining unutilized credit line.
- (nn) During the year, Travellers availed another long-term facility with the bank amounting to P5.0 billion which were remained outstanding as of December 31, 2022.

- (oo) Seven-year loan amounting to P5,000.0 million obtained by AGI in July 2020 from a local bank. The loan is payable quarterly commencing after the one-year grace period, as provided in the loan agreement. The loan bears a fixed rate for the first five years, subject to repricing at the end of the fifth year. The interest is payable quarterly in arrears.
- (pp) Five-year U.S. dollar-denominated loans obtained by AG Cayman in 2017 from a foreign bank totaling to US\$700.0 million with interest payable semi-annually in arrears. The loans are unconditionally and irrevocably guaranteed by AGI. In 2022, these loans were refinanced for another five years.
- (qq) In 2022, the Company availed another long-term facility with the bank amounting to P13.5 billion. These loans also remained outstanding as of December 31, 2022. In addition, the company obtained other various short-term loans in 2022 amounting to P15.5 billion and paid the P13.5 billion during the year, resulting to an outstanding loan of P2.0 billion which will mature next year.
- (rr) In 2022, no further additions were noted for long-term facility with the bank during the year. These loans also remained outstanding as of December 31, 2022. Further, the Company obtained and settled other various short-term loans in 2022, a short-term loan amounting to P1.0 billion remain outstanding as of December 31, 2022.

As of December 31, 2022 and 2021, the Group has complied with related loan covenants, including maintaining certain financial ratios, at the reporting dates except for Travellers was not able to meet some financial covenants of the loans such as current ratio and debt service coverage ratio for which Travellers was able to secure debt covenant waivers certified by the banks before December 31, 2022.

Total interest expense attributable to these loans, including amortization of capitalized transaction costs, amounted to P3,997.0 million, P4,941.5 million and P4,684.9 million for the years ended December 31, 2022, 2021 and 2020, respectively, and are presented as part of Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). Interest charges capitalized for the years ended December 31, 2022, 2021 and 2020 are included as part of additions to Construction in progress under Property, Plant and Equipment account (see Note 13.1), Investment Properties (see Note 14) and Real estate for sale under Inventories account (see Note 8). The amounts of outstanding accrued interest as of December 31, 2022 and 2021 are presented as part of Accrued interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

19. BONDS PAYABLE

This account consists of bonds payable of the Parent Company's subsidiary as follows:

	<u>2022</u>	<u>2021</u>
U.S. Dollar	P 33,249,112,781	P 30,000,109,334
Philippine peso	<u>11,989,962,729</u>	<u>11,981,932,912</u>
	<u>P 45,239,075,510</u>	<u>P 41,982,042,246</u>

The significant terms of the bonds are discussed below.

<u>Face Amount</u>	<u>Outstanding Principal Balance</u>		<u>Explanatory Notes</u>	<u>Interest Rate</u>	<u>Nature</u>	<u>Maturity</u>
	<u>2022</u>	<u>2021</u>				
\$250.0 million	P 14.0 billion	P 12.5 billion	(a)	Fixed at 4.25%	Unsecured	2023
P 12.0 billion	12.0 billion	12.0 billion	(b)	Fixed at 5.3535%	Unsecured	2024
\$350.0 million	19.2 billion	<u>17.5 billion</u>	(c)	Fixed at 4.125%	Unsecured	2027
	<u>P 45.2 billion</u>	<u>P 42.0 billion</u>				

- (a) On April 17, 2013, Megaworld issued 10-year term bonds with semi-annual interest payments in arrears every April 17 and October 17. The proceeds of the bond issuance are being used by Megaworld for general corporate purposes. The notes are listed in the Singapore Exchange Securities Trading Limited (SGX-ST).
- (b) On March 28, 2017, Megaworld issued seven-year term bonds totaling P12.0 billion. The bond carries a coupon rate of 5.3535% per annum and interest is payable semi-annually in arrears every March 28 and September 28. The notes are listed in the Philippine Dealing & Exchange Corporation (PDEX).
- (c) On July 30, 2020, Megaworld issued seven-year term senior unsecured notes totaling to U.S. \$350 million. The notes carry a coupon rate of 4.125% per annum and interest is payable semi-annually in arrears on January 30 and July 30. The notes are listed in the SGX-ST.

Megaworld has complied with the bond covenants, including maintaining certain financial ratios, at the end of the reporting periods.

Total interest incurred on these bonds amounted to P2,139.4 million, P1,983.9 million and P1,496.5 million in 2022, 2021 and 2020, respectively. Of these amounts, portion charged as expense amounted to P1,209.5 million, P1,103.1 million and P872.2 million in 2022, 2021 and 2020, respectively, and are presented as part of Interest expense under Finance Cost and Other Charges account in the consolidated statements of income (see Note 27). Interest charges capitalized for the years ended December 31, 2022, 2021 and 2020 are included as part of additions to Construction in progress under Property, Plant and Equipment account (see Note 13.1), Investment Properties account (see Note 14) and Real estate for sale under Inventories account (see Note 8). The outstanding interest payable as of December 31, 2022 and 2021 is presented as part of Accrued interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17). Unrealized foreign currency gains and losses in relation to these foreign bonds are presented as part of Foreign currency gains – net under Finance and Other Income and Foreign currency losses – net under Finance costs and other charges account, respectively, in the consolidated statements of comprehensive income (see Note 27).

Interest capitalized amounted to P840.2 million, P799.4 million and P581.2 million in 2022, 2021 and 2020, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 3.89% in 2022, 3.87% in 2021 and 2.89% in 2020.

The reconciliation of the unamortized loans issue costs is presented below.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 151,754,133	P 106,676,331	P 136,794,038
Additions	75,000,000	120,000,000	37,500,000
Amortization	(73,429,132)	(74,922,198)	(67,617,707)
Balance at end of year	<u>P 153,325,001</u>	<u>P 151,754,133</u>	<u>P 106,676,331</u>

The amortization of bonds issue costs is recognized as part of Interest expense under Finance Costs and Other Charges account in the consolidated statements of income.

20. REDEEMABLE PREFERRED SHARES

The Group's redeemable preferred shares pertain to preferred shares issued by GADC and TLC as presented below and in the succeeding page. The preferred shares are considered as financial liabilities. Accordingly, the redeemable preferred shares are recognized at fair value on the date of issuance which is subsequently adjusted for any foreign exchange gains and losses and classified in the consolidated statements of financial position as shown below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Current – TLC	20.2	P -	P 251,597,580
Non-current – GADC	20.1	<u>1,537,091,539</u>	<u>1,365,641,108</u>
		<u>P 1,537,091,539</u>	<u>P 1,617,238,688</u>

20.1 GADC's Redeemable Preferred Shares

The shares were issued in March 2005 to McDonald's Restaurant Operations ("MRO"), a company incorporated in the U.S.A. and is a subsidiary of McDonald's Corporation. The features of these preferred shares with par value per share of P61,066 each are presented below (in exact amounts).

<u>Class</u>	<u>Voting</u>	<u>No. of Shares Authorized and Issued</u>	<u>Total Par Value (Undiscounted)</u>	<u>Additional Payment in the Event of GADC's Liquidation</u>
A	No	778	P 47,509,348	U.S.\$1,086 per share or the total peso equivalent of U.S.\$845,061
B	Yes	25,000	1,526,650,000	U.S.\$1,086 per share or the total peso equivalent of U.S.\$27,154,927

Additional features of the preferred shares are as follows:

- (a) Redeemable at the option of the holder after the beginning of the 19th year from the date of issuance (March 2005) for a total redemption price equivalent to the peso value on the date that the shares were issued;

- (b) Has preference as to dividends declared by the BOD, but in no event shall the dividends exceed P1 per share; and,
- (c) The holder of preferred shares is entitled to be paid a certain amount of peso equivalent for each class of preferred shares, together with any unpaid dividends, in the event of liquidation, dissolution, receivership, bankruptcy or winding up of GADC.

The redeemable preferred shares are recognized at fair values on the date of issuance which were determined as the sum of all future cash payments, discounted using the prevailing market rates of interest as of the transaction date for similar instruments with similar term of 18 years.

The accretion of GADC's redeemable preferred shares in 2022, 2021 and 2020 amounted to P171.5 million, P152.6 million and P135.3 million, respectively, and is presented as part of Interest expense under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). The fair value of these shares amounting to P1,424.4 million in 2022 and P1,637.6 million in 2021 were determined by discounting the sum of all future cash flows using prevailing market rates of interest for instrument with similar maturities at a discount rate of 5.21% in 2022 and 3.25% in 2021.

20.2 TLC's Redeemable Preferred Shares

These were issued by TLC in September 2012 consisting of 1,258.0 million shares which are nonvoting and earn dividend at a fixed annual rate of 2.50% subject to the existence of TLC's unrestricted retained earnings. These were issued in exchange for certain parcels of land with total fair value of P1,338.2 million. The issuance through the exchange of land was approved by the SEC on April 17, 2013.

The preferred shares have a maturity of 10 years and shall be redeemed every anniversary date beginning on the sixth anniversary date until expiration of the 10-year period. Only 1/5 of the aggregate face value of preferred shares may be redeemed per year during such redemption period, with all remaining shares to be redeemed on the 10th anniversary date.

The accrued dividends on these preferred shares amounting to P0.5 million as of December 31, 2021 (nil in 2022), respectively, are presented as part of Others under Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 21). The related interest expense recognized for the years ended December 31, 2022, 2021 and 2020 amounting to P11.1 million, P16.9 million and P16.9 million, respectively, (nil in 2022) is presented as part of Interest expense under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). As of 2021, the fair values of the redeemable preferred shares on the date of issuance approximate their par values.

All preferred shares issued by TLC were redeemed in full in 2022.

21. OTHER LIABILITIES

The composition of this account is shown below.

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Current:			
Customers' deposits	2.16	P 9,430,640,715	P 10,609,013,192
Deferred rental income		3,242,781,577	2,928,397,465
Commission payable		2,077,980,412	2,632,525,561
Advances from customers		1,912,385,149	1,558,113,579
Subscription payable	12.2	1,114,665,008	1,114,665,008
Derivative liability	2.5, 2.13		
	7	-	151,807,136
Others		<u>911,229,204</u>	<u>10,601,280</u>
		<u>P 18,689,682,065</u>	<u>P 19,005,123,221</u>
Non-current:			
Long-term deposits from patrons		4,323,000,000	10,048,277,856
Deferred rental income		3,168,856,447	3,959,090,806
Retention payable		2,507,283,349	3,289,211,913
Customers' deposit	2.16	1,259,789,445	1,281,160,572
Guaranty deposits		579,743,463	546,288,536
Asset retirement obligation	2.9, 2.18,		
	13.2	102,315,608	98,511,914
Provision for onerous lease	3.2(o),		
	13.2	62,872,465	29,061,092
Provision for dilapidations	3.2(n)	189,335,367	375,358,504
Accrued rent		-	10,039,717
Others	20.2	<u>960,594,662</u>	<u>742,288,986</u>
		<u>13,153,790,806</u>	<u>20,379,289,896</u>
		<u>P 31,843,472,871</u>	<u>P 39,384,413,117</u>

Deferred rental income refers to the rental payments advanced by the lessee at the inception of the lease which will be applied to the remaining payments at the end of the lease term.

Long-term deposits from patrons relate to cash deposited by patron groups as part of the Group's loyalty program. These deposits are expected to be reclaimed by the patrons beyond 12 months from year-end.

Guaranty deposits consist of rental deposits and utility deposits.

Provision for dilapidations is recognized for the present value of the costs to be incurred by WML for the restoration of the leased properties to a specified condition at the end of the lease term in 2029 as provided in the tenant repairing clauses of lease agreements. Additional provisions are capitalized as part of ROUA in 2022, 2021 and 2020.

Provision for onerous lease pertains to WML's existing non-cancellable lease agreements on leasehold properties located in Glasgow and Edinburgh, Scotland, covering manufacturing plant facilities, buildings and parking spaces, which are vacant or subleased at a discount. The provision takes into account the current market conditions, expected future vacant periods, and expected future sublet benefits and are calculated by discounting expected net cash outflows on a pre-tax basis over the remaining period of the lease, which as of December 31, 2022, 2021 and 2020, is between one to nine years and one to ten years, respectively. In 2022, 2021 and 2020, the Group recognized additional provision amounting to P41.1 million, P38.1 million and P56.3 million, respectively, because of certain changes in assumptions arising from the impact of COVID-19. The additional provision is presented as part of Miscellaneous under Other Operating Expenses account in the consolidated statements of comprehensive income since the related right-of-use assets were fully impaired as of December 31, 2019. The outstanding provision pertains to the remaining services expected to be settled with third party.

The movements in balances of provisions is as follows:

	<u>Onerous Lease</u>	<u>Dilapidations</u>	<u>Total</u>
Balance at January 1, 2022	P 29,061,092	P 375,358,504	P 404,419,596
Additional provisions	41,117,103	19,345,607	60,462,710
Utilized amounts	(7,305,730)	(11,068,744)	(18,374,474)
Reversal of provisions	<u>-</u>	<u>(194,300,000)</u>	<u>(194,300,000)</u>
Balance at December 31, 2022	<u>P 62,872,465</u>	<u>P 189,335,367</u>	<u>P 252,207,832</u>
Balance at January 1, 2021	P 65,648,128	P 157,351,424	P 222,999,552
Reclassification from contingent liability	-	163,200,000	163,200,000
Additional provisions	38,060,790	58,370,186	96,430,976
Utilized amounts	<u>(74,647,826)</u>	<u>(3,563,106)</u>	<u>(78,210,932)</u>
Balance at December 31, 2021	<u>P 29,061,092</u>	<u>P 375,358,504</u>	<u>P 404,419,596</u>

Others, which are currently due, include liabilities on stocks purchases and due to condominium unit holders arising from condo hotel operations while Others, which are not currently due, include accrued dividends on redeemable preferred shares (see Note 20.2) and security and miscellaneous deposits.

22. EQUITY

22.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2022	2021	2020	2022	2021	2020
Common shares – P1 par value						
Authorized	<u>12,950,000,000</u>	<u>12,950,000,000</u>	<u>12,950,000,000</u>	<u>P 12,950,000,000</u>	<u>P 12,950,000,000</u>	<u>P12,950,000,000</u>
Capital stock				<u>P 10,269,827,979</u>	<u>P 10,269,827,979</u>	<u>P10,269,827,979</u>
Additional paid-in capital				<u>34,518,916,029</u>	<u>34,518,916,029</u>	<u>34,518,916,029</u>
Total issued:	<u>10,269,827,979</u>	<u>10,269,827,979</u>	<u>10,269,827,979</u>	<u>44,788,744,008</u>	<u>44,788,744,008</u>	<u>44,788,744,008</u>
Treasury stock – at cost	<u>(1,301,020,300)</u>	<u>(956,709,700)</u>	<u>(686,257,400)</u>	<u>(14,411,741,336)</u>	<u>(10,516,348,052)</u>	<u>(7,596,939,422)</u>
Total outstanding	<u>8,968,807,679</u>	<u>9,313,118,279</u>	<u>9,583,570,579</u>	<u>P30,377,002,672</u>	<u>P 34,272,395,956</u>	<u>P37,191,804,586</u>

On March 12, 1999, the SEC approved the initial public offering of the Company's 336.1 million shares (248.1 million then outstanding and 88.0 million new issues) at P1.27 per share. The shares were initially listed in the PSE on April 19, 1999.

A 10% stock dividend was approved by the SEC and listed in September 1999. Three private placements ensued up to January 2011, of which 1.5 billion shares were listed in 2006. Then, a 10% rights offering of 200.47 million shares and 1:1 stock rights of 2.2 billion shares were approved and listed in 2005 and 2007, respectively. In 2007, there were also a share-swap transaction and a follow-on international offering wherein 4.1 billion shares and 1.8 billion shares, respectively, were issued and listed.

As of December 31, 2022 and 2021, the quoted closing price per share was P11.9 and P11.8, respectively. There are 990 holders, which include nominees, of the Company's total issued and outstanding shares as of December 31, 2022. The percentage of the Company's shares of stock owned by the public is 31.78% and 30.89% as of December 31, 2022 and 2021, respectively.

22.2 Additional Paid-in Capital

APIC consists mainly of P21.9 billion from the stock rights offering, share swap transaction and international offering in 2007. In prior years, the Group reissued treasury shares, resulting in an increase in APIC amounting to P7,237.7 million.

22.3 Treasury Shares

On September 19, 2017, the BOD approved a two-year share repurchase program of up to P5.0 billion worth of shares in the open market, to enhance shareholder value. On September 18, 2019, the BOD approved another share repurchase program for P2.5 billion over a 12-month period ending on September 23, 2020. On September 21, 2020, the BOD approved another one-year share repurchase program for P2.5 billion to end on September 23, 2021. On October 8, 2021, the BOD approved another share repurchase program for a term of 2.5 years for P4.0 billion to end on April 8, 2024. As of December 31, 2022, the Parent Company has repurchased 1,142,786,300 shares for P13,237.5 million, which included transaction costs.

Under the Revised Corporation Code of the Philippines, a stock corporation can purchase or acquire its own shares provided that it has unrestricted retained earnings to cover the shares to be purchased or acquired. Accordingly, the Parent Company's ongoing share repurchase program restricts the Parent Company's retained earnings for distribution as dividends up to the cost of the treasury shares.

There are 158.23 million shares held by subsidiaries at a total cost of P1.17 billion that were reported as part of Treasury Shares in the consolidated statements of changes in equity (see Notes 2.15 and 22.5).

22.4 Other Reserves

The components of Other Reserves are presented below (see Note 2.15).

	Consolidation Reserves	Legal Reserves	Total
Balance as of January 1, 2022	P 19,733,294,956	P 45,217,811	P 19,778,512,767
Effect of change in percentage of ownership	13,670,302,866	-	13,670,302,866
Changes in legal reserves	<u>-</u>	<u>(2,449,420)</u>	<u>(2,449,420)</u>
	<u>13,670,302,866</u>	<u>(2,449,420)</u>	<u>13,667,853,446</u>
Balance as of December 31, 2022	<u>P 33,403,597,822</u>	<u>P 42,768,391</u>	<u>P 33,446,366,213</u>
Balance as of January 1, 2021	P 9,391,857,779	P 44,165,771	P 9,436,023,550
Effect of change in percentage of ownership	10,341,437,177	-	10,341,437,177
Changes in legal reserves	<u>-</u>	<u>1,052,040</u>	<u>1,052,040</u>
	<u>10,341,437,177</u>	<u>1,052,440</u>	<u>10,342,489,617</u>
Balance as of December 31, 2021	<u>P 19,733,294,956</u>	<u>P 45,217,811</u>	<u>P 19,778,512,767</u>
Balance as of January 1, 2020	P 10,952,271,570	P 49,535,301	P 11,001,806,871
Effect of change in percentage ownership	<u>(1,560,413,791)</u>	<u>-</u>	<u>(1,560,413,791)</u>
Changes in legal reserves	<u>-</u>	<u>(5,369,530)</u>	<u>(5,369,530)</u>
	<u>(1,560,413,791)</u>	<u>(5,369,530)</u>	<u>(1,565,783,321)</u>
Balance as of December 31, 2020	<u>P 9,391,857,779</u>	<u>P 44,165,771</u>	<u>P 9,436,023,550</u>

In 2022, AGI disposed a total of 800.6 million shares of EMI through the stock market. The transaction resulted to a credit to Consolidation reserves of P10.8 billion under Other Reserves in the 2022 consolidated statement of changes in equity [see Note 1.1(l)]

Also in 2022, AGI made additional capital infusion to Travellers amounting to P7.8 billion which resulted to a credit to Consolidation reserves of P279.5 million under Other Reserves in the 2022 consolidated statement of changes in equity.

In 2021, MREIT offered and sold 949,837,500 shares or 37.51% ownership interest held by Megaworld, through an initial public offering for P16.10 per share or P14.7 billion. The sale of shares did not result in the Group's loss of control over MREIT. The difference between the proportionate net book value and the consideration received amounting to P10,448.9 million is credited to Consolidation reserves under Other Reserves in the 2021 consolidated statement of changes in equity.

Various investment activities of the Group from 2020 to 2022 as described in Note 1, apart from those mentioned above, affected AGI's effective ownership over its subsidiaries. The impact to equity attributable to owners of AGI is recorded as part of Consolidation reserves under Other reserves in the consolidated statements of changes in equity.

22.5 Dividends

On November 15, 2022, the BOD approved the declaration of cash dividends of P0.12 per share. Total dividends amounting to P1,132.2 million were payable on December 22, 2022 to stockholders of record as of December 1, 2022. Dividends declared were fully settled during the same year.

On December 1, 2021, the BOD approved the declaration of cash dividends of P0.07 per share. Total dividends amounting to P672.0 million were payable on January 12, 2022 to stockholders of record as of December 17, 2021. The unpaid dividends as of December 31, 2021 were presented, net of P29.4 million final tax, as part of Dividends payable under Trade and Other Payables account in the 2021 consolidated statement of financial position (see Note 17).

On December 1, 2020, the BOD approved the declaration of cash dividends of P0.05 per share. Total dividends amounting to P485.6 million were payable on January 6, 2021 to stockholders of record as of December 15, 2020.

The amounts presented in the consolidated statements of changes in equity are net of dividends paid to subsidiaries (see Note 22.3).

22.6 Share Options

(a) Of the Company

On July 27, 2011, the BOD approved an Executive Share Option Plan (“ESOP”) for the Company’s key executive officers, which was subsequently ratified by the stockholders on September 20, 2011. Under the ESOP, the Company shall initially reserve for exercise of share options up to 300.0 million common shares, or 3% of the outstanding capital stock, which may be issued out of the authorized but unissued shares. Share options may be granted within 10 years from the adoption of the ESOP and continue to be exercisable in accordance with terms of issue. Modification of any part of the ESOP is subject to approval by the stockholders before such modification can take effect.

The options shall vest within three years from date of grant (“offer date”) and the holder may exercise only a third of the option at the end of each year of the three-year vesting period. The vested option may be exercised within seven years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company’s shares for nine months immediately preceding the date of grant.

On December 19, 2011, pursuant to this ESOP, the Company granted share options to certain key executives to subscribe to 46.5 million common shares of the Company, at an exercise price of P9.175 per share. As of December 31, 2019, all of the said options have expired and the related value of the stock option amounting to P123.5 million was reclassified to Additional Paid-in Capital account (see Note 22.2).

On March 14, 2013, the Company granted additional 59.1 million share options to certain key executives at an exercise price of P12.9997. On March 12, 2020, the BOD affirmed the resolution of the Corporate Governance Committee to extend the exercise period for this grant until March 15, 2025 under the same terms and exercise price, and on August 6, 2020, this was ratified by the stockholders. As of December 31, 2022 and 2021, all of the said options vested and none have been exercised.

The fair values of the option granted were estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation of the March 2013 grant:

Original option life		7 years
Share price at grant date	P	21.65
Exercise price at grant date	P	12.9997
Average fair value at grant date	P	9.18
Average standard deviation of share price returns		35.29%
Average dividend yield		2.10%
Average risk-free investment rate		2.92%

The underlying expected volatility was determined by reference to historical prices of the Company's shares over a period of four years.

(b) *Of Megaworld*

On April 26, 2012, Megaworld's BOD approved an ESOP for its key executive officers, and on June 15, 2012, the stockholders adopted it.

The options shall generally vest on the 60th birthday of the option holder and may be exercised until the date of his/her retirement from Megaworld. The exercise price shall be at a 15% discount from the volume weighted average closing price of Megaworld's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2012, Megaworld granted share options to certain key executives to subscribe to 235.0 million of its common shares, at an exercise price of P1.77 per share.

In 2013, additional share options were granted to certain key executives to subscribe to 20.0 million common shares of Megaworld at an exercise price of P2.33 per share. In 2014, additional 40.0 million share options were granted in 2014 at an average exercise price of P3.00 per share. In 2019, additional 10 million share options were granted at an exercise price of P1.77. There were no additional share options granted in 2022, 2021 and 2020.

Further, in 2021, 15.0 million share options were forfeited due to resignation of certain key executive officers. There was no forfeiture due to resignation in 2022 and 2020.

A total of 10.0 million, 10.0 million and 5.0 million share options have vested in 2022, 2021 and 2020, respectively.

A total of 1.0 million share options were exercised at a price of P1.77 per share both in 2022 and 2020. There was no similar transaction in 2021.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Option life	6.08 to 30.17 years
Share price at grant date	P2.54 to P4.52
Exercise price at grant date	P1.77 to P3.23
Fair value at grant date	P0.98 to P2.15
Average standard deviation of share price return	10.98 %
Average dividend yield	0.82 %
Average risk-free investment rate	3.93 %

The underlying expected volatility was determined by reference to historical date of Megaworld's shares over a period of time consistent with the option life.

(c) *Of GERI*

On September 23, 2011, GERI's BOD approved an ESOP for its key executive officers. This was approved on November 8, 2011 by stockholders holding at least 2/3 of the outstanding capital stock. The purpose of the ESOP is to enable the key executives and senior officers of GERI, who are largely responsible for its further growth and development, to obtain an ownership interest and thereby encourage long-term commitment to GERI. The ESOP is being administered by the Executive Compensation Committee of GERI's BOD.

Under the ESOP, GERI shall initially reserve for exercise of share options up to 500.0 million common shares of its outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Share options may be granted within 10 years from the adoption of the ESOP and may be exercised within seven years from date of grant.

The exercise price shall be at a 15% discount from the volume weighted average closing price of GERI's shares for twelve months immediately preceding the date of grant. The options shall vest within three years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three-year period.

As of December 31, 2022, pursuant to this ESOP, GERI has granted the options to its key executive officers to subscribe to 400.0 million GERI shares. An option holder may exercise in whole or in part his vested option provided, that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. All 400.0 million options were fully vested as of December 31, 2019, but none of these have been exercised yet by any of the option holders as of December 31, 2022.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Average option life	7 years
Share price at grant date	P1.02 to P2.10
Exercise price at grant date	P1.00 to P1.93
Fair value at grant date	P0.24 to P2.27
Standard deviation of share price return	12.16% to 57.10%
Risk-free investment rate	2.14% to 2.59%

The underlying expected volatility was determined by reference to historical date of GERI's shares over a period of time consistent with the option life.

(d) *Of EMI*

On November 7, 2014, EMI's BOD approved an ESOP for qualified employees of EMI Group and adopted by the shareholders on December 15, 2014. On August 17, 2021 EMI's BOD approved certain amendments to the plan.

The options shall generally vest on the 60th birthday or the date of retirement of the option holder provided that the option holder had continuously served as an employee for 11 years after the option offer date or 3 years from retirement date for option holder who has continuously served for at least 20 years before the option offer date, and may be exercised within 5 years from vesting date, subject to the terms and conditions of the amended ESOP. The exercise price shall be at most a 15% discount from the volume weighted average closing price of EMI's shares of nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2015, share options were granted to certain key executives of EDI to subscribe to 118.0 million common shares of EMI at an exercise price of P7.00 per share. As of December 31, 2022, a total of 9.0 million shares options were cancelled due to resignation.

On March 25, 2021 and August 25, 2021, share options were granted to certain qualified grantees to subscribe to 20.0 million and 55.0 million common shares of EMI, at an exercise price of P10.10 and P10.65 per share, respectively.

On February 11, 2022, share options were granted to a qualified employee of EDI to subscribe to 5.0 million common shares of EMI at an exercise price of P13.95 per share.

The fair value of the options granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Average option life	11 – 22 years
Share price at grant date	P8.90 – P22.50
Exercise price at grant date	P7.00 – P13.95
Average fair value of option at grant date	P3.26 – P13.35
Average standard deviation of share price returns	10.24% - 13.13%
Average dividend yield	1.08% - 1.10%
Average risk-free investment rate	4.44% - 5.24%

The underlying expected volatility was determined by reference to historical prices of EMI's shares over a period of one year.

The Group recognized a total of P92.8 million, P55.1 million and P48.3 million Share-option benefit expense in 2022, 2021 and 2020, respectively, as part of Salaries and employee benefits under Other Operating Expenses account in the consolidated statements of comprehensive income and a corresponding credit to Equity and through Non-controlling Interest account for the portion related to the other shareholders of the subsidiaries (see Notes 26 and 28.3).

22.7 Appropriated Retained Earnings

In 2022 and 2021, GADC's BOD approved the appropriation of P7.1 billion and P6.5 billion, respectively, for its continuing business expansion projects which include construction of new stores and business extensions, renovation of existing stores and development of information technology projects. The construction of new stores and renovation of existing stores are projected to be completed within 2023. The appropriation in 2021 was fully utilized and reversed in 2022, through the opening of 27 new company-owned McDonald's restaurants, renovation of 23 company-owned McDonald's restaurants and development of information technology projects. In 2020, GADC's BOD appropriated P6.0 billion for the continuing business expansion which was fully utilized and reversed in 2021.

In 2021, AWGI reversed the appropriated retained earnings of P800.0 million for capital expenditures. Also, in 2021, AWGI appropriated P1,200.0 million for the rehabilitation of furnace and other capital expenditures for the glass manufacturing plant which are expected to be completed in 2025.

22.8 Perpetual Capital Securities

On April 11, 2018, Megaworld issued bonds amounting \$200.0 million. The bonds were issued with a nominal interest of 5.375% per annum and interest is payable semi-annually in arrears every April 11 and October 11. The bonds are listed in the Singapore Exchange. The financial instruments are treated as equity securities. These bonds may be voluntarily redeemed by Megaworld on April 11, 2023 or on any distribution date thereafter. The amount was previously presented as part of Non-controlling interest (NCI). As of December 31, 2020, the perpetual capital securities do not appear in the consolidated statements of financial position because all are held within the Group.

In 2021, Megaworld fully redeemed its perpetual capital securities for P9.8 billion. The excess of carrying amount of perpetual capital securities over the redemption price was directly credited to the consolidated retained earnings for the amount of P333.7 million and to NCI for the amount of P150.6 million as presented in the 2021 consolidated statement of changes in equity [see Notes 3.1(i)].

22.9 Equity-linked Debt Securities

Equity-linked debt securities (“ELS”) instrument arises from the subscription agreement between EMI and Arran Investment Private Limited (“the Holder” or “Arran”) for the issuance of additional common shares of EMI. The ELS may be converted into a fixed number of common shares (“conversion shares”) of EMI. The ELS bears a fixed annual interest rate (5.0% initially; 0% as amended in 2017) and variable interest (equal to the same dividend price declared and payable to common shareholders). On June 15, 2017, the ELS was amended, stipulating among others the change in the fixed number of Conversion Shares (728,275,862 new and fully paid-up) and in the Share Market Price (greater than P7.25 per share) for the mandatory conversion at any time from Redemption Date and ending on the Extended Redemption Date (December 4, 2021).

On December 23, 2019, the parties further agreed to give the Holder the right to two tranches of conversion and allowed the Holder to transfer ELS to an affiliate of EMI. Furthermore, on January 31, 2020, the parties agreed to remove the mandatory conversion of the ELS when the Share Market Price is reached; and on February 5, 2020, the Holder exercised its Tranche 1 Conversion for P1,836,250,000 into 253,275,862 shares. As of December 31, 2020, the Holder has not yet exercised its Tranche 2 Conversion right corresponding to P3,443,750,000 into 475,000,000 shares.

On December 31, 2021, the Holder exercised its right to Tranche 2 Conversion and EMI was given a period until February 28, 2022 to issue the Tranche 2 Shares. Pursuant to this, EMI derecognized the financial liability component of the ELS and recognized an equity component amounting to P3.4 billion. Such amount is presented as part of NCI in the consolidated statements of financial position.

Through a series of amendments, the Conversion Period was extended up to August 12, 2023 or such other date as may be mutually agreed in writing by the Holder and EMI. The issuance of Tranche 2 Shares is expected to happen in 2023.

The related interest expense amounted to P152.0 million and P52.3 million in 2021 and 2020, respectively, (no declaration in 2022) and is presented as part of Interest expense under Finance Cost and Other Charges account in the consolidated statements of comprehensive income (see Note 27).

On January 26, 2023, EMI and Arran executed an agreement that clarified the continuation of Variable Interest on the Tranche 2 Shares effective from the date of agreement until August 12, 2023 or the issuance of the Tranche 2 Shares, whichever comes earlier. (See Note 37.1).

22.10 Subsidiaries with Material Non-controlling Interest

The subsidiaries with material NCI are shown below (in thousands).

Name	Proportion of Ownership Interest and Voting Rights Held by NCI		Subsidiary's Consolidated Profit Allocated to NCI		Accumulated Equity of NCI	
	2022	2021	2022	2021	December 31, 2022	December 31, 2021
	Megaworld	30%	31%	P 4,092,083	P 4,178,119	P 90,762,224
Travellers	40%	50%	426,729	(287,691)	24,978,200	21,796,074
GADC	51%	51%	932,983	443,287	3,882,544	2,052,137
Emperador	19%	14%	1,939,737	1,413,987	15,100,824	14,053,492

Dividends paid to NCI amounted to P1.9 billion in 2022, P1.4 billion in 2021 and P0.8 billion in 2020.

The summarized financial information of the subsidiaries, before intragroup eliminations, is shown below and in the succeeding page (in thousands).

	December 31, 2022			
	Megaworld	Travellers	GADC	Emperador
Current assets	P 224,315,419	P 23,042,816	P 19,728,124	P 77,393,838
Non-current assets	184,896,118	101,306,729	24,009,252	63,817,286
Total assets	P 409,211,537	P 124,349,545	P 43,737,376	P 141,211,124
Current liabilities	P 75,253,963	P 39,582,028	P 15,025,518	P 28,350,052
Non-current liabilities	92,937,051	46,449,000	18,929,693	24,271,650
Total liabilities	P 168,191,014	P 86,031,028	P 33,955,211	P 52,621,701
Revenues	P 59,527,257	P 26,908,741	P 34,446,543	P 62,767,070
Profit (loss) for the year attributable to:				
Owners of Parent	P 13,455,476	P 1,057,307	P 1,829,378	P 10,060,876
NCI	1,918,810	(4,159)	(16,919)	150,847
Profit (loss) for the year	15,374,286	1,053,148	1,812,459	10,211,723
Other comprehensive income (loss) attributable to:				
Owners of Parent	(247,040)	182,085	352,919	(717,904)
NCI	-	-	-	-
Other comprehensive income (loss) for the year	(247,040)	182,085	352,919	(717,904)
Total comprehensive income for the year	P 15,127,246	P 1,235,233	P 2,165,378	P 9,493,819
Net cash from (used in)				
Operating activities	P 7,735,371	P 12,566,366	P 6,927,766	P 7,689,062
Investing activities	(12,426,678)	(4,934,751)	(2,872,116)	(2,679,339)
Financing activities	11,348,730	(3,507,207)	(2,917,169)	(1,605,389)

	December 31, 2021			
	Megaworld	Travellers	GADC	Emperador
Current assets	P 227,834,770	P 18,774,333	P 16,615,717	P 64,945,196
Non-current assets	<u>170,142,481</u>	<u>98,999,830</u>	<u>21,153,272</u>	<u>63,571,181</u>
Total assets	<u>P 397,977,251</u>	<u>P 117,774,163</u>	<u>P 37,768,989</u>	<u>P 128,516,377</u>
Current liabilities	P 61,908,026	P 41,344,617	P 11,463,479	P 23,523,398
Non-current liabilities	<u>106,365,234</u>	<u>43,263,835</u>	<u>18,087,267</u>	<u>26,274,744</u>
Total liabilities	<u>P 168,273,260</u>	<u>P 84,608,452</u>	<u>P 29,550,746</u>	<u>P 49,798,142</u>
Revenues	<u>P 50,754,291</u>	<u>P 13,182,574</u>	<u>P 24,937,193</u>	<u>P 55,936,272</u>
Profit (loss) for the year attributable to:				
Owners of Parent	P 13,434,467	(P 568,783)	P 896,191	P 9,971,065
NCI	<u>943,926</u>	<u>287,946</u>	<u>(26,947)</u>	<u>177,294</u>
Profit (loss) for the year	<u>14,378,393</u>	<u>(280,837)</u>	<u>869,244</u>	<u>10,148,359</u>
Other comprehensive income (loss) attributable to:				
Owners of Parent	1,841,957	150,220	(65,488)	3,704,272
NCI	<u>23,590</u>	<u>-</u>	<u>-</u>	<u>44,363</u>
Other comprehensive income (loss) for the year	<u>1,865,547</u>	<u>150,220</u>	<u>(65,488)</u>	<u>3,748,635</u>
Total comprehensive income (loss) for the year	<u>P 16,243,940</u>	<u>(P 130,617)</u>	<u>P 803,756</u>	<u>P 13,896,994</u>
Net cash from (used in)				
Operating activities	P 5,623,613	P 9,351,369	P 3,964,750	P 16,414,417
Investing activities	(6,921,007)	(3,193,095)	(1,250,043)	(1,569,297)
Financing activities	4,925,244	(5,871,615)	(1,891,452)	(13,045,506)

	December 31, 2020			
	Megaworld	Travellers	GADC	Emperador
Current assets	P 210,673,607	P 18,708,341	P 14,853,146	P 61,961,498
Non-current assets	<u>165,016,813</u>	<u>102,035,670</u>	<u>22,378,388</u>	<u>60,490,654</u>
Total assets	<u>P 375,690,420</u>	<u>P 120,744,011</u>	<u>P 37,231,534</u>	<u>P 122,452,152</u>
Current liabilities	P 72,720,150	P 46,992,201	P 11,387,313	P 25,808,376
Non-current liabilities	<u>90,439,790</u>	<u>40,455,481</u>	<u>18,411,734</u>	<u>29,279,460</u>
Total liabilities	<u>P 163,159,140</u>	<u>P 87,447,682</u>	<u>P 29,799,047</u>	<u>P 55,087,836</u>

	December 31, 2020			
	Megaworld	Travellers	GADC	Emperador
Revenues	<u>P 43,470,998</u>	<u>P 12,181,142</u>	<u>P 19,809,392</u>	<u>P 52,834,305</u>
Profit (loss) for the year attributable to:				
Owners of Parent	P 9,885,989	(P 5,499,895)	(P 580,096)	P 7,967,262
NCI	<u>702,576</u>	<u>(4,461)</u>	<u>(16,116)</u>	<u>69,378</u>
Profit (loss) for the year	<u>10,588,565</u>	<u>(5,504,356)</u>	<u>(596,212)</u>	<u>8,036,640</u>
Other comprehensive income (loss) attributable to:				
Owners of Parent	(201,271)	(150,207)	137,359	3,211,809
NCI	<u>(27,755)</u>	<u>-</u>	<u>-</u>	<u>180,399</u>
Other comprehensive income (loss) for the year	<u>(229,026)</u>	<u>(150,207)</u>	<u>137,359</u>	<u>3,392,208</u>
Total comprehensive income (loss) for the year	<u>P 10,359,539</u>	<u>(P 5,654,563)</u>	<u>(P 458,853)</u>	<u>P 4,644,432</u>
Net cash from (used in)				
Operating activities	P 19,099,531	P 1,424,806	P 2,618,085	P 7,552,125
Investing activities	(6,333,457)	(3,230,337)	(823,304)	(732,972)
Financing activities	(4,295,806)	2,142,372	23,954	(6,998,589)

23. EARNINGS PER SHARE

Earnings per share is computed as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Basic and diluted:			
Net profit attributable to owners of the parent company	P 16,107,842,209	P 16,944,095,592	P 8,829,293,379
Divided by the weighted average number of outstanding common shares	<u>8,968,807,679</u>	<u>9,313,118,279</u>	<u>9,583,570,579</u>
	<u>P 1.7960</u>	<u>P 1.8194</u>	<u>P 0.9213</u>

The actual number of outstanding common shares approximates the weighted average for each year.

The basic and diluted earnings per share are the same for the years ended December 31, 2022, 2021 and 2020, as the potentially dilutive shares from the Group's ESOP are considered to be antidilutive since their conversion to ordinary shares would increase earnings per share. Thus, the number of issued and outstanding common shares presented above does not include the effect of the potential common shares from the ESOP.

24. REVENUES

24.1 Disaggregation of Revenues

The Group disaggregates revenues recognized from contracts with customers into the operating business segments presented in Notes 4.1 and 4.4 that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The same disaggregation is used in earnings releases, annual reports and investor presentations.

The breakdown of revenues from sale of goods and rendering of services is presented below:

	Notes	2022	2021	2020
Sale of Goods:				
Sales of consumer goods	2.16(a)	P 61,385,216,633	P 56,906,491,121	P 52,156,126,415
Real estate sales	2.16(b, c)	36,849,992,605	31,129,417,724	24,858,537,303
		<u>P 98,235,209,238</u>	<u>P 88,035,908,845</u>	<u>P 77,014,663,718</u>
Rendering of Services:				
Sales by company-operated quick-service restaurants	2.16(f)	P 31,305,279,964	P 22,745,083,827	P 18,045,120,784
Net gaming revenues	2.16	21,602,642,230	10,330,110,235	9,398,336,935
Rental income	2.18, 14	15,946,271,670	13,781,184,993	13,170,220,536
Hotel operations	2.16(d, e)	6,729,972,701	4,245,502,111	3,581,296,104
Franchise revenues	2.16(g), 31.5	3,141,263,464	2,192,109,300	1,764,272,777
Others	2.16(h)	1,787,253,632	1,616,239,176	1,581,467,111
		<u>P 80,512,683,661</u>	<u>P 54,910,229,642</u>	<u>P 47,540,714,247</u>

Other revenues include income from commissions, construction, property management operations, cinema operations, parking, bingo, tournaments and production shows.

The disaggregation of revenues for each reportable segment is presented below.

	2022					
	Megaworld	Travellers	GADC	Emperador	Unallocated	Total
Sale of goods	P 36,849,992,605	P -	P -	P60,671,033,945	P 714,182,688	P 98,235,209,238
Rendering of services	19,125,469,664	26,906,252,986	34,480,810,931	150,080	-	80,512,683,661
	<u>P 55,975,462,269</u>	<u>P26,906,252,986</u>	<u>P34,480,810,931</u>	<u>P 60,671,184,025</u>	<u>P 714,182,688</u>	<u>P178,747,892,899</u>
	2021					
	Megaworld	Travellers	GADC	Emperador	Unallocated	Total
Sale of goods	P 31,129,417,724	P -	P -	P54,845,254,471	P 2,061,236,650	P 88,035,908,845
Rendering of services	16,723,156,919	13,178,792,085	24,981,223,562	14,613,920	12,443,156	54,910,229,642
	<u>P 47,852,574,643</u>	<u>P13,178,792,085</u>	<u>P24,981,223,562</u>	<u>P 54,859,868,391</u>	<u>P 2,073,679,806</u>	<u>P142,946,138,487</u>
	2020					
	Megaworld	Travellers	GADC	Emperador	Unallocated	Total
Sale of goods	P 24,858,537,303	P -	P -	P51,395,295,032	P 760,831,383	P 77,014,663,718
Rendering of services	15,501,186,258	12,167,008,299	19,872,519,690	-	-	47,540,714,247
	<u>P 40,359,723,561</u>	<u>P12,167,008,299</u>	<u>P19,872,519,690</u>	<u>P 51,395,295,032</u>	<u>P 760,831,383</u>	<u>P124,555,377,965</u>

24.2 Contract Accounts

The significant changes in the contract assets and contract liabilities balances as of December 31 are as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Contract Assets</u>	<u>Contract Liabilities</u>	<u>Contract Assets</u>	<u>Contract Liabilities</u>
Balance at beginning of year	P 19,922,247,362	P 7,403,695,808	P 19,380,726,313	P 5,843,629,303
Transfers from contract assets recognized at the beginning of year to trade receivables	(8,200,052,415)	-	(6,331,845,183)	-
Increase due to satisfaction of performance obligation over time, net of cash collection	7,897,728,826	-	6,873,366,232	-
Revenue recognized that was included in contract liabilities at the beginning of year	-	(3,679,150,615)	-	(1,704,149,276)
Increase due to cash received in excess of performance to date	-	<u>4,521,876,337</u>	-	<u>3,264,215,781</u>
Balance at end of year	<u>P 19,619,923,773</u>	<u>P 8,246,421,530</u>	<u>P 19,922,247,362</u>	<u>P 7,403,695,808</u>

The current and non-current classification of the Group's Contract Assets account as presented in the consolidated statements of financial position is shown below.

	<u>2022</u>	<u>2021</u>
Current	P 13,613,227,726	P 11,970,852,843
Non-current	<u>6,006,696,047</u>	<u>7,951,394,519</u>
	<u>P 19,619,923,773</u>	<u>P 19,922,247,362</u>

The current and non-current classification of the Group's Contract Liabilities account as presented in the consolidated statements of financial position is shown below.

	<u>2022</u>	<u>2021</u>
Current	P 3,392,947,567	P 2,447,089,883
Non-current	<u>4,853,473,963</u>	<u>4,956,605,925</u>
	<u>P 8,246,421,530</u>	<u>P 7,403,695,808</u>

The outstanding balance of trade receivables arising from contracts with real estate and hotel customers amounted to P31.8 billion and P27.5 billion as of December 31, 2022 and 2021, respectively, are presented as part of Trade receivables (see Note 6).

24.3 Direct Contract Costs

The Group incurs sales commissions upon execution of contracts to sell real properties to customers. Incremental costs of commission incurred to obtain contracts are capitalized and presented as Deferred commission under Other Current Assets and Other Non-current Assets accounts in the consolidated statements of financial position (see Note 9). These are amortized over the expected construction period on the same basis as how the Group measures progress towards complete satisfaction of its performance obligation in its contracts. The total amount of amortization is presented as part of Commissions under Other Operating Expenses (see Note 26).

The movements in balances of deferred commission in 2022 and 2021 are presented below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 3,574,921,741	P 3,360,073,323
Additional capitalized costs net of sales cancellations	743,317,115	1,035,710,361
Amortization for the year	(1,320,989,599)	(820,861,943)
Balance at end of year	<u>P 2,997,249,257</u>	<u>P 3,574,921,741</u>

The breakdown of deferred commission as of December 31, 2022 and 2021 is presented Below (see Note 9).

	<u>2022</u>	<u>2021</u>
Current	P 1,962,421,561	P 1,552,396,393
Non-current	<u>1,034,827,696</u>	<u>2,022,525,348</u>
	<u>P 2,997,249,257</u>	<u>P 3,574,921,741</u>

24.4 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts amounted to P43.7 billion and P47.1 billion as of December 31, 2022 and 2021, respectively, which the Group expects to recognize as follows:

	<u>2022</u>	<u>2021</u>
Within a year	P 23,100,331,580	P 21,139,283,515
More than one year to three years	16,480,982,363	19,761,215,172
More than three years to five years	<u>4,155,242,262</u>	<u>6,225,643,643</u>
	<u>P 43,736,556,205</u>	<u>P 47,126,142,330</u>

25. COST OF GOODS SOLD AND SERVICES

The components of cost of goods sold and services are as follows:

	Notes	2022	2021	2020
Cost of Goods Sold:	2.16			
Cost of consumer goods sold:				
Direct materials used		P 35,638,751,036	P 30,423,454,664	P 20,559,491,616
Salaries and employee benefits	28.1	1,838,973,857	1,498,786,389	1,404,287,077
Depreciation and amortization	13	1,129,963,712	1,178,508,887	1,188,004,363
Indirect materials and other consumables		571,133,440	352,562,619	279,932,536
Utilities		551,953,927	359,775,061	269,051,436
Repairs and maintenance		431,130,827	325,965,699	255,517,659
Change in work in process and finished goods		(415,171,560)	617,875,112	10,746,888,171
Taxes and licenses		354,927,471	129,182,495	191,844,422
Outside services	30.1	319,568,784	266,880,588	240,130,937
Supplies		211,353,831	161,066,562	73,696,771
Other direct and overhead costs	8	1,410,700,887	999,179,638	668,338,522
		42,043,286,212	36,313,237,714	35,877,183,510
Cost of real estate sales:				
Contracted services		15,157,644,269	13,921,991,148	9,505,319,098
Land costs		2,423,993,776	1,870,060,652	3,598,926,919
Borrowing costs		722,695,142	792,405,811	462,338,695
Other costs		250,422,205	289,825,668	223,941,120
	2.7	18,554,755,392	16,874,283,279	13,790,525,832
		P 60,598,041,604	P 53,187,520,993	P 49,667,709,342
Cost of Services:	2.16			
Food, supplies and other consumables		P 14,988,495,307	P 10,198,881,316	P 8,364,214,634
Salaries and employee benefits	28.1	6,462,541,398	4,933,089,160	5,465,068,304
Gaming license fees	29.3	6,086,970,292	3,147,619,690	2,636,024,717
Depreciation and amortization	13, 14	5,455,523,991	4,925,177,592	5,020,689,064
Rental	13.4	3,064,223,374	1,770,757,012	1,417,386,202
Outside services		1,488,424,410	1,081,226,866	1,245,013,053
Hotel operations		1,061,319,773	814,552,675	668,681,337
Casino operating expenses		693,510,630	471,180,190	318,685,528
Flight operations		81,381,792	-	19,138,932
Entertainment, amusement and recreation		20,657,431	28,957,341	31,548,612
Other direct and overhead costs		3,530,701,426	2,648,327,741	2,102,844,938
		P 42,933,749,824	P 30,019,769,583	P 27,289,295,321

Other direct and overhead costs include, among others, costs incurred for real property taxes, insurance, repairs and maintenance, utilities, other operating supplies, service fees charged by online ordering platforms and waste disposal.

26. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

	Notes	2022	2021	2020
Advertising and promotions		P 8,393,105,734	P 5,925,905,035	P 5,442,508,371
Salaries and employee benefits	22.6, 28.1	7,117,368,960	5,992,663,117	6,010,147,091
Depreciation and amortization	13, 14, 15	4,714,033,687	4,975,102,483	4,633,694,543
Professional fees and outside services		2,472,439,754	2,054,907,104	1,754,679,361
Utilities		1,998,216,345	1,087,053,472	950,790,339
Commissions	24.3	1,885,117,123	1,252,692,456	1,261,848,815
Royalty	31.5	1,716,009,757	1,123,511,292	889,229,140
Taxes and licenses		1,623,283,048	1,643,980,830	1,580,851,219
Transportation and travel		1,132,976,003	747,272,335	737,193,346
Repairs and maintenance		814,300,385	778,336,829	688,799,285
Loss on cancellation of sales contract		777,544,878	682,473,797	659,918,645
Management fees	30.3, 31.4	639,178,363	233,416,658	167,636,473
Freight and handling		491,265,922	415,133,136	559,511,059
Dues and subscriptions		471,922,019	457,350,127	524,970,742
Insurance		358,202,494	335,358,996	380,788,445
Donations and contributions		344,386,041	276,209,267	374,992,440
Rental	13.4	331,533,574	212,051,183	368,647,671
Representation and entertainment		289,079,427	175,792,091	403,893,371
Write-down of inventories	8	162,489,934	24,429,762	64,913,811
Supplies		135,561,005	58,819,245	53,973,816
Communication and office expenses		108,161,351	58,597,847	59,837,455
Impairment of receivables	6	37,657,409	70,025,018	234,331,971
Meal expenses		21,542,293	26,610,043	31,717,898
Impairment of PPE and intangibles	13, 15	-	1,970,737,642	337,678,063
Miscellaneous	13.2, 21, 31.2	1,887,521,492	1,464,938,209	1,104,639,912
		<u>P 37,922,896,998</u>	<u>P 32,043,367,974</u>	<u>P 29,277,193,282</u>

Miscellaneous expenses include expenses incurred for security services, supplies and other consumables, donations, training and development, dues and subscriptions, and various other expenses.

These other operating expenses are classified by function as follows:

	2022	2021	2020
General and administrative expenses	P 23,522,854,985	P 21,580,879,470	P 19,221,601,871
Selling and marketing expenses	14,400,042,013	10,462,488,504	10,055,591,411
	<u>P 37,922,896,998</u>	<u>P 32,043,367,974</u>	<u>P 29,277,193,282</u>

27. OTHER INCOME AND CHARGES

Other income and charges provide details of Finance and Other Income account and Finance Costs and Other Charges account as presented in the consolidated statements of comprehensive income.

	Notes	2022	2021	2020
Finance and other income:				
Interest income	2.4, 5, 6, 7, 9	P 3,202,355,753	P 2,158,373,961	P 2,160,829,212
Gain from COVID-19-related rent concessions	3.1(m)	239,692,435	509,232,978	413,426,144
Reversal of impairment losses on PPE	13.1	74,555,614	182,933,013	296,042,370
Reversal of impairment losses on receivables	6	35,684,766	95,700,853	7,575,360
Gain on sale of financial assets at FVTPL	7	9,465,006	79,576,615	-
Gain from derecognition of right-of-use assets and lease liabilities	13.2, 13.3	6,920,584	32,926,577	51,149,786
Dividend income		1,631,280	19,524,671	7,117,104
Gain on co-development agreement	16, 31.8(ii)	-	5,849,603,560	-
Foreign currency gains – net	19	-	-	593,679,386
Fair value gains – net	7	-	-	130,149
Miscellaneous – net	8	1,294,031,090	918,505,558	589,288,599
		<u>P 4,864,336,528</u>	<u>P 9,846,377,786</u>	<u>P 4,119,238,110</u>

	Notes	2022	2021	2020
Finance costs and other charges:				
Interest expense	13.3, 18, 19, 20, 28.2	P 8,517,493,283	P 7,239,976,324	P 6,840,980,033
Foreign currency losses – net		1,339,128,933	1,180,044,788	-
Day one loss	6	543,289,914	483,265,727	269,781,190
Loss on disposal of PPE and investment properties – net	13	65,065,014	91,383,298	174,787,449
Fair value losses – net	7	20,898,129	2,772,787	-
Loss on sale of financial assets at FVTPL	7	-	1,306,930	818,378
Miscellaneous		315,023,356	452,421,513	363,916,470
		<u>P 10,800,898,629</u>	<u>P 9,451,171,367</u>	<u>P 7,650,283,520</u>

Interest income mainly pertains to interest earned from the Group's financial assets at amortized cost and financial assets at FVTPL.

Miscellaneous income includes gain on sale of other non-current assets, marketing fees and others.

Miscellaneous expenses pertain to amortization of discounts on security deposits, bank charges and other related fees.

28. SALARIES AND EMPLOYEE BENEFITS

28.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2022	2021	2020
Short-term employee benefits		P 14,708,369,255	P 11,832,690,140	P 12,343,924,950
Post-employment defined benefit	2.21(b), 28.2	362,189,477	334,441,221	281,743,665
Post-employment defined contribution	28.2	255,534,650	202,274,995	205,493,775
Share option benefit expense	2.21(e), 22.6, 28.3, 30.8	92,790,833	55,132,310	48,340,082
		<u>P 15,418,884,215</u>	<u>P 12,424,538,666</u>	<u>P 12,879,502,472</u>

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

	Notes	2022	2021	2020
Cost of services	25	P 6,462,541,398	P 4,933,089,160	P 5,465,068,304
Cost of goods sold	25	1,838,973,857	1,498,786,389	1,404,287,077
Other operating expenses	26	7,117,368,960	5,992,663,117	6,010,147,091
		<u>P 15,418,884,215</u>	<u>P 12,424,538,666</u>	<u>P 12,879,502,472</u>

28.2 Post-employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

Megaworld Group, EDI, EELHI, GADC and WML maintain funded, tax-qualified, noncontributory post-employment benefit plans, except that EELHI is partially-funded and GADC allows voluntary employee contribution. Each of the plans is being administered by a trustee bank that is legally separated from the Group. GERI and GADC's subsidiaries have unfunded, noncontributory post-employment benefit plans. All of plans mentioned cover all qualified regular and full-time employees.

The Parent Company and all other subsidiaries have no established corporate retirement plans. AWGI and TEI compute their retirement obligations based on the provisions of R.A. No. 7641, *The Retirement Pay Law*. Whereas, the Parent Company and the other subsidiaries within the Group have not accrued any post-employment benefit obligation as each entity has less than ten employees. The Group's management believes that non-accrual of the estimated post-employment benefits will not have any material effect on the Group's consolidated financial statements.

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

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation reports obtained from independent actuaries in 2022 and 2021.

The amounts of retirement benefit obligation as of the end of the reporting periods, presented as a non-current liability in the consolidated statements of financial position, are determined as follows:

	<u>2022</u>	<u>2021</u>
Present value of the obligation	P11,854,948,509	P18,570,053,950
Fair value of plan assets	(11,100,024,776)	(17,588,309,672)
	754,923,733	981,744,278
Unrecognized asset due to the effect of the asset ceiling	<u>-</u>	<u>307,852</u>
	<u>P 754,923,733</u>	<u>P 982,052,130</u>

The movements in the present value of retirement benefit obligation are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 18,570,053,950	P 18,527,265,539
Current service and interest costs	804,832,997	830,559,014
Past service cost	(2,508,894)	-
Remeasurements –		
Actuarial losses (gains) arising from changes in:		
Financial assumptions	(6,729,674,004)	(558,350,712)
Demographic assumptions	522,858,158	(151,408,891)
Experience adjustments	(457,950,348)	(241,412,419)
Benefits paid	(632,624,350)	(760,774,581)
Effects of foreign currency adjustment	(220,039,000)	<u>924,176,000</u>
Balance at end of year	<u>P 11,854,948,509</u>	<u>P 18,570,053,950</u>

The movements in the fair value of plan assets of funded retirement plans of the Group are presented below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 17,588,309,672	P 16,094,952,613
Interest income	337,754,923	299,784,055
Effects of foreign exchange adjustment	(238,539,000)	924,032,000
Contributions paid into the plan	195,357,342	450,972,940
Return (loss) on plan assets (excluding amounts included in net interest)	(6,249,181,321)	415,944,842
Benefits paid	(533,676,840)	(597,376,778)
Balance at end of year	<u>P 11,100,024,776</u>	<u>P 17,588,309,672</u>

The plan assets of MEG, EMI, GADC and Travellers as of December 31 consist of the following:

	<u>2022</u>	<u>2021</u>
Investments in:		
Long-term equity securities	44.14%	65.07%
Debt securities	43.91%	25.54%
Unit investment trust fund	2.67%	2.54%
Cash and cash equivalents	5.06%	2.42%
Property	4.21%	4.43%
Others	0.01%	0.01%
	<u>100.00%</u>	<u>100.00%</u>

Actual loss on plan assets in 2022 amounted to P5.9 billion while actual returns on plan assets in 2021 amounted to P715.7 million.

As of December 31, 2022 and 2021, the funds include investments in securities of its related parties (see Note 30).

The carrying amount and fair value of investments in debt securities of entities within the Group as of December 31, 2022 amounted to P99.1 million and P98.7 million, respectively, while the carrying amount and fair value as of December 31, 2021 amounted to P101.4 million and P101.4 million, respectively. Unrealized fair value losses on these securities as of December 31, 2022 amounted to P0.3 million.

The carrying amount and fair value of investments in equity securities of entities within the Group as of December 31, 2022 amounted to P40.0 million and P36.0 million, respectively, while the carrying amount and fair value as of December 31, 2021 amounted to P48.9 million and P36.0 million, respectively. Unrealized fair value losses on these securities as of December 31, 2022 and December 31, 2021 amounted to P4.0 million and P 13.0 million, respectively.

The fair value of the investments in other securities and debt instruments, long-term equity investments and cash and cash equivalents is at Level 1 in the fair value hierarchy. Unit investment trust fund is at Level 2, while loans and receivables and property are at Level 3 (see Note 34).

The amounts of post-employment benefits expense recognized as part of Salaries and employee benefits in profit or loss (see Note 28.1) and other comprehensive income are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in consolidated profit or loss –</i>			
Current service cost	P 364,698,371	P 334,441,221	P 279,267,174
Past service cost	(2,508,894)	-	2,476,491
	<u>P 362,189,477</u>	<u>P 334,441,221</u>	<u>P 281,743,665</u>
<i>Reported in consolidated other comprehensive income:</i>			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	P6,729,674,004	P 558,350,712	(P 1,205,855,326)
Demographic assumptions	(522,858,158)	151,408,891	(278,476,360)
Experience adjustments	457,950,348	241,412,419	(127,875,106)
Return on plan assets (excluding amounts in net interest expense)	(6,249,181,321)	415,944,842	1,215,280,925
Change in effect of asset ceiling	<u>323,524</u>	(149,511)	-
	415,908,397	1,366,967,353	(396,925,867)
Tax income (expense)	(70,320,718)	(278,240,315)	(208,421,283)
	<u>P 345,587,679</u>	<u>P 1,088,727,038</u>	<u>(P 605,347,150)</u>

In 2022, 2021 and 2020, post-employment benefit expense amounting to P255.5 million, P202.3 million and P205.5 million, respectively, were incurred for WML's defined contribution plan.

The amounts of post-employment benefits expense are included as part of Salaries and employee benefits under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26).

The net interest costs are presented as part of Interest expense under Finance Costs and Other Charges account (see Note 27).

In determining the post-employment benefit obligation, the following actuarial assumptions were used:

	<u>2022</u>	<u>2021</u>
Discount rates	3.60% - 7.54%	3.58% - 5.20%
Expected rates of salary increases	1.00% - 6.00%	3.00% - 7.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The discount rates assumed were based on the yields of long-term government bonds, as of the valuation dates. The applicable period used approximate the average years of remaining working lives of the Group's employees.

(c) *Risks Associated with the Retirement Plan*

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

(i) *Investment and Interest Rate Risks*

Discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

Currently, the plans have placed majority of its plan assets in investments in equity and debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity and debt investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

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

(iii) *Inflation Risk*

A significant portion of the defined benefit obligation is linked to inflation. The increase in inflation will increase the Group's liability.

(d) *Other Information*

(i) *Sensitivity Analysis*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

	<u>Change in Assumption</u>	<u>Impact on Post-employment Obligation</u>	
		<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
<u>December 31, 2022</u>			
Discount rate	+/-0.25% to +/-7.22%	(P 929,542,828)	P 507,546,192
Salary increase rate	+/-1.0% to +/-4.00%	487,770,205	(399,254,572)
<u>December 31, 2021</u>			
Discount rate	+/-0.25% to +/-1.00%	(P 1,886,148,261)	P 2,178,649,103
Salary increase rate	+/-1.0%	1,708,903,998	(1,375,674,225)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

The Group, through its BOD, envisions that the investment positions shall be managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This aims to match the plan assets to the retirement obligations by investing and selling of equities and debt securities that match the benefit payments as they fall due and in the appropriate currency.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P754.9 million based on the Group's latest actuarial valuations. While there is no minimum funding requirement in the Philippines, the size of the underfunding may pose a cash flow risk in about 17 years' time when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefit payments from the plan as of December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Within one year	P 704,020,232	P 676,454,272
More than one year to five years	1,799,123,731	1,653,749,357
More than five years to ten years	1,596,468,049	1,450,798,473
More than ten years to 15 years	399,266,717	758,411,681
More than 15 years to 20 years	777,949,467	1,258,063,321
More than 20 years	<u>3,716,837,078</u>	<u>6,437,395,444</u>
	<u>P 8,993,665,274</u>	<u>P 12,234,872,548</u>

The Group expects to contribute P112.3 million and P40.0 million to the retirement plan maintained for Megaworld and GADC, respectively, in 2022. GERI and EMI have yet to decide the amount of future contributions to their existing retirement plans.

28.3 Share Option Benefits

The Group's share option benefit expense includes the amounts recognized by the Company, Megaworld, GERI and EMI over the vesting period of the options granted by them (see Note 22.6). Options for 465.0 million shares and 465.0 million shares have vested and exercisable as of December 31, 2022 and 2021, respectively. Share option benefits expense, included as part of Salaries and employee benefits amounted to P92.8 million in 2022, P55.1 million in 2021 and P48.3 million in 2020 (see Note 28.1).

29. TAXES

29.1 Current and Deferred Taxes

On March 26, 2021, Republic Act (R.A.) No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and took effect on April 11, 2021 (15 days after publication). The following are the major changes brought about by the CREATE Act, which are relevant to and considered by AGI and its Philippine subsidiaries:

- regular corporate income tax ("RCIT") rate was decreased from 30% to 25% starting July 1, 2020;
- minimum corporate income tax ("MCIT") rate was decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
- the imposition of 10% tax on improperly accumulated retained earnings was repealed; and,
- the allowable deduction for interest expense is reduced by 20% (from 33%) of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate starting July 1, 2020, the current income tax expense and income tax payable, as presented in each 2020 annual income tax returns ("ITR"), would be lower by P340.8 million than the amount presented in the 2020 consolidated financial statements and such amount was charged to 2021 profit or loss.

In 2021, the recognized net deferred tax liabilities as of December 31, 2020 was remeasured to the effective tax rates that applies to the components. This resulted in a decline in the recognized deferred tax liabilities in 2020 by P1,548.0 million and such was recognized as tax expense in the 2021 profit or loss (P1,514.1 million) and in other comprehensive income (P33.9 million).

In UK, an increase in corporate tax rates from 19% to 25% shall take effect on April 1, 2023 by the Royal Assent received on June 10, 2021. Accordingly, deferred tax assets and deferred tax liabilities were remeasured at the new tax rate which resulted in additional tax expense of which P672.4 million pertains principally to intangibles at the consolidation level. This deferred tax adjustment was taken up in the consolidated financial statements only, does not affect stand-alone operating results of UK business, and it would not be realized or paid unless the business is liquidated or sold in the far future.

The tax expense reported in the consolidated statements of comprehensive income for the years ended December 31 are presented below (see Note 37.1).

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<i>Reported in consolidated profit or loss:</i>			
Current tax expense:			
RCIT at 30%, 25%, 19% and 10%	P 4,803,318,966	P3,029,364,593	P 4,190,172,616
Final tax at 20% and 15%	143,115,306	54,703,063	95,025,628
MCIT at 1% in 2021 and 2% in 2020 and 2019	17,183,247	17,600,870	124,145,803
Preferential tax rate at 5%	9,375,586	3,903,409	2,470,548
Adjustment in 2020 income tax due to change in tax rate	-	(340,765,934)	-
Others	89,502,198	56,277,237	10,851,633
	<u>5,062,495,303</u>	<u>2,821,083,238</u>	<u>4,422,666,228</u>
Deferred tax expense (income):			
Relating to origination and reversal of temporary differences	1,063,725,584	2,307,573,325	223,043,409
Due to the effect of change in income tax rate	-	(1,514,083,174)	-
Relating to effect of change in income tax rate on fair value of assets/intangibles	-	672,384,000	-
	<u>1,063,725,584</u>	<u>1,465,874,151</u>	<u>223,043,409</u>
	<u>P 6,126,220,887</u>	<u>P4,286,957,389</u>	<u>P4,645,709,637</u>
<i>Reported in consolidated other comprehensive income –</i>			
Deferred tax expense (income):			
Relating to origination and reversal of temporary differences	P 105,259,794	P 323,953,231	P 203,940,044
Due to the effect of change in income tax rate	-	(33,899,505)	-
	<u>P 105,259,794</u>	<u>P 290,053,726</u>	<u>P 203,940,044</u>

The Company and its Philippine subsidiaries are subject to the higher of RCIT at 25% in 2022 and 2021 and at 30% in 2020 of net taxable income or MCIT at 1% in 2022 and 2021 and at 25 in 2020 of gross income, as defined under the Philippine tax regulations. The foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the respective countries or jurisdictions where they operate.

MREIT is registered as a real estate investment trust entity under R.A. No. 9846 which enjoys certain income tax-free incentives, including deductibility of dividend distribution (subject to certain conditions) and exemption from MCIT.

ECOC, SEDI, Travellers, DHRI and LSHRI are Philippine Economic Zone Authority – registered entities which are entitled to 5% preferential tax rate on gross income from registered activities in lieu of all local and national taxes and to other tax privileges.

In May 2014, the Board of Investments approved SPI's application for registration on a certain project. SPI is entitled to income tax holiday for four years from May 2014 or actual start of commercial operations/selling, whichever is earlier but in no case earlier than the date of registration, with certain terms. In May 2018, the registration with Board of Investments on the certain project has expired.

The reconciliation of tax on consolidated pretax income computed at the applicable statutory rates to consolidated tax expense is as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Tax on consolidated pretax income at 25% in 2022 and 2021 and 30% in 2020	P 7,828,790,860	P 7,018,985,557	P 4,471,596,117
Adjustment for income subjected to different tax rates	(38,378,993)	(320,059,170)	(278,695,172)
Effect of change in income tax rate	-	(1,182,465,108)	-
Tax effects of:			
Income not subject to RCIT	(10,107,789,126)	(7,393,882,844)	(6,892,435,488)
Nondeductible expenses	7,215,389,157	5,158,999,200	6,048,086,449
Tax benefit arising from unrecognized deferred tax asset	971,705,579	1,048,647,814	1,389,201,783
Adjustments in claiming			
Optional Standard Deduction (“OSD”)	(163,500,895)	(424,113,544)	(216,046,654)
Others	420,004,305	380,845,484	124,002,602
Tax expense reported in consolidated profit or loss	<u>P 6,126,220,887</u>	<u>P4,286,957,389</u>	<u>P4,645,709,637</u>

The deferred tax assets and liabilities as of December 31 presented in the consolidated statements of financial position relate to the following:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Deferred tax assets – net:			
Lease liabilities	P 4,253,571,410	P 3,978,266,773	P 4,823,535,729
Net operating loss carry-over (“NOLCO”)	213,093,053	55,723,231	192,766,983
Difference between the fair value and carrying value of net assets acquired	114,104,045	141,225,062	141,225,062
Retirement benefit obligation	102,338,177	367,021,184	807,752,626
Allowance for impairment losses	93,913,943	191,624,535	165,110,241
MCIT	34,499,314	45,469,960	112,734,340
Allowance for inventory write-down	8,758,382	19,183,175	31,677,025
Allowance for property development costs	7,689,776	7,689,776	9,227,732
Unrealized foreign currency loss	-	(232,104)	-
Others	234,995,543	164,567,491	67,577,647
	<u>P 5,062,963,643</u>	<u>P 4,970,539,083</u>	<u>P 6,351,607,385</u>
Deferred tax liabilities – net:			
Uncollected gross profit	P 7,635,045,037	P 7,095,801,281	P 6,623,820,829
Capitalized interest	4,778,368,158	3,914,130,209	4,161,467,864
Right-of-use asset	3,281,027,200	3,018,701,667	3,694,709,140
Brand valuation	2,524,261,489	2,491,991,522	1,807,354,161
Unrealized foreign currency loss – net	(1,899,090,099)	(690,783,131)	(374,269,984)
Rent income differential	1,280,542,497	1,037,372,316	1,071,596,877
Fair value adjustment	391,580,821	386,575,763	280,794,649
Retirement benefit obligation	322,668,666	73,078,395	(86,226,360)
Uncollected rental income	79,275,569	65,973,836	37,264,192
Others	929,634,536	774,321,872	575,792,787
	<u>P19,323,313,874</u>	<u>P 18,167,163,730</u>	<u>P17,792,304,155</u>

The net deferred tax expense (income) reported in the consolidated statements of comprehensive income is shown below.

	Consolidated Profit or Loss			Consolidated Other Comprehensive Income		
	2022	2021	2020	2022	2021	2020
Deferred tax expense (income):						
Capitalized interest	P 864,237,949	(P 247,337,655)	P 592,193,899	P -	P -	P -
Uncollected gross profit	539,243,756	471,980,452	(669,620,316)	-	-	-
Retirement benefit obligation	414,513,248	321,795,882	48,321,237	70,320,718	278,240,315	208,421,283
Rent income differential	243,170,181	(34,224,561)	(101,636,241)	-	-	-
Allowance for impairment losses	108,135,385	(12,482,488)	10,536,958	-	-	-
Brand valuation	32,269,966	684,637,361	195,287,001	-	-	-
Uncollected rental income	12,648,431	28,709,644	(3,683,975)	-	-	-
MCIT	10,808,070	67,264,380	(110,680,266)	-	-	-
Fair value adjustments	5,005,059	105,781,114	30,779,550	-	-	-
Unrealized foreign currency losses - net	(1,243,208,998)	(328,094,454)	331,585,199	-	-	-
NOLCO	(157,369,822)	137,043,752	(187,000,354)	-	-	-
Accrued rent	-	1,537,956	3,399,573	-	-	-
Translation adjustments	-	-	-	34,939,076	11,813,411	(4,481,239)
Others	234,272,359	269,262,768	83,561,144	-	-	-
Net deferred tax expense	<u>P1,063,725,584</u>	<u>P 1,465,874,151</u>	<u>P 223,043,409</u>	<u>P105,259,794</u>	<u>P290,053,726</u>	<u>P 203,940,044</u>

The details of NOLCO, which can be claimed as deduction from the respective subsidiaries' future taxable income, are shown below. Specifically, NOLCO incurred in 2020 and 2021 can be claimed as a deduction within five years after the year it was incurred, pursuant to Section 4 (bbbb) of R.A. No. 11494, *Bayanihan to Recover as One Act* (otherwise known as Bayanihan II) and as implemented under Revenue Regulations No. 25-2020.

Year	Original Amount	Applied	Expired Balance	Remaining Balance	Valid Until
2022	P 4,271,830,950	-	P -	P 4,271,830,950	2025
2021	3,894,565,470	-	-	3,894,565,470	2026
2020	5,095,100,079	(236,880)	-	5,094,863,199	2025
2019	2,554,636,847	(40,663,361)	(2,473,525,234)	-	2022
	<u>P15,816,133,346</u>	<u>(P 40,900,241)</u>	<u>(P2,473,525,234)</u>	<u>P13,261,259,619</u>	

Some companies within the Group are subject to the MCIT. The details of excess MCIT over RCIT, which can be applied as deduction from the entities' respective future RCIT payable within three years from the year the MCIT was paid, are shown below.

Year	Original Amount	Applied	Expired Balance	Remaining Balance	Valid Until
2022	P 14,774,154	P -	P -	P 14,774,154	2025
2021	19,339,585	-	-	19,339,585	2024
2020	115,231,299	(258,234)	-	114,973,065	2023
2019	21,359,451	(154,982)	(21,204,469)	-	2022
	<u>P 170,704,489</u>	<u>(P 413,216)</u>	<u>(P 21,204,469)</u>	<u>P 149,086,804</u>	

The table below summarizes the amount of NOLCO and other deductible temporary differences as of the end of 2022, 2021 and 2020 for which the related deferred tax assets have not been recognized by certain subsidiaries within the Group based on their assessments that the related tax benefits may not be realized within the prescriptive period.

	2022		2021		2020	
	Amount	Tax Effect	Amount	Tax Effect	Amount	Tax Effect
NOLCO	P 12,408,887,407	P 3,102,221,852	P 11,241,860,980	P 2,810,465,245	P 5,653,621,307	P 1,696,086,392
Allowance for impairment	-	-	2,284,099,176	571,024,794	447,338,780	134,201,634
Share-based compensation	-	-	523,704,160	130,926,040	523,704,160	157,111,248
MCIT	114,587,490	114,587,490	110,047,159	110,047,159	93,622,327	93,622,327
Retirement benefit obligation	76,570,000	19,142,500	63,808,600	15,952,150	74,443,367	22,333,010
Unrealized foreign currency gains (losses) – net	6,361,032	1,590,258	(3,690,160)	(922,540)	10,920,953	3,276,286
	<u>P 12,606,405,929</u>	<u>P 3,237,542,100</u>	<u>P 14,219,829,915</u>	<u>P 3,637,492,848</u>	<u>P 6,803,650,894</u>	<u>P 2,106,630,897</u>

The total amount of MCIT for which no deferred tax assets have been recognized as of December 31, 2022 and 2021, would expire in full at the end of 2025 and 2024, respectively, while unrecognized deferred taxes from NOLCO as of December 31 2022 and 2021 will expire in full in 2025 and 2026, respectively. All other unrecognized deferred tax assets do not expire.

29.2 Optional Standard Deduction

Philippine corporate taxpayers have an option to claim either itemized deductions or OSD equivalent to 40% of gross sales. Once the option to use OSD is made at the beginning of the year, it shall be irrevocable for that particular taxable year.

In 2022, 2021 and 2020, the Philippine companies within the Group opted to continue claiming itemized deductions in computing for its income tax due, except for EDI, PAI and AWGI which opted to claim OSD during the said taxable years. In 2022, the Company, EDI, PAI, AWGI, MDC, LFI and MREIT opted to claim OSD.

29.3 Taxation of Casino Operations

Under the Provisional License Agreement with PAGCOR, Travellers is subject to 25% and 15% license fees, inclusive of franchise tax and in lieu of all taxes, with reference to the income component of the gross gaming revenues. The license fees are directly remitted by Travellers to PAGCOR as required under the Provisional License Agreement.

In April 2013, the Bureau of Internal Revenue (“BIR”) issued Revenue Memorandum Circular (“RMC”) 33-2013 declaring that PAGCOR and its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended [see Note 31.2(c)].

In August 2016, the SC, in *Bloomberry Resorts and Hotels, Inc. vs. BIR*, (the SC Decision) confirmed that “all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos.” The SC Decision has been affirmed with finality by SC in a resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR. Consistent with the decision of SC, on June 13, 2018, the Office of the Solicitor General issued a legal opinion stating that the tax exemption and imposition of 5% franchise tax in lieu of all other taxes and fees for gaming operations that was granted to PAGCOR extended to all PAGCOR contractees and licensees.

In March 2022, the BIR has issued through a circular which sought to clarify the tax treatment of the PAGCOR, the franchise tax, which is defined as 5% of the Gross Gaming Revenues, shall be remitted to the BIR, specifically to the concerned Revenue District Office (“RDO”) where the licensee, in the case, the Company, is registered.

Total license fees recognized amounted to P6.1 billion, P3.1 billion and P2.6 billion in 2022, 2021 and 2020, respectively, and are presented as Gaming license fees as part of Cost of Services account in the consolidated statements of comprehensive income (see Note 25). The outstanding liabilities are presented as Gaming license fees payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

30. RELATED PARTY TRANSACTIONS

The Group’s related parties include its stockholders, associates, jointly controlled entities, the Group’s key management personnel and retirement fund, and others (see Note 2.27). The summary of the Group’s transactions and balances with its related parties as of and for the years ended December 31, 2022, 2021 and 2020 are as follows:

Related Party Category	Notes	Amount of Transaction			Outstanding Balance Receivable (Payable)	
		2022	2021	2020	2022	2021
Parent Company and subsidiaries’ stockholders:						
Management fees	30.3	P 440,871,113	P 151,282,459	P 100,326,466	(P 666,258,120)	(P 225,387,007)
Casino transactions	30.2	-	(66,579)	23,697,780	-	-
Accounts payable	30.5	-	(32,629,934)	-	(315,040,576)	(315,040,576)
Acquisition of investment	30.7	-	-	5,898,135,038	-	-
Sale of financial asset at FVOCI – at cost	11	-	-	1,960,000	-	-
Related party under common ownership:						
Purchase of raw materials	30.1	2,512,076,307	1,414,490,208	2,775,139,348	(319,428,263)	(621,856,151)
Advances granted	30.4	1,827,132,490	413,989,152	222,908,412	4,451,721,820	2,624,589,330
Purchase of finished goods	30.1	545,924,474	16,516,490	14,824,943	-	(972,593)
Management services	30.1	83,550,611	60,000,000	60,000,000	(115,500,000)	(33,000,000)
Associates:						
Advances granted	30.4	155,505	(89,575,462)	2,252,794	1,009,892,937	1,009,737,832
Deposit from an associate	31.7	-	(9,901,072,000)	9,901,072,000	-	-
Others:						
Advances	30.6	841,776,784	(288,090,816)	(62,738,157)	(1,627,756,528)	(2,469,533,312)
Accounts receivable	30.5	393,203,082	97,356,165	145,115,805	1,244,633,704	851,430,622
Sale of investment property	30.10	(378,391,250)	-	-	-	378,391,250
Accounts payable	30.5	-	(20,000,000)	-	(45,208,430)	(45,208,430)
Donations	31.2(b)	216,574,106	119,946,847	103,557,015	(18,066,970)	(13,436,801)
Retirement plan –						
Investments in equity and debt securities	28.2(b)	-	-	-	134,696,111	137,411,428

Unless otherwise stated, the outstanding balance of the Group's transactions with its related parties are unsecured, noninterest-bearing and payable or collectible on demand.

30.1 Purchase of Goods and Management Agreement

Emperador imports raw materials such as alcohol, flavorings and other items, and finished goods through Andresons Global, Inc., a related party under common ownership. These transactions are normally being paid within 30 days. Emperador also imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly owned subsidiary of BLC, which is considered a related party under joint control.

Moreover, Emperador had a management agreement with Consolidated Distillers of the Far East, Inc., a related party under common ownership, for the consultancy and advisory services in relation to the operation, management, development and maintenance of its distillery plant. The total management fees incurred are presented as part of Outside services under the Costs of Goods Sold account in the consolidated statements of comprehensive income (see Note 25).

The outstanding liability related to these purchases is presented as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

30.2 Casino Transactions with GHL

Travellers recognized outstanding payables to GHL [see Note 1.1(p)] representing show money received by Travellers from foreign patrons which the counterparty will later remit to the other. There is no outstanding balance as of December 31, 2022 and 2021.

30.3 Operations and Management Agreement with GHL

Some of Travellers' administrative functions are being handled by certain key officers and employees under the management of GHL as agreed by both parties under the Operations and Management Agreement. These transactions are presented as part of Management fees under the Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). The outstanding liability arising from this transaction is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

30.4 Advances to Associates and Related Parties under Common Ownership

Entities within the Group grant advances to associates and related parties under common ownership for working capital purposes. These advances to associates and other related parties are unsecured, noninterest-bearing and repayable upon demand. Settlement is generally made in cash or through offsetting arrangements.

The outstanding balances of Advances to associates and other related parties, which are shown as part of Due from related parties under Trade and Other Receivables account in the consolidated statements of financial position, are presented in the succeeding page [see Note 6].

	<u>2022</u>	<u>2021</u>
Associates	P 1,009,892,937	P 1,009,737,832
Other related parties	<u>4,451,721,820</u>	<u>2,624,589,330</u>
	<u>P 5,461,614,757</u>	<u>P 3,634,327,162</u>

The movements in the advances to associates and other related parties are as follows:

	<u>2022</u>	<u>2021</u>
<i>Advances to associates</i>		
Balance at beginning of year	P 1,009,737,832	P 1,099,313,294
Cash advances granted	155,105	-
Collections	<u>-</u>	<u>(89,575,462)</u>
Balance at end of year	<u>P 1,009,892,937</u>	<u>P 1,009,737,832</u>
<i>Advances to related parties under common ownership</i>		
Balance at beginning of year	P 2,624,589,330	P 2,210,600,178
Cash advances granted	<u>1,827,132,490</u>	<u>413,989,152</u>
Balance at end of year	<u>P 4,451,721,820</u>	<u>P 2,624,589,330</u>

As of December 31, 2022 and 2021, based on management's assessment, the outstanding balances of advances to associates and other related parties are not impaired; hence, no impairment losses were recognized (see Note 32.2).

30.5 Due from/to Related Parties

Transactions with related parties include the following: financing of opening of letters of credit and payment of progress billing, royalty fees, rentals, interest and certain expenses in behalf of the entities within Group or other related parties. The amounts due from and to related parties are unsecured, noninterest-bearing and due and demandable any time. Settlement is generally made in cash or through offsetting arrangements.

The outstanding balances of Due from/to Related Parties are presented under Trade and Other Receivables (see Note 6) and Trade and Other Payables (see Note 17) accounts, respectively, in the consolidated statements of financial position as follows:

	<u>2022</u>	<u>2021</u>
<i>Due from Related Parties</i>		
Officers and employees	P 1,162,499,493	P 400,085,062
Other related parties	<u>82,134,211</u>	<u>451,345,560</u>
	<u>P 1,244,633,704</u>	<u>P 851,430,622</u>
<i>Due to Related Parties</i>		
Stockholders	P 315,040,576	P 315,040,576
Other related parties	<u>45,208,430</u>	<u>45,208,430</u>
	<u>P 360,249,006</u>	<u>P 360,249,006</u>

The details of the due from/to related parties are as follows:

	<u>2022</u>	<u>2021</u>
<i>Due from officers and employees</i>		
Balance at beginning of year	P 400,085,062	P 346,821,504
Additions	911,615,287	88,154,871
Collections	(149,200,856)	(34,891,313)
Balance at end of year	<u>P 1,162,499,493</u>	<u>P 400,085,062</u>
<i>Due from other related parties</i>		
Balance at beginning of year	P 451,345,560	P 407,252,953
Additions	27,726,269	60,447,369
Collections	(396,937,618)	(16,354,762)
Balance at end of year	<u>P 82,134,211</u>	<u>P 451,345,560</u>
<i>Due to stockholders</i>		
Balance at beginning of year	P 315,040,576	P 347,670,510
Repayments	<u>-</u>	(32,629,934)
Balance at end of year	<u>P 315,040,576</u>	<u>P 315,040,576</u>
<i>Due to other related parties</i>		
Balance at beginning of year	P 45,208,430	P 65,208,430
Repayments	<u>-</u>	(20,000,000)
Balance at end of year	<u>P 45,208,430</u>	<u>P 45,208,430</u>

As of December 31, 2022 and 2021, based on management's assessment, the outstanding balances of Due from officers and employees and related parties are not impaired; hence, no impairment losses were recognized.

30.6 Advances from Other Related Parties

Certain expenses of entities within the Group are paid for by other related parties. The advances are unsecured, noninterest-bearing, with no repayment terms, and generally payable in cash or through offsetting arrangements.

Advances from golf share partners and lot owners which amounted to P348.0 million and P333.2 million in 2022 and 2021, respectively, and is presented as part of Advances from Related Parties in the consolidated statements of financial position (see Note 10.2).

The movements in advances from related parties are as follows:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P2,469,533,312	P2,181,442,496
Advances availed	1,592,209,958	336,874,510
Advances paid	(2,433,986,742)	(48,783,694)
Balance at end of year	<u>P1,627,756,528</u>	<u>P2,469,533,312</u>

30.7 Acquisition of Investments

In 2020, AGI acquired additional 184.8 million shares of Megaworld and 524.9 million shares of Emperador at a total cost of P5.9 billion. The outstanding liability was settled in full in 2020. There was no acquisition of investments from the Parent Company and subsidiaries' stockholders in 2022 and 2021.

30.8 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows (see Note 28.1):

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Short-term employee benefits	P 918,784,958	P 761,807,640	P 664,530,027
Retirement benefit expense	95,025,813	90,881,624	109,436,279
Share option benefit expense	<u>50,666,956</u>	<u>20,226,506</u>	<u>25,594,399</u>
	<u>P1,064,477,727</u>	<u>P 872,915,770</u>	<u>P 799,560,705</u>

30.9 Transactions with the Retirement Plans

The Group has a formal retirement plan established separately for each significant subsidiary, particularly Megaworld, GERI, EELHI, Travellers, GADC, EDI and WML. These plans are defined benefit post-employment plan maintained for qualified employees, administered and managed by trustee banks (except for GERI which is still an unfunded plan) that are legally separated from the Group. The retirement funds do not provide any guarantee or surety for any obligation of the Group and their investments are not covered by any restrictions or liens.

The retirement funds include investments in securities of entities within the group [see Note 28.2(b)]. The fair value, carrying amount and the composition of the plan assets as of December 31, 2022 and 2021 are shown in Note 28.2.

30.10 Sale of Investment Property

In 2017, GADC sold a parcel of land to a certain related party with an aggregate cost of P555.7 million for a total consideration of P565.5 million. Receivable from the sale of land amounted to P378.4 million as of December 31, 2021. The receivable is collectible upon the completion and submission of required documents by the buyer. The amount was collected in full in 2022.

31. COMMITMENTS AND CONTINGENCIES

31.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under non-cancellable operating lease agreements covering various office and commercial spaces. The leases have terms ranging from 3 to 20 years, with renewal options, and include annual escalation rate of 5% to 10%.

The Group is subject to risk incidental to the operation of its office and commercial properties, which include, among others, changes in market rental rates, inability to renew leases upon lease expiration, and inability to collect rent from tenants due to bankruptcy or insolvency of tenants. Majority of the Group’s revenue from rental properties are derived from commercial and BPO-based tenants. If the expected growth, particularly from BPO-based tenants, does not meet management’s expectations, or in the case of commercial tenants more stringent health measures are imposed resulting to further temporary or permanent closures of commercial establishments, the Group may not be able to lease their properties in a timely manner or collect rent at profitable rates.

To mitigate these risks, tenants pay security deposits and advance rent equal to three to six months’ rent, which are forfeited in case a tenant pre-terminates without prior notice or before the expiry of lease term without cause. In addition, tenants are usually required to pay the monthly rent in advance on a monthly basis, without need of further demand. Security deposits and advance rent are presented as part of Deferred rental income under Other Current Liabilities and Other Non-current Liabilities in the consolidated statements of financial position (see Note 21).

Future minimum lease receivables under these leases as of December 31 are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Within one year	P 16,954,000,233	P 15,346,826,374	P 12,632,761,053
After one year but not more than two years	18,969,350,475	19,794,874,132	20,521,928,927
After two years but not more than three years	20,073,548,227	20,409,706,265	21,458,334,550
After three years but not more than four years	20,902,530,811	22,140,397,894	23,144,750,760
After four years but not more than five years	22,417,321,069	22,902,976,810	25,236,915,271
More than five years	<u>28,155,620,943</u>	<u>28,951,568,529</u>	<u>29,407,145,172</u>
	<u>P127,472,371,758</u>	<u>P 129,546,350,004</u>	<u>P132,401,835,733</u>

31.2 Provisional License Agreement of Travellers with PAGCOR

On June 2, 2008, PAGCOR issued a Provisional License (“License”) authorizing Travellers to participate in the development of a portion of certain entertainment sites (Site A and B), which is part of a larger scale integrated tourism project envisioned by PAGCOR, and to establish and operate casinos, and engage in gaming activities in Sites A and B. The term of Travellers’ License shall be co-terminus with PAGCOR’s franchise which will expire on July 11, 2033, and shall be renewed subject to the terms of the PAGCOR Charter.

(a) *Investment Commitments*

Under the terms of the License, Travellers and WCI formerly, “WCRWI” are required to complete its U.S.\$1.3 billion (about P66.0 billion) investment commitment in phases, which amount is divided into Site A and Site B with the minimum investment of U.S.\$1.1 billion (about P55.8 billion) and U.S.\$216.0 million (about P11.0 billion), respectively (collectively, the “Project”).

Since PAGCOR was only able to turnover and/or deliver possession of Site A property to the Group in 2014, PAGCOR approved a revised project implementation plan for the Westside City Project. WCI held the groundbreaking rites at Site A on October 1, 2014.

As a requirement in developing the aforementioned Project, Travellers transferred U.S.\$100.0 million (about P5.1 billion) to an escrow account with a universal bank mutually agreed by PAGCOR and Travellers. At any given time, the escrow account shall have a maintaining balance of not lower than U.S.\$50.0 million (about P2.5 billion) (see Note 9). If the funds fall below the maintaining balance at any given time, Travellers is allowed a 15-day grace period to achieve the maintaining balance, failure in which will cause Travellers to be charged by PAGCOR an amount equal to P2.5 million for every 15-calendar day period, or a fraction thereof, until the balance is maintained. While the Project is on-going, all funds for the development of the Project shall pass through the escrow deposit and all drawdown therefrom must be applied to the Project, unless Travellers is allowed to use other funds.

As of December 31, 2022, Travellers has spent P94.8 billion for its casino projects pursuant to its investment commitment under the License. It has restricted short-term placements amounting to U.S.\$46.9 million (about P2.6 billion) and U.S.\$58.3 million (about P3.0 billion) as of December 31, 2022 and 2021, respectively, to meet its requirements with PAGCOR in relation to these investment commitments (see Note 9).

(b) *Requirement to Establish a Foundation*

Travellers, in compliance with the requirement of PAGCOR to incorporate and register a foundation for the restoration of cultural heritage, incorporated Resorts World Philippines Cultural Heritage Foundation Inc. (or the “Foundation”), on September 7, 2011 primarily to engage in various activities for charitable, educational, cultural and artistic purposes, and to promote, perpetuate, preserve and encourage Filipino culture.

The Foundation shall be funded by Travellers by setting aside funds on a monthly basis equivalent to 2% of total gross gaming revenues from non-junket tables. PAGCOR sets the guidelines for the utilization of funds as it approves, monitors the implementation, and conducts a post-audit of the projects the Foundation undertakes.

Pursuant to PAGCOR's guidelines, the Foundation is tasked to undertake projects in line with the following disciplines: (i) restoration of cultural heritage; (ii) education infrastructure; and, (iii) environment and health. As of December 31, 2022, the following are the completed and on-going projects of the Foundation:

- Construction of school buildings in partnership with the Philippine Department of Education ("DepEd") whereby six school buildings in various public schools in Metro Manila and Luzon were completed and turned over to DepEd and the collegiate universities;
- Computerization project with DepEd through providing a computer laboratory to various public schools in various parts of the country whereby all phases of the said project covering 27 schools have been completed;
- Funding of the construction of a cadet barracks at the Philippine Military Academy ("PMA") in Baguio City in a joint effort with another PAGCOR licensee's foundation, which was completed and turned over to PMA;
- Scholarship program for underprivileged but deserving students enrolled in the field of performing arts;
- Construction of treatment and rehabilitation centers in coordination with the Department of Health in Davao City and Taguig City;
- Donation of funds for medicines, medical supplies and equipment for Philippine National Police Camp Crame General Hospital and Paranaque City;
- Construction of the National Capital Region Police Office Medical Center and Administrative Processing Center; and,
- Donation of medical supplies and relief goods to public hospitals and various government units to aid in the COVID-19 efforts.

Donations to the Foundation are recorded as part of Miscellaneous under Other Operating Expenses account (see Note 26). The outstanding liability, representing donations due for the last month of each year, and which is unsecured, noninterest-bearing and payable in cash upon demand, as of December 31, 2022 and 2021 is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

(c) *Tax Contingencies of Casino Operations*

Under the Travellers' License with the PAGCOR, Travellers is subject to the 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues. In April 2013, however, the BIR issued RMC 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended (see Note 29.3).

In August 2016, the SC confirmed that “all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos.” The SC Decision has been affirmed with finality by the SC in a Resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR. Consistent with the decision of SC, on June 13, 2018, the Office of the Solicitor General issued a legal opinion stating that the tax exemption and imposition of 5% franchise tax in lieu of all other taxes and fees for gaming operations that was granted to PAGCOR extended to all PAGCOR contractees and licensees.

31.3 Participation in the Incorporation of Entertainment City Estate Management, Inc. (“ECEMI”)

As a PAGCOR licensee, Travellers committed itself to take part in the incorporation of ECEMI in 2012, a non-stock, non-profit entity that shall be responsible for the general welfare, property, services and reputation of the Bagong Nayong Pilipino Entertainment City Manila. As of December 31, 2022 and 2021, contributions made to ECEMI booked in favor of Travellers amounted to P1.3 million and is presented as part of Others under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

31.4 Various Hotel Agreements Entered by Travellers

(a) Marriott Group (Marriott and Courtyard Iloilo)

Travellers has various service, license and royalty agreements with Marriott International B.V., Marriott International Design and Construction Services Inc., and International Hotel Licensing Company S.A.R.L., and Marriott International Licensing Company B.V. (collectively hereafter referred to as “Marriott Group”) for the license, supervision, direction, control and management of operations of the Travellers’ Marriott, including the monitoring of its compliance with Marriott Group’s standards.

The service agreements also include certain services in support of Marriott outside the Philippines. Such services are generally made available to hotels in the Marriott System and shall include the international advertising, promotion and sales programs, core training programs and other training programs for the benefit of the Marriott employees, special services and programs for the benefit of the Marriott System, and the reservations system, property management system and other systems.

Further, the license and royalty agreement with Marriott Group grants Travellers a non-exclusive and non-transferable right and license within Metro Manila and Iloilo to use the Marriott Trademarks for hotel services and other related goods and services offered only in connection with Travellers’ Marriott hotels and brands.

(b) Holiday Inn Express

In 2017, Travellers also entered into a Hotel Management Agreement (“HMA”) with Holiday Inns (Philippines), Inc. for the license, supervision, direction, control and management of operations of Holiday Inn Express (formerly Remington Hotel), including the monitoring of its compliance with the hotel group standards.

The HMA includes security arrangements, refurbishment of the existing structure, rebranding, advertising, promotion and sales programs, core training programs and other training programs for the benefit of the employees, special services, the reservations system, property management system and other systems.

The parties also entered into a Franchise Agreement for the non-exclusive use and non-transferable license to use the brand marks for the hotel services and other related goods offered in connection with Travellers' Holiday Inn Express.

(c) *Hotel Okura Manila*

Also in 2017, Travellers and Hotel Okura Co., Ltd ("Okura") signed another HMA for the license, supervision, direction, control and management of operations of the Hotel Okura Manila, which includes advertising, promotion and sales programs, core training programs and other training programs for the benefit of the employees, special services, the reservations system, property management system and other systems.

The HMA with Okura grants Travellers a non-exclusive and non-transferable right to use the Okura trademarks for hotel services and other related goods and services offered only in connection with the Hotel Okura Manila, which opened in December 2021.

(d) *Sheraton Manila Hotel*

In 2017, an Operating Services Agreement ("OSA") was executed between LSHRI and Starwood Asia Pacific Hotels & Recreation PTE. LTD ("Starwood"), a fully-owned company of Marriott Group, for the license, supervision, direction, control and management of operations of the Sheraton Manila Hotel, including the monitoring of its compliance with Marriott Group's standards.

The OSA also includes certain services similar to those covered by the existing agreement with the Marriott Group. Likewise, the license and royalty agreement with Starwood grants LSHRI similar rights provided by Marriott Group to Travellers. In January 2019, Sheraton Manila Hotel started its commercial operations.

(e) *Hilton Manila*

Also in 2017, a Management Agreement ("MA") was executed between DHRI and Hilton International Manage LLC ("Hilton") for the license, supervision, direction, control and management of operations of Hilton Manila, including the monitoring of its compliance with Hilton's standards.

The MA includes design and decoration of the Hilton Manila, advertising, promotion and sales programs, core training programs and other training programs for the benefit of the Hilton employees, special services and programs, and the reservations system, property management system and other systems.

The MA grants DHRI a nonexclusive and nontransferable right to use the Hilton Trademarks for hotel services and other related goods and services offered only in connection with the Hilton Manila. The Hilton Manila started operations in October 2018.

Payments to be made by Travellers for operating these foregoing hotel brands shall be computed based on the provisions of the above agreements. Total expenses recognized from these transactions in 2022, 2021 and 2020 totaled P132.8 million, P70.5 million and P59.4 million, respectively, and are presented as part of Management fees under the Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26).

The outstanding liabilities, which are unsecured, noninterest-bearing and payable in cash upon demand, as of December 31, 2022 and 2021 amounted to P22.5 million and P36.9 million, respectively, and are presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

31.5 License Agreements with MRO

MRO granted GADC the nonexclusive right to adopt and use the McDonald's System in its restaurant operations in the Philippines. In March 2005, the license agreement was renewed for another 20 years, and provides for a royalty fee based on certain percentage of gross sales from the operations of GADC's restaurants, including those operated by the franchisees. GADC recognized royalty expenses amounting to P1,716.0 million, P1,123.5 million and P889.2 million in 2022, 2021 and 2020, respectively, which are presented under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). The outstanding payable to MRO relating to royalty expenses amounted to P314.8 million and P780.0 million as of December 31, 2022 and 2021, respectively, and presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

Individual sublicense arrangements granted to franchisees and joint venturers generally include a lease and a license to use the McDonald's system in the Philippines and, in certain cases, the use of restaurant facility, generally for a period of 10 years provided, however, that should GADC's license rights from McDonald's be terminated at an earlier date or not renewed for any reason whatsoever, these sublicense agreements shall thereupon also be terminated. Revenues recognized from sublicense agreements are presented as Franchise revenues under Rendering of Services in the consolidated statements of comprehensive income (see Note 24.1).

31.6 Skytrain Project

In October 2017, the Group submitted an unsolicited proposal to the government to build Skytrain that will link Uptown Fort Bonifacio to Guadalupe Station of Metro Rail Transit Line-3. The Group was granted an Original Proponent Status by the DOTr in May 2018 and its proposal has undergone review and evaluation at NEDA Board.

31.7 CDA between WCI and SUN

The principal terms of the co-development agreement are as follows (see Note 11.1):

- (i) *WCI and the Travellers Shall Lease the Project Site (i.e. "the site upon which the hotel casino is to be erected") to SUN.*

WCI and Travellers shall lease to SUN the site upon which a hotel casino will be erected at an annual rental of US\$10.6 million (P540.6 million), exclusive of VAT, until August 19, 2039. The lease shall automatically be renewed subject to applicable laws for another 25 years unless otherwise agreed upon by the parties. The annual rental shall be payable upon the commencement of operation of the hotel casino.

In line with the foregoing, on February 21, 2020, WCI and the Parent Company entered into a lease agreement with SUN.

- (ii) *SUN Shall Finance the Development and Construction of a Hotel Casino.*

SUN shall finance the development and construction of a hotel casino on the leased area. SUN shall also pay a certain a fixed amount to WCI for the initial cost of the project.

In 2020, WCI received payment of US\$200.0 million (approximately P9.9 billion) in relation to the CDA. As the obligations relating to such CDA have not been completed yet as of December 31, 2020 (see Note 13), the gain was not recognized and the entire amount received was recorded as Deposit from SUN.

In 2021, these conditions specified in the CDA have been fulfilled and the transfer of assets has been completed (see Note 13). Accordingly, such deposit was derecognized in the 2021 consolidated statement of financial position and the gain arising from such transaction amounting to P5.8 billion was recognized as Other income in the 2021 consolidated statement of comprehensive income (see Note 27).

- (iii) *WCI Shall Enter into an Agreement with SUN, for the Latter to Operate and Manage a Hotel Casino.*

WCI and SUN shall enter into an agreement for the operations and management of a hotel casino for the period of the gaming Provisional License Agreement (i.e. up to July 11, 2033) as well as any extension or renewal of the Provisional License Agreement on terms of the operations and management agreement to be mutually agreed between the WCI and SUN. The operations and management agreement was entered into by the parties on May 4, 2020.

In accordance with the agreement, WCI's share on the gross gaming revenues shall be as follows (which payment shall only be payable when the hotel casino commences operation):

- (a) 1% of the gross gaming revenue on VIP of the Casino; and,
- (b) 3% of the gross gaming revenue on slot machines and mass market tables of the Casino of the hotel casino, based on the gross gaming revenue as is submitted to PAGCOR from time to time.

As of December 31, 2022, the hotel casino has not yet commenced its operation, hence agreement above has not yet materialized.

(iv) WCI and Travellers as Warrantors

Fortune Noble Limited (Fortune) [a wholly-owned subsidiary of Suncity Group Holdings Limited], the parent company of SUN, conditionally agreed to subscribe to 2.55 billion new SUN Shares subject to the terms and conditions mutually agreed upon by the parties. WCI and the Parent Company agreed to act as the warrantors, wherein, a put option over the shares of SUN was included. The put option enables Fortune to transfer ownership over SUN to the warrantors in exchange for an option price, upon the happening of any of the put option events during the option period.

The option period commences from the date of the agreement up to the day immediately preceding the date on which the hotel casino first starts its operation. The put option events mainly pertains to the successful commencement of operations of the hotel casino, which include, among others, the termination or suspension of gaming license due to the default of the warrantors, termination of WCI's lease over Site A as applicable, or failure to acquire government consent for operation of hotel casino.

The option price is equivalent to the aggregate of: (a) the consideration for the acquisition by Fortune of the 1.1 billion SUN shares as of the date of the agreement together with interest from the date of completion of the said acquisition up to the date of completion of the put option; and, (b) the aggregate of the shares subscription price for the subscription of 2.6 billion new SUN shares including interest as well from the date of Shares Subscription Completion up to the date of completion of the put option.

Travellers' management assessed that since the put option transfers significant risk to the Group, as warrantors, it shall be accounted for as a financial guarantee to be measured under PFRS 9 [see Note 3.1(j)]. Accordingly, the put option was initially recognized at the amount of premium received then, subsequently measured at the higher of the amount initially recognized or the amount using the ECL model [see Note 2.5(d)].

In accordance with the ECL model, the option price that WCI and Travellers are committed to pay was compared with the value of the collateral or the shares they will receive using the put option. Management determined that the committed option price as of December 31, 2022 and 2021 amounted to P4.1 billion and P3.9 billion, respectively, and the SUN shares are priced in the PSE at P0.99 per share in 2022 (P3.7 billion in total) and P1.12 per share in 2021 (P4.1 billion in total). As the option price is fully secured by the value of SUN shares and as management assessed that the probability of default was assessed to be remote, the Company assigned a nil value to the instrument as of December 31, 2022 and 2021.

31.8 Purchase and Sale Commitment

On December 27, 2020, the management approved the sale of certain land and buildings in Spain through the signed letter of intent with Global One. The letter of intent stated that the Group will sell and Global One will purchase the assets at a purchase price of €16.6 million (equivalent to P961.7 million), which is equivalent to the net book value of the property, at any time from the date of signature of the letter of intent until three years after COVID-19 pandemic has ended. On December 27, 2022, the parties renewed their commitment and the term to complete the sale and purchase of properties is set until December 31, 2023. The assets remain unsold as of December 31, 2022 and is presented as part of Non-current assets classified as held for sale in the consolidated statements of financial position (see Note 16).

31.9 Others

As of December 31, 2022 and 2021, the Group has unused lines of credit from banks and financial institutions totaling P48.5 billion and P35.6 billion, respectively (see Note 18).

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI, interest-bearing loans, bonds payable, trade receivables and payables and derivative liabilities which arise directly from the Group's business operations. The financial debts were issued to raise funds for the Group's capital expenditures or working capital requirements. The Group does not actively engage in the trading of financial assets for speculative purposes.

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk (which includes other price risk), credit risk and liquidity risk.

32.1 Market Risk

(a) Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine pesos, U.S. dollars, Euros and U.K. pounds, which are the functional currencies of the individual subsidiaries making the transactions.

The currency exchange risk arises from transactions carried out in currencies other than the functional currency of the subsidiaries at each entity level. The Group has no significant exposure to changes in foreign currency exchange rates for Euros and U.K. pounds since these currencies are not significant to the Group's consolidated financial statements.

Foreign currency denominated financial assets and liabilities, translated into Philippine pesos at period-end closing rate are as follows:

	2022		2021	
	U.S. Dollars	HK Dollars	U.S. Dollars	HK Dollars
Financial assets	P 13,151,297,538	P 2,877,528,389	P 8,527,714,209	P 1,894,349,341
Financial liabilities	(37,410,095,996)	(912,338,548)	(39,578,899,793)	(628,939,237)
	<u>(P 24,258,798,458)</u>	<u>P 1,965,189,841</u>	<u>(P 31,051,185,584)</u>	<u>P 1,265,410,104</u>

The sensitivity of the consolidated income before tax for the period with regard to the Group's financial assets and financial liabilities and the U.S. dollar – Philippine peso exchange rate assumes +/- 10.63% and +/- 7.54% changes in exchange rate for the years ended December 31, 2022 and 2021, respectively. The HK dollar – Philippine peso exchange rate assumes +/- 10.62% and +/- 7.56% changes for the years ended December 31, 2022 and 2021. These percentages have been determined based on the average market volatility in exchange rates in the previous year and 12 months, respectively, estimated at 95% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting periods.

If the Philippine peso had strengthened against the U.S. dollar, with all other variables held constant, consolidated profit before tax would have increased by P2.6 billion and P2.3 billion for the years ended December 31, 2022 and 2021, respectively. If in 2022 and 2021, the Philippine peso had strengthened against the HK dollar, with all other variables held constant, consolidated profit before tax would have decreased by P0.2 billion and P0.1 billion for the years ended December 31, 2022 and 2021, respectively.

However, if the Philippine peso had weakened against the U.S. dollar and the HK dollar by the same percentages, then consolidated profit before tax would have changed at the opposite direction by the same amounts.

The Group periodically reviews the trend of the foreign exchange rates and monitors its non-functional currency cash flows as part of the Group's foreign exchange risk management strategy consistent with its use and/or entering into cross currency swap agreements.

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) *Interest Rate Sensitivity*

The Group's interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. At present, the Group is exposed to changes in market interest rates through bank borrowings and cash and cash equivalents, which are subject to variable interest rates. The Group maintains a debt portfolio unit of both fixed and variable interest rates. All other financial assets are subject to fixed interest rates.

The sensitivity of the consolidated income before tax for the period to a reasonably possible change in interest rates of +/- 6.90% for Philippine peso and +/- 3.61% for U.S. dollar in 2022 and +/- 0.47% for Philippine peso and +/- 0.38% for U.S. dollar in 2021 with effect from the beginning of the period. These percentages have been determined based on the average market volatility in interest rates, using standard deviation, in the previous year and 12 months, respectively, estimated at 95% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held as of December 31, 2022 and 2021, with effect estimated from the beginning of the period. All other variables held constant, the consolidated income before tax would have decreased by P4.0 billion and P0.2 billion for the years ended December 31, 2022 and 2021, respectively. Conversely, if the interest rates decreased by the same percentage, consolidated income before tax would have been higher by the same amount.

32.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, which include granting loans and receivables to customers and other counterparties, and placing deposits.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as follows:

	Notes	2022	2021
Cash and cash equivalents	5	P 79,929,420,988	P 82,278,122,850
Trade and other receivables	6	52,720,008,119	59,279,230,664
Contract assets	24.2	19,619,923,773	19,922,247,362
Due from related parties	6	6,706,248,461	4,485,757,784
Restricted short-term placements and time deposits	9	2,758,627,215	3,086,649,157
Refundable and other deposits	9	1,970,809,241	1,925,728,464
Property mortgage receivable	9	-	646,636,072
		<u>P 163,705,037,796</u>	<u>P 171,624,372,353</u>

The credit risk for cash and cash equivalents are considered negligible since the counterparties are reputable banks with high quality external credit ratings. Cash and cash equivalents in banks in the Philippines are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution.

In 2022, the property mortgage receivable was reversed upon the Group's acquisition of the subject property, which was classified as part of Buildings and improvements under Property, Plant and Equipment in the 2022 consolidated statement of financial position and the related right-of-use assets and lease liabilities were also derecognized. The resulting gain on lease termination is presented as part of Other income – net undet Revenues and Other Income in the 2022 consolidated statement of comprehensive income.

The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Franchisees are subject to stringent financial, credit and legal verification process. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant portion of sales, advance payments are received to mitigate credit risk.

To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from both third and related parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables.

The expected loss rates are based on the payment profiles of sales. Further, the historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group identifies headline inflation rate and bank lending rate to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

ECL for advances to associates and other related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties.

Based on the Group's assessment, total loss allowance amounted to P1.4 billion as of December 31, 2022 and 2021, which is mostly coming from receivables from real estate sales.

Except for real estate sales, contract assets and rental receivables, the Group's financial assets are not covered with any collateral or credit enhancement. Accordingly, the Group manages credit risk by setting limits on the amount of risk in relation to a particular customer including requiring payment of any outstanding receivable before a new credit is extended. Such risk is monitored on a regular basis and subject to an annual or more frequent review. Approval for credit limits are secured from the credit manager.

The Group considers credit enhancements in determining the expected credit loss. Trade receivables from real estate sales are collateralized by the real properties sold while rental receivables are secured to the extent of advanced rental and security deposits received from lessees. Further, customers are required to issue post-dated checks, which provide additional credit enhancement.

The estimated fair value of collateral and other security enhancements held against trade receivables are as follows:

	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>
<u>2022</u>			
Real estate sales receivables	P 35,581,092,269	P 54,507,205,178	P -
Contract assets	19,619,923,773	34,329,119,184	-
Rental receivables	<u>5,245,485,618</u>	<u>26,120,508,183</u>	<u>-</u>
	<u>P 60,446,501,660</u>	<u>P 114,956,832,545</u>	<u>P -</u>
<u>2021</u>			
Real estate sales receivables	P 24,648,043,135	P 47,366,699,973	P -
Contract assets	19,922,247,362	39,245,568,476	-
Rental receivables	<u>6,484,362,991</u>	<u>6,868,267,197</u>	<u>-</u>
	<u>P 51,054,653,488</u>	<u>P 93,480,535,646</u>	<u>P -</u>

Trade and other receivables that are past due but not impaired are as follows:

	<u>2022</u>	<u>2021</u>
Not more than 30 days	P 3,861,672,009	P 3,008,898,748
31 to 60 days	1,417,672,772	960,552,139
Over 60 days	<u>4,373,030,052</u>	<u>4,604,130,704</u>
	<u>P 9,652,374,833</u>	<u>P 8,573,581,591</u>

Moreover, the management has assessed that risk over the put option has not increased significantly, as the related probability of any of the put option event from happening is low or remote under the circumstances. Hence, in accordance with the general approach of ECL, the value of the put option was measured on a 12-month basis [see Note 31.8(iv)].

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include the cessation of enforcement activity and where the value of any assets that the Group may get from the customers is less than the outstanding contractual amounts of the financial assets to be written-off. In 2022, 2021 and 2020, the Group wrote off receivables amounting to P0.06 million, P1.0 million and P0.4 million respectively.

32.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, bonds, and preferred shares.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

In addition, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fundraising activities may include obtaining bank loans and capital market issues.

As of December 31, 2022 and 2021, the Group's financial liabilities (excluding lease liabilities – see Note 13.3) have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
December 31, 2022:				
Trade and other payables	P 67,392,418,143	P 16,615,977,635	P -	P -
Interest-bearing loans	5,851,631,880	31,990,367,818	138,338,513,952	10,023,845,002
Bonds payable	14,700,473,956	824,365,975	35,204,540,481	-
Advances from other related parties	132,574,884	1,497,837,117	-	-
Redeemable preferred shares	-	-	1,537,091,539	-
Subscription payable	-	1,114,665,008	-	-
Guaranty deposits	-	53,706,819	130,902,420	556,145,047
Other liabilities	696,323,501	2,077,980,412	7,767,744,257	28,298,162
	<u>P88,773,422,364</u>	<u>P 52,677,063,667</u>	<u>P182,978,792,649</u>	<u>P 10,608,288,211</u>
December 31, 2021:				
Trade and other payables	P 52,147,069,593	P 10,853,593,926	P -	P -
Interest-bearing loans	56,262,294,141	25,601,805,195	89,849,826,309	10,235,411,126
Bonds payable	923,161,125	923,161,125	28,001,900,250	17,506,119,750
Advances from other related parties	-	2,469,533,312	-	-
Redeemable preferred shares	104,259,120	355,856,700	1,365,641,108	-
Subscription payable	-	1,114,665,008	-	-
Guaranty deposits	-	50,613,498	98,056,158	487,325,361
Accrued rent	1,335,701	1,335,701	8,267,316	-
Derivative liabilities	158,536,454	10,743,048	10,299,777	-
Other liabilities	-	2,632,525,561	13,864,779,355	-
	<u>P109,596,656,134</u>	<u>P 44,013,833,074</u>	<u>P133,198,700,273</u>	<u>P 28,228,856,237</u>

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting period.

32.4 Other Price Risk Sensitivity

The Group's market price risk arises from its investments carried at fair value. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value and their impact on the equity as of December 31, 2022 and 2021 are summarized in the succeeding page.

	Observed		Impact on Equity	
	Volatility Rates		Increase	Decrease
	Increase	Decrease	Increase	Decrease
2022 - Investment in quoted equity securities at:				
FVOCI	+41.99%	-41.99%	P 16,477,256	(P 16,477,256)
FVTPL	+41.99%	-41.99%	2,022,714,535	(2,022,714,535)
2021 - Investment in quoted equity securities at:				
FVOCI	+37.05%	-37.05%	P 20,266,652	(P 20,266,652)
FVTPL	+37.05%	-37.05%	1,629,039,658	(1,629,039,658)

The maximum additional estimated loss in 2022 and 2021 is to the extent of the carrying value of the securities held as of these reporting dates with all other variables held constant. The estimated change in quoted market price is computed based on volatility of listed companies at the PSE for the past 12 months at 95% confidence level.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

The Group is also exposed to other price risk in respect of its financial instruments at marketable debt securities and derivative financial assets and liabilities arising from foreign exchange margins trading spot and forward. These financial instruments will continue to be measured at fair value based on quoted prices for marketable debt and equity securities, and index reference provided by certain foreign financial institution for derivative financial assets.

33. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

33.1 Carrying Values and Fair Values of Financial Assets and Financial Liabilities

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

Notes	2022		2021		
	Carrying Values	Fair Values	Carrying Values	Fair Values	
Financial assets					
Financial assets at amortized cost:					
Cash and cash equivalents	5	P 79,929,420,988	P 79,929,420,988	P 82,278,122,848	P 82,278,122,848
Trade and other receivables	6	69,440,374,506	69,157,966,455	68,193,398,557	65,798,626,444
Other financial assets	9	4,729,436,456	4,729,436,456	5,659,013,693	5,700,240,293
		<u>P 154,099,231,950</u>	<u>P 153,816,823,899</u>	<u>P 156,130,535,098</u>	<u>P 153,776,989,585</u>
Financial assets at FVTPL:					
Marketable debt and equity securities	7	P 14,832,361,525	P 14,832,361,525	P 13,509,438,840	P 13,509,438,840
Derivative assets	7	129,818,974	129,818,974	3,294,192	3,294,192
		<u>P 14,962,280,499</u>	<u>P 14,962,180,499</u>	<u>P 13,512,773,032</u>	<u>P 13,512,733,032</u>
Financial assets at FVOCI –					
Equity securities	11	P 342,843,851	P 342,843,851	P 420,870,489	P 420,870,489

Notes	2022		2021	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial liabilities				
Financial liabilities at FVTPL:				
Derivative liabilities	P -	P -	P 179,579,279	P 179,579,279
Slot jackpot liability	17, 21 <u>693,883,849</u>	<u>693,883,849</u>	<u>585,151,683</u>	<u>585,151,683</u>
	<u>P 693,883,849</u>	<u>P 693,883,849</u>	<u>P 736,958,819</u>	<u>P 736,958,819</u>
Financial liabilities at amortized cost:				
Current:				
Trade and other payables	17 P 83,314,511,929	P 83,314,511,929	P 62,415,511,836	P 62,415,511,836
Interest-bearing loans	18 <u>32,504,240,444</u>	<u>34,154,302,378</u>	80,303,949,739	79,406,537,853
Bonds payable	19 <u>14,026,453,110</u>	<u>13,889,177,501</u>	-	-
Commission payable	21 <u>2,077,980,412</u>	<u>2,077,980,412</u>	2,632,525,561	2,632,525,561
Advances from related parties	30 <u>1,627,756,525</u>	<u>1,627,756,525</u>	2,469,533,312	2,469,533,312
Lease liabilities	13 <u>1,361,900,994</u>	<u>1,361,900,994</u>	1,309,447,535	1,309,447,535
Subscription payable	21 <u>1,114,665,008</u>	<u>1,114,665,008</u>	1,114,665,008	1,114,665,008
Redeemable preferred shares	20 <u>-</u>	<u>-</u>	251,597,580	251,597,580
	<u>P 136,027,508,422</u>	<u>P 137,540,294,747</u>	<u>P150,497,230,571</u>	<u>P149,599,818,685</u>
Non-current:				
Interest-bearing loans	18 P 136,287,705,784	P 134,744,736,331	P 93,108,742,222	P 88,973,326,321
Bonds payable	19 <u>31,212,622,400</u>	<u>30,907,147,331</u>	41,982,042,246	42,567,948,736
Lease liabilities	13 <u>16,405,976,571</u>	<u>16,344,827,051</u>	15,336,726,680	15,336,726,680
Casino deposit certificates	17 <u>4,323,000,000</u>	<u>4,323,000,000</u>	10,048,277,856	10,048,277,856
Retention payable	21 <u>2,507,283,349</u>	<u>2,507,283,349</u>	3,289,211,913	3,289,211,913
Redeemable preferred shares	20 <u>1,537,091,539</u>	<u>1,424,353,069</u>	1,365,641,108	1,637,560,105
Security deposits	21 <u>853,524,893</u>	<u>853,524,893</u>	809,239,196	854,594,866
Accrued rent	21 <u>-</u>	<u>-</u>	10,039,717	10,039,717
	<u>P 193,127,204,536</u>	<u>P 191,104,872,024</u>	<u>P165,949,920,938</u>	<u>P162,717,686,194</u>

See Notes 2.4 and 2.13 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 32.

33.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set off financial instruments in 2022 and 2021 and does not have relevant offsetting arrangements, except as disclosed in Note 30.4, 30.5 and 30.6. Currently, the Group's 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 shareholders. As such, the Group's outstanding receivables from and payables to the same related parties can be potentially offset to the extent of their corresponding outstanding balance. Further, certain receivables with carrying amount of P0.4 billion and P0.9 billion as of December 31, 2022 and 2021, respectively, were assigned on a with-recourse basis which may be offset against the related outstanding borrowings from local banks of the same amounts [see Note 18(q)].

34. FAIR VALUE MEASUREMENT AND DISCLOSURES

34.1.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

34.2 Financial Instruments Measurements at Fair Value

The tables below and in the succeeding page show the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as of December 31, 2022 and 2021.

	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Financial assets:</i>				
Financial assets at FVTPL:				
Debt and equity securities	P 14,832,361,525	P -	P -	P 14,832,361,525
Derivative asset	-	129,818,974	-	129,818,974
Financial assets at FVOCI – Equity securities	<u>39,240,905</u>	<u>166,700,000</u>	<u>136,902,946</u>	<u>342,843,851</u>
	<u>P 14,871,602,430</u>	<u>P 296,518,974</u>	<u>P 136,902,946</u>	<u>P 15,305,024,350</u>
<i>Financial liabilities:</i>				
Financial liabilities at FVTPL – Slot jackpot liability				
	P -	P 693,883,849	P -	P 693,883,849
	<u>P -</u>	<u>P 693,883,849</u>	<u>P -</u>	<u>P 693,883,849</u>

	2021			Total
	Level 1	Level 2	Level 3	
<i>Financial assets:</i>				
Financial assets at FVTPL – Debt and equity securities	P 13,512,733,032	P -	P -	P 13,512,733,032
Financial assets at FVOCI – Equity securities	<u>54,700,815</u>	<u>149,600,000</u>	<u>216,569,674</u>	<u>420,870,489</u>
	<u>P 13,567,433,847</u>	<u>P 149,600,000</u>	<u>P 216,569,674</u>	<u>P 13,933,603,521</u>
<i>Financial liabilities:</i>				
Financial liability at FVTPL – Slot jackpot liability	P -	P 585,151,683	P -	P -
Derivative liabilities	<u>-</u>	<u>179,579,279</u>	<u>-</u>	<u>-</u>
	<u>P -</u>	<u>P 764,730,962</u>	<u>P -</u>	<u>P 736,958,819</u>

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

Described below are the information about how the fair values of the Group's classes of financial assets are determined.

(a) *Equity Securities*

As of December 31, 2022 and 2021, equity securities classified as financial assets at FVTPL or at FVOCI included in Level 1 were valued based on their market prices quoted in various stock exchanges and converted into Philippine peso amounts at the translation rates at the end of each reporting period.

Golf club shares classified as financial assets at FVOCI in 2022 and 2021 are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. Moreover, equity securities held in private companies are included in Level 3 since its market value is not quoted in an active market. The fair value was determined using the discounted cash flows model as the valuation technique. In determining the fair value, the management assumes a discount rate of 5%, terminal growth rate of 1% to 5%, using three-to-five year financial projections. Management assessed that based on the valuation technique used, the fair value of these financial instruments approximate their carrying values and any fair value changes are not material to the consolidated financial statements.

A reconciliation of the carrying amounts of Level 3 FVOCI equity securities at the beginning and end of 2022 and 2021 is shown below.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 216,569,674	P 210,866,525
Fair value gains (losses)	(6,166,728)	5,703,149
Disposal	(73,500,000)	<u>-</u>
Balance at end of year	<u>P 136,902,946</u>	<u>P 216,569,674</u>

(b) *Debt Securities*

The fair value of the Group's debt securities which consist of corporate bonds is estimated by reference to quoted bid price in active market at the end of the reporting period and is categorized within Level 1.

(c) *Derivative Financial Instruments*

The fair value of derivative financial instruments is measured at inputs other than quoted prices that are indirectly observable for the financial instruments and are categorized within Level 2. The fair value is derived from prices set in the derivative contracts.

34.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The tables below show the fair value hierarchy of the Company's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as of December 31, 2022 and 2021.

	2022			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 79,929,420,988	P -	P -	P 79,929,420,988
Trade and other receivables	-	34,307,558	69,123,658,897	69,157,966,455
Other financial assets	<u>2,758,627,215</u>	<u>-</u>	<u>1,970,809,241</u>	<u>4,729,436,456</u>
	<u>P 82,688,048,203</u>	<u>P 34,307,558</u>	<u>P 71,094,468,138</u>	<u>P 153,816,823,899</u>
Financial liabilities:				
Current:				
Bonds payable	P 13,889,177,501	P -	P -	P 13,889,177,501
Trade and other payables	-	-	83,314,511,929	83,314,511,929
Interest-bearing loans	-	-	34,154,302,378	34,154,302,378
Subscription payable	-	-	1,114,665,008	1,114,665,008
Advances from related parties	-	-	1,627,756,525	1,627,756,525
Commission payable	-	-	2,077,980,412	2,077,980,412
Lease liabilities	-	-	1,361,900,994	1,361,900,994
Non-current:				
Bonds payable	30,907,147,331	-	-	30,907,147,331
Lease liabilities	-	-	16,344,827,051	16,344,827,051
Interest-bearing loans	-	-	134,744,736,331	134,744,736,331
Redeemable preferred shares	-	-	1,424,353,069	1,424,353,069
Retention payable	-	-	2,507,283,349	2,507,283,349
Security deposits	-	-	853,524,893	853,524,893
Accrued rent	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>P 44,796,324,832</u>	<u>P -</u>	<u>P 279,525,841,939</u>	<u>P 324,322,166,771</u>
2021				
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 82,278,122,848	P -	P -	P 82,278,122,848
Trade and other receivables	-	62,214,193	65,736,412,251	65,798,626,444
Other financial assets	<u>3,086,649,157</u>	<u>-</u>	<u>2,613,591,136</u>	<u>5,700,240,293</u>
	<u>P 85,364,772,005</u>	<u>P 62,214,193</u>	<u>P 68,350,003,387</u>	<u>P 153,776,989,585</u>

	2021			
	Level 1	Level 2	Level 3	Total
<i>Financial liabilities:</i>				
Current:				
Trade and other payables	P -	P -	P 62,415,511,836	P 62,415,511,836
Interest-bearing loans	-	-	79,406,537,853	79,406,537,853
Lease liabilities	-	-	1,309,447,535	1,309,447,535
Subscription payable	-	-	1,114,665,008	1,114,665,008
Advances from related parties	-	-	2,469,533,312	2,469,533,312
Redeemable preferred shares	-	-	251,597,580	251,597,580
Commission payable	-	-	2,632,525,561	2,632,525,561
Non-current:				
Bonds payable	42,567,948,736	-	-	42,567,948,736
Lease liabilities	-	-	15,336,726,680	15,336,726,680
Interest-bearing loans	-	-	88,973,326,321	88,973,326,321
Redeemable preferred shares	-	-	1,637,560,105	1,637,560,105
Retention payable	-	-	3,289,211,913	3,289,211,913
Security deposits	-	-	854,594,866	854,594,866
Accrued rent	-	-	10,039,717	10,039,717
	<u>P 42,567,948,736</u>	<u>P -</u>	<u>P 259,701,278,287</u>	<u>P 302,269,227,023</u>

For financial assets with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values. The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

34.4 Investment Property Measured at Cost for which Fair Value is Disclosed

The fair value of the Group's investment properties earning rental income was determined through discounted cash flows valuation technique. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and, appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

The Group determines the Level 3 fair value of idle properties through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adjusted for specific market factors such as location and condition of the property.

As of December 31, 2022 and 2021, the fair value of the Group's investment property amounted to P563.0 billion and P562.7 billion, respectively (see Note 14) and is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of investment properties earning rental income was determined using the income approach, which is performed with values derived using a discounted cash flow model. The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital. The most significant inputs into this valuation approach are the estimated annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2022 and 2021.

35. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern; to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and to maintain strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

It monitors capital using the liabilities-to-equity ratio as shown below.

	<u>2022</u>	<u>2021</u>
Total liabilities	P 382,052,038,281	P 368,737,306,684
Total equity	<u>365,968,112,336</u>	<u>335,222,638,790</u>
Liabilities-to-equity ratio	<u>1.04:1.00</u>	<u>1.10:1.00</u>

The Group has complied with financial covenant obligations that require maintaining certain liabilities-to-equity ratios for both periods.

36. SUPPLEMENTAL INFORMATION ON CASH FLOWS

36.1 Reconciliation of Liabilities from Financing Activities

The reconciliation of liabilities arising from financing activities in 2022, 2021 and 2020 is presented below and in the succeeding pages. The details of net cash flows are presented in the consolidated statements of cash flows.

	Interest-bearing Loans (see Note 18)	Bonds Payable (see Note 19)	Derivative Liabilities (see Note 21)	Redeemable Preferred Shares (see Note 20)	Total*
Balance as of January 1, 2022	P 173,412,691,961	P 41,982,042,246	P 151,807,137	P 1,617,238,688	P 217,163,780,032
Cash flows from financing activities:					
Payment of borrowings	(29,902,560,084)	-	-	-	(29,902,560,084)
Borrowings availed	21,473,670,017	-	-	-	21,473,670,017
Redemption of preferred shares	-	-	-	(251,597,580)	(251,597,580)
Non-cash activities:					
Foreign currency adjustment	3,417,178,126	3,167,315,697	-	-	6,584,493,823
Amortization of transaction costs	390,966,208	89,717,567	-	-	480,683,775
Unrealized loss on cash flow hedges	-	-	(151,807,137)	-	(151,807,137)
Accretion of redeemable preferred shares	-	-	-	171,450,431	171,450,431
Balance at December 31, 2022	<u>P 168,791,946,228</u>	<u>P 45,239,075,510</u>	<u>P -</u>	<u>P 1,537,091,539</u>	<u>P 215,819,710,857</u>

*Excluding lease liabilities (see Note 13.3)

	Interest-bearing Loans <u>(see Note 18)</u>	Bonds Payable <u>(see Note 19)</u>	Derivative Liabilities <u>(see Note 21)</u>	ELS <u>(see Note 21)</u>	Redeemable Preferred Shares <u>(see Note 20)</u>	<u>Total*</u>
Balance as of January 1, 2021	P 173,916,940,959	P 40,282,855,986	P 849,006,544	P 3,443,750,000	P 1,716,257,119	P 220,208,810,608
Cash flows from financing activities:						
Payment of borrowings	(44,311,503,846)	-	-	-	-	(44,311,503,846)
Borrowings availed	41,661,571,715	-	-	-	-	41,661,571,715
Redemption of preferred shares	-	-	-	-	(251,597,580)	(251,597,580)
Non-cash activities:						
Foreign currency adjustment	2,069,183,447	1,617,763,016	-	-	-	3,686,946,463
Transfer to equity component	-	-	-	(3,443,750,000)	-	(3,443,750,000)
Amortization of transaction costs	76,499,686	81,423,244	-	-	-	157,922,930
Unrealized loss on cash flow hedges	-	-	(697,199,407)	-	-	(697,199,407)
Accretion of redeemable preferred shares	-	-	-	-	152,579,149	152,579,149
Balance at December 31, 2021	<u>P 173,412,691,961</u>	<u>P 41,982,042,246</u>	<u>P 151,807,137</u>	<u>P -</u>	<u>P 1,617,238,688</u>	<u>P 217,163,780,032</u>

*Excluding lease liabilities (see Note 13.3)

	Interest-bearing Loans <u>(see Note 18)</u>	Bonds Payable <u>(see Note 19)</u>	Derivative Liabilities <u>(see Note 21)</u>	ELS <u>(see Note 21)</u>	Redeemable Preferred Shares <u>(see Note 20)</u>	<u>Total*</u>
Balance as of January 1, 2020	P 179,153,113,712	P 24,623,883,690	P 242,417,137	P 5,280,000,000	P 1,832,512,909	P 211,131,927,448
Cash flows from financing activities:						
Borrowings availed	23,111,920,680	16,692,935,192	-	-	-	39,804,855,872
Payment of borrowings	(26,034,969,977)	-	-	-	-	(26,034,969,977)
Redemption of preferred shares	-	-	-	-	(251,597,580)	(251,597,580)
Non-cash activities:						
Foreign currency adjustment	(2,352,752,914)	(1,077,137,260)	-	-	-	(3,429,890,174)
Conversion of ELS	-	-	-	(1,836,250,000)	-	(1,836,250,000)
Unrealized loss on cash flow hedges	-	-	606,589,407	-	-	606,589,407
Accretion of redeemable preferred shares	-	-	-	-	135,341,790	135,341,790
Amortization of transaction costs	<u>39,629,458</u>	<u>43,174,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,803,822</u>
Balance at December 31, 2020	<u>P 173,916,940,959</u>	<u>P 40,282,855,986</u>	<u>P 849,006,544</u>	<u>P 3,443,750,000</u>	<u>P 1,716,257,119</u>	<u>P 220,208,810,608</u>

*Excluding lease liabilities (see Note 13.3)

36.2 Supplemental Information on Non-cash Investing and Financing Activities

The following discusses the supplemental information on non-cash investing and financing activities as presented in the consolidated statements of cash flows for the years ended December 31, 2022, 2021 and 2020:

- In 2022, property mortgage receivable was reversed upon acquisition of the subject property. This was reclassified as part of Buildings and leasehold improvements under Property, Plant and Equipment (see Notes 9 and 13.1). The related right-of-use assets and lease liabilities were also terminated and provisions renewed (see Notes 13.2, 13.3 and 21).
- In 2022, 2021 and 2020, the Group recognized additional right-of-use assets and lease liabilities amounting to P2,757.9 million, P1,232.3 million and P2,952.9 million, respectively. In addition, the Group and its lessors have agreed for certain lease modifications pertaining to leased plant and warehouses, which were not accounted for as a separate lease. Accordingly, the modification resulted in the remeasurement of both lease liabilities and right-of-use assets amounting to P92.4 million and P386.6 million in 2021 and 2020, respectively (nil in 2022) [see Note 13.2].
- In 2022, 2021 and 2020, the Group transferred Investment Properties with carrying amounts of P503.1 million, P0.4 million and P169.3 million, respectively, to Property, Plant and Equipment following a change in use (see Notes 13.1 and 14).
- In 2022, 2021 and 2020, the Group capitalized borrowing costs amounting to P3,005.7 million, P4,762.5 million and P5,505.0 million, respectively, as part of Inventories, Property, Plant and Equipment and Investment Properties (see Notes 18 and 19).
- In 200, the Group reclassified certain real estate properties with a carrying amount of P14.4 million from Inventories to Investment Properties following a change in use (see Note 14). No similar transaction occurred in 2022 and 2021.
- In 2020, Property, Plant and Equipment amounting to P1.0 billion were reclassified to Non-current assets classified as held for sale (see Note 13.1).

37. EVENTS AFTER THE END OF THE REPORTING PERIOD

37.1 Equity-linked Securities

On January 26, 2023, EMI and Arran executed an agreement that clarified the continuation of Variable Interest on the Tranche 2 Shares effective from date of the agreement until August 12, 2023 or the issuance of the Tranche 2 shares, whichever comes earlier (see Note 22.9).

On March 30, 2023, the BOD declared dividends of P0.29 per share payable on May 25, 2023 to all stockholders on record as of May 2, 2023. The Tranche 2 shares will receive interest at the same rate as the dividends.

37.2 Property-for-share Swap

On March 23, 2023, the SEC confirmed the valuation of the property-for-share swap transaction between MEG and MREIT. Accordingly, four Grade A properties will be transferred from MEG to MREIT in exchange for 263.7 million common shares of MREIT with a total subscription price of P5,274.0 million. The transaction will increase the effective ownership of AGI over MREIT from 44% to 51%.

38. OTHER MATTERS

38.1 Impact of Russia – Ukraine Conflict on the Group’s Business

The full-scale unprovoked invasion of Ukraine by Russia on February 24, 2022, and continuing as of date of this report has caused far-reaching impact for economies, markets, and businesses. The sanctions against Russia, including certain Russian entities and individual, contributed to disruptions in global supply chains and commodity flows that affected commodity prices such as energy cereals, fertilizers iron and steel altered routes and prolonged lead time.

Overall impact to the Group is not significant and therefore, management has not determined material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern.

38.2 Continuing Impact of COVID-19 Pandemic on the Group’s Business

The COVID-19 pandemic began to spread in the Philippines in early March 2020, and its impact has continued until the date of the approval of these financial statements. In 2022, the country’s economic condition improved because of resumption of local and international travels as well as the easing of health restrictions brought about by the pandemic. Demand and supply are gradually returning to pre-pandemic levels. As a result, the impact of the COVID-19 pandemic to the Group has been lessened, and the Group’s operations are already nearing the pre-pandemic levels.

Management projects that the Group will continue to report positive results of operations and will remain liquid to meet current obligations as they near maturity. Accordingly, it has not determined a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern because of the pandemic.



Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alliance Global Group, Inc. and subsidiaries (the Group) for the year ended December 31, 2022, on which we have rendered our report dated March 30, 2023. 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 Revised Securities Regulation Code Rule 68, 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 the Group's 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: **Romualdo V. Murcia III**
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 9566639, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 95626-SEC (until financial period 2026)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2012 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 30, 2023

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

- A. Statement of Management’s Responsibility for the Consolidated Financial Statements**
- B. Independent Auditors’ Report on the SEC Supplementary Schedules
Filed Separately from the Basic Consolidated Financial Statements**
- C List of Supplementary Information**

Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68

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Other Required Information

Reconciliation of Retained Earnings Available for Dividend Declaration

Map Showing the Relationship Between and Among the Company and its Related Entities

Alliance Global Group, Inc. and Subsidiaries
Schedule A - Financial Assets (Marketable Securities)
December 31, 2022

Financial Asset/Name of Banks	Amount Shown in Statement of Financial Position	Income Received and Accrued
Financial Assets at Fair Value Through Profit or Loss		
HSBC Private Bank	P 14,779,704,950	P 3,740,000
Bank of Singapore	1,882,575	54,295
Various marketable debt securities	50,774,000	956,564
Derivative financial assets	129,918,974	-
	<u>14,962,280,499</u>	<u>4,750,859</u>
Financial Assets at Fair Value Through Other Comprehensive Income		
Various unquoted equity instruments	112,674,776	-
Various quoted equity instruments	63,469,075	-
Various club shares	166,700,000	-
	<u>342,843,851</u>	<u>-</u>
Total Financial Assets	P 15,305,124,350	P 4,750,859

Alliance Global Group, Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2022

<i>Name and Designation of Debtor</i>	<i>Balance at the Beginning of Period</i>		<i>Deductions</i>		<i>Ending Balance</i>		<i>Balance at the End of Period</i>							
			<i>Additions</i>	<i>Amounts Collected</i>	<i>Impairment</i>	<i>Current</i>		<i>Non-current</i>						
Advances to Officers and Employees:														
Travellers - Officers and employees	P	116,639,281	P	5,988,197	P	-	P	-	P	122,627,478	P	-	P	122,627,478
Travellers - Other related parties		78,806,417		27,726,269		24,398,475		-		82,134,211		-		82,134,211
Megaworld - Officers and employees		1,654,435		2,194,198		1,540,498		-		2,308,135		-		2,308,135
Emperador - Officers and employees		103,446,030		726,908,169		147,660,358		-		682,693,841		-		682,693,841
GADC - Officers and employees		178,345,316		176,524,723		-		-		354,870,039		-		354,870,039
GADC - Other related parties		372,539,143		-		372,539,143		-		-		-		-
	P	851,430,622	P	939,341,556	P	546,138,474	P	-	P	1,244,633,704	P	-	P	1,244,633,704

Legend:

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

Alliance Global Group, Inc. and Subsidiaries
Schedule C - Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31, 2022

<i>Name and Designation of Debtor</i>			<i>Deductions</i>		<i>Ending Balance</i>		<i>Balance at End of Period</i>							
			<i>Amounts Collected</i>	<i>Amounts Written off</i>	<i>Current</i>	<i>Not current</i>								
<i>Due from Related Parties</i>														
New Town Land Partners, Inc.	P	2,846,317,740	P	-	P	353,890,531	P	-	P	2,492,427,209	p	-	P	2,492,427,209
Venezia Universal, Ltd.		3,623,475,187		1,737,347,519		-		-		5,360,822,706		-		5,360,822,706
Greenspring Investment Holdings Properties Ltd.		1,717,344,213		129,300,632		-		-		1,846,644,845		-		1,846,644,845
Alliance Global Group Cayman Islands, Inc.		392,368,897		220,088,262		-		-		612,457,159		-		612,457,159
McKester Pik-nik International Limited		16,976,831,707		418,336,518		-		-		17,395,168,225		-		17,395,168,225
Empire East Land Holdings Inc.		356,728,531		-		39,682,540		-		317,045,991		-		317,045,991
Travellers International Hotel Group, Inc.		2,556,134,304.00		-		-		-		2,556,134,304		-		2,556,134,304
		25,913,066,275.00		2,505,072,931.35		393,573,071.00		-		28,024,566,135.35		-		28,024,566,135.35

Alliance Global Group, Inc. and Subsidiaries
Schedule D - Long-Term Debt
December 31, 2022

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	
Loans:					
Interest-bearing loans	P	100,265,972,073	P 26,109,562,529	P 74,156,409,544	a, b, c, d, e, f, g, h, i, j, m, n, k
Foreign borrowings:					
AG Cayman	\$	700,000,000	-	38,608,924,710	o
Megaworld	\$	95,620,000	2,943,574,480	3,572,287,530	a
Emperador	€	330,000,000	-	19,140,082,500	g
Emperador	€	26,085,917	702,988,220	810,001,500	j
Emperador	£	41,016,645	2,748,115,215	-	i
			<u>32,504,240,444</u>	<u>136,287,705,784</u>	
Bonds Payable:			<u>32,504,240,444</u>	<u>136,287,705,784.00</u>	
Issuer:					
Megaworld	P	11,989,962,729	-	11,989,962,729	p, q
Megaworld	\$	600,000,000	14,026,453,110	19,222,659,671	q, r
			<u>14,026,453,110</u>	<u>31,212,622,400</u>	
			P 46,530,693,554	P 167,500,328,184	

a Interest-bearing loans include loans obtained by Megaworld pertaining to the following:

- 1.) Five-year loan amounting to P10,000.0 million obtained by Megaworld from a local bank. Principal is payable quarterly in installments at the end of the fifth quarter from the drawdown date.
- 2.) Five-year loan amounting to P6,000.0 million obtained by Megaworld in May 2021 from a local bank. The loan is payable quarterly beginning August 2022. Interest is payable quarterly.
- 3.) Five-year loan amounting to P5,000.0 million obtained by Megaworld in March 2020 from a local bank. The loan is payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayments on the loan shall commence in June 2022 and interest is paid quarterly.
- 4.) Five-year loan amounting to P5,000.0 million obtained by Megaworld in March 2021 from a local bank. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan shall commence in March 2022.
- 5.) Five-year loan amounting to P5,000.0 million obtained by Megaworld in August 2021 from a local bank. The loan is payable quarterly for a term of five years with the first principal payment due in November 2022. Interest is payable quarterly.
- 6.) Five-year loan amounting to P5,000.0 million obtained by Megaworld in December 2019 from a local bank. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayments on this loan commenced in December 2020 and interest is payable quarterly.
- 7.) Five-year loan amounting to U.S.\$95.62 million obtained by Megaworld in September 2019 from a local bank. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayments on this loan commenced in December 2020 and interest is payable quarterly. Megaworld entered into a cross-currency agreement to hedge the U.S. Dollar and interest rate exposure of the loan.
- 8.) Five-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in December 2018. The principal repayment is quarterly after two years from availment. Interest is payable quarterly.
- 9.) Five-year foreign-currency denominated loan obtained by Megaworld from a local bank in December 2017 amounting to U.S. \$98.87 million payable quarterly with a grace period of one year upon availment. The principal repayment shall commence in March 2019 and a floating interest is paid quarterly. Megaworld entered into a cross-currency swap agreement to hedge the U.S. dollar exposure of the loan.
- 10.) Seven-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in November 2015. The principal repayments commenced in November 2016 and interest is payable semi-annually.

Alliance Global Group, Inc. and Subsidiaries
Schedule D - Long-Term Debt (continuation)
December 31, 2022

11.) Seven-year loan obtained by Megaworld from a local bank in two tranches in March and June 2015 totalling P10,000.0 million to fund various real estate projects and to retire currently maturing obligations. Quarterly principal repayment on this seven-year loan commenced in June 2016 and interest is paid quarterly.

b Interest-bearing loans include loans obtained by EELHI pertaining to the following:

- 1.) Seven-year loan amounting to P1,000.0 million obtained by EELHI from a local bank in February 2021. The proceeds of the loan were used to fund the development of its various real estate projects. The principal of the loan is payable in 20 equal quarterly payments starting in May 2023 with a two-year grace period and interest is payable quarterly in arrears.
- 2.) Seven-year loan amounting to P2,000.0 million obtained by EELHI in 2015 from a local bank released in three tranches from 2015-2016. Proceeds were used to fund development of various real estate projects. In 2022, EELHI has paid in full its outstanding loan balance.

c Interest-bearing loans obtained by SPI include the following:

- 1.) Seven-year loan obtained by SPI from a local bank in 2018 to fund the acquisition of STLI. Principal repayment is payable on a monthly basis after a grace period of three years from the date of availment.
- 2.) Seven-year loan obtained by SPI from a local bank. The principal amount is payable monthly after a grace period of three years from date of availment.
- 3.) Six-year loans amounting to P200.0 million, P100.0 million, and P400.0 million obtained by SPI in February 2021, August 2021, and October 2021, respectively, from a local bank. The principal amount is payable on a monthly basis after a grace period of three years from the date of availments.
- 4.) Outstanding balance of short-term loans availed in 2021 by SPI from local banks.
- 5.) Loans obtained by SPI from a local bank in 2015 through assignment of trade receivables. The loans are being paid as the receivables are collected.
- 6.) Outstanding balances of short-term and one-year loans availed by SPI from local banks. The short-term loans were partially settled in 2021.
- 7.) Seven-year loan amounting to P300.0 million obtained by SPI in 2020 from a local bank. The loan bears a floating interest and is payable upon maturity.

d Interest-bearing loans obtained by GERI include the following:

- 1.) Five-year loan obtained by GERI in 2019 from a local bank payable quarterly for a term of five years, plus interest.
- 2.) Five-year loan amounting to P1,000.0 million obtained by GERI in 2020 from a local bank payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayment on the loan shall commence in December 2022. The loan bears a fixed interest rate and is payable quarterly.
- 3.) Four-year loan amounting to P1,000.0 million obtained by GERI in July 2021 from a local bank. The loan is payable quarterly for a term of four years commencing on the beginning of the fifth quarter from the date of availment.
- 4.) Seven-year loan obtained by GERI in 2020 from a local bank. The loan is payable quarterly with a grace period of one year upon availment. The principal repayment on the loan shall commence in March 2022. The loan bears a floating interest rate and is payable quarterly.
- 5.) Six-year loan amounting to P500.0 million obtained by GERI in March 2021 from a local bank. The loan is payable quarterly for a term of six years with a grace period of two years upon availment.
- 6.) Five-year loan amounting to P2,000.0 million obtained by GERI in December 2017 from a local bank payable quarterly commencing on the beginning of the fifth quarter from the initial drawdown date. Interest is payable quarterly.

e Five-year loan obtained by TLC in August and November 2019 from a local bank. The loan is payable in quarterly installments commencing November 2020. In March 2020, TLC obtained additional interest-bearing loan amounting to P500.0 million.

Alliance Global Group, Inc. and Subsidiaries
Schedule D - Long-Term Debt (continuation)
December 31, 2022

- f** Ten-year loan obtained by MREIT from a local bank payable quarterly in installment beginning in the last quarter of the fifth year with a balloon payment at the end of the term. Interest is payable quarterly subject to repricing.
- g** Five-year foreign-currency denominated loan obtained in 2019 from a syndicate of foreign financial institutions at a lower margin to prepay existing loans.
- h** Seven-year loan amounting to P5,000.0 million obtained by AGI in July 2020 from a local bank. The loan is payable quarterly commencing after the one-year grace period, as provided in the loan agreement. The loan bears a fixed rate for the first five years, subject to repricing at the end of the fifth year. The interest is payable quarterly in arrears.
- i** Foreign-currency denominated loan obtained by WMG from a foreign bank. The loan is secured by way of floating charge against WMG's inventories.
- j** Foreign-currency-denominated loans of DBLC totaling P3.0 billion used in relation to asset acquisition in 2017. In 2018, DBLC acquired an additional loan amounting to P0.1 million. In 2022, 2021 and 2020, DBLC paid portion of the loans amounting to P636.5 million, P535.3 million and P430.1 million, respectively. Maturing in 2027.
- k** In 2020, PAI obtained short-term loans totaling P400 million from a local bank for working capital purposes renewable and re-priced every 6 months.
- l** Interest-bearing loans obtained by GADC include the following:
- 1.) Five-year US dollar loan with a principal amount of P1,000.0 million obtained by GADC from a local bank in March 2020. GADC has a Cross Currency Swap (CCS) agreement with the local bank, whereby GADC will receive and settle the dollar loan and its interest at a fixed foreign exchange rate of P50.60 per US\$1 or total of P1,000.0 million. The loan is payable quarterly and bears a fixed interest rate.
 - 4.) Five-year loan obtained by GADC from a local bank in June 2020 payable quarterly starting from September 2021. The loan bears a fixed interest.
 - 5.) Five-year loan obtained by GADC from another local bank in June 2020 payable in 20 quarters from September 2020 to June 2025. Interest payments are fixed.
- m** Interest-bearing loans also include loans obtained by Travellers which includes the following:
- 1.) In prior years, a local bank approved a credit line which grants Travellers to borrow P33,500.0 million. In 2019, Travellers made an additional drawdown amounting to P7,500.0 million as a short-term loan. In 2021 and 2020, it converted some of the omnibus loans into a long-term loan and made additional borrowings amounting to P2,200.0 million. The loans are outstanding as of December 31, 2022 and 2021.

Further, during the year, Travellers settled the rolled P2.2 billion short-term loan and availed an omnibus loan in the same bank amounting to P0.5 billion which will mature in 2023.
 - 2.) In 2017, Travellers entered into various credit line agreements with a total maximum loanable amount of P10,000.0 million from a local bank. As of December 31, 2018, drawdowns totaled P10,000.0 million, half of which pertains to term loans and the other half to omnibus loans. In 2019, the Group obtained another term loan facility with the bank amounting to P5,000.0 million. This was utilized through the conversion of the P5,000.0-million omnibus loan to a long-term loan. Following the conversion, the Group obtained various short-term loans in 2019 amounting to P3,000.0 million. In 2020, additional omnibus loans amounting to P2,000.0 million were borrowed. In 2021, the Group availed another long-term facility with the bank amounting to P5.0 billion, which is fully utilized during the year. Following the additions made, the Group obtained other various short-term loans in 2021 amounting to P1.6 billion.
 - 3.) Five-year loan obtained by Travellers from a credit line with a local bank in 2018. In 2019, Travellers obtained a P1,000.0 million omnibus loan from the remaining unutilized credit line. The loans remained outstanding as of December 31, 2022 and 2021.
 - 4.) In 2022, Travellers availed another long-term facility from a local bank amounting to P5,000.0 million which remained outstanding as of December 31, 2022.
 - 5.) Travellers availed another long-term facility with a local bank amounting P13.5 billion which remained outstanding as of December 31, 2022. In addition, Travellers obtained other various short-term loans amounting to P15.5 billion.
 - 6.) In 2022, no further additions were noted for long-term facility with bank during the year. These loans remained outstanding as of December 31, 2022. Further, Travellers obtained and settled other various short-term loans in 2022, a short-term loan amounting to P1.0 billion remain outstanding as of December 31, 2022.

Alliance Global Group, Inc. and Subsidiaries
Schedule D - Long-Term Debt (continuation)
December 31, 2022

- n** *Five-year U.S. dollar-denominated loans obtained by AG Cayman in 2017 from a foreign bank totaling to US\$700.0 million with interest payable semi-annually in arrears. The loans are unconditional and irrevocably guaranteed. In 2022, these loans were refinanced for another 5 years.*
- o** *On March 28, 2017, Megaworld issued seven-year term bonds totaling P12.0 billion. The bond carries a coupon rate of 5.3535% per annum and interest is payable semi-annually in arrears every March 28 and September 28. The bonds shall mature on March 28, 2024.*
- p** *On April 17, 2013, Megaworld issued 10-year term bond totaling U.S. \$250 million that carries a coupon rate of 4.25% per annum and with semi-annual interest payments every April 17 and October 17. The proceeds of the bond issuance are being used by Megaworld for general corporate purposes.*
- q** *On July 30, 2020, Megaworld issued seven-year term bonds totaling to U.S. \$350.0 million. The notes carry a coupon rate of 4.125% per annum and interest is payable semi-annually in arrears on January 30 and July 30 and shall mature on July 30, 2027.*

Legend:

AGI - Alliance Global Group, Inc.
Megaworld - Megaworld Corporation
EELHI - Empire East Land Holdings, Inc.
LFI - La Fuerza, Inc.
GERI - Global-Estates Resorts, Inc.
OFPI - Oceanfront Properties, Inc.
EIL - Emperador International Ltd.
EDI - Emperador Distillers, Inc.
WMG - Whyte and Mackay Group Limited
DBLC - Domecq Bodega Las Copas, S.L.
GADC - Golden Arches Development Corporation
Travellers - Travellers International Hotel Group, Inc.
AG Cayman - Alliance Global Group Cayman Islands, Inc.
PAI - ProGreen AgriCorp, Inc.
STLI - Stateland, Inc.

Alliance Global Group, Inc. and Subsidiaries
Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2022

<i>Title of issue and type of obligation</i>	<i>Amount authorized by indenture</i>	<i>Balance at the beginning of year</i>	<i>Balance at the end</i>
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-nothing to report-

Alliance Global Group, Inc. and Subsidiaries
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2022

<i>Name of Issuing Entity of Securities Guaranteed by the Company for which this statement is Filed</i>	<i>Title of Issue of Each Class of Securities Guaranteed</i>	<i>Total Amount Guaranteed and Outstanding</i>	<i>Amount Owned by Person for which this Statement is Filed</i>	<i>Nature of Guarantee</i>
Alliance Global Group Cayman Islands, Inc. by Alliance Global Group, Inc.	US\$ 700.0 million, 5-year loans, 5.50% to 6.75% interest	P 38,608,924,710	P 38,608,924,710	Guarantee of Principal and Interest

Alliance Global Group, Inc. and Subsidiaries
Schedule G - Capital Stock
December 31, 2022

				<i>Number of shares held by</i>		
<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related balance sheet caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Common shares - P1 par value	12,950,000,000	9,127,041,679	59,100,000	6,158,918,232	68,688,212	2,899,435,235

Alliance Global Group, Inc.
7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City

Reconciliation of Retained Earnings Available for Dividend Declaration
Annex 68-D
As of December 31, 2022

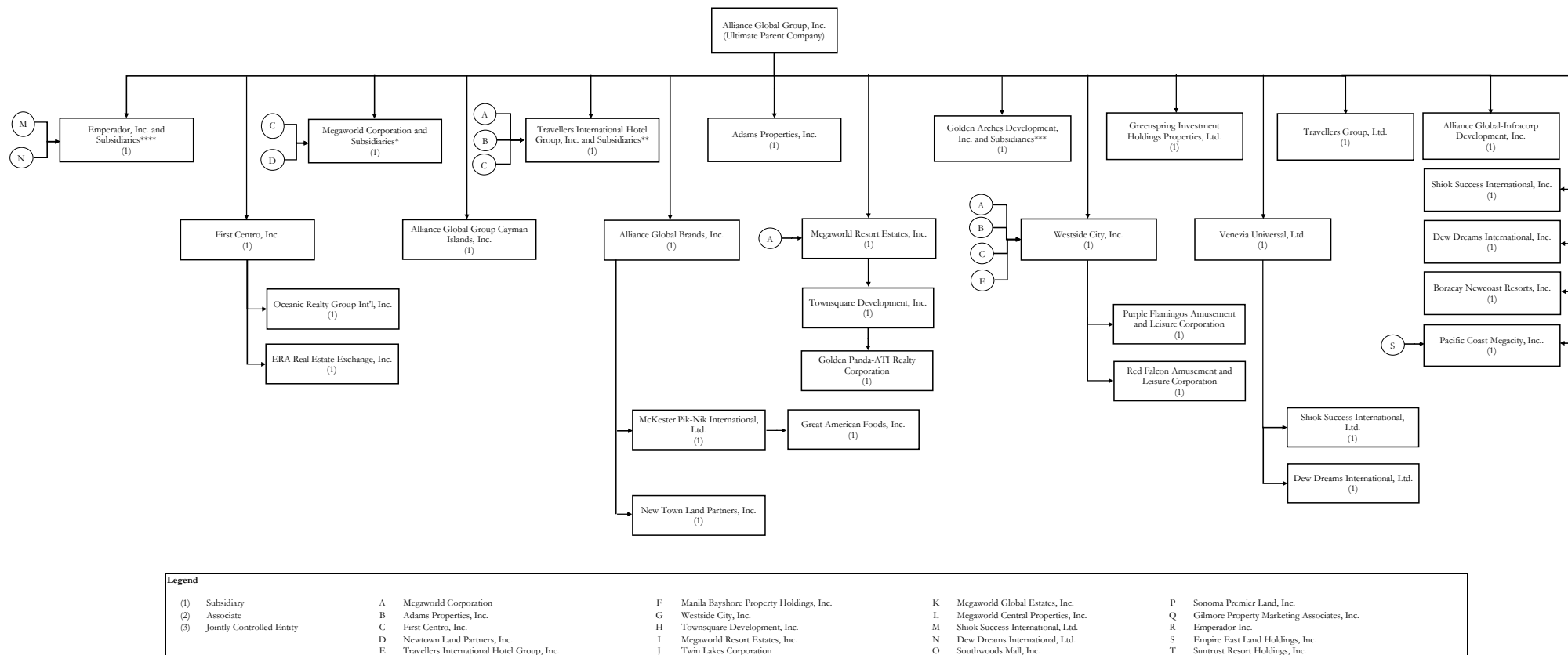
Unappropriated Retained Earnings at Beginning of Year	P	27,998,562,329
Retained Earnings Restricted for Treasury Shares at Beginning*	(<u>9,342,101,103</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		18,656,461,226
Net income per Audited Financial Statements		<u>8,737,790,681</u>
		27,394,251,907
Other Transaction During the Year		
Acquisition of treasury shares*	(P	3,895,393,284)
Dividends declared	(<u>1,132,225,485</u>) (<u>5,027,618,769</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		<u>P 22,366,633,138</u>

* In 2017, the Company entered into a two-year share repurchase program of up to P5.0 billion worth of common shares. In 2019, a 12-month share repurchase program for up to P2.5 billion worth of common shares was approved. In 2020, another share repurchase program for a term of 12 months and up to P2.5 billion worth of common shares was approved. In 2021, another share repurchase program for a term of 2.5 years and up to P4.0 billion worth of common shares was authorized by the Company's Board of Directors (BOD). In 2022, the BOD authorized the Company to repurchase an additional P3.0 billion worth of common shares, under the same terms and conditions of the present buy-back program.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES

Map Showing the Relationship Between Alliance Global Group, Inc.
and its Related Parties

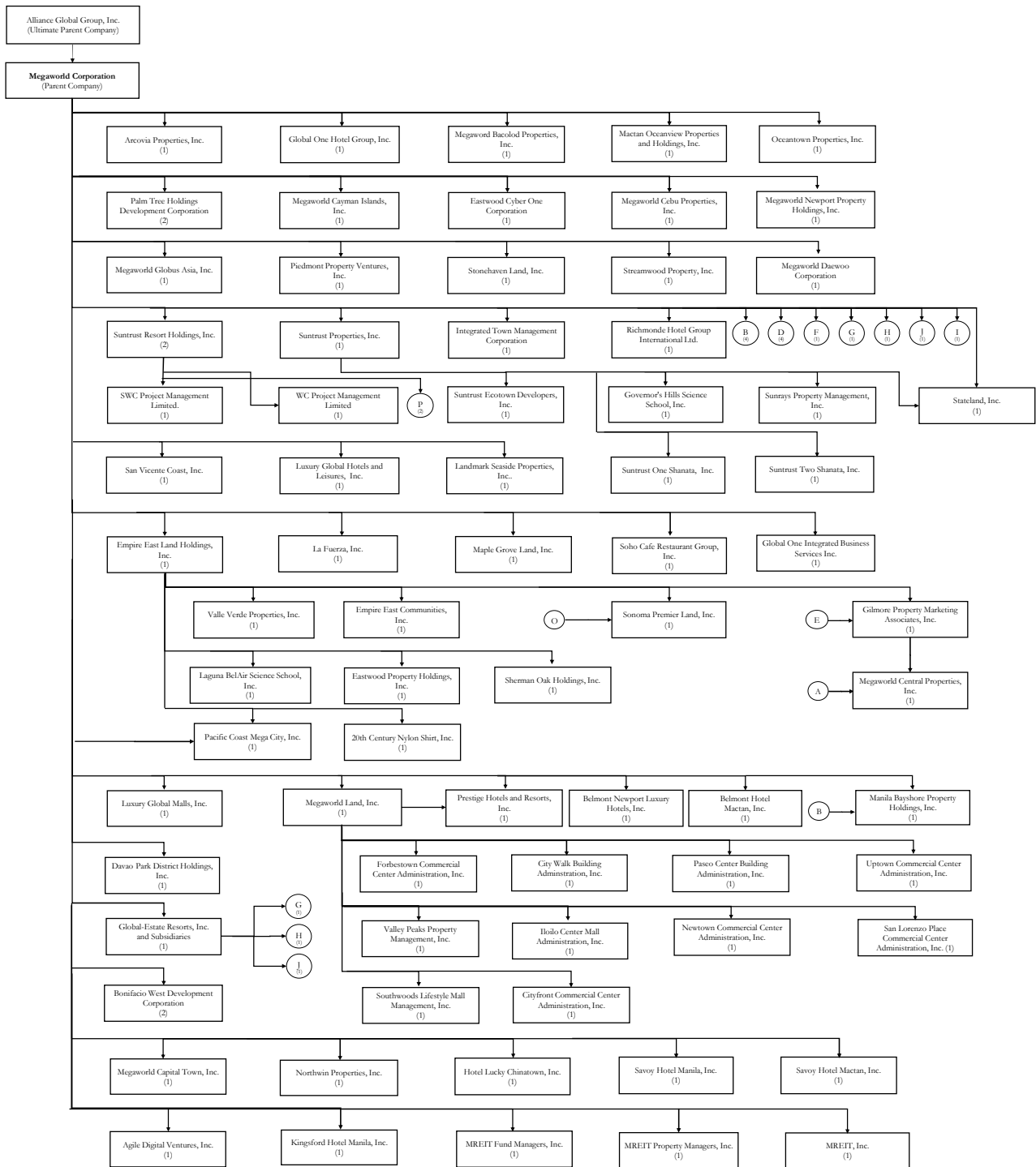
December 31, 2022



ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES

Map Showing the Relationship Between Alliance Global Group, Inc.
and Megaworld Corporation Group

December 31, 2022



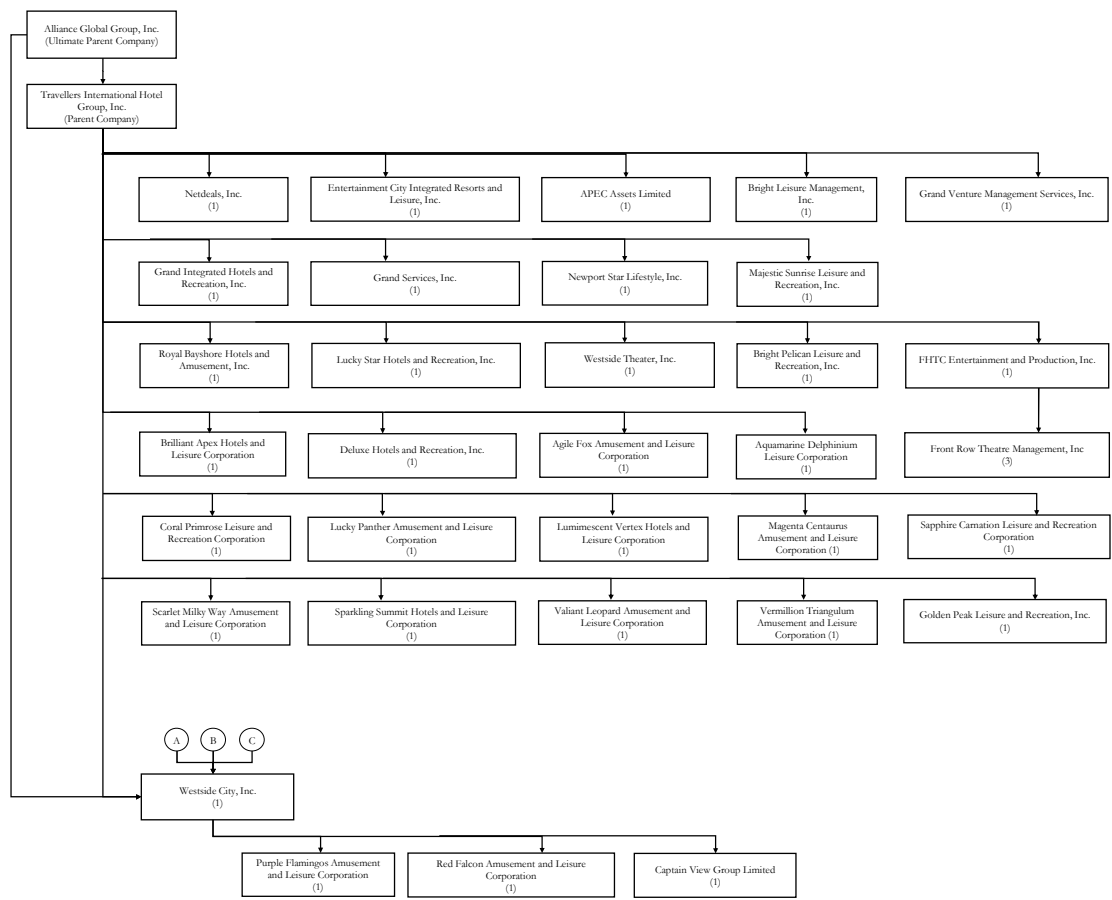
Legend

Relationship with Megaworld Corporation

- (1) Subsidiary
- (2) Associate
- (3) Jointly Controlled Entity
- (4) FVOCI

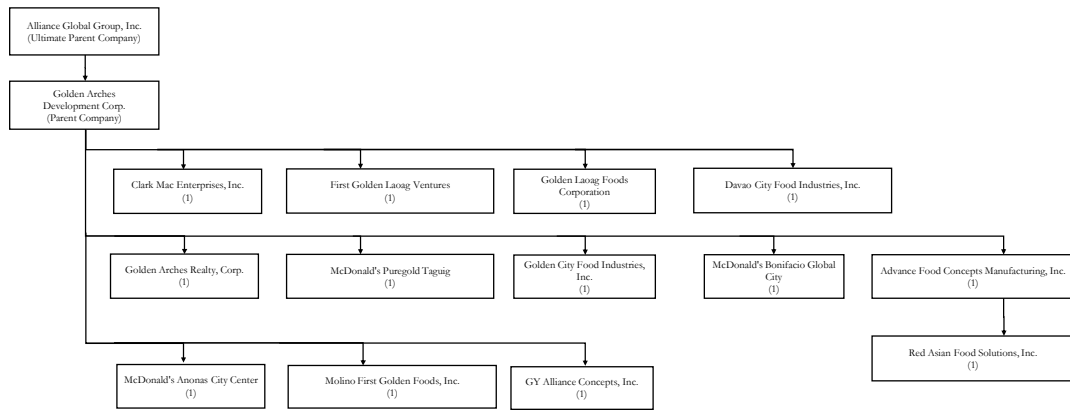
- | | | | |
|---|----------------------------------|---|-----------------------------------|
| A Megaworld Corporation | E Townsquare Development, Inc. | I Megaworld Central Properties, Inc. | M Empire East Land Holdings, Inc. |
| B Travellers International Hotel Group | F Megaworld Resort Estates, Inc. | J Southwoods Mall, Inc. | N Suntrust Resort Holdings, Inc. |
| C Manila Bayshore Property Holdings, Inc. | G Twin Lakes Corporation | K Sonoma Premier Land, Inc. | O First Centro, Inc. |
| D Westside City, Inc. | H Megaworld Global Estates, Inc. | L Gilmore Property Marketing Associates, Inc. | P Suncity WC Hotel Inc. |

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Map Showing the Relationship Between Alliance Global Group, Inc.
 and Travellers Group
 December 31, 2022



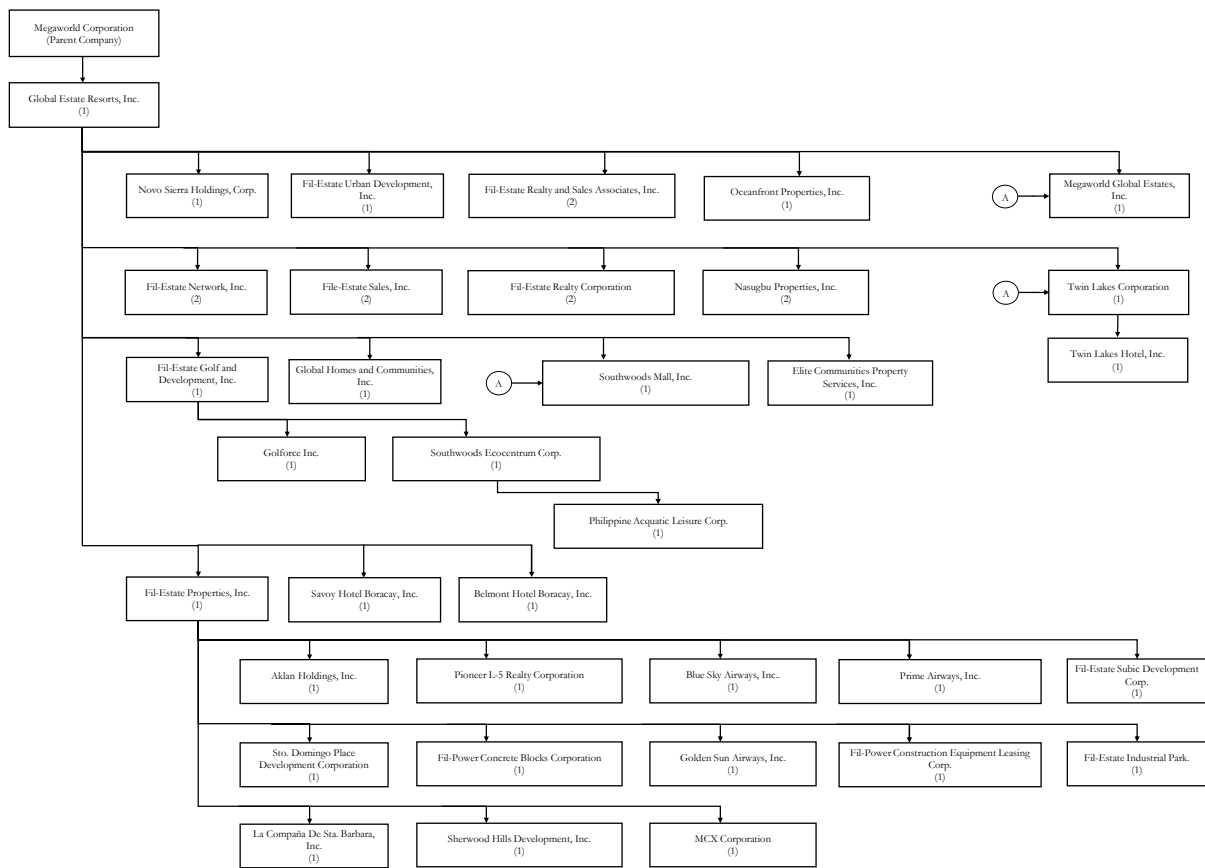
Legend	
<i>Relationship with Travellers International Hotel Group, Inc.</i>	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
(4)	FVOCI
A	Megaworld Corporation
B	Adams Properties, Inc.
C	First Cento, Inc.
D	Newtown Land Partners, Inc.
E	Travellers International Hotel Group, Inc.
F	Manila Bayshore Property Holdings, Inc.
G	Westside City, Inc.
H	Townsquare Development, Inc.
I	Megaworld Resort Estates, Inc.
S	Empire East Land Holdings, Inc.
J	Twin Lakes Corporation
K	Megaworld Global Estates, Inc.
L	Megaworld Central Properties, Inc.
M	Shiok Success International, Ltd.
N	Dew Dreams International, Ltd.
O	Southwoods Mall, Inc.
P	Sonoma Premier Land, Inc.
Q	Gilmore Property Marketing Associates, Inc.
R	Empireador, Inc.
T	Suntrust Resort Holdings, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Map Showing the Relationship Between Alliance Global Group, Inc.
 and Golden Arches Development Corporation Group
 December 31, 2022



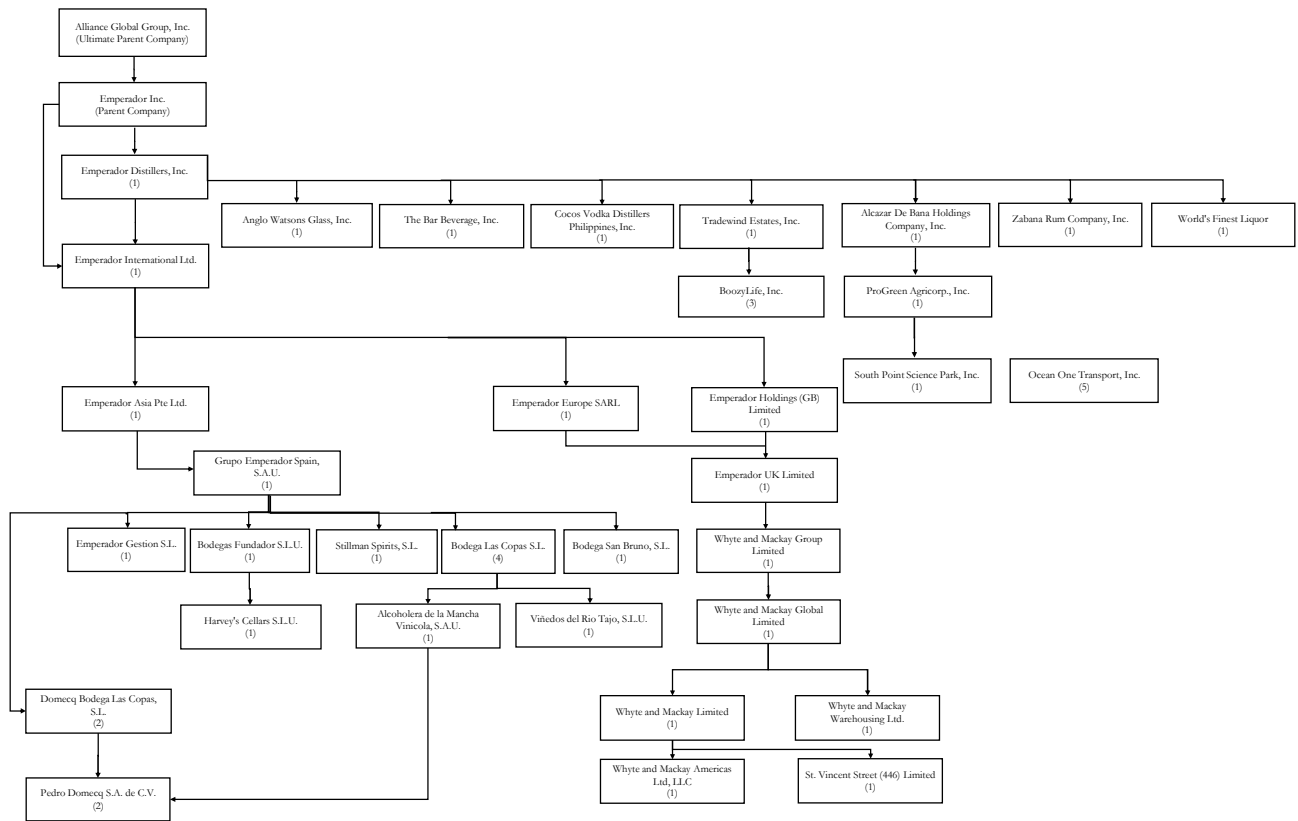
Legend	
<i>Relationship with Golden Arches Development Corporation</i>	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
(4)	FVOCI
A	Megaworld Corporation
B	Adams Properties, Inc.
C	First Centro, Inc.
D	Newtown Land Partners, Inc.
E	Travellers International Hotel Group, Inc.
F	Manila Bayshore Property Holdings, Inc.
G	Westside City, Inc.
H	Townsquare Development, Inc.
I	Megaworld Resort Estates, Inc.
S	Empire East Land Holdings, Inc.
J	Twin Lakes Corporation
K	Megaworld Global Estates, Inc.
L	Megaworld Central Properties, Inc.
M	Shiok Success International, Ltd.
N	Dew Dreams International, Ltd.
O	Southwoods Mall, Inc.
P	Sonoma Premier Land, Inc.
Q	Gilmore Property Marketing Associates, Inc.
R	Emperador Inc.
T	Suntrust Resort Holdings, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Map Showing the Relationship Between and
 Among Megaworld and Global Estate Resorts Inc. Group
 December 31, 2022



Legend	
(1)	Subsidiary
(2)	Associate
(3)	Jointly Controlled Entity
(4)	FVOCI
A	Megaworld Corporation
B	Adams Properties, Inc.
C	First Centro, Inc.
D	Newtown Land Partners, Inc.
E	Travellers International Hotel Group, Inc.
F	Manila Bayshore Property Holdings, Inc.
G	Westside City, Inc.
H	Townsquare Development, Inc.
I	Megaworld Resort Estates, Inc.
S	Empire East Land Holdings, Inc.
J	Twin Lakes Corporation
K	Megaworld Global Estates, Inc.
L	Megaworld Central Properties, Inc.
M	Shiok Success International, Ltd.
N	Dew Dreams International, Ltd.
O	Southwoods Mall, Inc.
P	Sosoma Premier Land, Inc.
Q	Gilmore Property Marketing Associates, Inc.
R	Emperador Inc.
T	Suntrust Resort Holdings, Inc.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Map Showing the Relationship Between Alliance Global Group, Inc.
 and Emperor Group
 December 31, 2022



Legend
 Relationship with Emperor Inc.
 (1) Subsidiary (100%)
 (2) Subsidiary (50%)
 (3) Subsidiary (62%)
 (4) Jointly Controlled Entity
 (5) Approved by SEC on January 2023



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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alliance Global Group, Inc. and subsidiaries (the Group) for the year ended December 31, 2022 and 2021, on which we have rendered our report dated March 30, 2023. 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, 2022 and 2021 and for each of the two years in the period ended December 31, 2022 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 9566639, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 95626-SEC (until financial period 2026)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2022 (until Oct.13,2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 30, 2023

Alliance Global Group, Inc. and Subsidiaries
7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City

Schedule of Financial Soundness Indicators
Annex 68-E
As of December 31, 2022

Ratio	Formula	2022	2021
Current ratio	Current assets / Current liabilities	2.37	2.04
Acid test ratio	Quick assets / Current liabilities (Quick assets include cash and cash equivalents, trade and other receivables and financial assets at fair value through profit or loss)	1.09	0.98
Solvency ratio	EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds payable)	0.24	0.20
Debt-to-equity ratio	Total debt / Total stockholders' equity (Total debt includes interest bearing loans and borrowings, bonds payable and equity-linked debt securities)	0.58	0.64
Asset-to-equity ratio	Total assets / Total stockholders' equity	2.04	2.10
Interest rate coverage ratio	EBIT / Total Interest (Non-recurring gain or loss is excluded from EBIT)	4.68	4.34
Return on investment	Net profit / Total stockholders' equity	0.07	0.07
Return on investment of equity owners	Net profit attributable to owners of the Parent Company/ equity attributable to the owners of the Parent Company	0.07	0.08
Return on assets	Net profit/ total assets	0.03	0.03
Net profit margin	Net profit / Total revenues	0.14	0.16