COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

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

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

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

MS. FRANCIS M. MONTOJO

(Contact Person)

8884-1106

(Company Telephone Number)

SEC Form

1 2 3 1

Month *Day*

(Fiscal Year)

1 7 - Q

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **30 September 2020**

2. Commission Identification Number **163671**

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

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

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

6. Industry Classification Code: (SEC Use Only)

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

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

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

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA (As of 31 October 2020)

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

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

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

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

Philippine Stock Exchange **Common**

12. Indicate by check mark whether the registrant:

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

Yes **[X]** No [ ]

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

Yes [**X**] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

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

Consolidated Results of Operations

For the quarter ended 30 September 2020, AyalaLand Logistics Holdings Corp. (ALLHC) registered a net income of P30.7 million or an 80% decrease in income due to the continuing effects of the COVID-19 pandemic to certain business segments.

Consolidated Revenues for the quarter posted at P751.4 million, 21% lower compared to P952.7 million for the same period last year. This was mainly due to the effects of the government mandated community quarantine (CQ) on commercial leasing and retail electricity supply segments.

For the nine-month period ended 30 September 2020, consolidated Revenues registered at P2,349.4 million, 26% lower than last year, while Cost and Expenses stood at P1,979.9 million, a 26% decrease from the previous year. For the first nine months of the year, consolidated net income for the Group was P185.7 million which was 63% lower than last year.

Current year-to-date spending for land development, warehouse construction and facility upgrade amounted to P535.0 million.

Earnings per share for the period ended 30 September 2020 was P0.028 which was lower than P0.072 for same period as last year.

By Business Segment

Table below shows the revenues per segment for the nine-month period ended 30 September 2020:

	Amount – P' million			
Segment	**2020**	**2019**	**2020 vs 2019**	**Change**
Real estate sales	510.5	560.4	(49.9)	(9%)
Rental	650.8	795.0	(144.2)	(18%)
Sale of electricity	1,188.1	1,811.1	(623.0)	(34%)
Total	2,349.4	3,166.5	(817.1)	(26%)

a) Industrial lot sales were deferred as new areas for launch will be available by fourth quarter of 2020.

   As of 30 September 2020, landbank was at 262 hectares.

b) Rental revenues were attributed to:

   b.1) Warehouse leasing revenue improved due to increase in gross leasable area (GLA). Revenues from warehouse leasing during the third quarter posted at P88.9 million, up by 36% from P65.3 million year-on-year.

   Total GLA for warehouse leasing was at 177,000 square meters (sqm.) as of 30 September 2020 with lease-out rate of 91% versus 89% last year.

For the nine-month period, revenues from warehouse leasing registered at P281.5 million or 39% higher compared to P203.0 million last year.

b.2) Commercial leasing revenues for the quarter ended 30 September 2020 decreased by 50% to P107.8 million compared to P216.5 million in the same period last year. This was due to the continuing limited mall operations, rent reprieve and concessions extended to mall merchants, which were cushioned by office leasing revenues.

Commercial leasing's GLA was at 90,000 sqm. as of 30 September 2020 with lease-out rate of 79% versus 86% last year.

For the nine-month period, commercial leasing revenues were P369.3 million or 38% lower compared to P592.0 million in 2019.

c) Sale of electricity was at P395.4 million or 37% lower compared to the same quarter last year given the decline in consumption of customers during the CQ period. On year-to-date, revenue registered at P1,188.1 million or 34% lower than last year.

Laguna Technopark, Inc. & Subsidiary (LTI)

For the third quarter of 2020, LTI's Revenues, which include sale of electricity, registered at P618.5 million compared to P717.0 million revenues for the same period last year or a 14% decline. Likewise, Cost and Expenses decreased by 19% to P541.0 million from P667.1 million last year.

Net income for the third quarter of 2020 was higher by 185% at P80.9 million versus P28.4 million last year.

For the nine-month period ended 30 September 2020, Revenues were P1,866.6 million or a 26% decrease from last year, while Cost and Expenses decreased by 26% to P1,574.4 million. Year-to-date Net Income was at P270.2 million or 19% lower compared to last year.

Unity Realty & Development Corporation (URDC)

URDC posted no revenue during the third quarter since second phase of Industrial lot inventory will be available by fourth quarter. Net loss for the quarter of P40.7 million was mainly due to discount on sale of accounts receivables and taxes and licenses.

For the nine-month period ended 30 September 2020, Revenues registered at P58.6 million, while Cost and Expenses amounted to P36.7 million. Year-to-date net loss was P13.9 million compared to the P0.26 million net loss for the same period last year.

Tutuban Properties, Inc. (TPI)

Revenues for the third quarter were P45.5 million which was 67% lower than the P139.0 million revenue during the same period last year. This was mainly due to limitations during the community quarantine period that affected the retail leasing activities. Likewise, Costs and Expenses this quarter decreased by 59% to P44.0 million from P107.3 million last year.

For the quarter ended 30 September 2020, TPI posted a net loss of P20.6 million versus net income of P26.9 million in the same period last year.

On year-to-date, Revenues were at P184.4 million or 55% lower than the previous year, while Cost and Expenses decreased by 50% to P156.1 million. TPI registered a net loss of P47.1 million, a 156% drop from last year's net income of P84.1 million.

LCI Commercial Ventures, Inc. **(LCVI)**

Revenues for third quarter were P22.6 million, 18% higher than last year's revenue of P19.1 million. This was due to higher occupancy and increased rental rate. Total Cost and Expenses posted at P7.5 million which was 24% higher than last year's P6.1 million due to lower recoveries for the quarter.

Net income for the quarter posted at P9.9 million or 35% higher than the same period last year.

For the nine-month period ended 30 September 2020, Revenues were P50 million or 13% higher than previous year. Cost and expenses posted at P23.9 million was same as last year. Year-to-date net income was P16.6 million or 4% lower than previous year.

Orion Land Inc. (OLI)

For the third quarter, total Revenues posted at P64.8 million or 16% lower than the P77.2 million of last year due to lower merchant occupancy given government restrictions and limited operations due to the pandemic. Cost and Expenses recorded at P53.4 million, which was 108% higher than last year's P25.6 million. OLI was able to maintain a positive net income of P7.9 million during the period.

On year-to-date, Revenues were P190.1 million or 5% higher than the previous year while Cost and Expenses were P159.1 million or a 4% increase compared to last year. Net income was P17.7 million or 86% lower than the net income of the previous year.

FLT Prime Insurance Corporation (FPIC)

During the quarter, FPIC reported a net income of P0.24 million compared to a net loss of P1.7 million for the same period last year. FPIC had no revenues as it had not issued any insurance policies given its servicing license. Cost and Expenses registered at P0.74 million which was 88% lower than last year's P6.3 million due to claims and losses.

On year-to-date, net loss posted was P0.57 million or 49% lower than P2.3 million of the previous year.

Financial Condition

Total Assets of the Group registered at P18.7 billion as of 30 September 2020 or a 3.6% decrease from P19.4 billion as of 31 December 2019. This was on account of sale of receivables coupled by the decline in market value of financial assets at fair value through other comprehensive income (FVOCI).

Total Liabilities as of 30 September 2020 was P7.4 billion, which was 9.7% lower than the P8.2 billion as of 31 December 2019.

Total Equity registered at P11.3 billion, 0.9% higher than P11.2 billion as of 31 December 2019. This was attributable to the net income as of the period cushioned by the decline in market value of financial assets at FVOCI.

Financing Through Loans

As of 30 September 2020, the Group had no outstanding loans from any financial institution.

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

Ratio	Formula	30 September 2020	30 September 2019	31-Dec-2019
Current Ratio	Current Assets Current Liabilities	1.27: 1 6,105,498/ 4,802,430	1.14:1 6,136,567/ 5,382,489	1.18: 1 6,682,904/5,641,246
Debt to Equity Ratio	Total Liabilities Equity	0.66: 1 7,397,750/ 11,281,286	0.79: 1 8,488,645/ 10,7717,955	0.73: 1 8,192,312/ 11,176,197
Capital Adequacy Ratio	Equity Total Assets	0.60: 1 11,281,286/ 18,679,036	0.56: 1 10,717,955/ 19,206,600	0.58: 1 11,176,197/ 19,368,509
Book Value per Share	Equity Total # of Shares	1.79 11,281,286/ 6,301,592	1.70 10,717,955/ 6,301,592	1.77 11,176,197/ 6,301,592
Income per Share	Net Income Total # of Shares	0.03 172,278/ 6,252,148	0.07 448,489/ 6,226,225	0.10 595,838/6,226,225

Current ratio shows the Group's ability to meet its short-term financial obligation. As of 30 September 2020, the Group's current assets for every peso of current liabilities was lower at P1.27 as compared to 31 December 2019. The Group has sufficient current assets to support its current liabilities as of the period.

Debt to Equity ratio indicates the extent of the Group's debt which is covered by shareholders' fund. It reflects the relative position of the equity holders. The higher the ratio, the greater the risk being assumed by the creditors. A lower ratio generally indicates greater long-term financial safety. Compared to 31 December 2019, debt-to-equity ratio was lower due to settlement of outstanding obligation.

Capital Adequacy Ratio is computed by dividing the Total Stockholders' Equity over Total Assets. It measures the financial strength of the Group. As of 30 September 2020, the Group's Capital Adequacy Ratio was higher at 0.60 compared to same period last year.

Book value per share measures the recoverable amount in the event of liquidation if assets are realized at book value. The Group's book value per share was slightly higher at P1.79 compared to P1.77 as at 31 December 2019.

Income per share is calculated by dividing net income attributable to the equity holders of the Parent Company by the weighted average number of shares issued and outstanding. As of 30 September 2020 and 2019, income per share was P0.03 and P0.07, respectively.

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

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

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

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

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

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

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

Capital expenditures reached P535.0 million mainly for land development, warehouse construction and facility upgrade. For 2020, the Group's adjusted budgeted total capital expenditures is P2.16 billion. This will be financed through internally generated funds.

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

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

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

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

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

<u>Cash and cash equivalents</u> decreased by 19.5% on account of intercompany loan granted to affiliates.

<u>Financial assets at fair value through other comprehensive income</u> decreased by 13.7% due to decline in market value of Cyber Bay Corporation shares.

<u>Receivables</u> decreased by 30.4% due to sale of receivables of URDC.

<u>Amounts owed by related parties</u> increased to P1,102.2 million or 39.8% higher from P788.5 million as of 31 December 2019 due to intercompany loans granted to affiliates.

<u>Other current assets</u> decreased by 8.2% to P897.4 million.

<u>Receivables-net of current</u> portion decreased to P100.0 million or 79.2% lower due to sale of URDC receivables.

<u>Property and equipment</u> posted at P30.5 million, or 19.5% lower due to depreciation during the period.

<u>Software costs-net</u> was lower by 52.3% to P0.7 million due to depreciation during the period.

<u>Deferred tax assets</u> increased by 50.7% from P24.3 million as of 31 December 2019 to P36.6 million due to the tax impact on depreciation as a result of the adoption of PFRS 16.

<u>Accounts payable and accrued costs</u> decreased by 41.6% to P1.6 billion due to settlement of outstanding obligation.

<u>Current portion of deferred rent income</u> increased by 328% to P8.6 million due to accretion of security deposits.

<u>Rental and other deposits</u> decreased by 11% to P463.7 million due to refund to tenants.

Amounts owed to related parties increased by 16.7% to P2.7 billion due to additional intercompany loans.

Lease liabilities-current portion decreased by 83% to P5.2 million due to settlement of obligation.

Rental and other deposits-net of current portion increased by 27% from P234.8 million to P297.7 million due to deposits from tenants.

Deferred income tax liabilities-net decreased by 12% to P110.1 million from P125.2 million due to advance rent.

Unrealized loss on financial assets at FVOCI increased by 15% to P675.4 million from P587.7 million due to the decline in market value as of the period.

Retained earnings increased by 16% to P1.2 billion due to recognized net income during the period.

Noncontrolling interest increased by 14% due to share in equity earnings of minority shareholders.

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

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

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

Parent company/holding co.	-	-7.96%
Real estate -commercial leasing and industrial lot sales and development	-	88.02%
Retail electricity supply	-	18.28%
Others	-	1.66%
Total		100.00%

SIGNATURE

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

Issuer:

AYALALAND LOGISTICS HOLDINGS CORP.
By:

FRANCIS M. MONTOJO
Chief Finance Officer/Compliance Officer

Date: 12 November 2020

AYALALAND LOGISTICS HOLDINGS CORP.
AND SUBSIDIARIES

Unaudited Consolidated Financial Statements
September 30, 2020 and December 31, 2019

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	UNAUDITED September 30 2020	**AUDITED December 31** 2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 25)	**₱143,018**	₱177,592
Receivables - current (Notes 5 and 25)	**1,394,899**	2,004,828
Real estate held for sale and development (Note 6)	**2,006,573**	2,085,051
Financial assets at fair value through other comprehensive income (Notes 7 and 25)	**556,654**	644,746
Amounts owed by related parties (Notes 16 and 25)	**1,102,251**	788,507
Financial assets at fair value through profit or loss (Notes 8 and 25)	**4,684**	4,479
Other current assets (Note 9)	**897,419**	977,701
Total Current Assets	**6,105,498**	6,682,904
Noncurrent Assets		
Receivables - net of current portion (Notes 5 and 25)	**100,000**	480,274
Right-of-use asset (Note 23)	**1,287,378**	1,326,964
Investment properties (Note 10)	**10,567,476**	10,254,507
Property and equipment (Note 11)	**30,513**	37,909
Software costs (Note 12)	**675**	1,417
Net pension assets (Note 19)	**11,767**	11,767
Deferred income tax assets - net	**36,619**	24,292
Other noncurrent assets (Notes 13 and 25)	**539,110**	548,475
Total Noncurrent Assets	**12,573,538**	12,685,605
	₱18,679,036	₱19,368,509
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 14, 24 and 25)	**₱1,620,120**	₱2,773,207
Current portion of:		
Rental and other deposits (Notes 15 and 25)	**463,725**	517,864
Deferred rent income (Note 23)	**8,652**	2,023
Lease liabilities (Note 23)	**5,240**	30,973
Amounts owed to related parties (Notes 16 and 25)	**2,704,693**	2,317,179
Total Current Liabilities	**4,802,430**	5,641,246
Noncurrent Liabilities		
Rental and other deposits - net of current portion (Notes 15 and 25)	**297,745**	234,821
Lease liabilities - net of current portion (Note 23)	**1,699,231**	1,702,477
Deferred rent income - net of current portion (Note 23)	**6,537**	6,873
Deferred income tax liabilities - net	**110,132**	125,220
Subscriptions payable (Notes 17 and 25)	**481,675**	481,675
Total Noncurrent Liabilities	**2,595,320**	2,551,066
Total Liabilities	**7,397,750**	8,192,312

(Forward)

	UNAUDITED September 30 2020	AUDITED December 31 2019
Equity (Note 21)		
Equity attributable to equity holders of the parent		
Paid-in capital	**₱6,178,202**	₱6,173,305
Additional paid-in capital	**5,999,374**	5,999,868
Retained earnings	**1,237,655**	1,065,378
Revaluation increment (Note 10)	**203,836**	203,836
Loss on remeasurement of retirement benefits (Note 19)	**(50,507)**	(50,507)
Unrealized loss on financial assets at fair value through other comprehensive income (Note 7)	**(675,393)**	(587,704)
Shares held by a subsidiary	**(144,377)**	(144,377)
Equity reserves	**(1,598,198)**	(1,598,198)
	11,150,592	11,061,601
Non-controlling interests (Notes 1 and 21)	**130,694**	114,596
Total Equity	**11,281,286**	11,176,197
	₱18,679,036	₱19,368,509

See accompanying Notes to Consolidated Financial Statements.

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2020	2019	**2020**	2019
REVENUES				
Sale of electricity (Note 22)	**395,443**	632,424	**1,188,109**	1,811,060
Real estate sales (Note 22)	**159,244**	38,350	**510,522**	560,407
Rental	**196,720**	280,932	**609,635**	763,709
Others	-	978	**41,139**	31,310
	751,407	952,684	**2,349,405**	3,166,486
COST AND EXPENSES				
Cost of purchased power and services	**383,033**	612,539	**1,143,826**	1,753,638
Cost of rental services (Note 10)	**127,372**	139,984	**407,591**	484,486
Cost of real estate sold (Note 6)	**99,866**	21,168	**281,936**	276,586
Operating expenses (Note 18)	**42,312**	72,861	**146,501**	155,726
	652,583	846,552	**1,979,854**	2,670,436
OTHER INCOME (CHARGES)				
Interest income and bank charges - net	**(81,720)**	(1,331)	**(184,916)**	19,837
Gain on sale of property and equipment	-	-	**70,609**	-
Provision for probable losses	-	(6,329)	**(5,400)**	(6,329)
Gain (loss) on sale of financial assets at FVOCI	-	149,037	-	149,037
Interest income on financial assets at FVOCI	-	-	**107**	-
Write-Offs & Other Charges	-	(18,774)	-	(18,774)
Dividend income	**98**	-	**98**	33
Unrealized loss on financial assets at FVPL	**(38)**	-	**58**	(112)
Others - net	**26,406**	2,514	**27,719**	8,012
	(55,254)	125,117	**(91,725)**	151,704
INCOME BEFORE INCOME TAX	**43,570**	231,249	**277,826**	647,754
PROVISION FOR INCOME TAX	**12,830**	77,270	**92,158**	147,747
NET INCOME	**30,740**	153,979	**185,668**	500,007
ATTRIBUTABLE TO:				
Equity holders of the Parent	**26,645**	178,817	**172,277**	448,489
Non-controlling interests	**4,095**	(24,838)	**13,391**	51,518
	30,740	153,979	**185,668**	500,007
EARNINGS PER SHARE (Note 20)				
Basic, for income for the period attributable to ordinary equity holders of the parent company	**0.00**	**0.03**	**0.03**	0.07

See Accompanying Notes to Consolidated Financial Statements

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2020	2019	**2020**	2019
NET INCOME	**30,740**	153,979	**185,668**	500,007
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified to proft or loss in subsequent periods:				
Unrealized valuation gain (loss) on equity financial assets assets at fair value through other comprehensive income (Note 7)	**43,938**	(80,897)	**(95,466)**	(123)
Items that may be reclassified to proft or loss in subsequent periods:				
Unrealized valuation gain on debt financial assets assets at fair value through other comprehensive income (Note 7)	**(1,470)**	5,618	**10,484**	8,750
TOTAL COMPREHENSIVE INCOME	**73,208**	78,700	**100,686**	508,634
Total comprehensive income attributable to:				
Equity holders of the parent company	**72,237**	91,428	**79,518**	438,798
Noncontrolling interests	**971**	(12,728)	**21,168**	69,836
	73,208	78,700	**100,686**	508,634

See Accompanying Notes to Consolidated Financial Statements

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Amounts in Thousands)

	EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT										
	Capital Stock	Additional Paid-in Capital	Shares Held by a Subsidiary	Revaluation Increment (Note 10)	Equity Reserves	Unrealized Valuation Gains (Losses) on Financial Assets at FVOCI (Note 7)	Losses on Remeasurement of Retirement Benefits Plan (Note 19)	Retained Earnings	Total	Non-Controlling Interests	Total
Balances at December 31, 2019	6,173,305	5,999,868	(144,377)	203,836	(1,598,198)	(587,704)	(50,507)	1,065,378	11,061,601	114,596	11,176,197
Net income for the period	-	-	-	-	-	-	-	172,277	172,277	13,391	185,668
Other comprehensive income (loss):											
Unrealized valuation gain (loss) on financial assets at FVOCI (Note 7)	-	-	-	-	-	(87,689)	-	-	(87,689)	2,707	(84,982)
Total comprehensive income for the period	-	-	-	-	-	(87,689)	-	172,277	84,588	16,098	100,686
Collection of subscription receivables	4,897	-	-	-	-	-	-	-	4,897	-	4,897
Payment of stock transaction costs	-	(494)	-	-	-	-	-	-	(494)	-	(494)
Balances at September 30, 2020	**6,178,202**	**5,999,374**	**(144,377)**	**203,836**	**(1,598,198)**	**(675,393)**	**(50,507)**	**1,237,655**	**11,150,592**	**130,694**	**11,281,286**
Balances at December 31, 2018	5,889,195	5,772,959	(1,279,026)	217,986	(1,351,940)	(579,379)	(44,313)	619,841	9,245,323	628,927	9,874,250
Effect of adoption of new accounting standard								(166,016)	(166,016)		(166,016)
Balances at December 31, 2018, as restated	5,889,195	5,772,959	(1,279,026)	217,986	(1,351,940)	(579,379)	(44,313)	453,825	9,079,307	628,927	9,708,234
Net income for the period	-	-	-	-	-	-	-	448,489	448,489	51,518	500,007
Other comprehensive income (loss):											
Unrealized valuation gain (loss) on financial assets at FVOCI (Note 7)	-	-	-	-	-	7,817	-	-	7,817	810	8,627
Total comprehensive income for the period	-	-	-	-	-	7,817	-	448,489	456,306	52,328	508,634
Issuance of capital stock	49,444	94,933	-	-	-	-	-	-	144,377	-	144,377
Collection of subscription receivables	33,408	888	-	-	-	-	-	-	34,296	-	34,296
Disposal of shares held by a subsidiary			1,134,649						1,134,649		1,134,649
Equity reserves	-	-		-	(271,685)	-	-	-	(271,685)	-	(271,685)
Payment of stock transaction costs	-	(12,254)	-	-	-	-	-	-	(12,254)	-	(12,254)
Decrease in noncontrolling interest	-	-	-	-	-	-	-	-	-	(528,295)	(528,295)
Balances at September 30, 2019	**5,972,047**	**5,856,526**	**(144,377)**	**217,986**	**(1,623,625)**	**(571,562)**	**(44,313)**	**902,314**	**10,564,996**	**152,960**	**10,717,956**

See accompanying Notes to Consolidated Financial

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

	NINE MONTHS ENDED SEPTEMBER 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**277,826**	647,754
Adjustments for:		
Loss (Gain) on sale of:		
Shares held by a subsidiary	-	(149,037)
Investment properties	**(70,609)**	-
Unrealized loss (gain) on Financial assets at FVPL (Note 8)	**(58)**	112
Accounts written off	-	18,774
Provision for impairment losses on:		
Receivables (Note 5 and 18)	**14,400**	186
Provision for probable losses (Note 24)	**5,400**	6,329
Depreciation and amortization (Notes 10, 11, 12, 18 and 23)	**276,324**	218,018
Interest income	**(26,628)**	(38,235)
Dividend income (Note 8)	**(98)**	(33)
Interest expense and bank charges	**211,437**	18,398
Operating income before working capital changes	**687,994**	722,266
Decrease (increase) in:		
Receivables	**1,052,304**	(10,324)
Other noncurrent assets	**(41,884)**	(409,455)
Real estate inventories	**78,478**	(461,424)
Right of use assets	**(10,039)**	-
Other current assets	**27,044**	(686,294)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(1,212,144)**	1,617,413
Rental and other deposits	**15,413**	44,704
Net cash flows generated from operations	**597,166**	816,886
Interest received	**26,628**	38,235
Interest paid	**(4,351)**	(18,398)
Net cash flows generated from operating activities	**619,443**	836,723
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Shares held by a subsidiary	-	1,428,063
Investment properties (Note 10)	**10,486**	-
Acquisitions of:		
Investment properties (Note 10)	**(535,044)**	(3,952,475)
Software cost (Note 12)	**(0)**	(35)
Property and equipment (Note 11)	**(3,756)**	(16,624)
Shares held by a subsidiary	-	(144,377)
Decrease (increase) in:		
Financial assets at FVOCI (Note 7)	**404**	(1,026)
Amounts owed by related parties	**(313,743)**	281,738
Acquisitions of noncontrolling interest	-	(800,000)
Dividends received (Note 8)	**98**	33
Net cash flows used in investing activities	**(841,555)**	(3,204,703)

(Forward)

	NINE MONTHS ENDED SEPTEMBER 30	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares of stock	-	144,377
Payment of stock subscription cost	**(494)**	(12,254)
Collection of subscriptions receivable	**4,897**	34,316
Movement of noncontrolling interest	**2,707**	809
Increase in amounts owed to related parties	**180,428**	2,172,380
Net cash flows from financing activities	**187,538**	2,339,628
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(34,574)**	(28,352)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**177,592**	263,634
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 4)	**143,018**	235,282

See Accompanying Notes to Consolidated Financial Statements

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

1. **Corporate and Status of Operations**

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

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

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

On November 4, 2020, the Audit Committee approved and authorized the release of the accompanying unaudited interim consolidated financial statements of AyalaLand Logistics Holdings Corp. and Subsidiaries as at September 30, 2020.

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

		Percentage of Ownership	
Subsidiaries	**Nature of Business**	**September 2020**	December 2019
Laguna Technopark, Inc. (LTI)	Real Estate Development	**95%**	95%
Ecozone Power Management, Inc. (EPMI)	Purchase, Supply and Delivery of Electricity	**95%**	95%
Unity Realty & Development Corporation (URDC)	Real Estate Development	**100%**	100%
Orion Land, Inc. (OLI)	Real Estate and Investment Holding Company	**100%**	100%
Tutuban Properties, Inc. (TPI)	Real Estate, Mall Operations	**100%**	100%
TPI Holdings Corporation (TPIHC)	Investment Holding Company	**100%**	100%
Orion Property Development, Inc. (OPDI)	Real Estate Development	**100%**	100%
Orion Beverage, Inc. (OBI)*	Manufacturing	**100%**	100%
LCI Commercial Ventures, Inc. (LCVI)	Real Estate, Warehouse Leasing Operations	**100%**	100%
Luck Hock Venture Holdings, Inc. (LHVHI)*	Other Business Activities	**60%**	60%
Orion Maxis, Inc. (OMI)*	Marketing and Administrative Services	**100%**	100%
Orion I Holdings Philippines, Inc. (OIHPI)*	Financial Holding Company	**100%**	100%
FLT Prime Insurance Corporation (FPIC)	Non-Life Insurance Company	**78.77%**	78.77%
Orion Solutions, Inc. (OSI)*	Management Information Technology Consultancy Services	**100%**	100%

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

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

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

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

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

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

TPI
TPI operates the Tutuban Center, an integrated wholesale and retail complex recognized as the premier shopper's bargain district in the Philippines. On 22 December 2009, TPI renewed its Contract of Lease with the Philippine National Railways (PNR) for another 25 years (5 September 2014 to 2039).

At present, TPI continues to revitalize the operations of the Center, with the upgrade of its buildings and facilities and new offerings. Continuous building improvements and upgrades are being undertaken such as the relocation of night market stalls to area formerly occupied by Cluster Building 2, electrical upgrade and façade repair of Main Station.

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

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

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

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

On September 7, 2018, the IC approved the Servicing Plan of FPIC under which FPIC had until

April 19, 2019 to service policies expiring in 2019 and 2020 and to settle outstanding liabilities and obligations of FPIC.

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

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

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

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

On October 20, 2017, the BOD of OIHPI, OBI, LHVHI and TPIHC approved and authorized the dissolution and liquidation of these companies by shortening of their respective corporate terms up to December 31, 2017.

Business Combination

Acquisition of URDC
On July 19, 2019, in a Deed of Absolute Sale, the Parent Company purchased from previous individual stockholders their entire outstanding shares of URDC representing 100% ownership.

The Parent Company partially paid the previous individual stockholders the amount of ₱1,184.70 million representing 50% of the total value of the shares. The Parent Company will settle the remaining balance amounting to ₱1,194.73 million in two separate installments due on July 16, 2020 and 2021. In July 2020, the Parent Company paid the amount of ₱716.84 million. The remaining balance is lodged in trade payables under "Accounts payables and accrued expenses". This is accounted for as acquisition of an asset that does not constitute a business and allocated the acquisition cost to inventory and investment property.

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

<u>COVID-19 Outbreak</u>
On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 virus as a global pandemic. On March 16, 2020, in a move to contain the COVID-19 outbreak, Presidential Proclamation No. 929 was issued, declaring a state of calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the entire island of Luzon until April 12, 2020, which was subsequently extended until May 15, 2020. The quarantine classification has been revised by the Philippine government and applied a modified enhanced community quarantine (MECQ) on certain areas including National Capital Region from May 16 to May 31, 2020. Starting June 1, 2020, certain areas including National Capital Region, were declared to be under general community quarantine (GCQ) until June 30, 2020, unless earlier lifted or extended, while the rest of the country shifted to modified general community quarantine (MGCQ). The GCQ was extended to September 30, 2020, and to until November 30, 2020. These measures have caused disruptions to businesses and economic

activities, and its impact on businesses continues to evolve. Considering the evolving nature of this outbreak, ALLHC cannot determine at this time the full impact to its financial position, performance and cash flows. ALLHC will continue to monitor the situation.

In compliance with the Memorandum Circular No. 20-12 issued by the Department of Trade and Industry on April 4, 2020, the Group granted a minimum of thirty (30)-day grace period on lease charges falling due within the period of the ECQ, without incurring interest, penalties, fees and other charges.

2. Summary of Significant Accounting and Financial Reporting Policies

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

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

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

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

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of September 30, 2020 and December 31, 2019 and for each of the period ended September 30, 2020 and 2019.

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

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

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

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

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

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

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

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

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

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

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2020:

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

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

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

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

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

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted. The new standard is not applicable to the Group since the Group's insurance entity no longer issues insurance contracts.

Deferred effectivity

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

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

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

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in its statement of financial position based on a current and noncurrent classification. An asset is current when it is:
a. Expected to be realized or intended to be sold or consumed in normal operating cycle;
b. Held primarily for the purpose of trading;
c. Expected to be realized within twelve months after the reporting period; or
d. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

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

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.
Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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

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

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

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

- The rights to receive cash flows from the asset have expired, or,

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

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

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

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

The Group uses a provision matrix for receivables from tenants and from sale of electricity, vintage approach for receivables from sale of real estate and simplified approach for treasury assets to calculate ECLs.

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

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

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

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

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

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

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

b. Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

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

This category generally applies to interest-bearing loans and borrowings.

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

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

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

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

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

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

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

Sale of Electricity Revenue
The Group recognizes revenue from electricity services over time using the output method as the customer receives and consumes the benefit from the performance of the related utility service.

As a practical expedient allowed under PFRS 15, the Group recognizes revenue in the amount to which the Group has a right to invoice since the Group bills a fixed amount for every kilowatt hour of electricity delivered. Electricity is billed every month according to the billing cycles of the customer.

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

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

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

As of September 30, 2020 and 2019, the Group's industrial lots being sold are 100% completed. Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability are recognized in the year in which the changes are determined.

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

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

Cost and Expenses

Cost recognition for real estate sales
The Group recognizes costs relating to satisfied performance obligations as these are incurred. These include costs of land, land development, professional fees, depreciation, permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

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

Cost of rental services
Cost of rental services are direct costs incurred in the normal course of the business, are

recognized when incurred and generally measured in the amount paid or payable. These comprise cost of rent, utilities, depreciation and others.

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

Commission Expense
Commission expense is recognized as incurred. Commissions are paid to agents from selling insurance contracts. Rates applied on collected premiums vary depending on the type of insurance product. Subsequent to initial recognition, commission expense is amortized using the 24th method. The unamortized portion of commission expense represents DAC in the statement of financial position.

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

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

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

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

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

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

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

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

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

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

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

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

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

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

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as retirement benefits costs under "Personnel expenses" in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.
Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as "Interest income (expense)" in the consolidated statement of income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. **Significant Accounting Judgments, Estimates and Assumptions**

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

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

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

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any

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

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

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

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

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

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

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

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

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

The Group's lease liabilities amounted to ₱1,704.47 million and ₱1,733.45 million as at

September 30, 2020 and December 31, 2019, respectively (see Note 23).

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

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

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

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

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

The carrying value of property and equipment amounted to ₱30.51 million and ₱37.91 million as at September 30, 2020 and December 31, 2019, respectively, net of accumulated depreciation, amortization and impairment amounting to ₱78.62 million and ₱67.46 million as at September 30, 2020 and December 31, 2019, respectively (see Note 11).

The carrying value of investment properties amounted to ₱10,567.48 million and ₱10,254.51 million as at September 30, 2020 and December 31, 2019, respectively (see Note 10).

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

Determining Retirement Benefits Liability
The cost of defined retirement obligation as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making

various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligation are highly sensitive to changes in these assumptions. The assumptions are reviewed at each end of the reporting period.

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

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

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

4. Cash and Cash Equivalents

Cash and Cash Equivalents
This account consists of:

	September 30, 2020	December 31, 2019
	(In Thousands)	
Cash on hand and in banks	**₱135,379**	₱144,644
Cash equivalents	**7,639**	32,948
	₱143,018	₱177,592

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term investments that are made for varying periods of up to three (3) months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

For the period ended September 30, 2020 and 2019, the interest earned from cash and cash equivalents amounted to ₱3.10 million and ₱3.94 million, respectively.

5. **Receivables**

This account consists of:

	September 30, 2020	December 31, 2019
	(In Thousands)	
Trade debtors		
Land sales	**₱775,050**	₱1,577,403
Retail electricity	**162,793**	329,125
Receivables from tenants	**575,287**	593,052
Insurance receivables	**26,264**	27,371
Nontrade receivables	**97,419**	95,301
Others	**170,236**	160,600
	1,807,049	2,782,852
Less allowance for expected credit losses	**312,150**	297,750
	1,494,899	2,485,102
Less noncurrent portion	**100,000**	480,274
	₱1,394,899	₱2,004,828

Receivables from land sales represent amounts arising from sale of industrial lots, which are collectible in monthly installments within one to two years from the date of sale.

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

Receivables from tenants represent the outstanding receivables arising from the lease of retail mall and office spaces and are collectible within 30 days from billing date. These are covered by security deposit of tenants equivalent to two-months rental and two-months advance rental paid by the lessees. This includes both the fixed and contingent portion of lease.

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

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

Other receivables include noninterest-bearing receivables of OLI from Cosco Land Corporation (CLC) which are due and demandable amounting to ₱160.45 million as at September 30, 2020 and December 31, 2019. These receivables are collateralized by the shares of stock of Cyber Bay Corporation owned by CLC. The receivables from CLC are fully provided with allowance.

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

	Trade debtors	Insurance receivables	Non-trade receivables	Others	Total
			(In Thousands)		
At December 31, 2019	₱75,369	₱14,716	₱39,691	₱167,974	₱297,750
Provisions (Note 18)	14,400	–	–	–	14,400
At September 30, 2020	₱89,769	₱14,716	₱39,691	₱167,974	₱312,150

6. Real Estate Held for Sale and Development

The details of this account follow:

	September 30, 2020	December 31, 2019
	(In Thousands)	
Land	**₱2,046,421**	₱2,124,899
Less allowance for impairment losses	**39,848**	39,848
	₱2,006,573	₱2,085,051

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

The composition of costs as at September 30, 2020 and December 31, 2019 follows:

	September 30, 2020	December 31, 2019
	(In Thousands)	
Land cost	**₱1,643,323**	₱1,710,416
Construction overhead and other related costs	**403,098**	414,483
	₱2,046,421	₱2,124,899

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

	September 30, 2020	**December 31, 2019**
	(In Thousands)	
Balance at the beginning of the year	**₱2,124,899**	₱1,316,812
Acquisition	**–**	1,129,516
Development costs incurred	**29,924**	593,259
Transfers to investment property (Note 10)	**–**	(22,905)
Cost of real estate sales (Note 22)	**(108,402)**	(891,783)
	2,046,421	2,124,899
Less allowance for impairment loss	**39,848**	39,848
	₱2,006,573	₱2,085,051

Movements in the allowance for impairment losses follow:

	September 30, 2020	December 31, 2019
	(In Thousands)	
Beginning balances	**₱39,848**	₱27,567
Provision	**–**	12,281
	₱39,848	₱39,848

Real estate sales recognized for the period ended September 30, 2020 and 2019 amounted to ₱510.52 million and ₱560.41 million, respectively.

Real estate inventories recognized as cost of real estate sales amounted to ₱108.40 million and ₱186.43 million for the period ended September 30, 2020 and 2019, respectively.

7. Financial Assets at FVOCI

This account consists of:

	September 30, 2020	December 31, 2019
	(In Thousands)	
Listed equity securities (Note 17)	**₱457,992**	₱556,939
Quoted debt securities	**98,662**	87,807
	₱556,654	₱644,746

Listed equity securities include 1,388,101,405 shares of Cyber Bay valued at ₱409.49 million and ₱527.48 million as at September 30, 2020 and December 31, 2019, respectively (see Note 17).

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

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

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

	Equity Holders	Non-controlling Interests	Total
		(In Thousands)	
At December 31, 2018	(₱579,379)	(₱991)	(₱580,370)
Fair value changes	(8,325)	831	(7,494)
At December 31, 2019	(587,704)	(160)	(587,864)
Fair value changes	**(87,689)**	**2,707**	**(84,982)**
At September 30, 2020	**(₱675,393)**	**₱2,547**	**(₱672,846)**

Interest earned from financial assets at FVOCI amounted to ₱0.11 million and ₱0.96 million for the period ended September 30, 2020 and 2019, respectively.

Dividend income on financial assets at FVOCI amounted to nil as at September 30, 2020 and 2019.

8. Financial Assets at FVPL

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

Fair value of financial assets at FVPL as at September 30, 2020 and December 31, 2019 amounted to ₱4.68 million and ₱4.48 million, respectively.

Dividend income on financial assets at FVPL amounted to ₱0.10 million and ₱0.03 million as at September 30, 2020 and 2019, respectively.

9. Other Current Assets

This account consists of:

	September 30, 2020	December 31, 2019
	(In Thousands)	
Input VAT	**₱567,540**	₱580,904
CWTs	**288,809**	238,054
Refundable deposits	**7,747**	67,793
Prepayments	**34,793**	67,789
Advances to suppliers and contractors	**–**	25,422
Others	**1,277**	486
	900,166	980,448
Less allowance for impairment losses	**2,747**	2,747
	₱897,419	₱977,701

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

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

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

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

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

Movements in the allowance for impairment losses follow:

	September 30, 2020	December 31, 2019
	(In Thousands)	
Balances at beginning of year	**₱2,747**	₱1,439
Provisions	**–**	1,502
Write-off	**–**	(194)
Balances at end of year	**₱2,747**	₱2,747

10. **Investment Properties**

The details of this account follow:

	September 30, 2020			
	Buildings and Improvements	**Land and Improvements**	**Construction in Progress**	**Total**
		(In Thousands)		
Cost				
At beginning of year	**₱8,972,747**	**₱3,037,624**	**₱998,820**	**₱13,009,191**
Additions	**274,625**	**35,637**	**224,782**	**535,044**
Disposal	**(6,163)**	**(5,284)**	**–**	**(11,447)**
At end of year	**9,241,209**	**3,067,977**	**1,223,602**	**13,532,788**
Accumulated Depreciation and Amortization				
At beginning of year	**2,726,315**	**25,160**	**–**	**2,751,475**
Depreciation and amortization (Notes 18)	**213,091**	**1,714**	**–**	**214,805**
Disposal	**(4,177)**	**–**	**–**	**(4,177)**
At end of year	**2,935,229**	**26,874**	**–**	**2,962,103**
Balance before impairment	**6,305,980**	**3,041,103**	**1,223,602**	**10,570,685**
Less allowance for impairment losses	**–**	**3,209**	**–**	**3,209**
Net book values	**₱6,305,980**	**₱3,037,894**	**₱1,223,602**	**₱10,567,476**

	December 31, 2019			
	Buildings and Improvements	Land and Improvements	Construction in Progress	Total
		(In Thousands)		
Cost				
At beginning of year	₱8,683,051	₱414,058	₱299,312	₱9,396,421
Additions	159,802	2,600,661	929,267	3,689,730
Transfers	229,759	22,905	(229,759)	22,905
Retirements	(99,865)	–	–	(99,865)
At end of year	8,972,747	3,037,624	998,820	13,009,191
Accumulated Depreciation and Amortization				
At beginning of year	2,529,317	24,554	–	2,553,871
Depreciation and amortization	271,332	606	–	271,938
Retirements	(74,334)	–	–	(74,334)
At end of year	2,726,315	25,160	–	2,751,475
Balance before impairment	6,246,432	3,012,464	998,820	10,257,716
Less allowance for impairment losses	6,281	3,209	–	9,490
Write-off of impairment losses	(6,281)	–	–	(6,281)
	–	3,209	–	3,209
Net book values	₱6,246,432	₱3,009,255	₱998,820	₱10,254,507

<u>TPI</u>

In 2019, TPI demolished a portion of its buildings and leasehold improvements amounting to ₱44.95 million with remaining book value amounting to ₱18.52 million. Investment properties of TPI substantially represent buildings and leasehold improvements on the land leased from PNR which are utilized in the Company's mall operations and held for rentals.

<u>LCVI</u>

In 2019, LCVI demolished two (2) buildings amounting to ₱54.91 million with remaining book value amounting to ₱13.29 million.

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

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

OLI

On November 29, 2017, OLI acquired a commercial building composed of a 5-storey shopping center and a 6-storey business processing outsourcing office with a gross leasable area of 60,000 square meters located along National Road, Alabang, Muntinlupa City, from ALI, for a total consideration of ₱4.798.0 million. The amount is equivalent to the fair value of the properties based on the appraisal report by an independent appraiser.

Fair Value of Investment Properties

The aggregate fair value of the Group's investment properties amounted to ₱15,993.75 million and to ₱15,660.14 million as of September 30, 2020 and December 31, 2019, respectively.

11. Property, Plant and Equipment

The details of this account follow:

September 30, 2020

	Leasehold Improvements	**Machinery and Equipment**	**Transportation Equipment**	**Furniture, Fixtures and Equipment**	**Total**
Cost					
At beginning of year	**₱2,479**	**₱50,911**	**₱10,968**	**₱41,014**	**₱105,372**
Additions	**–**	**3,035**	**–**	**722**	**3,757**
At end of year	**2,479**	**53,946**	**10,968**	**41,736**	**109,129**
Accumulated Depreciation and Amortization					
At beginning of year	**1,566**	**26,774**	**8,546**	**30,577**	**67,463**
Depreciation and amortization (Notes 18)	**277**	**5,059**	**716**	**5,101**	**11,153**
At end of year	**1,843**	**31,833**	**9,262**	**35,678**	**78,616**
Net Book Values	**₱636**	**₱22,113**	**₱1,706**	**₱6,058**	**₱30,513**

December 31, 2019

	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Total
Cost					
At beginning of year	₱2,479	₱50,911	₱9,738	₱29,120	₱92,248
Additions	–	–	1,230	11,894	13,124
At end of year	2,479	50,911	10,968	41,014	105,372
Accumulated Depreciation and Amortization					
At beginning of year	892	15,410	7,132	26,565	49,999
Depreciation and amortization	674	11,364	1,414	4,012	17,464
At end of year	1,566	26,774	8,546	30,577	67,463
Net Book Values	₱913	₱24,137	₱2,422	₱10,437	₱37,909

12. **Software Costs**

The details of this account follow:

	September 30, 2020	December 31, 2019
	(In Thousands)	
Cost:		
Beginning balances	**₱13,270**	₱15,470
Additions	**–**	35
Retirements	**–**	(2,235)
Ending balances	**13,270**	13,270
Accumulated amortization:		
Beginning balances	**11,853**	12,597
Amortization (Note 18)	**742**	1,491
Retirements	**–**	(2,235)
Ending balances	**12,595**	11,853
Net book values	**₱675**	₱1,417

13. **Other Noncurrent Assets**

This account consists of:

	September 30, 2020	December 31, 2019
	(In Thousands)	
Deferred input VAT	**₱349,295**	₱388,216
Advances to suppliers and contractors	**99,891**	124,401
Refundable deposits	**87,420**	31,067
Others	**2,504**	4,791
	₱539,110	₱548,475

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

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

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

Others consist mainly of various assets that are individually immaterial.

14. Accounts Payable and Accrued Expenses

The details of this account follow:

	September 30, 2020	December 31, 2019
	(In Thousands)	
Accrued expenses		
Light and water	**₱320,080**	₱384,233
Provisions (Note 24)	**71,732**	254,196
Professional and management fees	**76,334**	66,857
Commissions	**52,240**	45,528
Taxes and licenses	**15,993**	22,685
Contracted services	**9,646**	15,528
Salaries and benefits	**4,983**	5,900
Rent	**3,106**	3,882
Subcontractor cost	**4,973**	2,612
Repairs and maintenance	**8,733**	1,308
Others	**6,673**	23,517
	574,493	826,246
Trade payables	**816,569**	1,567,961
Nontrade payables	**76,485**	258,465
Retention payables	**128,672**	86,358
Claims payables	**13,582**	15,853
Due to reinsurers and ceding companies	**415**	380
Others	**9,904**	17,944
	₱1,620,120	₱2,773,207

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

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

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

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

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

15. Rental and Other Deposits

The details of this account follow:

	September 30, 2020			December 31, 2019		
	Due within One Year	**Beyond One Year**	**Total**	Due within One Year	Beyond One Year	Total
			(In Thousands)			
Security deposits	**₱341,730**	**₱195,332**	**₱537,062**	₱373,456	₱153,341	₱526,797
Rental deposits	**94,035**	**85,053**	**179,088**	92,886	46,232	139,118
Construction bond	**1,593**	**8,602**	**10,195**	29,481	9,266	38,747
Customer deposits	**26,367**	**8,758**	**35,125**	22,041	25,982	48,023
	₱463,725	**₱297,745**	**₱761,470**	₱517,864	₱234,821	₱752,685

Deposits include rental, security, customer, construction bond and other deposits paid by tenants to the Group on the leased properties which are refundable at the end of the contract.

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

Customer deposits consist of priority premiums paid by tenants which serve as their reservation deposits.

16. Related Party Transactions

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

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

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

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

As at and for the period ended September 30, 2020

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Parent				
ALI (a)	**(₱110,383)**	**₱29,690**	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ALI (b)			To be settled in cash, 30-days; 3.85%	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Principal	**290,000**	**718,000**		
Interest	**740**	**913**		
Entities under common control				
Airswift Transport, Inc. (b)				
Principal	**4,000**	**27,000**	To be settled in cash, 30-days; 3.44%	Unsecured, not impaired, and unguaranteed
Interest	**1,003**	**2,068**		
North Triangle Hotel Ventures, Inc. (b)				
Principal	**–**	**–**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	**–**	**86**		
North Ventures Commercial Corp.(b)				
Principal	**–**	**–**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	**232**	**233**		
Cebu Holdings, Inc. (b)				
Principal	**(26,000)**	**–**	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	**(50)**	**127**		
Central Block Development, Inc. (b)				
Principal	**(25,400)**	**14,300**	To be settled in cash,	Unsecured, not impaired,

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Interest	563	751	30-days; 3.55%	and unguaranteed
HLC Development Corp. (b)				
Principal	–	–	To be settled in cash	Unsecured, not impaired,
			and collectible on	and unguaranteed
Interest	41	99	demand	
Amaia Land Corporation (b)				
Principal	–	23,700	To be settled in cash	Unsecured, not impaired,
Interest	109	237	49-day; 3.32%	and unguaranteed
Ayala Land Metro North, Inc. (b)				
Principal	–	–	To be settled in cash,	Unsecured, not impaired,
			and collectible on	and unguaranteed
Interest	3,260	3,163	demand	
ESTA Galleria, Inc. (b)				
Principal	(10,000)	–		
			To be settled in cash,	Unsecured, not impaired,
			and collectible on	and unguaranteed
Interest	259	366	demand	
			To be settled in cash,	
			and collectible on	Unsecured, not impaired,
ESTA Galleria, Inc. (d)	15	82	demand	and unguaranteed
Crans Montana Property Holdings Corp.. (b)				
			To be settled in cash,	Unsecured, not impaired,
Principal	(5,000)	1,000	30-days; 3.44%	and unguaranteed
Interest	142	155		
Sicogon Island Tourism Estate Corp. (b)				
Principal	(3,800)	4,200	To be settled in cash,	Unsecured, not impaired,
Interest	138	149	30-days; 3.49%	and unguaranteed
Capitol Central Commercial Ventures Corp. (b)				
			To be settled in cash,	Unsecured, not impaired,
Principal	19,000	19,000	30-days; 3.44%	and unguaranteed
Interest	89	89		
Bay City Commercial Corp. (b)				
Principal	151,500	171,500	To be settled in cash,	Unsecured, not impaired,
Interest	2,990	3,126	30-days; 3.72%	and unguaranteed
Ayala Triangle Hotel.(b)				
			To be settled in cash,	Unsecured, not impaired,
			and collectible on	and unguaranteed
Interest	–	185	demand	
Circuit Makati Hotel Ventures, Inc. (b)				
Principal	(4,300)	–	To be settled in cash,	Unsecured, not impaired,
			and collectible on	and unguaranteed
Interest	(80)	49	demand	
			To be settled in cash	
			and collectible on	Unsecured, not impaired,
Amicassa Process Solutions, Inc. (c)	16,595	22,365	demand	and unguaranteed
Cagayan de Oro Gateway Corp. (b)				
			To be settled in cash,	Unsecured, not impaired,
Principal	19,000	19,000	30-days; 3.44%	and unguaranteed
			To be settled in cash	Unsecured, not impaired,
			and collectible on	and unguaranteed
Interest	(794)	295	demand	
Avida Land Corporation (b)				
Principal	–	–	To be settled in cash	Unsecured, not impaired,
			and collectible on	and unguaranteed
Interest	2,621	3,468	demand	
Avida Land Corporation (a)	(2,802)	–		
Arvo Commercial Corporation (b)				
Principal	(20,000)	–	To be settled in cash	Unsecured, not impaired,
Interest	931	4,436	and collectible on	and unguaranteed
			demand	
Soltea Commercial Corp (b)				
Principal	(1,600)	8,400	To be settled in cash,	Unsecured, not impaired,
Interest	(222)	576	30-days; 3.54%	and unguaranteed
Accendo b)				
Principal	6,000	6,000	To be settled in cash,	Unsecured, not impaired,
Interest	39	39	30-days; 3.41%	and unguaranteed
Cebu District Property Enterprise, Inc. (b)				
Principal	–	–	To be settled in cash	Unsecured, not impaired,
			and collectible on	and unguaranteed
Interest	134	134	demand	
Cavite Commercial Town Center (b)				
			To be settled in cash	Unsecured, not impaired,
			and collectible on	and unguaranteed
			demand	
Interest	82	82		
Arca South Commercial Ventures Corp. (b)				
			To be settled in cash	Unsecured, not impaired,
Interest	816	816	and collectible on	and unguaranteed

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
			demand	
Summerhill Commercial (b)				
Interest	(1,344)	56	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ten Knots Philippines, Inc. (b)				
Principal	8,000	8,000	To be settled in cash, 14-days; 3.49%	Unsecured, not impaired, and unguaranteed
Interest	216	252	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Bank of the Philippine Islands (c)	(789)	(3)	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Globe Telecom Inc. (c)	3,402	5,306	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Nuevocentro, Inc. (c)	–	1,190	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Innove Communications, Inc. (d)	(271)	87	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Group Counselors Corp. (f)	–	241	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Leisure and Allied Industries Phils., Inc. (d)	–	(51)	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Makati Development Corp. (d)	–	63	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
AMSI, Inc. (d)	(1,128)	194	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Econorth Resort Ventures, Inc. (d)	–	38	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Triangle Depot Commercial Corp. (d)	(21)	1	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
South Innovative Theater Mngt, Inc. (d)	25	31	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Eastern Commercial (d)	(3,221)	2		
North Eastern Commercial (b)				
Interest	(870)	(870)		
Ayala Property Management Corp. (d)	–	1	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
North Ventures Commercial (d)	–	–		
PCM Formosa Company Limited (d)	2	606	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ALI Commercial Center (c)	(682)	671	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Integrated Microelectronics, Inc, (c)	557	557	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Ayalaland Estates, Inc.	(1)	–		
Total		₱1,102,251		

Amounts owed to related parties

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Parent				
ALI (i)	**₱110,029**	**₱379,479**	Due and demandable noninterest bearing	Unsecured and unguaranteed
ALI (b)				
Principal	**39,200**	**39,200**	To be settled in cash, 30-days; 3.41% - 3.53	
Ayala Corporation (j)	**–**	**149,539**	Due and demandable noninterest bearing	Unsecured and unguaranteed
Entities under common control				
Ayalaland Malls, Inc. (d)	**(262)**	**1,868**	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayala Property Management Corp. (d)	**(88)**	**11,703**	Due and demandable noninterest bearing	Unsecured and unguaranteed
Makati Development Corp. (g)	**(205,052)**	**120,632**	Due and demandable noninterest bearing	Unsecured and unguaranteed
Nuevocentro, Inc. (d)	**4,198**	**6,374**	Due and demandable noninterest bearing	Unsecured and unguaranteed
MDC BuildPlus, Inc. (h)	**(14,482)**	**–**	Due and demandable noninterest bearing	Unsecured and unguaranteed
AMSI, Inc. (d)	**(100)**	**1,097**	Due and demandable noninterest bearing	Unsecured and unguaranteed
Globe Telecom, Inc (d)	**86**	**95**	Due and demandable noninterest bearing	Unsecured and unguaranteed
Innove Communications, Inc. (d)	**(112)**	**44**	Due and demandable noninterest bearing	Unsecured and unguaranteed
APRISA Business Solutions (d)	**(5)**	**396**	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayala Group Counselors Corp.	**(4,574)**	**61**	Due and demandable noninterest bearing	Unsecured and unguaranteed
ESTA Galleria (d)	**(5)**	**–**		
Ayalaland Metro North, Inc. (b)				
Principal	**(2,700)**	**7,300**	To be settled in cash,	Unsecured, not impaired,
Interest	**(258)**	**129**	30-days; 3.63%	and unguaranteed
Station Square (b)				
Interest	**(25)**	**–**		
Avida Land Corp. (k)	**–**	**154,488**	Due and demandable noninterest bearing	Unsecured, not impaired, and unguaranteed
Alveo Land Corp. (b)				
Principal	**(12,500)**	**20,000**	To be settled in cash,	Unsecured, not impaired,
Interest	**19**	**158**	30-days; 3.63%	and unguaranteed
Alveo Land Corp. (d)	**6,963**	**6,963**		
Solinea, Inc. (b)				
Principal	**28,000**	**38,000**	To be settled in cash,	Unsecured, not impaired,
Interest	**170**	**302**	30-days; 3.63%	and unguaranteed
Summerhill Commercial Ventures (b)				
Principal	**–**	**15,000**	To be settled in cash,	Unsecured, not impaired,
Interest	**95**	**324**	30-days; 3.55%	and unguaranteed
Taft Punta Engano Property, Inc. (b)				
Principal	**(9,700)**	**31,800**	To be settled in cash,	Unsecured, not impaired,
Interest	**68**	**122**	30-days; 3.48%	and unguaranteed
Bellavita Land Corp. (b)				
Interest	**–**	**27**	Due and demandable noninterest bearing	Unsecured, not impaired, and unguaranteed
Avencosouth Corp. (b)				
Principal	**(20,000)**	**–**		
Interest	**(255)**	**56**	Due and demandable noninterest bearing	Unsecured, not impaired, and unguaranteed
Ayala Hotels, Inc. (b)				
Principal	**32,700**	**231,700**	To be settled in cash,	Unsecured, not impaired,
Interest	**6,618**	**6,886**	30-days; 3.63%	and unguaranteed
Southportal Properties, Inc. (b)				
Principal	**–**	**5,000**	To be settled in cash,	Unsecured, not impaired,
Interest	**161**	**438**	30-days; 3.55%	and unguaranteed
AyalaLand Commercial REIT, Inc. (b)				
Principal	**(35,000)**	**–**		
Interest	**(46)**	**–**		
Accendo Commercial Corp. (b)				
Interest	**(330)**	**–**		
ALI Commercial Center (b)				
Principal	**11,000**	**11,000**	To be settled in cash, 30-days; 3.44%	Unsecured, not impaired, and unguaranteed
Interest	**147**	**1,325**	Due and demandable noninterest bearing	Unsecured, not impaired, and unguaranteed

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Parent				
North Beacon Commercial Corp. (b)				
Principal	**(₱600)**	**₱96,400**	To be settled in cash,	Unsecured, not impaired,
Interest	**2,767**	**3,714**	30-days; 3.44% – 3.54%	and unguaranteed
AREIT, Inc. (b)				
Principal	**95,400**	**101,000**	To be settled in cash,	Unsecured, not impaired,
Interest	**5,379**	**5,467**	30-days; 3.41% - 3.63%	and unguaranteed
ALI-CII Development Corp. (b)				
Principal	**(3,500)**	**1,500**	To be settled in cash,	Unsecured, not impaired,
Interest	**(94)**	**3**	30-days; 3.44%	and unguaranteed
MDBI Construction Corp. (b)				
Principal	**(47,600)**	**–**	Due and demandable	Unsecured, not impaired,
Interest	**21**	**60**	noninterest bearing	and unguaranteed
North Triangle Depot Commercial Corp. (b)				
Principal	**(42,000)**	**–**	Due and demandable	Unsecured, not impaired,
Interest	**356**	**406**	noninterest bearing	and unguaranteed
Alabang Commercial Corp. (b)				
			Due and demandable	Unsecured, not impaired,
Interest	**–**	**204**	noninterest bearing	and unguaranteed
Adauge Commercial Corp. (b)				
Principal	**–**	**3,000**	To be settled in cash,	Unsecured, not impaired,
Interest	**28**	**35**	30-days; 3.54%	and unguaranteed
UP North Property Holdings, Inc. (b)				
Principal	**4,000**	**54,000**	To be settled in cash,	Unsecured, not impaired,
Interest	**1,579**	**2,181**	30-days; 3.44%	and unguaranteed
Glensworth Development, Inc. (b)				
Principal	**2,000**	**20,000**	To be settled in cash,	Unsecured, not impaired,
Interest	**2,972**	**3,266**	30-days; 3.55%	and unguaranteed
North Eastern Commercial Corp. (b)				
Principal	**41,930**	**246,930**	To be settled in cash,	Unsecured, not impaired,
Interest	**6,586**	**7,543**	30-days; 3.41% – 3.63%	and unguaranteed
Ayala Land Offices, Inc. (b)				
Principal	**232,900**	**246,700**	To be settled in cash,	Unsecured, not impaired,
Interest	**7,025**	**7,049**	30-days; 3.43% - 3.54%	and unguaranteed
Ayala Land Estates, Inc. (b)				
Principal	**(10,000)**	**–**		
Interest	**(116)**	**–**		
North Ventures Commercial Corp. (b)				
Principal	**(4,700)**	**60,300**	To be settled in cash,	Unsecured, not impaired,
Interest	**(642)**	**324**	30-days; 3.63%	and unguaranteed
Asian I-Office Properties, Inc. (b)				
Principal	**27,600**	**77,600**	To be settled in cash,	Unsecured, not impaired,
Interest	**1,143**	**1,805**	30-days; 3.42% - 3.55%	and unguaranteed
Direct Power Services, Inc. (b)				
Principal	**(40,000)**	**–**	Due and demandable	Unsecured, not impaired,
Interest	**54**	**115**	noninterest bearing	and unguaranteed
Subic Bay Town Center, Inc. (b)				
Principal	**20,000**	**20,000**	To be settled in cash,	Unsecured, not impaired,
Interest	**574**	**665**	30-days; 3.85%	and unguaranteed
Vesta Property Holdings, Inc. (b)				
Principal	**(14,800)**	**307,200**	To be settled in cash,	Unsecured, not impaired,
Interest	**14,263**	**14,387**	30-days; 3.44%	and unguaranteed
CECI Realty Corp. (b)				
Principal	**45,870**	**75,870**	To be settled in cash,	Unsecured, not impaired,
Interest	**413**	**661**	30-days; 3.53%	and unguaranteed
Makati Cornerstone Leasing (b)				
Principal	**–**	**–**	Due and demandable	Unsecured, not impaired,
Interest	**–**	**51**	noninterest bearing	and unguaranteed
Phil. Integrated Energy Solutions, Inc.				
Principal	**–**	**–**		
Interest	**(6)**	**–**		
First Gateway Real Estate Corp.				
Principal	**28,700**	**28,700**	To be settled in cash,	Unsecured, not impaired,
Interest	**233**	**233**	30-days; 3.44% - 3.53%	and unguaranteed
AREIT Fund Manager, Inc.				
			To be settled in cash,	Unsecured, not impaired,
Principal	**35,000**	**35,000**	30-days; 3.41% - 3.63%	and unguaranteed
Interest	**162**	**162**		
Serendra, Inc.				
			To be settled in cash,	Unsecured, not impaired,
Principal	**40,500**	**40,500**	30-days; 3.53%	and unguaranteed
Interest	**156**	**156**		
Total		**₱2,704,693**		

As at and for the year ended December 31, 2019

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Parent				
ALI (a)	₱54,766	₱140,073	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ALI (b)	428,173	428,173	To be settled in cash, 30-days; 4.13%	Unsecured, not impaired, and unguaranteed
Entities under common control				
Airswift Transport, Inc. (b)				
Principal	3,000	23,000	To be settled in cash, 30-days; 6.18%	Unsecured, not impaired, and unguaranteed
Interest	663	1,065		
North Triangle Hotel Ventures, Inc. (b)				
Principal	–	–	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	–	86		
Cebu Property Ventures Dev't. Corporation (b)				
Principal	–	–	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	(3)	–		
Cebu Holdings, Inc. (b)				
Principal	(2,000)	26,000	To be settled in cash, 30-days; 6.14%	Unsecured, not impaired, and unguaranteed
Interest	177	177		
Central Block Development, Inc. (b)				
Principal	(14,300)	39,700	To be settled in cash, 30-days; 6.25%	Unsecured, not impaired, and unguaranteed
Interest	188	188		
HLC Development Corp. (b)				
Principal	(10,000)	–	To be settled in cash, 30-days; 5.92%	Unsecured, not impaired, and unguaranteed
Interest	(32)	59		
Amaia Land Corporation (b)				
Principal	23,700	23,700	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Interest	125	128		
Ayala Land Metro North, Inc. (b)				
Principal	(8,300)	–	To be settled in cash, 30-days; 6.17%	Unsecured, not impaired, and unguaranteed
Interest	(410)	(97)		
ESTA Galleria, Inc. (b)				
Principal	10,000	10,000	To be settled in cash, 30-days; 6.17%	Unsecured, not impaired, and unguaranteed
Interest	107	107		
ESTA Galleria, Inc. (d)	67	67		
Crans Montana Property Holdings Corp.. (b)				
Principal	6,000	6,000	To be settled in cash, 30-days; 6.17%	Unsecured, not impaired, and unguaranteed
Interest	13	13		
Sicogon Island Tourism Estate Corp. (b)				
Principal	8,000	8,000	To be settled in cash, 30-days; 6.17%	Unsecured, not impaired, and unguaranteed
Interest	11	11		
Bay City Commercial Corp. (b)				
Principal	20,000	20,000	To be settled in cash, 30-days; 6.17%	Unsecured, not impaired, and unguaranteed
Interest	136	136		
Ayala Triangle Hotel.(b)				
Interest	185	185	To be settled in cash, 30-days; 6.17%	Unsecured, not impaired, and unguaranteed
Circuit Makati Hotel Ventures, Inc. (b)				
Principal	4,300	4,300	To be settled in cash, 30-days; 6.17%	Unsecured, not impaired, and unguaranteed
Interest	129	129		
Amicassa Process Solutions, Inc. (c)	5,770	5,770	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Cagayan de Oro Gateway Corp. (b)				
Interest	1,089	1,089	To be settled in cash, 30-days; 6.17%	Unsecured, not impaired, and unguaranteed
Avida Land Corporation (b)				
Principal	(444,500)	–	To be settled in cash, 30-days; 6.25%	Unsecured, not impaired, and unguaranteed
Interest	(8)	847		
Avida Land Corporation (a)	2,802	2,802		
Arvo Commercial Corporation (b)				
Principal	(34,000)	20,000	To be settled in cash,	Unsecured, not impaired,

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Interest	2,547	3,505	30-days; 6.25%	and unguaranteed
Soltea Commercial Corp (b)				
Principal	(16,000)	10,000	To be settled in cash,	Unsecured, not impaired,
Interest	(57)	798	30-days; 6.25%	and unguaranteed
Summerhill Commercial (b)				
Principal	(194,000)	–	To be settled in cash,	Unsecured, not impaired,
Interest	(1,631)	1,400	30-days; 6.25%	and unguaranteed
Ten Knots Philippines, Inc. (b)				
Principal	–	–	To be settled in cash	Unsecured, not impaired,
Interest	–	36	and collectible on	and unguaranteed
Bank of the Philippine Islands (c)	(1,464)	785	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Globe Telecom Inc. (c)	822	1,905	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Nuevocentro, Inc. (c)	13	1,190	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Integrated Microelectronics, Inc. (e)	(603)	–	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Innove Communications, Inc. (d)	100	357	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Ayala Group Counselors Corp. (f)	–	241	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Leisure and Allied Industries Phils., Inc. (d)	(130)	(51)	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Makati Development Corp. (d)	1	63	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
AMSI, Inc. (d)	1,268	1,322	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
Econorth Resort Ventures, Inc. (d)	1	38	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Triangle Depot Commercial Corp. (d)	–	21	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
South Innovative Theater Mngt, Inc. (d)	–	6	To be settled in cash and collectible on demand	Unsecured, not impaired, and unguaranteed
North Eastern Commercial (d)	3,221	3,223	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Ayala Property Management Corp. (d)	–	1		
North Ventures Commercial (d)	1	1		
PCM Formosa Company Limited (d)	603	604	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
ALI Commercial Center (c)	1,118	1,353	To be settled in cash and collectible on demand	Unsecured, noninterest-bearing, not impaired, and unguaranteed
Ayalaland Estates, Inc.	1	1		
Total		₱788,507		

Amounts owed to related parties

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Parent				
ALI (i)	₱203,791	₱269,450	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayala Corporation (j)	149,539	149,539	Due and demandable noninterest bearing	Unsecured and unguaranteed
Entities under common control				
Ayalaland Malls, Inc. (d)	1,652	2,130	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayala Property Management Corp. (d)	10,109	11,791	Due and demandable noninterest bearing	Unsecured and unguaranteed
Makati Development Corp. (g)	174,899	325,684	Due and demandable noninterest bearing	Unsecured and unguaranteed
Nuevocentro, Inc. (d)	61	2,176	Due and demandable noninterest bearing	Unsecured and unguaranteed
MDC BuildPlus, Inc. (h)	−	14,482	Due and demandable noninterest bearing	Unsecured and unguaranteed
AMSI, Inc. (d)	(480)	1,197	Due and demandable noninterest bearing	Unsecured and unguaranteed
Globe Telecom, Inc (d)	(6)	9	Due and demandable noninterest bearing	Unsecured and unguaranteed
Innove Communications, Inc. (d)	156	156	Due and demandable noninterest bearing	Unsecured and unguaranteed
APRISA Business Solutions (d)	401	401	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ecosouth Hotel Ventures, Inc. (d)	5	5	Due and demandable noninterest bearing	Unsecured and unguaranteed
Bonifacio Hotel Ventures, Inc. (d)	6	6	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayala Group Counselors Corp.	4,635	4,635	Due and demandable noninterest bearing	Unsecured and unguaranteed
Ayalaland Metro North, Inc. (b)				
Principal	10,000	10,000	To be settled in cash,	Unsecured, not impaired,
Interest	387	387	30-days; 4.125%	and unguaranteed
Station Square (b)				
Interest	25	25	To be settled in cash, 30-days; 4.125%	Unsecured, not impaired, and unguaranteed
Avida Land Corp. (k)	154,488	154,488	Due and demandable noninterest bearing	Unsecured, not impaired, and unguaranteed
Alveo Land Corp. (b)				
Principal	32,639	32,639	To be settled in cash, 30-days; 4.125%	Unsecured, not impaired, and unguaranteed
Interest				
Solinea, Inc. (b)				
Principal	10,000	10,000	To be settled in cash,	Unsecured, not impaired,
Interest	132	132	30-days; 4.125%	and unguaranteed
Summerhill Commercial Ventures (b)				
Principal	15,000	15,000	To be settled in cash,	Unsecured, not impaired,
Interest	229	229	30-days; 4.125%	and unguaranteed
Taft Punta Engano Property, Inc. (b)				
Principal	41,500	41,500	To be settled in cash, 30-days; 4.125%	Unsecured, not impaired, and unguaranteed
Interest	54	54		
Bellavita Land Corp. (b)				
Interest	27	27	To be settled in cash, 30-days; 4.125%	Unsecured, not impaired, and unguaranteed
Avencosouth Corp. (b)				
Principal	20,000	20,000	To be settled in cash,	Unsecured, not impaired,
Interest	311	311	30-days; 4.125%	and unguaranteed
Ayala Hotels, Inc. (b)				
Principal	199,000	199,000	To be settled in cash,	Unsecured, not impaired,
Interest	268	268	30-days; 4.125%	and unguaranteed
Southportal Properties, Inc. (b)				
Principal	5,200	5,200	To be settled in cash,	Unsecured, not impaired,
Interest	76	76	30-days; 4.125%	and unguaranteed
AyalaLand Commercial REIT, Inc. (b)				
Principal	35,000	35,000	To be settled in cash,	Unsecured, not impaired,
Interest	46	46	30-days; 4.125%	and unguaranteed
Accendo Commercial Corp. (b)				
Principal	−	−	To be settled in cash,	Unsecured, not impaired,
Interest	330	330	30-days; 4.125%	and unguaranteed
ALI Commercial Center (b)				
Principal	−	−	To be settled in cash,	Unsecured, not impaired,
Interest	1,178	1,178	30-days; 4.125%	and unguaranteed
North Beacon Commercial Corp. (b)				
Principal	97,000	97,000	To be settled in cash,	Unsecured, not impaired,

Category	Amount of transactions (In Thousands)	Outstanding Balance	Terms	Conditions
Parent				
Interest	947	947	30-days; 4.125%	and unguaranteed
One dela Rosa Property Development, Inc. (b)				
Principal	5,600	5,600	To be settled in cash,	Unsecured, not impaired,
Interest	88	88	30-days; 4.125%	and unguaranteed
Forward				
ALI-CII Development Corp. (b)				
Principal	5,000	5,000	To be settled in cash,	Unsecured, not impaired,
Interest	97	97	30-days; 4.125%	and unguaranteed
MDBI Construction Corp. (b)				
Principal	47,600	47,600	To be settled in cash,	Unsecured, not impaired,
Interest	39	39	30-days; 4.125%	and unguaranteed
North Triangle Depot Commercial Corp. (b)				
Principal	42,000	42,000	To be settled in cash,	Unsecured, not impaired,
Interest	50	50	30-days; 4.125%	and unguaranteed
Alabang Commercial Corp. (b)				
Principal	–	–	To be settled in cash,	Unsecured, not impaired,
Interest	204	204	30-days; 4.125%	and unguaranteed
Adauge Commercial Corp. (b)				
Principal	3,000	3,000	To be settled in cash,	Unsecured, not impaired,
Interest	7	7	30-days; 4.125%	and unguaranteed
UP North Property Holdings, Inc. (b)				
Principal	50,000	50,000	To be settled in cash,	Unsecured, not impaired,
Interest	602	602	30-days; 4.125%	and unguaranteed
Glensworth Development, Inc. (b)				
Principal	18,000	18,000	To be settled in cash,	Unsecured, not impaired,
Interest	294	294	30-days; 4.125%	and unguaranteed
North Eastern Commercial Corp. (b)				
Principal	205,000	205,000	To be settled in cash,	Unsecured, not impaired,
Interest	957	957	30-days; 4.125%	and unguaranteed
Ayala Land Offices, Inc. (b)				
Principal	13,800	13,800	To be settled in cash,	Unsecured, not impaired,
Interest	24	24	30-days; 4.125%	and unguaranteed
Ayala Land Estates, Inc. (b)				
Principal	10,000	10,000	To be settled in cash,	Unsecured, not impaired,
Interest	116	116	30-days; 4.125%	and unguaranteed
North Ventures Commercial Corp. (b)				
Principal	65,000	65,000	To be settled in cash,	Unsecured, not impaired,
Interest	966	966	30-days; 4.125%	and unguaranteed
Asian I-Office Properties, Inc. (b)				
			To be settled in cash,	Unsecured, not impaired,
Principal	50,000	50,000	30-days; 4.125%	and unguaranteed
Interest	662	662		
Direct Power Services, Inc. (b)				
Principal	40,000	40,000	To be settled in cash,	Unsecured, not impaired,
Interest	61	61	30-days; 4.125%	and unguaranteed
Subic Bay Town Center, Inc. (b)				
Principal	–	–	To be settled in cash,	Unsecured, not impaired,
Interest	91	91	30-days; 4.125%	and unguaranteed
Vesta Property Holdings, Inc. (b)				
Principal	322,000	322,000	To be settled in cash,	Unsecured, not impaired,
Interest	124	124	30-days; 4.125%	and unguaranteed
CECI Realty Corp. (b)				
Principal	30,000	30,000	To be settled in cash,	Unsecured, not impaired,
Interest	248	248	30-days; 4.125%	and unguaranteed
Makati Cornerstone Leasing (b)				
Principal	–	–	To be settled in cash,	Unsecured, not impaired,
Interest	51	51	30-days; 4.125%	and unguaranteed
Total		₱2,317,179		

The following describes the nature of the material transactions of the Group with related parties as of September 30, 2020 and December 31, 2019:

a. Amounts owed by ALI pertains to rental revenue collected by ALI on behalf of OLI.
b. Amounts owed by related parties are short-term advances made by the Group with interest rate at 3.41% to 3.85 % per annum. Interest income attributable to intercompany loans amounted to ₱23.53 million and ₱34.29 million as of September 30, 2020 and 2019, respectively. The Group also incurred interest expense on intercompany loans amounted to ₱64.90 million and ₱17.74 million as of September 30, 2020 and 2019, respectively.
c. The Group entered into operating lease agreements with entities under common control, on its investment property portfolio.

d. The Group has entered into transactions with related parties consisting of advances and reimbursements of expenses. Services rendered to and received from related parties are made at normal market prices and normally settled in cash.
e. The Group engaged the services of a third-party agency to provide security and maintenance within the Technopark which will be billed to IMI.
f. The Group advances cash to AG Counselors Corp. for the due diligence of a property in Cavite. As of September 30, 2020 and December 31, 2019, the unliquidated advances amounted to nil.
g. The Group has engaged the services of MDC for the due diligence and land development of the property in Cavite.
h. MDC Build Plus is the contractor of the Group's Standard Factory Building 2 in Phase 7, Laguna Technopark. As of September 30, 2020 and December 31, 2019, the retention payable of the Group amounts to ₱14.48 million.
i. Payable to ALI pertains to management fees. This is due and demandable and noninterest bearing.
j. On August 2, 2019, the Group, through LTI, executed a Deed of Absolute Sale with AC for the purchase of the 624,382 sqm lot located in Laguindingan, Misamis Oriental intended for the currently being developed Laguindingan Technopark project amounting to ₱299.08 million. The 50% of the total purchase price has already been paid during the year resulting to a ₱149.54 million payable to AC as of September 30, 2020.
k. Remaining balance on OLI's acquisition of land from Avida (see Note 10).

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

Other transactions with related parties include the following:

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

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

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

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

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

17. Subscription Payable

Cyber Bay and Central Bay
On April 25, 1995, Central Bay, a wholly-owned subsidiary of Cyber Bay, entered into a Joint Venture Agreement with the Philippine Reclamation Authority (PRA; formerly Public Estates Authority) for the complete and entire reclamation and horizontal development of a portion of the Manila-Cavite Coastal Road and Reclamation Project (the Project) consisting of three partially

reclaimed and substantially eroded islands (the Three Islands) along Emilio Aguinaldo Boulevard in Parañaque and Las Piñas, Metro Manila, with a combined total area of 157.8 hectares, another area of 242.2 hectares contiguous to the Three Islands and, at Central Bay's option as approved by the PRA, an additional 350 hectares more or less to regularize the configuration of the reclaimed area.

On March 30, 1999, the PRA and Central Bay executed an Amended Joint Venture Agreement (AJVA) to enhance the Philippine Government's share and benefits from the Project which was approved by the Office of the President of the Philippines on May 28, 1999.
On July 9, 2002, the Supreme Court (SC) (in the case entitled "Francisco Chavez vs. Amari Coastal Bay and Reclamation Corp.") issued a ruling declaring the AJVA null and void.

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

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

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

On July 15, 2008, Cyber Bay sent a follow-up letter to the PRA. The PRA, in its letter dated July 18, 2008, informed Cyber Bay that its claim is still being evaluated by the PRA.

As at September 30, 2020 and December 31, 2019, the Parent Company has unpaid subscription in Cyber Bay amounting to ₱481.68 million, which is presented as "Subscriptions Payable" in the consolidated statements of financial position.

The movement in investment in Cyber Bay under "AFS financial assets" is as follows:

	September 30, 2020	December 31, 2019
	(In Thousands)	
Beginning balance	**₱527,479**	₱548,300
Changes in fair value	**(117,989)**	(20,821)
	₱409,490	₱527,479

18. **Operating Expenses**

	September 30, 2020	September 30, 2019
Personnel expenses	**₱39,446**	₱25,115
Systems costs	**42,142**	47,931
Taxes and licenses	**11,298**	28,457
Contracted services	**8,062**	19,656
Provision for impairment losses (Note 5)	**14,400**	186
Professional and legal fees	**18,274**	14,593
Depreciation and amortization (Notes 11 and 12)	**3,536**	8,234
Communication and transportation	**2,470**	3,063
Supplies and repairs	**1,478**	1,539
Rental	**1,590**	4,057
Representations	**261**	419
Membership, fees and dues	**534**	689
Insurance	**177**	235
Marketing expenses	**134**	–
Insurance underwriting deductions	**–**	222
Others	**2,699**	1,330
	₱146,501	₱155,726

Others consist mainly of various charges that are individually immaterial.

19. **Retirement Plan**

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

The latest independent actuarial valuation dated December 16, 2019 was determined using the projected unit credit method in accordance with PAS 19 (R).

20. **Earnings Per Share**

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

	September 30, 2020	September 30, 2019
a. Net income attributable to equity holders of the Parent	**₱172,278**	₱448,489
b. Weighted average number of shares	**6,252,148**	6,226,225
Basic earnings per share (a/b)	**₱0.03**	₱0.07

21. **Equity**

The details of the common number of shares follow:

September 30, 2020

	Number of Shares	Amount
Authorized, ₱1 par value	**7,500,000,000**	**₱7,500,000,000**
Issued	**6,148,081,534**	**₱6,148,081,534**
Subscribed	**153,510,453**	**153,510,453**
Less subscription receivables		**123,389,742**
Issued and outstanding		**₱6,178,202,245**

December 31, 2019

	Number of Shares	Amount
Authorized, ₱1 par value	7,500,000,000	₱7,500,000,000
Issued	6,148,081,534	₱6,148,081,534
Subscribed	153,510,453	153,510,453
Less subscription receivables		128,287,250
Issued and outstanding		₱6,173,304,737

Capital Management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes as at September 30, 2020 and December 31, 2019.

As at September 30, 2020 and December 31, 2019, the Group considers the following accounts as capital:

	September 30, 2020	December 31, 2019
	(In Thousands)	
Capital stock	**₱6,178,202**	₱6,173,305
Additional paid-in capital	**5,999,374**	5,999,868
	₱12,177,576	₱12,173,173

The Group is not subject to externally imposed capital requirements.

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

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

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

As at September 30, 2020 and December 31, 2019, shares held by a subsidiary amounted to ₱ 144.38 million.

22. Segment Information

Revenue from Contracts with Customers

This account consists of:

	September 30, 2020	September 30, 2019
	(In Thousands)	
Sale of electricity	**₱1,188,109**	₱1,811,060
Lot sales	**510,522**	560,407
	₱1,698,631	₱2,371,467

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

Lot sales

	September 30, 2020	September 30, 2019
	(In Thousands)	
Cavite	**₱325,423**	₱272,963
Laguna	**–**	287,444
Pampanga	**58,352**	–
Laguindingan	**126,747**	–
	₱510,522	₱560,407

Sale of electricity

	September 30, 2020	September 30, 2019
	(In Thousands)	
Sales to external customers	**₱781,375**	₱1,408,234
Sales to related parties	**406,734**	402,826
	₱1,188,109	₱1,811,060

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

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

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

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

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

September 30, 2020

	Holding Company	**Real Estate**	**Retail Electricity Supply**	**Others**	**Total**	**Elimination**	**Total**
Revenue	**₱–**	**₱1,161,296**	**₱1,188,109**	**₱–**	**₱2,349,405**	**₱–**	**₱2,349,405**
Cost and expenses	**(12,124)**	**(813,013)**	**(1,148,705)**	**(6,012)**	**(1,979,854)**	**–**	**(1,979,854)**
Other income (charges)	**(1,805)**	**(104,938)**	**3,856**	**11,162**	**(91,725)**	**–**	**(91,725)**
Income (loss) before income tax	**(13,929)**	**243,345**	**43,260**	**5,150**	**277,826**	**–**	**277,826**
Provision for income tax	**843**	**79,926**	**9,322**	**2,067**	**92,158**	**–**	**92,158**
Net income (loss)	**(14,772)**	**163,419**	**33,938**	**3,083**	**185,668**	**–**	**185,668**
Segment assets	**14,910,834**	**17,093,000**	**522,690**	**1,273,269**	**33,799,793**	**(15,120,757)**	**18,679,036**
Segment liabilities	**3,757,587**	**5,435,320**	**406,338**	**483,161**	**10,082,406**	**(2,684,656)**	**7,397,750**

September 30, 2019

	Holding Company	Real Estate	Retail Electricity Supply	Others	Total	Elimination	Total
Revenue	₱–	₱1,355,426	₱1,811,060	₱–	₱3,166,486	₱–	₱3,166,486
Cost and expenses	(47,919)	(854,252)	(1,755,435)	(12,830)	(2,670,436)	–	(2,670,436)
Other income (charges)	(10,429)	151,844	1,340	8,949	151,704	–	151,704
Income (Loss) before income tax	(58,348)	653,018	56,965	(3,881)	647,754	–	647,754
Provision for income tax	13	133,483	13,666	585	147,747	–	147,747
Net income (loss)	(58,361)	519,535	43,299	(4,466)	500,007	–	500,007
December 31, 2019							
Segment assets	₱15,335,960	₱17,581,046	₱693,396	₱1,259,930	₱34,870,332	(₱15,501,823)	₱19,368,509
Segment liabilities	₱4,016,626	₱6,104,128	₱629,563	₱485,344	₱11,235,661	(₱3,043,349)	8,192,312

Geographical Segments

The Group does not have geographical segments.

23. **Leases**

Set out below are the carrying amounts of right-of-use assets recognized and the movements as of and for the period September 30, 2020:

	Amount
	(In Thousands)
Balance at January 1	₱1,326,964
Adjustments	10,039
Depreciation expense	(49,625)
Balance at September 30	₱1,287,378

Set out below are the carrying amounts of lease liabilities and the movements as of and for the period September 30, 2020:

	Amount
	(In Thousands)
Balance at January 1	₱1,733,450
Payments	(31,038)
Adjustments	2,059
Balance at September 30	₱1,704,471

The maturity analysis of undiscounted lease payments follows:

	Amount
	(In Thousands)
Within one (1) year	₱134,631
More than one (1) year but not more than five (5) years	746,514
More than five (5) years	625,678
	₱1,506,823

The following are the amounts recognized in profit or loss:

	Amount
	(In Thousands)
Depreciation expense for right-of-use assets	₱49,625
Interest expense on lease liabilities	113,115
Rent expense relating to short-term leases (Note 18)	1,590
Variable lease payments	3,714
	₱168,044

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24. Provisions and Contingencies

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

The rollforward of the provisions follows:

	September 30, 2020	December 31, 2019
	(In Thousands)	
Beginning balance	**₱254,196**	₱111,443
Provisions	**5,400**	240,647
Reversals	**–**	(32,280)
Settlement	**(187,864)**	(65,614)
	₱71,732	₱254,196

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

25. Financial Instruments

Fair Value Information
The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of September 30, 2020 and December 31, 2019:

	September 30, 2020		December 31, 2019	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial Assets at FVPL	**₱4,684**	**₱4,684**	₱4,479	₱4,479
Financial Assets at FVOCI				
Quoted equity securities	**457,992**	**457,992**	556,939	556,939
Quoted debt securities	**98,662**	**98,662**	87,807	87,807
Refundable Deposits	**95,167**	**92,983**	98,860	96,591
	₱656,505	**₱654,321**	₱748,085	₱745,816
Other Financial Liabilities				
Rental and other deposits	**₱761,470**	**₱705,855**	₱752,685	₱697,712

The following method and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values at September 30, 2020 and December 31, 2019 are set out below:

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

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

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

Financial Assets at FVOCI
Equity financial assets that are listed are based on their quoted prices published in markets as at September 30, 2020 and December 31, 2019. Debt financial assets that are quoted are based on published market prices as at September 30, 2020 and December 31, 2019.

Financial Assets at FVPL
Listed equity securities designated as financial assets at FVPL are based on their quoted prices as at September 30, 2020 and December 31, 2019. The fair value of the UITF has been determined based on the net asset values as of reporting date, based on the nature and level of adjustments needed to be made to the NAV and the level of trading in the money market UITF.

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

Quoted FVOCI financial assets amounting to ₱556.65 million and ₱644.75 million as of September 30, 2020 and December 31, 2019, respectively, were classified under Level 1.

FVPL amounting to ₱4.68 million and ₱4.48 million as of September 30, 2020 and December 31, 2019, respectively were classified under Level 2.

The fair value disclosure of rental and other deposits and refundable deposits as of September 30, 2020 and December 31, 2019, were classified under Level 3.

There have been no reclassifications from Level 1 to Level 2 categories as of September 30, 2020 and December 31, 2019.

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

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

Liquidity Risk

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

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

The tables below summarize the maturity profile of the Group's financial liabilities as at September 30, 2020 and December 31, 2019 based on contractual undiscounted payments:

September 30, 2020

	On demand	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
			(In Thousands)			
Accounts payable and accrued expenses	**₱1,185,885**	**₱–**	**₱–**	**₱434,235**	**₱–**	**₱1,620,120**
Lease liabilities	**–**	**–**	**–**	**5,240**	**1,699,231**	**1,704,471**
Subscription payable	**481,675**	**–**	**–**	**–**	**–**	**481,675**
Rental and other deposits	**362,699**	**15,404**	**6,568**	**79,054**	**297,745**	**761,470**
Amounts owed to related parties	**2,704,693**	**–**	**–**	**–**	**–**	**2,704,693**
	₱4,734,952	**₱15,404**	**₱6,568**	**₱518,529**	**₱1,996,976**	**₱7,272,429**

December 31, 2019

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
			(In Thousands)			
Accounts payable and accrued expenses	₱1,373,081	₱205,393	₱–	₱716,840	₱477,893	₱2,773,207
Lease liabilities	–	–	–	30,973	1,702,477	1,733,450
Subscription payable	481,675	–	–	–	–	481,675
Rental and other deposits	603,526	16,429	6,910	65,094	60,726	752,685
Amounts owed to related parties	2,317,179	–	–	–	–	2,317,179
	₱4,775,461	₱221,822	₱6,910	₱812,907	₱2,241,096	₱8,058,196

Credit Risk

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

Trade receivables

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

Rental receivables

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

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

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

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

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

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

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

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

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

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

AYALALAND LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
As at September 30, 2020

	AMOUNT
Current	1,020,418
1 to 30 days	62,501
31 to 60 days	56,870
61 to 90 days	35,334
Over 90 days	238,008
Total receivable-trade	**1,413,131**
Advances to Employees	1,888
Insurance receivable	26,264
Non-trade receivables	265,766
Total non-trade receivable	**293,918**
Total receivable	**1,707,049**
Allowance for doubtful accounts	**(312,150)**
	1,394,899