# COVER SHEET

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SEC Registration Number

M A C R O A S I A   C O R P O R A T I O N
A N D   S U B S I D I A R I E S

(Company's Full Name)

1 2 t h   F l o o r ,   P N B   A l l i e d   B a n k
C e n t e r ,   6 7 5 4   A y a l a   A v e n u e ,
M a k a t i   C i t y

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

**Amador T. Sendin**
(Contact Person)

**8840-2001**
(Company Telephone Number)

**1 2** *Month* **3 1** *Day*
(Calendar Year)

**17-A**
(Form Type)

**0 5** *Month* **1 3** *Day*
(Annual Meeting)

**Not Applicable**
(Secondary License Type, If Applicable)

**MSRD**
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

**845**
Total No. of Stockholders

Domestic

Foreign

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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.

**MACROASIA CORPORATION**
**December 31, 2020**

**SEC Form 17-A**
**ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **December 31, 2020**

2. Commission Identification Number **40524** 3. BIR tax Identification No. **004-666-098-000**

4. Exact name of issuer as specified in its charter **MACROASIA CORPORATION**

5. **City of Makati**
   Province, Country or other jurisdiction of incorporation or organization

6. [ ] **(SEC Use Only)**
   Industry Classification Code

7. **12th Floor PNB Allied Bank Center, 6754 Ayala Avenue, Makati City** **1226**
   Address of Issuer's Principal office Postal Code

8. **(632) 8840-2001**
   Issuer's telephone number including area code

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

b) Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| **Common Stock, ₱1 par value** | **1,890,958,323 outstanding shares** |

b) Are any or all of the securities listed on a Stock Exchange?

Yes [ **X** ] No [ ]

| Name of Stock Exchange | Class |
|---|---|
| **Philippine Stock Exchange** | **Common Stock** |

12. Indicate by check mark whether the registrant:
(a) has filed all reports required to be filed by Section 17 of the Code and RSA 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 90 days.

Yes [**X**] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: **₱ 3,283,634,789 (482,887,469 shares @₱6.80 per share as of December 31, 2020**

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# PART I. BUSINESS AND GENERAL INFORMATION

This report contains references to MacroAsia Corporation and its subsidiaries – MacroAsia Catering Services, Inc., MacroAsia Airport Services Corporation, MacroAsia Properties Development Corporation, MacroAsia Air Taxi Services, Inc., MacroAsia Mining Corporation, and Allied Water Services, Inc., collectively referred to as the “Group”. Any references to “MacroAsia”, “MAC” and “Parent Company” mean MacroAsia Corporation, the parent company, not including its subsidiaries.

## ITEM 1. DESCRIPTION OF BUSINESS

### A. Business Development

#### 1. Corporate History

Originally under the name Infanta Mineral & Industrial Corporation, MacroAsia Corporation (the Parent Company or MAC) was incorporated in the Philippines on February 16, 1970 to engage in the business of geological exploration and development. As a mining firm, it had exported to Japan, nickel ore from its mine in Brooke’s Point, Palawan during the 1970’s. On January 26, 1994, its Articles of Incorporation was amended to change its primary purpose from geological exploration and development to that of engaging in the business of a holding company and to change its corporate name to Cobertson Holdings Corporation. On November 6, 1995, the SEC approved the amendment to the Company’s Articles of Incorporation to change its name from Cobertson Holdings Corporation to its present name, MacroAsia Corporation.

In June 1996, the Parent Company incorporated two of its 100% wholly-owned subsidiaries namely: MacroAsia Properties Development Corporation (MAPDC), which operates the only special economic zone at the Ninoy Aquino International Airport (NAIA) and MacroAsia Air Taxi Services, Inc. (MAATS), which provides helicopter chartering services. The Company started its first in-flight catering business in August of 1996 through its associate - Cebu Pacific Catering Services, Inc. (CPCS), the only full-service airline catering company in Mactan-Cebu International Airport (MCIA) today. By November 1996, the Company incorporated its second in-flight catering venture, MacroAsia Catering Services, Inc. (MACS), which is the dominant caterer of foreign airlines in NAIA since it operated in 1998. Another subsidiary, MacroAsia Airport Services Corporation (MASCORP) was incorporated in 1997 to service the ground handling requirements of commercial passenger, cargo and military aircrafts.

Lufthansa Technik Philippines, Inc. – A Joint Venture with MacroAsia Corporation (LTP), an associate, was incorporated in December 1999, to do aircraft maintenance, repair and overhaul (MRO) in NAIA. With its facilities, LTP is a globally competitive company offering aircraft and engine maintenance, repair, and overhaul in the Philippines, with airline clients from almost all parts of the world.

MacroAsia Mining Corporation (MMC), another wholly owned subsidiary, was incorporated on September 25, 2000 to be an institutional vehicle through and under which the business of a mining enterprise may be explored, established, operated and maintained.

In 2016, MAC started to enter into water business in different locations outside Manila through its subsidiary, MAPDC. SNV Resources Development Corporation (SNVRDC) was established to complete waterworks system in Solano, Nueva Vizcaya, started operations in March 2016. In December 2016, MADPC acquired 67% of Boracay Tubi System, Inc. (BTSI), one of two current water concessionaires in Boracay Island. In August 2017, MAPDC acquired 100% of Naic Water Supply Corporation (NAWASCOR), a water utility company in Naic, Cavite.

MAC established a new business segment to support the growing demand for pilots through First Aviation Academy, Inc. (FAA). This company was incorporated in December 2017 to establish a training and skills assessment center for aviation professionals. Inauguration of FAA was held in February 2019 and started its first class in May 2019.

In October 2018, a subsidiary of MAC, Allied Water Services, Inc. (AWSI), formerly Airport Specialists' Services Corporation, acquired 60% of Summa Water Resources, Inc. (Summa) which operates in Bulacan and Albay. Summa's 40% owned subsidiary, Citicore Summa Water Corporation operates in Iloilo. Also, in July 2019, AlliedKonsult Eco-Solutions Corporation (AlliedKonsult), 51% owned by AWSI was incorporated to engage in construction of sewage and septage treatment plants and facilities including related collections, treatment and disposal services. In addition, in September 2019, Cavite AlliedKonsult Services Corporation, 100% owned by AlliedKonsult was incorporated to engage in construction of sewage and septage treatment plants and facilities including related collections, treatment and disposal services.

On March 16, 2019, MacroAsia Group took over Philippine Airlines' ground handling (through MASCORP) and catering requirements (through MacroAsia SATS Inflight Services Corporation (MSIS). Also, in March 2019, MacroAsia SATS Food Industries Corporation (MSFI) started producing meals for institutional clients.

On November 5, 2019, MAC has set its first footprint outside the Philippines through a partnership with Konoike Transport Co., Ltd. (Konoike). MAC acquired a 30% stake in Japan Airport Service Co. Ltd. (JASCO), while a 20% stake in MASCORP was acquired by Konoike. This expands the ground handling business of the MacroAsia Group.

**2. Bankruptcy, Receivership or Similar Proceedings**

Except as stated in the succeeding paragraphs and in the discussion for each of the Parent Company's subsidiaries and associates, there has been no other business development such as bankruptcy, receivership or similar proceedings not in ordinary course of business that affected MacroAsia and its subsidiaries or associates for the past three (3) years.

### 3. Material Reclassification, Merger, Consolidation, or Purchase or Sale of Significant Amount of Assets (not in the ordinary course of business)

On July 11, 2011, MAPDC acquired 70% of the shares of stock of WBSI which amounted to ₱3.3 million pursuant to a share purchase agreement between MAPDC and the stockholders of WBSI. On the same date, MAPDC entered into a sale and purchase agreement for the acquisition of the Maragondon Bulk Water Supply Project from ICH. Prior to MAPDC's acquisition of WBSI shares, WBSI assigned and transferred its rights over the Water Project to ICH. On September 15, 2011, MAPDC signed sale agreements, respectively with shareholders of WBSI and ICH, related to the acquisition of additional 12.6% shares in WBSI and the corresponding rights to the Maragondon Bulk Water Supply Project. Total payments made to WBSI former stockholders for the water rights as of December 31, 2013 amounted to ₱15.8 million.

Having regard to the substance of the agreements, the acquisition of WBSI shares is deemed to be linked to the acquisition of the water project from ICH and as such, the acquisition is treated as one transaction for accounting purposes.

In 2014, MAPDC entered into an agreement with the former stockholders of WBSI where a final consideration for the Water Project was agreed. The reduced consideration is due to the unsecured permits which are still unavailable as of date of the compromise agreement. The compromise agreement confirmed the Group's control over WBSI. Accordingly, WBSI, as well as CBRI, which is WBSI's wholly owned subsidiary, were consolidated with the Group starting in 2014.

On December 16, 2015, MAPDC sold 49% equity of WBSI to MetroPac Water Investments Corporation (MPWIC). The Group retained majority control at 51% of WBSI. However, in August 2020, MPWIC divested and entered into a deed of absolute sale of shares wherein WBSI shall now be fully owned by MAPDC. For a more detailed discussion, please see Note 27 of the consolidated financial statements.

In December 2012, MacroAsia Corporation purchased stocks subscriptions of all the previous minority shareholders of MacroAsia Mining Corporation, increasing its shareholdings from 67% to 100% of the Corporation.

On September 14, 2015, MAC signed a deed of absolute sale covering the assignment and transfer of 13% of its stakeholdings to SATS Ltd., thus changing the ownership structure in MACS to 67% MAC and 33% SATS. MAC's eighty percent (80%) share of the total issued and outstanding capital stock of MACS has thus been reduced to sixty-seven percent (67%) upon completion of the transaction. SATS is the JV partner of MAC in MacroAsia Catering since the JV started commercial operations in 1998.

On December 2, 2016, MAPDC purchased the 67% shares of stock held by the former individual shareholders of BTSI. BTSI has 80% ownership in MONAD and 100% ownership in NEWS. As a result of the acquisition, MAPDC obtained direct control over BTSI and indirect control over MONAD and NEWS.

In August 2017, MAPDC acquired 100% of Naic Water Supply Corporation (NAWASCOR), a water utility company in Naic, Cavite.

On October 16, 2017, MAC and PTC Holdings Corporation (PTC) signed a Joint Venture Agreement/Shareholders' Agreement for the establishment of an integrated aviation career and resource development company. On December 5, 2017 MAC and PTC incorporated First Aviation Academy, Inc. (FAA), a joint venture company with an equity sharing of 51% for MAC and 49% for PTC.

On October 1, 2018, ASSC, 100% owned-subsidiary of MacroAsia, purchased the 60% of shares of stock held by the former individual shareholders of Summa Water Resources, Inc. (Summa). Summa has 40% ownership in Citicore Summa Water Corporation (Citicore). As a result of the acquisition, ASSC obtained direct control over Summa and indirect control over Citicore.

On November 15, 2018, MMC purchased Bulawan Mining Corporation (BUMICO) from Philippine National Bank which amounted to ₱7.5 million.

On November 5, 2019, MAC and Konoike Transport Co., Ltd. (Konoike) have agreed to a mutually beneficial partnership. MAC acquired 30% stake in Japan Airport Service Co. Ltd. (JASCO) through NKS Holding Co. Ltd., the Tokyo-based subsidiary of Konoike and parent company to JASCO, while a 20% stake of MASCORP was acquired by Konoike.

**B. <u>Business of the Issuer</u>**

MacroAsia Corporation (MAC) began commercial operations as a holding company under its amended charter in 1996.

The Group's revenues at present are derived primarily from aviation-related support businesses. It provides aircraft maintenance, repairs and overhaul (MRO) services, in-flight catering services, airport ground handling services, aviation school, and operates a special economic zone at the Ninoy Aquino International Airport (NAIA). Non-airline sources of income for the group includes catering for institutional clients, and water concessions.

All airline-related subsidiaries and associated companies of MAC render services directly to the airline customers/locators in various airport locations, generating both local and export revenues. For 2020, 29% of the total operating revenues reported represented revenues from foreign airlines that fly to the Philippines.

In 2020, MAC continued to operate mainly through its seven (7) subsidiaries and three (3) affiliates, as fully discussed below.

***MacroAsia Catering Services, Inc.***

MacroAsia Catering Services, Inc. (MACS) was incorporated on November 5, 1996, then with a corporate name of MacroAsia-Eurest Catering Services, Inc. (MECS), to primarily provide in-flight catering services in NAIA. When MACS started commercial operations on September 1, 1998, it was a joint venture between MacroAsia Corporation (67%) and two foreign partners: SATS Ltd. (then known as Singapore Airport Terminal Services at 20%) and Compass Group International B.V. (then known as Eurest International B.V., at 13%). By mutual agreement of the three JV partners, a sale and purchase agreement with Compass Group International B.V. was executed on June 28, 2006 whereby MAC acquired the 13% shareholdings of the Compass Group. Since then, MACS continued to operate as a joint venture between MAC (80%) and SATS (20%). In the same year, the Board of Directors of MACS decided to change its company name to MacroAsia Catering Services Inc. On September 14, 2015, MAC signed a deed of absolute sale covering the assignment and transfer of part of its MACS' stake (13%) to SATS Ltd., thus changing the ownership structure in MACS to 67% MAC and 33% SATS.

MACS' in-flight kitchen facility is situated in a two-hectare lot being leased from the Manila International Airport Authority (MIAA). MACS' inflight operations is based on a concession agreement with MIAA that grants the right to operate an in-flight catering service for civil and/or military aircraft operating at the NAIA and/or the Manila Domestic Airport. MACS secures such right by remitting the monthly Concessionaire's Privilege Fee (CPF) which is 7% of its gross income.

MACS consistently complies with both local and international hygiene standards and environmental regulations. Its distinction lies in being the only in-flight airline caterer in the Philippines that holds an ISO certification (certified by Certification International) on top of its HACCP and HALAL certificates conferred by independent and professional certifying organizations. To ensure that high standards are followed at all times, MACS maintains an in-house laboratory manned by licensed microbiologists who are capable of performing advanced testing.

Capturing 58% of the in-flight catering market based on the number of clients, MACS is the catering service provider to 18 full-service foreign carriers, freighters, VIP flights and General Aviation clients and 4 major airport lounges operating at the NAIA. MACS also has contract with an airline to provide top-up meals and ground feeding in case of flight delays.

MACS is also providing food services management and meals to non-airline institutional clients outside NAIA. This business has grown in line with the expansion plans of MACS to go beyond its airline catering portfolio. Because of the significant growth of this business, MACS incorporated MacroAsia SATS Food Industries Corporation (MSFI) on July 14, 2015 as a fully-owned subsidiary to operate a new food commissary near the East Service Road, Muntinlupa City, to service the food production requirements of institutional clients and to support the inflight kitchen inside NAIA. This commissary has a 25,000 meals-per-day capacity with current utilization rate of 11% or 2,800 meals per day. MSFI also caters part of the food requirements of Cebu Pacific Air. The property for this commissary is leased from MacroAsia Properties Development Corporation and has been operational since March 26, 2019.

As part of the company's expansion, MACS incorporated MacroAsia SATS Inflight Services Corporation (MSIS) on May 16, 2016 (a fully-owned subsidiary) which started to operate the inflight catering kitchen at the PAL Inflight Center, PAL Gate 3, Baltao St. cor MIA Road, Pasay City last March 16, 2019. Pre-pandemic, the subsidiary currently provides inflight catering services for an average of 21,000 meals per day to Philippine Airlines (PAL).

MACS has been the recipient of several awards and commendations for outstanding service, besting other service providers from all over the world. Last September 2019, EVA Air presented the 2018 Excellence in Catering Award – South East Asia to MACS, this is the second consecutive year that MACS ranked no.1 among 7 stations in SEA region. In 2018, MACS ranked 4th in Qatar Airways' network-wide catering service provider evaluation program. MACS was also a recipient of the ADB SPC Excellence Award in December 2018. In 2017, MACS was recognized by Qantas (QF) for its "On-time Performance, Safety and Service Delivery" and also by Japan Airlines for being part of the "2016 Best Airport Performance Award" received by the Manila Station. Last March 2017, Singapore Airlines awarded MACS the SQ Merit Award for catering excellence for fiscal year 2015-2016, a consistent feat for several years now.

MACS has a wide supplier's base, both local and international and it is not dependent on any single raw material supplier. MACS operates a bonded warehouse facility inside NAIA under a Bonded Warehouse License and monitored by a Bureau of Customs representative. Based on its quality standards, regular supplier quality audits (SQA) are conducted by MACS' Quality and Food Safety Department Officers together with Purchasing and Production Department representatives at the supplier's premises to inspect and verify the compliance to its manufacturing and supply standards.

In 2020, 2019, and 2018, MACS' sales contributions to MAC's consolidated gross operating revenues were 24%, 29% and 46%, respectively. MACS' airline clients include Air Niugini (PX), All Nippon Airways (NH), Cathay Pacific (CX), China Airlines (CI), China Southern (CZ), China Eastern (MU), Etihad Airways (EY), Eva Air (BR), Gulf Air (GF), Japan Airlines (JL), Korean Air (KE), Oman Air (WY), Qantas Airways (QF), Qatar Airways (QR), Royal Brunei (BI), Saudia Airlines (SV), Singapore Airlines (SQ) and Xiamen Airlines (MF). MACS is also the preferred caterer for VIP flights from NAIA. MACS delivered a total of 6.2 million meals in 2019, at an average production of about 17,000 meals a day. It services an average of 42 international flights a day, serving more than half of the foreign airlines that fly out of Manila. In 2020, MACS sold 1.4 million meals with the average production dropped to 4,000 meals a day and servicing an average of 10 flights per day. This is because of the travel restrictions imposed by multiple countries to handle the COVID-19 crisis.

As of December 31, 2020, MACS and its subsidiaries, MSFI and MSIS, have core manpower complement of 564 individuals, excluding the 158 staffs contracted from external providers.

MACS is not aware of any existing or probable government regulations that would have an adverse impact on its on-going operations. It has no research and development activities/costs during the last three fiscal years.

***MacroAsia Airport Services Corporation***

MacroAsia Airport Services Corporation (MASCORP) was incorporated on September 12, 1997 to provide, manage, promote and/or service any and all ground handling requirements of military and/or commercial aircraft for passengers and cargo. MASCORP commenced its ground handling operations on April 19, 1999 at the NAIA, and has been generating both domestic and export sales. As of December 31, 2020, its work force consisted of 2,323 organic staff and 949 outsourced staff or a total of 3,272 which is 55% lower compared to same period in 2019.

On June 15, 1999 the company originally signed a joint venture agreement with Ogden Aviation Philippines B.V. to expand its international resource. Ogden Aviation Philippines B.V. was subsequently acquired by Menzies Aviation Group in 2001. By April 12, 2007, MAC acquired the 30% share of Menzies making MASCORP a wholly-owned subsidiary of MAC.

Through its marketing efforts, coupled with the capability to offer a total aviation services product (in synergy with the catering and MRO business of MAC), and price competitiveness, MASCORP entered into new ventures in 2015. It started providing cargo services for PAL Express in Manila, apron cleaning of Lufthansa Technik Philippines' (LTP) and Philippine Airlines' (PAL) Terminal 2 ramp parking areas and ground support maintenance services for LTP in Manila, Cebu and Davao.

Aside from its current ground handling services to local and foreign clients in Manila for NAIA Terminals 1, 2, & 3, MASCORP is also operating in Cebu, Kalibo, Davao, General Santos, Clark and Tuguegarao. Last March 2017, it started its ground handling in Laoag, Basco, Puerto Princesa, Busuanga, Legazpi, Naga, Iloilo, Roxas, Bacolod, Tacloban, Dipolog, Cagayan De Oro, Zamboanga, Cotabato, Butuan and Surigao. MASCORP also started handling Masbate, Camiguin, Siargao and Virac last December 2017 to handle Philippine Airlines (PAL) and PAL Express (PALex) flights in the said stations. In the last quarter of 2018, it started servicing PALex flights in San Vicente, Cauayan and San Jose.

In the first quarter of 2018, MASCORP increased its market share in Manila by acquiring Jeju Air, Kuwait Airways, Turkish Airlines and Jetstar Japan. In May 2018, MASCORP also took over its new foreign clients outstations. In Cebu, MASCORP started servicing Jeju Air on May 1, 2018, Jin Air on May 21, 2018, Vanilla Air on

May 22, 2018 until October 2018 and Silk Air on May 25, 2018 simultaneously in Davao station. In the last quarter of 2018, MASCORP started handling Philippine Airlines' International Flights on 01 October 2018 in Cebu - Terminal 2, Air Seoul on November 27, 2018 in Kalibo, Tiger Air Taiwan on December 1, 2018 in Cebu and Jeju Air on December 22, 2018 in Clark Station. MASCORP also took over Antique station last December 16, 2018.

In the first quarter of 2019, MASCORP took over full ground handling and cargo operations for Philippine Airlines and PALExpress at NAIA Terminals 2 and 3 as well as Mactan Cebu International Airport. MASCORP has also started its service partnership two major foreign Carriers, Qatar Airways has chosen MASCORP as its ground handling agent for its Davao operations and MASCORP also started servicing United Airlines. All these additional activities have increased the revenues by 94.1% from 2018. With MASCORP dominating the local market, further growth and expansion can only be sustained by branching out to the international scene. The year ended on a high note for MacroAsia as it finalized its partnership with Konoike Transport Co. Ltd., a leading service contracting and logistics service provider in Japan last November 5, 2019. MASCORP acquired 30% stake in Japan Airport Services Co. Ltd. (JASCO), a subsidiary of Konoike Transport Co. Ltd. (Konoike), while Konoike acquired 20% of MASCORP. With this expansion in Japan, MASCORP will be able to generate additional revenues for processing and sending technical intern trainees in Japan and at the same time benefit from the management exchange program where the best practices in both countries can be adopted.

In 2020, MASCORP had to adapt to the COVID-19 pandemic's impact in the airports. Its priority was to continue serving the airlines and the public while safeguarding the well-being of its employees and passengers. With the reduction of flight activities and service requirements brought about by the COVID -19 pandemic, MASCORP has made a conscious effort to ensure that its costs are managed. A staff reduction program was put in place to align labor capacity and costs with the reduced flights and passenger volumes.

MASCORP has been closely monitoring the pandemic since the outbreak and the management have been continuously adapting and updating internal measures and business continuity plans as the situation evolves. While the decline in traffic was certainly difficult, MASCORP needs to continue to be flexible and inventive in this challenging time and those that may arise in the future.

MASCORP contributes 46%, 46% and 41% of the Group's total operating revenues for the year ended December 31, 2020, 2019 and 2018, respectively.

MASCORP's operations is dependent upon its concession agreements with Manila International Airport Authority (MIAA) for Manila station (Terminal 1, 2 & 3), GMR Megawide Cebu Airport Corporation (GMCAC) for Cebu station, Luzon International Premier Airport Development Corporation (LIPAD) which took over Clark International Airport Corporation (CIAC) for Clark Station, and Civil Aviation

Authority of the Philippines (CAAP) for Kalibo, Davao, General Santos, Basco, Laoag, Puerto Princesa, Busuanga, San Vicente, Bacolod, Iloilo, Antique, Legazpi, Tacloban, Roxas, Butuan, Cotabato, Dipolog, Camiguin, Siargao, Zamboanga, Tawi-tawi, Cagayan De Oro, Davao. Its concessions agreement with the new stations is currently being processed with CAAP.

MASCORP secures its concessions by regularly paying the monthly Concession Privilege Fee (CPF) which is computed at 7% for MIAA (Manila Station) and CAAP (Davao Station), 7% and 10% for domestic and international flight, respectively for GMCAC (Cebu Station), and 4.9% for LIPAD (Clark Station), of the monthly gross revenues on both domestic and international services.

MASCORP is not aware of any existing or probable government regulations that would have an adverse effect on its business. Given the nature of its business, it has no research and development activities during the last three fiscal years.

***MacroAsia Air Taxi Services, Inc.***

MacroAsia Air Taxi Services, Inc. (MAATS) is a wholly-owned subsidiary of MAC which was incorporated in June of 1996. MAATS is a licensed, non-scheduled domestic flight operator providing helicopter chartering services from its base at the General Aviation Area, Manila Domestic Airport to any point within the Philippines. The Company has four regular employees as of December 31, 2020.

MAATS started commercial operations in October 1996 utilizing its Ecureuil AS350-B2, a 5-passenger rotary aircraft for its flight operations. In August 22, 2016, MAATS suffered the fortuitous unfortunate incident of losing its helicopter and crew in one flight mission hampered by unforeseen weather conditions. This tragic event halted MAATS’ charter operations temporarily, and kept the revenue source as solely coming from FBO ground handling services.

Since January 2013, MAATS has added to its service portfolio the provision of services for Fixed-Based Operations (FBO), mainly to support the MRO (maintenance, repair, overhaul) clients of Lufthansa Technik Philippines. FBO work entails the provision of airport solutions or logistical support, facilitating and securing all the necessary permits for a smooth and trouble-free entry and exit of MRO flights. The airport solutions provided by MAATS enhances the marketing of LTP-Manila as an attractive MRO station for foreign airlines.

Today, MAATS has continued to focus on FBO services, rather than helicopter chartering.

There are no existing or probable government regulations that may have an adverse effect on MAATS operations. MAATS did not incur any research and development expenditures during the last three fiscal years.

***MacroAsia Properties Development Corporation***

MacroAsia Properties Development Corporation (MAPDC), another wholly-owned subsidiary, was incorporated on June 4, 1996 to primarily engage in the acquisition, development and sale of real properties. After it completed its first infrastructure project in 1997 and following the Asian economic crisis, the company suspended pursuing further property development projects as a core business and refocused its efforts on aviation-support activities.

On August 31, 2000, MAPDC was registered as an Economic Zone (Ecozone) Developer/Operator with the PEZA. As such, it enjoys tax incentives. It re-started commercial operations on the same date, this time as the ecozone developer/operator of the 23-hectare MacroAsia Special Ecozone at the NAIA, with LTP as its anchor locator for the next 25 years. LTP is an associated company of MAPDC as LTP is 49% owned by MAC.

MAPDC has a 25-year lease covering the 23-hectare property occupied by the Ecozone with the Manila International Airport Authority (MIAA). Today, the MacroAsia Special Ecozone is the only operational ecozone at the NAIA.

The MacroAsia Special Ecozone is presently managed by a lean team of core employees. The support services needed to maintain the ecozone are provided by contracted local service providers. Early in 2014, MAPDC acquired a 3-storey building near the East Service Road close to the Sucat Toll area in Muntinlupa City, which will be developed and leased out as the commissary for food services to non-airline clients.

In 2015, MAPDC has entered into 2 long term lease agreements with Mactan Cebu International Airport Authority for a total of 4.3 hectares inside the airport. Also in 2015, LTP assigned its leased area inside the Mactan Cebu International Airport to MAPDC, comprising 2.7-hectares of developed land proximate to MAPDC's new leased areas in the airport. On October 2, 2018, 5 hectares of these leased areas was approved and designated as a special ecozone for aviation-related services, to be known as MacroAsia Cebu Special Ecozone.

MAPDC is the subsidiary that serves as a vehicle for the entry of the Group into the water services business (bulk water supply or commercial retail of treated surface water in selected localities). Starting 2012, MAPDC has projects in provinces outside of Metro Manila. One project entails the treatment of surface water from the Magat River in Cagayan Valley, and the piped distribution of the treated water to the homes of residents in the town of Solano, Nueva Vizcaya. To implement this project, MAPDC formed a 100%-owned subsidiary, SNV Resources Development Corp. (SNVRDC) to be the water treatment facility operator and distributor of treated water in the said municipality. Commercial operations started during the first quarter of 2016. In December 2, 2016, MAPDC acquired 67% of Boracay Tubi System, Inc. (BTSI), one of the two water service providers in Boracay Island, Aklan. In August 2017, MAPDC acquired 100% of Naic Water Supply

Corporation (NAWASCOR), a water utility company in Naic, Cavite. In 2017, MAPDC started site development activities for the Maragondon, Cavite Bulk Water Project.

For the past three years, MAPDC's contributes minimal administrative revenues in effect of PFRS 16, while the water companies under MAPDC contributed 1%.

As of December 31, 2020, MAPDC has 24 regular employees and 12 outsourced staffs.

MAPDC is subject to PEZA rules and regulations and is not aware of any other existing or probable government regulations that may have any adverse effects on its business. MAPDC does not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreement. It did not incur any research and development costs during the last three fiscal years.

***First Aviation Academy, Inc.***

First Aviation Academy Inc. (FAA) was incorporated on December 5, 2017 to address the foreseen shortage of aviation professionals for airline clients not only in the Philippines but also in other countries. FAA is a joint venture flight school between MAC (51%) and PTC Holdings Corporation (49%) and established as an integrated aviation career and resource development company.

FAA provides ab initio pilot trainings, modular and flexible courses. Graduates of the ab initio program will have completed a Private Pilot License (PPL), Instrument Rating (IR), Multi-Engine Rating (MER) and a Commercial Pilot License (CPL). Top graduates will also have a chance to become a Flight Instructor, providing a unique way to build up their flying hours, while honing their instructor skills. FAA offers Multi-Engine Rating and Multi-Engine Instrument Rating (MEIR) as part of the ab initio curriculum which are requirements for overseas employers. The curriculum is built from the ground up to cater to the demands of the present with the training philosophy centered on "train to excel" using innovative teaching methodologies such as immersion, mixed media, and scenario-based training.

As of December 31, 2020, FAA has 35 pilot trainees and a workforce of 18 employees.

FAA is compliant with DOH and CAAP safety and health protocols for operation during the ECQ. It did not incur any research and development costs during the last three fiscal years.

***Allied Water Services, Inc.***

On July 2, 1999, Airport Specialists' Services Corporation (ASSC), initially a wholly-owned subsidiary of MASCORP, was incorporated primarily to manage and to promote, service and/or provide manpower support for any and/or all ground handling requirements of private, military and/or commercial aircraft. ASSC commenced operations immediately after its incorporation but had ceased operations shortly thereafter. Toward the end of 2006, MAC acquired MASCORP's 100% ownership in ASSC. The effective ownership of MAC in ASSC was thus increased from 70% to 100%. Through the restructuring, the Company effectively acquired the 30% minority interest of Menzies Aviation Group in ASSC. Consequently, ASSC became a direct subsidiary of MAC.

Incorporated primarily as an aviation-support entity, Airport Specialists' Services Corporation (ASSC) was converted into a water holding company under the new name, Allied Water Services Inc. (AWSI) on August 22, 2019. AWSI will establish, maintain and operate waterworks systems for potable water supply and/or waste water treatment systems. Currently, there are two subsidiaries under AWSI namely, Summa Water Resources, Inc. (Summa), and AlliedKonsult Eco-Solutions Corporation (AlliedKonsult) which remains under the project development stage. On September 13, 2019, Cavite AlliedKonsult Services Corporation (Cavite Allied) was incorporated. This is a wholly-owned subsidiary of AlliedKonsult that will engage in the construction of septage treatment plants and facilities. Inclined toward a spinoff of water business units, MAC is preparing its water segment to be transferred fully under Allied Water Services, Inc. and no longer under MAPDC.

On October 1, 2018, ASSC, purchased 60% shares of stock held by the former individual shareholders of Summa Water Resources, Inc. (SWRI). SWRI has supplied water treatment equipment and bulk water to private and government entities in several locations in the Philippines – Balesin, Mactan, Iloilo, Albay, Bulacan, and Cavite to name a few. In September 2018, Summa and Citicore Power Inc. formed a joint venture company named Citicore Summa Water Corporation (CS Water) of which the former holds 40% ownership. The joint venture was established to develop raw water sources and supply treated bulk water for its customers. In June 2019, CS Water signed a Joint Venture Agreement for the financing, development, rehabilitation, expansion, improvement, operation and maintenance of the water supply and septage management of Janiuay Water District. In the same month, CS Water signed a Bulk Water Supply Contract with The City of Lapu-Lapu in Cebu for a 60 MLD Desalination Plant, the first large-scale desalination plant in the Philippines.

There are no existing or probable government regulations that may have an adverse effect on ASSC operations. ASSC did not incur any research and development expenditures during its first year of operations.

***MacroAsia Mining Corporation***

MacroAsia Mining Corporation (MMC), another wholly owned subsidiary of MAC, was incorporated on September 25, 2000 to serve as an institutional vehicle through and under which the business of a mining enterprise may be established, operated and maintained.

MMC is now focused on providing consultancy and mining exploration services, particularly on nickel areas and projects. As of December 31, 2020, MMC has four (4) employees, three (3) of whom are regular.

On November 15, 2018, MMC purchased Bulawan Mining Corporation from Philippine National Bank which amounted to ₱7.5 million. Bulawan Mining Corporation (BUMICO), a subsidiary of the Philippine National Bank (PNB), transferred its right for their Exploration Permit Application (EXPA 103-VII) over a 506-hectare area in Basay, Negros to MAC through the signing of a Deed of Assignment (DOA) on August 15, 2012. The DOA has been approved by Mines and Geosciences Bureau (MGB) Region VII Office on January 28, 2013. The area has a high potential for copper-gold molybdenum–silver mineralization. Several copper and gold mining companies have shown interest in the area. BUMICO also transferred its interests in the Bulawan Mining Project with an Operating Agreement with Philex Mining Corporation (PMC) to MAC through a Deed of Assignment (DOA) signed on September 6, 2012. The DOA was finalized after securing the written consent of Philex. Meanwhile, acquisition of MMC Management and Development Corporation ("MADECOR") took effect recently on March 2, 2020.

In Northern Leyte, two exploration permit applications are being maintained by MacroAsia Mining Corporation and both are adjacent to the geothermal reservation of Tongonan: the Carigara property denominated as EXPA 0091-VIII-2007 covers 7,771.8 hectares which is situated immediately north of the Tongonan Geothermal Field and the Baybay property is at the southern extreme of the geothermal reservation denominated as EXPA 0092-VIII-2007 and covers an area of 7,488.5 hectares.

MMC's present operations do not require the intensive use of raw materials. Therefore, it does not have any major existing supply contracts.

MMC is not aware of any other existing or probable government regulations that may have any adverse effects on its business. MMC does not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreement. It did not incur any research and development costs during the last three fiscal years.

***Lufthansa Technik Philippines, Inc. – A Joint Venture with MacroAsia Corporation***

Lufthansa Technik Philippines, Inc. (LTP) is a joint venture between MAC (49%) and Lufthansa Technik AG of Germany (51%). It provides a wide range of aircraft maintenance, repairs and overhaul (MRO) services at the NAIA, DMIA, MCIA, Kalibo International Airport, Puerto Princesa Airport, and Davao International Airport.

Following the signing of the joint venture agreement on July 12, 2000, and its
Following the signing of the joint venture agreement on July 12, 2000, and its
subsequent registration with the Philippine Economic Zone Authority (PEZA) as an economic zone locator on August 30, 2000, LTP started its commercial operations on September 01, 2000. Since then, it has been recognized as an outstanding company that has consistently generated export revenues for the country.

As an ecozone locator, LTP has a 25-year lease contract with MacroAsia Properties Development Corporation (MAPDC). It has technical services agreements with PAL as a base client, as well as with other airlines, including Lufthansa Technik AG of Germany.

LTP also has a concession agreement with MIAA upon which its business operations is highly dependent. The agreement grants LTP the right to operate as a provider of aircraft MRO services at NAIA Terminals 1, 2 and 3. LTP secures such right by yearly renewal of the agreement and paying the monthly CPF (7% of gross revenue).

On February 10, 2012, LTP opened its third aircraft hangar to accommodate maintenance works for the Airbus A380, the world's biggest and most technologically advanced commercial aircraft today.

In 2015, LTP completed its project to expand its existing two hangar bays, thus increasing its service capability for A380 heavy maintenance check, also enabling LTP to enter base maintenance for the B777. The hangar expansion was inaugurated in December 2015 and LTP had the first heavy check in its second A380 hangar in January 2016. In 2016, LTP welcomed its first Asian A380 customer, the South Korean carrier flew to Manila in April and May for C1-checks on two A380s.

Furthermore, the B777 base maintenance capability build-up was completed in the later part of 2016, and having Philippine Airlines' B777 as its first customer in the first quarter of 2017.

In 2020, LTP started the construction of a multiple-use hangar, capable of servicing an A380 or multiple wide-body and narrow-bodied aircrafts. The hangar shell will be completed in 2021.

LTP continued and further strengthened partnership with Philippine Airlines (PAL) as its main client for aircraft maintenance, repair and overhaul services not only in LTP's Manila facility but also in Line Stations in Clark, Cebu, Puerto Princesa, Kalibo and Davao. Other global clients for Aircraft Base Maintenance would include Lufthansa, AirAsia X, Asiana Airlines, British Airways, Korean Air, Jetstar Japan, Saudia Airlines, and Virgin Atlantic to name a few.

Through improvement of products and services for Aircraft Line Maintenance, customers have renewed their trust and confidence with LTP namely, Air Busan, Air China, ANA, China Southern, China Airlines, EVA Air, Jin Air, Jeju Air, Asiana Airlines, Gulf Air, Korean Air, KLM, Qantas Airways, Turkish Air, and Japan Airlines. These are in addition to several long term contracts recently signed with Tiger Taiwan and Air Longdao.

Aviation Authorities who has airworthiness oversight on these airline customers issue Approvals/Certifications to LTP for it to be able to provide MRO services to these airlines. LTP is approved/certificated by 19 Aviation Authorities worldwide as a provider of aircraft MRO services, including the Civil Aviation Authority of the Philippines (CAAP), the United States' Federal Aviation Administration (FAA), European Aviation Safety Agency (EASA), Korea MOLIT, Japan Civil Aviation Bureau (JCAB), and Kingdom of Saudi Arabia GACA, among others. LTP is also an official Design Department of Lufthansa Technik AG EASA Part 21 Design Organization, enabling it to create in-house minor repairs/changes to aircraft. The extent of LTP's work/services largely depend on these Approvals/Certifications, which require/specify that LTP's services must be carried out in accordance with the relevant aviation regulations. These Approvals/Certifications are renewed either annually or every two years.

LTP's total manpower count and regular employees decreased by 11% and 4%, respectively, from the prior year. They have a labor force of 3,074 by December 31, 2020. Of the total manpower count, 3,027 are regular employees.

LTP is not aware of any existing or probable government regulations that would have an adverse impact on its on-going operations. It has no research and development activities/costs during the last three fiscal years.

***Cebu Pacific Catering Services, Inc.***

Cebu Pacific Catering Services, Inc. (CPCS) is MacroAsia's first in-flight catering venture which started commercial operations in October of 1996. MAC has 40% equity in this joint venture, while its partners - Cathay Pacific Catering Services of Hongkong and MGO Pacific Resources Corporation hold 40% and 20% equity, respectively.

CPCS is the first and presently still the only full-service airline catering company at the MCIA. CPCS is an economic zone locator covering 3,050 sqm in Mactan, Cebu and services both domestic and international airlines.

CPCS owns a two-storey kitchen facility designed to fully meet projected total airline catering demands and to easily accommodate future expansion. The facility was designed and developed by Cathay Pacific Catering Services (HK). With its current portfolio of clients, the facility still has excess capacity to serve the requirements of Mactan Cebu International Airport in the years to come.

CPCS is served an average of 529 meals a day in 2020, using mostly local raw materials for its menus, since the facility was temporarily closed since April 8, 2020 due to the pandemic. It procures its raw materials from the local market and does not have any major raw materials supply contracts. CPCS services Philippine Airlines, Korean Air and Asiana Airlines, Cathay Pacific as well as Cebu Pacific Airlines.

CPCS operations during the COVID-19 quarantine period in Cebu City from March 2020 to the present was impacted heavily due to the closure of Mactan-Cebu Airport. Flights were cancelled and most of the foreign airlines that had to do ferry-flights uplifted meals from their origin hubs. As the airport is slowly being opened to domestic and international traffic, CPCS also sees signs of slow business recovery, starting the latter part of 2020.

As the only full-service airline catering company in Cebu, CPCS expects to provide most if not all of the catering services for future flights from MCIA to other regional destinations.

As of December 31, 2020, CPCS has 56 regular employees.

As a registered entity, CPCS is subject to the rules and regulations of the Philippine Economic Zone Authority (PEZA). It is not aware of any existing or probable government regulations that would have an adverse effect on its operations.

CPCS does not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreements.

No research and development costs have been incurred by CPCS during the last three fiscal years.

***Japan Airport Service Corporation***

Japan Airport Service Co., Ltd. (also known as JASCO in Japan Aviation Industry) was founded on March 25, 1960 as an integrated ground handling company which provides safe flight operation in addition to value-added quality services accompanied by on-time performance to 29 carriers operating out of Narita International Airport in Japan.

In 2017, JASCO joined the KONOIKE Group; a global enterprise listed on the First Section of the Tokyo Stock Exchange and has immediately become one of the strengths of KONOIKE Group’s Airport Division.

In line with the MAC and KONOIKE Group partnership which took place on November 5, 2019, MAC purchased 30% of JASCO through through NKS Holding

Co. Ltd., 100% Tokyo-based subsidiary of Konoike Transport Co. Ltd on December 6, 2019.

JASCO currently has six major functions including Flight Operation Management, Baggage Handling & Special Passenger Assistance Services, Cabin Cleaning, Loading/Unloading & Aircraft Movement, Cargo & Mail Handling and self-support GSE Maintenance. Moreover, it is still organically growing its capacity and capability to the other fields of ground handling.

To fulfill the commitment for safe flight operation with high-quality services, JASCO tailors all SOPs based on the operational requirements of respective customer carriers and exercise Point-and-Assured at each & every critical point of the process to ensure full compliance. Such exercise has earned JASCO a fame of service excellence with quite a few awards from our customer carriers.

Due to the impact of the COVID-19, almost all passenger flights were canceled from the beginning of April 2020.

It was an unprecedented situation that only some freighters and P-FERRY flights loaded with emergency supplies were operating, and sales fell drastically short as a result.

The downward adjustment of staffing roster to cope with the significant decrease in sales has been undertaken to extent possible by taking the privilege of payroll support program called "Subsidies for employment adjustment" sponsored by Japanese government effective March 2020.

On the other hand, to best utilizing the spared skillful resources, JASCO started to support secondment to the affiliated companies under Konoike Transport in Japan. As of the end of December, JASCO has seconded 97 staffs to 21 bases of Konoike Transport. (Air cargo forwarding operations, Steelworks operations, Beverage packaging process Equipment operation / product transportation operation, etc.), and aiming at total more than 100 staffs under such secondment program to retain the skillful resource for future flight resumption on top of the labor cost reduction.

In addition, JASCO also managed to mitigate the expenditures with the supports and consent from the outsourced staff-dispatching companies. Although along with all other possible efforts exercised to reduce the operating costs, i.e. vehicle maintenance/repair, fuel, consumables, and other miscellaneous, the big loss was still inevitable due to the large decline in sales.

As of December 31, 2020, JASCO has 363 regular employees and 86 outsourced staffs.

JASCO is not aware of any existing or probable government regulations that would have an adverse effect on its operations. JASCO does not have any other significant agreements or patents, copyrights, licenses, franchises, concessions, or royalty agreements. No research and development costs have been incurred by JASCO since it became an affiliate of MAC.

***Status of any publicly-announced new product or service***

Except as otherwise disclosed in the discussion of the businesses of each subsidiary and affiliate above, there are no other publicly-announced new products or services for the Group.

***Competition***

The Group's strength relative to its competitors lies on its support facilities in the airports, skilled manpower, liquid assets relative to its operational funding requirements and adequate capital to continue and expand its existing businesses and develop or venture into new business activities. The Group's strategic advantage in the aviation services sector comes from the close relationships with airline clients, which in turn enables reciprocal arrangements for auxiliary aviation services. The strong backing of the Group's venture partners in some of the subsidiaries/affiliates, namely, Singapore Air Terminal Services (SATS, Singapore), Cathay Pacific Catering Services (CPCS, Hongkong), Lufthansa Technik AG (Germany) and Konoike Transport Co., Ltd. also provides the globally-competitive expertise and market reach for the Company's subsidiaries/affiliates.

The Group's competitive edge is manifested in various service areas through its quality of services, labor/manpower stability, competitive pricing, advanced aircraft (MRO) technology, and a carefully packaged inter-related aviation support services.

***Suppliers***

The Group has a broad base of suppliers, both local and foreign. Except as otherwise disclosed in the discussion of the businesses of each subsidiary and affiliate above, there are no major existing supply contracts for the Group.

***Customers***

Except as otherwise disclosed in the discussion of the businesses of each subsidiary and affiliate above, the Group is not dependent upon a single customer or a few customers that a loss of anyone of which would have a material adverse effect on the Group.

***Employees***

MacroAsia Corporation, the Parent Company, has a total workforce of 33 employees. The Group has a total manpower complement of 6,651, excluding seasonal workers of 1,841. Part of the manpower are 4,634 regular employees, 94 employees on probation and 1,923 organic project-based staff. The total number of employees decreased by 44% in 2020, in line with the move to align the capacity of its aviation-related business segments with the decreased business volumes due to COVID-19 travel restrictions.

None of the Parent Company, its subsidiaries and associated companies is subject to any Collective Bargaining Agreement (CBA). There has been no strike, nor any attempt to protest against the Parent Company, its subsidiaries and associated companies during the past three years.

The Group provides health/medical insurance/benefits to its employees through an independent Health Maintenance Organization (HMO).

***Compliance with Environmental Laws***

MacroAsia Corporation and its subsidiaries have not been subject to any material fines or legal or regulatory action involving non-compliance in any material respect with relevant environmental protection regulations.

***Major Risks Involved***

MAC recognizes some developments that may have potential impact on the Group.

*Global Economic Slowdown, Economic Woes Impacting on Airlines, Safety and Health Issues Affecting Airline Travel.*

The Group continues to adopt a comprehensive approach of employing revenue generating strategies for both core and non-core business while pursuing sustainable cost leadership strategies. New product offerings outside of aviation-related clients were launched. Expansion of water-related businesses was pursued aggressively in key areas of current operations. The airline catering and groundhandling companies were able to secure new foreign airline clients in 2020, despite the travel downturn. Sustainable cost leadership efforts like staff cost benchmarking (staff cost is the biggest cost among the Group's service companies) were implemented with much vigor. The impact of aviation developments was monitored closely and discussed extensively in management and board meetings to redefine the changing priorities and strategies of the key business units.

*Industry Regulations*

MacroAsia Corporation and its subsidiaries are subject to the relevant rules and regulations imposed by government and private institutions such as the Civil Aviation Authority, Civil Aeronautics Board, Manila International Airport Authority, Philippine Economic Zone Authority, Department of Labor and Employment, Securities and Exchange Commission as well as the Philippine Stock Exchange. Moreover, being a part of the air travel industry, the Group is subject to various stringent international standards for cleanliness, health, and safety.

*Volatility in Foreign Exchange Rates*

Bulk of the Group's revenues and part of its costs and expenses are transacted in foreign currency, particularly in US dollars. Any drastic fluctuation in the Peso-US dollar exchange rate may affect the Group's financial performance. The Company's Investment Committee has directed Management to limit the Group's foreign currency holdings to not more than 25% in US Dollar portfolio and hold the rest in local currency (at least 75% of the portfolio in Philippine Peso) to minimize exposure to foreign exchange fluctuations.

*Competition*

The business activities of the Parent Company and its subsidiaries are carried out in a competitive environment, as the Group competes not only with local providers of aviation-related services, but with regional and international players as well. Operational track record and high quality of services coupled with competitive prices remain to be the Group's advantages over its competitors.

*Natural Occurrences*

The Group is subject to various other risks which are beyond its control. These include weather conditions, virus outbreak and other natural disasters which may disrupt its operations. There can be no assurance that the above risks will not have an adverse effect on the Group.

Periodic planning sessions/meetings with top management, various committees and members of the Board are being held to identify, assess and formulate related contingency plans to manage or minimize the adverse impacts of potential or identified risks on the Group's operations.

***Transactions with and/or Dependence on Related Parties***

Please see Note 18 under the Group's Consolidated Notes to Financial Statements (pages 65 to 68).

***Significant Agreements and Commitments***

Please see Note 29 under the Group's Consolidated Notes to Financial Statements (page 85).

***Other Information***

The Group has not issued any short term or long term commercial papers to date.

There are no other significant patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements held by the Group except those discussed in Note 14 under the Group's Consolidated Notes to Financial Statements (pages 59 to 61).

As a mining company in the history, MacroAsia Corporation holds two Mineral Production Sharing Agreements (MPSAs), MPSA-220-2005-IVB and MPSA-221-2005-IVB, both located in Brooke's Point, Palawan.

MAC, as a listed entity, operates in a highly-regulated environment. The business of the Parent company, including its subsidiaries and affiliates to which it operates, depends upon the permits and licenses issued by the government authorities or agencies for its operation. The Group is not aware of any existing or probable government regulations on its products and services that would have an adverse impact on the operations of the businesses to which the Group operates.

The Group has not incurred any material research and development costs during each of the last three fiscal years.

## ITEM 2. DESCRIPTION OF PROPERTIES

***MacroAsia Corporation***

MAC leases from Philippine National Bank (formerly Allied Bank Corporation) the office space it currently occupies. The lease agreement is for a period of two years, with an annual rental rate that is subject to review every year. The contract of lease is being renewed before expiration of the lease term. The current lease agreement has been renewed for a period of five years commencing on January 1, 2021 and terminating on December 31, 2025. The lease is renewable upon approval of the Bank.

The Parent Company entered into one lease agreement in 2011 and three lease agreements in 2010 with third party lessors covering the use of parcels of land for 35 years in Palawan. The leased properties will be used by the Parent Company as drying area and/or stockpile of its mine products and other related purposes. Rental rates are subject to escalation during the lease periods.

***MacroAsia Properties Development Corporation***

MacroAsia Properties Development Corporation owns five parcels of land with a total area of 7,912 square meters, located at East Service Road, Sucat, Muntinlupa, Metro Manila. These properties were acquired in 1996 for future development. In 2014, MAPDC acquired the land adjacent to the property with a land area of 1,500 square meters together with a building with a floor area of 3,280.02 square meters. These acquired properties in Sucat was developed and became a commissary for MSFI, a wholly owned subsidiary of MACS.

Also in 2014, MAPDC acquired 3 hectares of land in Brgy. Bagahabag, Solano Nueva, Vizcaya which is used for the waterworks project of MAPDC. A water treatment plant which includes an intake structure and reservoir was constructed in the area.

On September 01, 2000, MAPDC executed a 25-year lease agreement with the MIAA covering about 23 hectares located within NAIA. The lease contract may be terminated at the option of the company if the company, its sublessee or any of its successors-in-interest, ceases to operate its business; and MIAA or the government decides to transfer the airport to another location, making it impossible for the company to conduct its business. With the full support of the PEZA, MAPDC has transformed the area into an Economic Zone, and has signed a 25-year sub-lease agreement with LTP, its anchor locator.

On June 5 and November 6, 2015, MAPDC entered into two lease contracts with Mactan-Cebu International Airport Authority (MCIAA) covering the use of parcels of land for 25 years for 23,703 square meters and 20,000 square meters of land, respectively. MAPDC is allowed to sub-lease the leased property.

***MacroAsia Catering Services, Inc.***

In 1996, MAC assigned all of its rights and obligations to the Company under the lease agreement it entered in the same year with MIAA for the use of a parcel of land where the catering concession facilities are located. The lease contract was for a period of 10 years from the start of the construction of the facilities, renewable every five years under such terms and conditions as may be agreed upon by both parties. Upon expiration of the lease agreement, both parties mutually agreed to continue the lease on a renewable, short-term basis using the terms in effect during the last year that the original lease agreement was in force. In 2004, the Supreme Court (SC) issued a decision declaring the current rental charges of MIAA at ₱35.55 per square meter (the current rate) as null and void. From 2004 to August 2013, the Company settles the lease charges using the contested rate, notwithstanding the SC's ruling on the validity of such rate.

The original lease contract between the Company and MIAA expired in July 2008. One of the provisions of the lease agreement is that the Company will transfer to MIAA all permanent improvements which the Company might have constructed in the lease premises upon the expiration of the original lease or upon cancellation of the lease agreement. The Company's current contract with MIAA is for the period June 1, 2020 to May 31, 2021. This is the fourth renewal of the original lease agreement entered in 2013 with an initial term of three years renewable annually. Future minimum lease payment for this lease agreement, all maturing within one year, amounted to ₱6.1 million in 2021 and 2020.

MACS has a concession agreement with MIAA to exclusively operate an in-flight catering service for civil and/or military aircraft operating at NAIA and/or MDA. In 2013, the concession agreement of the Company is renewed effective for a period of three years commencing on June 1, 2013 and expiring on May 31, 2016 or earlier depending upon the MIAA development plans affecting the area. The agreement is renewable yearly up to three years, subject to certain conditions. In consideration of the concession privilege, the Company pays MIAA a monthly concessionaire's privilege fee equivalent to 7% of the Company's monthly gross income on catering services.

***MacroAsia Airport Services Corporation***

MacroAsia Airport Services Corporation leases its office space and staging area from MIAA in Terminals 1, 2, 3, and GSE Motorpool located in General Aviation on a month-to-month basis, with a monthly rental of ₱252,879, ₱817,037, ₱247,904 and ₱118,275, respectively. One of the provisions of the lease agreement is that the Company will transfer to MIAA all permanent improvements which the Company might have constructed in the lease premises upon the expiration of the original lease or upon cancellation of the lease agreement due to breach or violation of the terms and conditions of MIAA, or termination without renewal or extension of the terms of the lease. All permanent improvements shall automatically become the absolute property of MIAA and the Company shall have no right of reimbursement of the cost.

On August 10, 2009, the company paid surety cash deposit to MIAA amounting to ₱2 million as one of the requirements for the renewal of the lease agreement. Currently, management is in discussions with necessary parties on the renewal of the lease. Meanwhile, MIAA continues to bill, and the Company continues to pay the rental fee based on current rates.

Concessions from MIAA, Mactan-Cebu International Airport Authority (MCIAA), and Civil Aviation Authority of the Philippines (CAAP) to operate domestic and international ground handling services in accordance with the respective concession agreements. In consideration of the concession privilege, the Company pays the airport authorities monthly Concession Privilege Fee (CPF) in the amount equivalent to 7% of the Company's monthly gross income on domestic and international ground handling services.

On April 22, 2014, GMR Megawide Cebu Airport Corporation (GMCAC), a corporation established by the consortium led by Megawide Construction Corporation and GMR Infrastructure Limited executed the concession agreement with the Department of Transportation and Communication and MCIAA for the exclusive right and authority to operate, maintain, develop, design, construct, upgrade, modernize, finance, and manage the MCIAA for a period of 25 years, and may be extended pursuant to the terms and conditions of the concession agreement.

Pursuant to the memorandum dated September 5, 2014 issued by MCIAA to all concessionaires, airlines, businesses, and other airport stakeholders, MCIAA no longer renewed or extended the concession and lease contracts beyond October 31, 2014 due to the turnover of the operation and management of the MCIAA to GMCAC effective November 1, 2014. The Company has a concession and lease agreement with GMCAC which is valid until January 31, 2015 and was subsequently extended up to May 31, 2015 and further extended up to October 31, 2015. GMCAC issued the draft of concession lease agreement covering the period November 1, 2015 up to May 31, 2018 in favor of the Company. In January 2018, the Company received GMCAC's Letter of Award which grants the Company the license for the development, operation, and maintenance of ground handling facilities and for the provision of ground handling services at MCIAA. The license granted is valid for seven years starting June 1, 2018 until May 31, 2025. As provided in the license granted, the CPF rate of 10% was imposed by GMCAC effective July 1, 2018 for ground handling services rendered for the international flights of the Company's clients.

In December 2015, the Company entered into concession agreement with CAAP for the Company's stations in Davao and General Santos. In consideration of the concession privilege, the Company pays CAAP for the monthly CPF in the amount equivalent to 7% of the Company's monthly gross income on domestic and international ground handling services from its Davao Station only.

In consideration of the concession privilege, the company continues to pay MIAA a monthly concession privilege fee in the amount equivalent to 7% of the company's monthly gross income on domestic and international ground handling services. MASCORP also pays concession privilege to GMR Megawide Cebu Airport Corporation (GMCAC) on the same terms as MIAA's.

Lease of office spaces in Sky Freight Center located at Ninoy Aquino Avenue, Parañaque City. The first lease is for a period of five years, commencing on April 16, 2012 until April 15, 2017 subject to 5% escalation starting on third year of the lease term. This was renewed for another five years, commencing on April 16, 2017 until April 15, 2022 subject to 5% escalation starting on third year of the lease term. The second lease is for a period of five years, commencing on October 1, 2015 until September 30, 2020, subject to 5% escalation starting on second year of the lease term. The second lease was renewed for one (1) year commencing on October 1, 2020 – September 30, 2021. The third lease is for a period of five years, commencing on July 16, 2016 until July 15, 2021 subject to 5% escalation starting on the third year of the lease term. The fourth lease is for one (1) year commencing on June 16, 2019 – June 15, 2020 subject to yearly escalation of 5%. The fourth lease is renewed for additional year, June 16, 2020 – June 15, 2021.

***MacroAsia Air Taxi Services, Inc.***

MacroAsia Air Taxi Services, Inc. leases its office space from Island Aviation or A. Soriano Aviation, Inc. Hangar located at Andrews Avenue, Domestic Airport, Pasay City commencing on September 16, 2018 until September 15, 2020. The lease contract was renewed for another one (1) year commencing on September 16, 2020 until September 15, 2021.

***First Aviation Academy, Inc.***

First Aviation Academy, Inc. entered into a lease agreement with SBMA for a term of five (5) years on May 21, 2018. The agreement covers the use of a building comprising 1,000.6 square meters and a certain space within the Subic Bay International Airport (SBIA) to serve as the base of the Company's operations. On January 18, 2019, the lease agreement had its first (1st) amendment rectifying the error on the period of the Land Improvements/Construction and Renovation Works commitment and extending the lease term from five (5) to ten (10) years. On August 1, 2019, the lease agreement had its second

(2nd) amendment for the reduction of its leased area based on the actual lot survey conducted by SBMA.

Other than what was discussed above, MAC or any of its subsidiaries and affiliates does not expect to buy any significant assets (property or equipment) except if needed for mining operations, in the next twelve (12) months. For a more detailed discussion of the Group's properties, please refer to the Note 12 and 28 of the Consolidated Financial Statements (pages 56-58 and 83-85).

**ITEM 3. LEGAL PROCEEDINGS**

On May 20, 2015, MacroAsia Corporation, through its legal counsel, filed a motion for reconsideration with the Court of Appeals for its April 22, 2015 decision promulgated by the Special Sixteenth Division confirming the denial by the National Commission on Indigenous People to issue a Certification Precondition applied for by the Company.

Subsequently, on March 21, 2016, through MAC's legal counsel, the company received a copy of the favorable decision issued by the Court of Appeals giving due course to the company's Motion for Reconsideration and reversing the above-mentioned ruling.

On December 12, 2016, the NCIP raised its appeal by way of a Petition For Review to the Supreme Court. The case is still pending resolution by the Supreme Court.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

Except for matters taken during the annual meeting of stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

# PART II. OPERATIONAL AND FINANCIAL INFORMATION

## ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY & RELATED STOCKHOLDER MATTERS

MAC's common shares are listed and traded at the Philippine Stock Exchange and the approximate number of holders of its common equity as of December 31, 2020 is 845.

There were no unregistered securities sold by the registrant for the past three years.

***The high and low prices of the Company's share during 2021, 2020 and 2019 are as follows:***

| **2019** | | **High** | | **Low** | | **High*** | | **Low*** |
|---|---|---|---|---|---|---|---|---|
| First Quarter | ₱ | 18.75 | ₱ | 13.87 | ₱ | 22.50 | P | 16.64 |
| Second Quarter | | 19.17 | | 15.52 | | 23.00 | | 18.62 |
| Third Quarter | | 16.65 | | 15.00 | | 19.98 | | 18.00 |
| Fourth Quarter | | 17.92 | | 13.67 | | 21.50 | | 16.40 |

| **2020** | | **High** | | **Low** | | **High*** | | **Low*** |
|---|---|---|---|---|---|---|---|---|
| First Quarter | ₱ | 14.13 | ₱ | 3.28 | ₱ | 16.96 | P | 3.94 |
| Second Quarter | | 6.21 | | 2.85 | | 7.45 | | 3.42 |
| Third Quarter | | 5.75 | | 3.92 | | 6.90 | | 4.70 |
| Fourth Quarter | | 8.98 | | 4.22 | | 8.98 | | 4.22 |

| **2021** | | **High** | | **Low** |
|---|---|---|---|---|
| As of Apr. 8, 2021 | ₱ | 5.18 | ₱ | 5.02 |

**Price before 20% stock dividends adjustment effective on August 11, 2020.*

Common shares outstanding as of December 31, 2020 were 1,890,958,323.

Shares owned by the Public as of December 31, 2020 were 482,887,469 (25.54%).

***The top 20 stockholders of MacroAsia Corporation as of December 31, 2020 are:***

| | Name | No. of Common Shares Held | % of Total |
|---|---|---|---|
| 1 | PCD Nominee Corporation (Filipino) | 374,655,783 | 19.38 |
| 2 | PAL Holdings, Inc. (formerly Baguio Gold Holdings Corporation) | 137,280,000 | 7.10 |
| 3 | CONWAY EQUITIES, INC. | 132,771,600 | 6.87 |
| 4 | PAN ASIA SECURITIES CORP. | 111,958,302 | 5.79 |
| 5 | PCD NOMINEE CORPORATION (NON-FILIPINO) | 104,516,889 | 5.41 |
| 6 | SOLAR HOLDINGS CORPORATION | 92,040,000 | 4.76 |
| 7 | DRAGONSTAR MANAGEMENT CORP. | 83,850,000 | 4.34 |
| 8 | PROFOUND HOLDINGS, INC. | 74,100,000 | 3.83 |
| 9 | EXCELVENTURES, INC. | 73,951,800 | 3.83 |

| | | | |
|---|---|---|---|
| 10 | BIGEARTH EQUITIES CORPORATION | 72,540,000 | 3.75 |
| 11 | PALOMINO VENTURES, INC. | 45,084,000 | 2.33 |
| 12 | MACROASIA CORPORATION | 40,911,700 | 2.12 |
| 13 | ABSOLUTE HOLDINGS & EQUITIES, INC. | 39,000,000 | 2.02 |
| 14 | ARTISAN MERCHANDISING CORP. | 39,000,000 | 2.02 |
| 15 | CARAVAN HOLDINGS CORPORATION | 39,000,000 | 2.02 |
| 16 | CLIPPER 8 REALTY & DEVELOPMENT CORP. | 39,000,000 | 2.02 |
| 17 | GOLDEN PATH REALTY CORPORATION | 39,000,000 | 2.02 |
| 18 | PRIMELINE REALTY, INC. | 39,000,000 | 2.02 |
| 19 | QUALITY HOLDINGS, INC. | 39,000,000 | 2.02 |
| 20 | SUNWAY EQUITIES, INC. | 35,053,200 | 1.81 |

***Dividends***

The general dividend policy of MacroAsia is governed by the By-Laws of the Parent Company which provides that dividends upon the capital stock of the Parent Company may be declared by the Board of Directors in the manner and form provided by law, after deducting from the net profit of the Parent Company any approved bonuses to the members of the Board of Directors in an amount not exceeding five percent (5%) of the Parent Company's net profit before tax and the expenses of administration. In each case, no dividend declaration shall be made by the Parent Company which would impair its capital.

Dividends shall not be declared if there are major investments/projects which the Parent Company and its subsidiaries and associated companies anticipate in the near future.

1. **Stock Dividends**

   On April 30, 2020, the Company’s BOD approved the declaration of 20% stock dividends to be paid out from unrestricted retained earnings of the Company as of December 31, 2019. The stock dividend declaration was approved by the shareholders on the Company’s Annual Stockholders’ Meeting held on July 17, 2020. Record date was August 14, 2020 while payment date was on September 11, 2020.

   No stock dividends were declared in 2019.

   On March 22, 2018, the Company’s BOD approved the declaration of 30% stock dividends to be paid out from unrestricted retained earnings of the Company as of December 31, 2017. The stock dividend declaration was approved by the shareholders on the Company’s Annual Stockholders’ Meeting held on July 20, 2018. Record date was August 17, 2018 while payment date was on September 12, 2018.

2. **Cash Dividends**

| Date Approved | Per share | Stockholder of Record Date | Date Paid/Issued |
|---|---|---|---|
| March 14, 2019 | ₱0.200 | April 12, 2019 | May 10, 2019 |
| December 13, 2017 | ₱0.140 | January 5, 2018 | January 31, 2018 |
| December 14, 2016 | ₱0.080 | January 6, 2017 | February 1, 2017 |

| | | | |
|---|---|---|---|
| December 14, 2015 | ₱0.075 | January 4, 2016 | January 28, 2016 |
| March 25, 2013 | ₱0.065 | April 24, 2013 | May 19, 2013 |

On April 30, 2020, the Board of Directors approved the amendment of the Php 0.25/share cash dividends declared on March 6, 2020 to shareholders of record as of April 3, 2020 payable on May 4, 2020 to 20% stock dividends discussed in the Stock Dividends section.

**3. Cash Dividends Declared After Balance Sheet Date**

No cash dividends were declared after balance sheet date.

**4. Restriction on Retained Earnings**

The retained earnings as of December 31 are restricted for dividend declaration for the portion equivalent to the following:

- Undistributed net earnings of subsidiaries and equity in net earnings of associates amounting to ₱1,350.0 million and ₱1,645.0 million as of December 31, 2020 and 2019, respectively.
- Cost of treasury shares amounting to ₱459.4 million and ₱426.8 million as of December 31, 2020 and 2019.
- Deferred income tax asset amounting to ₱62.0 million and ₱57.2 million as of December 31, 2020 and 2019, respectively.

**5. Appropriation of Retained Earnings**

As of December31, 2016 and 2017, the Company's retained earnings included appropriated amounts of ₱393.1 million and ₱300.0 million for the mining development projects and water projects, respectively. These were originally approved for appropriation in 2011.

On March 22, 2018, the Company's BOD approved the reversal of the appropriation for mining development projects amounting to ₱393.1 million. The appropriation for water projects is retained for the next few years as aligned with the Groupwide water related projects ranging two to three years.

On December 12, 2019, the Company's BOD approved the reversal of the appropriation for water projects amounting to ₱300.0 million and appropriation of ₱850.0 million for various projects to be undertaken by the Group.

On December 6, 2019, the MACS' BOD approved the release from appropriation of the ₱100.0 million appropriated in 2017 and 2016 for construction of an offsite commissary. Further, the BOD approved the additional appropriation of ₱210.0 million for the construction of another offsite commissary, catering trucks, and facility equipment upgrade in the next two years of the Company.

On November 28, 2018, the MACS' BOD approved the additional appropriation of ₱55.0 million for the construction of the offsite commissary and equipment upgrade of the Company in the following year.

On March 20, 2018, MASCORP's BOD approved to appropriate another ₱50.0 million of the unappropriated retained earnings for business expansion program which is expected to run for three years effective December 31, 2017.

On December 6, 2018, MASCORP's BOD approved the reversal of appropriated retained earnings of ₱30.0 million made on June 21, 2012 for business expansion. Further, the Company's BOD approved additional appropriation of ₱65.0 million of the unappropriated earnings for business expansion program which is expected to run for three years effective December 31, 2018.

On March 7, 2019 and July 11, 2019, the MASCORP's BOD approved the additional appropriation of ₱50.0 million and ₱100.0 million, respectively of the unappropriated earnings for purposes of various investments to expand business of the Company which is expected to run for three years effective December 31, 2019.

On September 24, 2020, the MASCORP's BOD approved the reversal of appropriated retained earnings of ₱265.0 million. The business expansions to which the previous appropriations were intended, will no longer materialize due to the COVID-19 pandemic which negatively affected the financial results of MASCORP. Hence, the appropriation of retained earnings is no longer necessary.

***Description of Registrant's Securities***

MacroAsia Corporation has already issued 1,933,305,923 shares of stocks from the total authorized capital stock of 2,000,000,000.

On July 16, 2010, the BOD approved a Share Buyback Program involving a total cash outlay of ₱50.0 million for the repurchase of the outstanding common shares of the Parent Company from the open market, using the trading facilities of the Philippine Stock Exchange (PSE). The Program will not involve any active or widespread solicitation for stockholders to sell. Repurchase of shares of stock will be done during the period of the Program at such prices perceived by the Parent Company to be lower than the inherent value of the share. The Program will run until the ₱50 million authorized cash outlay is fully utilized or until such time that the BOD may direct, subject to appropriate disclosures to the PSE and the SEC.

On June 15 2017, the Board of Directors of MacroAsia Corporation approved to allot ₱210.0 million to buy back shares of MacroAsia Corporation at market price. The mechanics of which shall be similar to the ₱50.0 million buyback program implemented in 2010. The Program commenced on June 20, 2017 and will run until the ₱210.0 million authorized cash outlay is fully utilized, or until such time that the Board of Directors of MacroAsia may direct, subject to appropriate disclosures to the PSE and the SEC.

On March 14, 2019, the Board of Directors approved ₱200.0 million additional funding to the 2017 Share Buyback Program.

On March 6, 2020, the Board of Directors approved another ₱200.0 million additional funding to the 2017 Share Buyback Program.

As of December 31, 2020, the Company has reacquired 42,347,600 shares for ₱459,418,212.

***Voting and Preemption Rights***

All outstanding common shares of the Parent Company as of the record date for the purpose of the Annual Stockholder's Meeting are entitled to vote at the rate of one (1) vote per share.

A stockholder entitled to vote at the meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock transfer book of the Company for as many persons as there are directors to be elected. Each stockholder shall have the right to cumulate said shares and give one nominee as many votes as the number of directors to be elected, multiplied by the number of his shares shall equal, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit; provided, that the number of votes cast by a stockholder shall not exceed the number of his shares multiplied by the number of directors to be elected.

Any stockholder of the Parent Company shall have the right to dissent and demand payment of the fair value of his shares in case (i) any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (ii) any sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and (iii) of merger or consolidation.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the value of his shares. If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. No payment shall be made to dissenting stockholder unless the Parent Company has unrestricted retained earnings in its books to cover such payment.

## ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

***Overvie*****w**

In 2020, MAC carried on its operations mainly through its seven subsidiaries namely: MacroAsia Catering Services, Inc. (MACS); MacroAsia Airport Services Corporation (MASCORP); MacroAsia Air Taxi Services, Inc. (MAATS); MacroAsia Properties Development Corporation (MAPDC); First Aviation Academy, Inc. (FAA), Allied Water Services Inc. (AWSI), MacroAsia Mining Corporation (MMC) and through its three associated companies, Lufthansa Technik Philippines, Inc. – A Joint Venture with MacroAsia Corporation (LTP), Cebu Pacific Catering Services, Inc (CPCS) and Japan Airport Service Co., Ltd. (JASCO). The companies were discussed comprehensively under Item 1. Description of the Business.

The two most important factors that affect the revenue levels of the aviation-services subsidiaries are passenger loads and flight frequencies of airlines. Other than the impact of COVID-19 on global and local travel and tourism, the Group is not aware of any other known trends or any other known demands, commitments, events or uncertainties that will have material impact on its liquidity.

The Group is not aware of having or anticipating any cash flow or liquidity problems within the next twelve (12) months. The Group generally sources its liquidity requirements through its increased revenues and collections. These are invested in placements with better yields.

The Group is not aware of any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

The Group is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Parent Company with unconsolidated entities or other persons created during the reporting period.

There are no material commitments for capital expenditures created during the reporting period.

The Group is not aware of any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations, other than the impact of COVID-19 to aviation and tourism related subsidiaries.

There have been no significant elements of income or loss that did not arise from the Group's continuing normal operations.

The Group is not aware of any current and future event that will cause a material change in the relationship, vertical and horizontal analyses, of any material item from period to period.

Other than the continuing impact of COVID-19 across all sectors, the Group is not aware of any seasonal aspects that have material effect on the financial statements.

***Key Performance Indicators***

The Group uses the following major performance measures. The analyses are based on comparisons and measurement on financial data of the current period against the same period of the previous year.

**Return on Net Sales (RNS)**

This ratio measures the amount of income, after all costs and expenses, including taxes are deducted, for every peso of net revenue earned.

| *(In Thousands except for Ratios)* | | | 2020 | 2019 |
|---|---|---|---|---|
| Return on Net Sales | = | Total Net Income/(loss) / Total Net Revenues | = (₱1,800,209) / 2,257,564 | ₱1,194,026 / 6,167,831 |
| | | | = -79.74% | 19.36% |

Net revenues pertain to the revenues of the consolidated subsidiaries of the Group, while the net income/(loss) already includes our share in the profits/(losses) of our associates, LTP, CPCS and JASCO. The negative consolidated RNS in the current period compared to same period last year is caused primarily by loss contributions from our associates and operating subsidiaries brought by the downturn in aviation travel as a result of restrictions imposed by various governments (Philippines and other countries) due to the COVID-19 pandemic, and the resulting accounting provisions made to comply with financial reporting standards.

**Return on Investment (ROI)**

This ratio measures the amount of income earned on invested capital.

| *(In Thousands except for Ratios)* | | | 2020 | 2019 |
|---|---|---|---|---|
| Return on Investment | = | Net income/(loss) attributable to Equity holder of Parent / Total Interest-bearing Liabilities + Equity attributable to Equity holder of Parent | (₱1,587,308) / 6,361,973 | ₱ 1,129,066 / 8,266,090 |
| | | | = -24.95% | 13.66% |

Movement in ROI ratio is parallel to that of the RNS due to the financial performance as discussed above. The Group had drawn loans for a facility construction and equipment acquisition purposes in prior periods, which substantially have outstanding balances as of the period end.

**Return on Equity (ROE)**

This KPI is a measure of the owner's return for every peso of invested equity.

| *(In Thousands except for Ratios)* | | | 2020 | 2019 |
|---|---|---|---|---|
| Return on Equity | = | Net Income/(loss) / Total Capital | = (₱1,800,209) / 3,937,866 | ₱1,194,026 / 5,554,032 |

| | | | |
|---|---|---|---|
| | = | -45.72% | 21.50% |

The ROE declined mainly due to the losses incurred during the current period.

**Direct Cost and Expense Ratio**

This ratio measures the average rate of direct costs and expense on products/services sold.

| *(In Thousands except for Ratios)* | | | 2020 | 2019 |
|---|---|---|---|---|
| Direct Cost Ratio | = | Total Direct Cost / Total Net Revenues | = ₱2,364,601 / 2,257,564 | ₱4,815,859 / 6,167,831 |
| | | | = 104.74% | 78.08% |

| *(In Thousands except for Ratios)* | | | 2020 | 2019 |
|---|---|---|---|---|
| Operating Expense Ratio | = | Total Operating Expenses / Total Net Revenues | = ₱931,657 / 2,257,564 | ₱1,038,521 / 6,167,831 |
| | | | = 41.27% | 16.84% |

The Group's direct cost ratio increased due to the unavoidable fixed expenses that were incurred despite revenue slowdown in inflight/other catering and ground handling aviation segments due to the COVID-19 impact.

The increase in total operating expenses ratio of the group as compared to the previous year is likewise related to the decrease in business activities in the aviation segment, including one-time costs for rightsizing the staff complements in several business units.

**Current Ratio**

This ratio measures the Group's ability to settle its current obligations.

| *(In Thousands except for Ratios)* | | | 2020 | 2019 |
|---|---|---|---|---|
| Current Ratio | = | Total Current Assets / Total Current Liabilities | = ₱3,449,837 / 2,591,559 | ₱3,599,853 / 2,883,071 |
| | | | = 1.33 :1 | 1.25: 1 |

The Group still has a healthy current ratio indicating the Group's solid ability to meet its current liabilities, with a large portion (37%) of current assets being held as cash and cash equivalents.

**Debt-to-Equity Ratio**

This ratio indicates relationship of the Group's debt to the equity of the owners.

| *(In Thousands except for Ratios)* | | | 2020 | 2019 |
|---|---|---|---|---|
| Debt-to-Equity Ratio | = | Total Interest-bearing Debts / Total Equity | = ₱1,787,101 / 4,742,541 | ₱1,841,936 / 6,837,843 |
| | | | = 37.68% | 26.94% |

The upward movement in debt-to-equity ratio is due to the Group loans which have been structured to a longer term maturity and remained outstanding at period end, while the equity declined due to losses incurred during the current year.

**Interest Coverage Ratio**

This ratio measures the number of times the Group could make the interest payments on its debt with its earnings before interest and taxes.

| *(In Thousands except for Ratios)* | | | 2020 | 2019 |
|---|---|---|---|---|
| Interest Coverage Ratio | = | Total Earnings/(Loss) before Interest and Taxes / Interest Expense | = (₱1,676,986) / 132,524 | ₱1,473,745 / 88,377 |
| | | | = -12.65 : 1 | 16.68 : 1 |

The negative ratio on the current year shows that the Group's operating results during the period, measured through EBIT, is insufficient to cover interest payments arising from its debts for the period, but since the Group has a positive current ratio, the Group has the ability for interest settlement. The movement in interest expense conforms to the increase in the outstanding balances of the loans.

**Asset-to-Equity Ratio**

This ratio of the Group's total assets to its stockholder's equity measures the Group's leverage and long-term solvency. The equity multiplier is a measurement of a company's financial leverage.

| *(In Thousands except for Ratios)* | | | 2020 | 2019 |
|---|---|---|---|---|
| Asset-to-Equity Ratio | = | Total Assets / Total Equity | = ₱10,389,628 / 4,742,541 | ₱12,487,969 / 6,837,843 |
| | | | = 2.19 : 1 | 1.83 : 1 |

The ratios indicate an increase in ratio between total assets and total equity, showing that the Group finances the purchase of assets mostly through equity or internally-generated funds. The increase in the ratio from 2019 to 2020 indicates that the Group has taken in debt to acquire more assets in 2020, as equity has not grown correspondingly with the asset growth. The loans in particular were used primarily for the construction of a modern food commissary in Muntinlupa, as well as expansion in water-related facilities.

***2020 compared with 2019***

The Group recorded a consolidated net loss after tax of ₱1,800.21 million for the year 2020, a reversal of (251%) of reported consolidated net income after tax of ₱1,194.03 million in 2019. The net loss after tax for 2020 includes provisions amounting to ₱902.5 million, related to impairment provisions like expected credit losses and other provisions to comply with financial reporting standards.

Revenues from in-flight catering contributed 42% of the total revenues. Catering segment revenue decline from last year's ₱2,905.5 million to the current year's ₱950.9 million a 67% drop compared 2019. The decline in revenue is aligned with the decline in meal count by 67% from 13.8 million to 4.5 million due to the decline in demand for air travel as a result of the COVID-19 pandemic.

The revenues from ground-handling and aviation services declined to ₱1.04 billion from ₱2.82 billion in 2019, a 63% drop compared to 2019. Flights handled declined by a total of 124,990 flights (-63%), from 197,079 in 2019 to 72,089 flights in the current year. The number of flights has slowly improving as quarantine measures are slowly eased. The ground handling and aviation revenue contributed 46% of the total revenues.

Revenues from water operations contributed 10% of the total revenues, a decrease by ₱126.17 million (-36%) to ₱221.42 million from ₱347.60 million during the same period last year. This decline is attributable to the downturn of commercial water sales in Boracay, as the island was impacted by the tourism closure due to COVID-19 restrictions and termination of bulk water supply contract of SUMMA in Marilao, Bulacan. On the other hand, the water businesses in other areas grew significantly, but such growth was not enough to offset the significant drop in billed volume in Boracay and Marilao. Billed volume of water in cubic meters ("cu.m.") have decline by 16% from 7.79 million cu.m. in 2019 to 6.50 million cu.m. in 2020.

Administrative revenues decreased due to short-term discounts given to an ecozone locator during the pandemic. No revenues are being derived from chartered flights since August 2016. Currently, MAATS is generating income only from fixed-based operations (FBO) services.

Exploratory drilling revenue represents MMC's earnings from drilling contracts in Carrascal, Surigao which was completed as of the 1st quarter of the current year. The Company has not undertaken subsequent drilling contracts. MMC expects to be assigned by MAC, the Mineral

Production Sharing Agreement (MSPA) for the Infanta Nickel Project, subject to final approval by the DENR Secretary.

Aviation training school, First Aviation Academy (“FAA”) which has started its commercial operation in May 2019 and onboarded 3 batches of trainees (current 33 trainees) had its classes halted in Q2 2020 due to COVID-19 restrictions, resulting into the temporary suspension of revenue generation during the period.

Total direct costs in 2020 amounted to ₱2.36 billion, posting a decrease of ₱2.45 billion (-51%) from 2019. The decline is a result of cost-containment measures put in place to align with the business volume downturn due to COVID-19. Consolidated operating expenses decreased by ₱106.86 million from last year’s ₱1,038.52 million mainly due to cost saving measures implemented by the Group for cash preservation, however, the Group incurred one-time significant costs for the rightsizing of the operating aviation-related subsidiaries through voluntary retirement and retrenchment, reflecting an increase in the employee benefits. Also as a result of the COVID-19 pandemic, there was an observable credit deterioration on the receivables, mostly from airline clients, resulting to the need to accrue provisions for impairment of these financial instruments.

In 2020, a share in net loss of associates was booked, amounting to ₱639.81 million in contrast to 2019 where a share in net income of associates amounting to ₱1,077.26 million was recorded. This represents MAC’s share in the net operating result of its associated companies (LTP, CPCS and JASCO). Changes in equity shares from period to period are dependent upon the results of operations of the three associated companies. Share in net loss of LTP amounted to ₱599.0 million compared to share in net income of ₱1.03 billion in 2019. The net loss of LTP in 2020 is due to significant reduction in its line maintenance business, as most commercial flights stood grounded in the country from March 16, 2020 onwards due to travel restrictions arising from COVID-19 control measures. While LTP’s base maintenance business volume stood resilient, quarantine measures restricted the availability of technical staff to work on the planes. As the COVID-19 control measures gradually eased out base maintenance revenue has improved. Significant factor in the net losses, is the provision for expected credit losses amounting to US$33.1 million. CPCS - our catering associate in Cebu, reflected a 106% decline in its net earnings as the Company was temporarily closed from the declaration of lockdown until the period-end. MAC booked its 40% net loss share in CPCS at ₱10.42 million, compared to last year’s ₱39.84 million share in net income. Share in net loss from JASCO (Japan) amounted to ₱30.4 million as an aviation related entity, loss is due to the decline in demand from air travel due to the COVID-19.

The interest income of ₱9.55 million pertain to income earned from short-term investments, and from installment receivables. Financing charges increased from ₱88.38 million in 2019 to ₱132.52 million in 2020, aligned with the increase in notes payable of the Group and interest on the loan from MSFI which ceased to the be capitalized following the completion of the Commissary in Sucat, Muntinlupa. Other finance charges relate to the interest on lease liabilities being amortized over the lease term as a portion of lease payments to lessor.

Foreign exchange losses were booked during the year due to currency fluctuations where US$ weakens compared to Php.

The Group posted a provision for income tax in the amount of (₱9.30) million in 2020, 105% lower as compared to 2019's ₱191.34 million. Decrease in income tax expense is directly related in the decrease in taxable income. Negative amount relates to deferred taxes applied in the current year

***Financial Position***

At the consolidated level as of December 31, 2020, our total assets stood at ₱10.39 billion, posting a ₱2.10 billion decrease (-17%) from last year-end's level of ₱12.49 billion, primarily due to movements in the Investment in Associates account. Cash and cash equivalents of ₱ 1.27 billion increased by ₱49.1 million (+4%), maintained same level of last year due to cash preservation measures implemented by the Group.

Receivables and contract assets declined by ₱158.8 million (-8%) due to collection of trade receivables and increase in provision for allowance on doubtful accounts for receivables with collection deterioration as a result of the pandemic. Inventories of ₱79.62 million were maintained in line with forecasted inventory level requirements. Other current assets of ₱ 334.53 million represents input taxes, creditable withholding and prepaid taxes and unamortized prepayments for insurance covers, rent, utilities and unconsumed supplies as of December 31, 2020.

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. Movements in the account are contributed by the share in cumulative translation adjustments for LTP and JASCO due to foreign exchange fluctuations, share in re-measurement gains and losses on defined benefit plans due to the revised PAS19, share in cash dividends declared during the current period, and the incremental equity share in net earnings/loss of the associated companies. The Group recorded a decrease of 56% or ₱1,722.13 million in this investment account, from ₱3.09 billion in 2019 to ₱1.37 billion in 2020.

The group's property and equipment of ₱2.44 billion decreased by ₱119.16 million from last year's ₱2.56 billion due to straight-line depreciation of depreciable assets over its useful life and is offset by capital expenditures of the water subsidiaries.

Input taxes-net represent VAT paid on purchases of goods and services that can be recovered as tax refund/credit from the Bureau of Internal Revenue (BIR) or the Bureau of Customs. The Group also has input taxes arising from acquisition of property and equipment and other assets.

The carrying amount of deferred income tax assets of ₱72.42 million as of December 31, 2020. Increase in deferred tax assets pertain to income tax recoverable in the future periods related to the accrual of retirement benefits and monetizable sick leave and vacation leaves. Intangible assets and goodwill decreased by ₱5.04 million (-3%) due to straight line amortization of intangible assets. Other noncurrent assets account includes advances to contractors and suppliers of ₱47.4 million, equity investments designated at fair value through other comprehensive income (FVTOCI)/ available for sale (AFS) investments ₱68.16 million, deferred project costs ₱42.78 million, deposits of ₱44.21 million, deferred mine exploration costs of ₱20.42 million, installment receivables-net of current portion ₱28.06 million, contract asset-net of current portion of ₱14.54 million, pension assets of ₱1.20 million, and deferred rent expense of ₱25.79 million. The goodwill recognized by the Group amounting to ₱127.84 million resulted from the Company's acquisition of a non-controlling interest (13%) from a previous stockholder of MACS in 2006 and the purchase by MAPDC of 67% of BTSI in 2016, 100% of NAWASCOR in 2017 and ASSC of 60% of SUMMA in 2018. Service concession right amounting to ₱422.45 million pertains to incurred construction costs in relation to the construction of water treatment plant and pipe laying activities of SNVRDC and right for water supply and distribution of NAWASCOR and SUMMA. This asset was accounted for in accordance to IFRIC 12, Service Concession Arrangements, under the intangible asset model as SNVRDC received the right to charge users of the public service.

Accounts payable and accrued liabilities decreased by ₱42.20 million (-2%) as of December 31, 2020. Net decrease in the amount pertains settlement of amount owed to suppliers and service provider and release of retentions from contractors.

Loans payable of ₱1,787.1 billion refers to the loan availed from local banks by several companies under the Group to finance their asset acquisition as a result of business expansion which remain outstanding as of year-end. Net decrease in loans payable pertains payment of currently matured loans.

Accrued retirement benefits payable of ₱220.39 million and other long term employee benefits amounting to ₱37.32 million is accounted for based on the latest actuarial valuation of the Group. Deferred tax liabilities of ₱118.80 million decreased from prior year's ending balance ₱142.80 million due to deferred tax impact on the changes in fair value of equity investments designated at FVTOCI and amortization of right of use assets. Dividends payable of ₱31.97 million shows the remaining outstanding checks payable by the Parent Company for the cash dividends declared to MAC shareholders and outstanding dividends to non-controlling interest of MAC's subsidiary.

The Group's other reserves pertain to MAC's gain on the sale of 13% of MACS shares of stock to SATS, and the sale of MASCORP's 20% shares to Konoike Transport Co., LTD. ("Konoike"), net of taxes paid. This is accounted for in accordance with International GAAP 2015 on sale of shares of stock without loss of control. Other components of equity pertain to Reserve for fair value changes of financial assets investments amounting to ₱38.27 million, the Parent Company's share in foreign currency translation adjustments (loss) of LTP and JASCO in the amount of (₱49.18) million which changes in accordance with US$ and JPY exchange rate fluctuations during the period covered, MAC's share in re-measurements of defined benefit plan of associates, and re-measurements of defined benefit plans of subsidiaries.

Movement in the "non-controlling interests" depends on the results of operations of MACS, AWSI, BTSI and subsidiaries of MAPDC with JV partners. This account reflects the 33% equity share of SATS (JV Partner of MAC) in the catering JV,40% share of minority shareholders in SUMMA, 33% share of minority shareholders in BTSI, 49% share of PTC Holding, Inc. ("PTC") in FAA, 20% share of Konoike in MASCORP and 49% share of minority shareholders in Allied Konsult. As of December 31, 2020, non-controlling interests amounted to ₱167.67 million.

***2019 compared with 2018***

The Group recorded a consolidated net income after tax of ₱1,194.03 million for the year 2019, an increase of (10%) as compared to the consolidated net income after tax of ₱1,086.10 million in 2018.

Revenues from in-flight catering contributed 47% of the total revenues. Catering segment revenue significantly grew from last year's ₱1.66 billion to the current year's ₱2.91 billion. This is brought about by increase in the number of meals served to airline and institutional clients, from 5.8 million in 2018 to 12.4 million meals in 2019. Increase in meal count is attributable to contributions coming from subsidiaries of MACS, namely MSFI which begun commercial operations in March 2019 and MacroAsia SATS Inflight Services ("MSIS"), a subsidiary of MACS which was designated as inflight caterer of Philippine Airlines starting March 16, 2019.

The revenues from ground-handling and aviation services rose to ₱2.87 billion from ₱1.46 billion in 2018. The growth is due to increasing passenger and ramp services for PAL and PAL Express in Manila and Cebu. MacroAsia Airport Services is one of 3 ground handlers that were given concessions to operate in the new Terminal 2 in Mactan, Cebu, and it started to book revenues in that terminal in October 2018. Flights handled grew by a total of 76,217 flights (+63%), from 120,862 in 2018 to 197,079 in the current year. MASCORP has established its presence in 27 airport stations this year, from 7 stations in 2016. The ground handling and aviation revenue contributed 47% of the total revenues.

Revenues from water operations contributed 6% of the total revenues, an increased by ₱76.55 million (+28%) to ₱347.60 million from ₱271.04 million during the same period last year. BTSI benefited from the re-opening of Boracay Island in October 2018, as it gained more clients and achieved new revenue sources from STP-related operations. In October 2018, Summa has been acquired by ASSC, one of the Group' wholly-owned subsidiaries. Summa also contributed to the growth in revenue of the Group's water segment. Water segment billed volume of water in cubic meters ("cu.m.") have grown by +92% from 4.06 million cu.m. in 2018 to 7.79 million cu.m. in 2019.

Administrative revenues did not vary significantly as rates charged did not vary significantly compared with last year. No revenues were derived from chartered flights in 2017 since the operations of the helicopter was halted in August 2016. Currently, MAATS is generating income only from fixed-based operations (FBO) services.

Exploratory drilling revenue represents MMC's earnings from drilling contracts in Carrascal Surigao and Dinapigue, Isabela based on percentage of completion.

Aviation training school, First Aviation Academy ("FAA") has started its commercial operation in May 2019 which onboarded batches of trainees.

Total direct costs in 2019 amounted to ₱4.82 billion, posting an increase of ₱2.22 billion (+85%) from 2018. The increase is due to business volume growth of ground-handling and catering subsidiaries. Wage increases also impacted on the labor costs. Consolidated operating expenses increased by ₱327.81 million from last year's ₱710.71 million due to the increase in personnel expenses as the Group continuously grew, aside from the impact of higher taxes caused by the new tax reform law.

Share in net income/loss of associates amounting to ₱1.08 billion which increased by ₱7.25 (+1%) million represents MAC's share in the net operating result of its associated companies (LTP, CPCS and JASCO). Changes in equity shares from period to period are dependent upon the results of operations of the three associated companies. Share in our MRO business is flat compared with last year impacted negatively by the adoption of IFRS 16 standard on Leases (on the interest component – where interest charged on the earlier years is higher and decreases over the term of lease coupled with the impact of USD forex devaluation). For the year ended December 31, 2019, our MRO business registered profits of ₱2.06 billion from which we share 49% or ₱1.03 billion. In 2018, MAC's share in LTP's income is ₱1.02 billion, out of ₱2.06 billion. CPCS - our catering associate in Cebu, reflected a 16% decrease in its net earnings as one of its major clients shifted its meal plan to bought-in products beginning March 2019. MAC booked its 40% net income share in CPCS at ₱39.84 million, compared to last year's ₱47.55 million.

The interest income of ₱11.78 million pertain to income earned from short-term investments, accretion of interest from refundable deposits and from installment receivables. Financing charges increased from ₱51.35 million in 2018 to ₱88.38 million in 2019, aligned with the increase in notes payable of the Group and the impact of adoption of IFRS 16 *Leases.*

Other income and charges is higher at ₱53.81 million against the ₱29.77 million in 2018 mainly due to contribution of subsidiaries which started commercial operations and acquired in prior year and full year contribution reported during the year.

The Group posted a provision for income tax in the amount of ₱191.34 million in 2019, 63% higher as compared to 2018's ₱117.34 million align with the increase in business volume.

***Financial Position***

At the consolidated level as of December 31, 2019, our total assets stood at ₱12.49 billion, posting a ₱2.93 billion increase (+31%) from last year-end's level of ₱9.57 billion. Cash and cash equivalents of ₱1.22 billion increased by ₱544.4 million (+81%), attributable to the increase in operating cash inflows from growth in business volume, proceeds from loan availments and net proceeds from sales of investments in subsidiaries to non-controlling interest. The Group sees no liquidity issues, as the cash balances of the operating subsidiaries continue to increase from robust operating cash inflows. The operations of the investments in MSFI, MSIS and FAA which has started its commercial operation during the year will also help the cash inflows.

Receivables and contract assets grew by ₱1.03 billion (+114%) due to growth in business volume of the Group's catering and ground handling subsidiaries. These are expected to be collected within the year. Inventories of ₱105.98 million were maintained in line with forecasted inventory level requirements. Other current assets of ₱348.49 million represents input taxes, creditable withholding and prepaid taxes and unamortized prepayments for insurance covers, rent, utilities and unconsumed supplies as of December 31, 2019.

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. Movements in the account are contributed by the share in cumulative translation adjustments for LTP due to foreign exchange fluctuations, share in re-measurement gains and losses on defined benefit plans due to the revised PAS19, share in cash dividends declared during the current period, and the incremental equity share in net earnings/loss of the associated companies. The Group recorded an increase of 35% or ₱801.86 million in this investment account, from ₱2.29 billion in 2018 to ₱3.09 billion in 2019.

The group's property and equipment of ₱2.56 billion increased by ₱495.54 million from last year's ₱2.07 billion due to new acquisitions made by our institutional catering facility, MASCORP for their ground handling requirements, First Aviation Academy ("FAA") for its aircraft and other aviation training equipment, and BTSI for its STP servicing equipment and pipelaying. Deferred mine exploration costs of ₱20.42 million remained the same. Investment property of ₱143.85 million pertains to land held for future development by MAPDC.

Input taxes-net represent VAT paid on purchases of goods and services that can be recovered as tax refund/credit from the Bureau of Internal Revenue (BIR) or the Bureau of Customs. The Group also has input taxes arising from acquisition of property and equipment and other assets.

The carrying amount of deferred income tax assets of ₱51.90 million as of December 31, 2019. The DTA mostly came from temporary differences from rental expense as a result of adoption of IFRS 16 *Leases*, allowances on probable losses and doubtful accounts. Intangible assets and goodwill increased by ₱28.72 million (+11%) due to the recognition of NAWASCOR's right to use asset which pertain to rights to operate, manage, maintain water systems of certain subdivisions . Other noncurrent assets account includes advances to contractors and suppliers of ₱55.0 million, equity investments designated at fair value through other comprehensive income (FVTOCI)/ available for sale (AFS) investments ₱76.14 million, deferred project costs ₱57.01 million, deposits of ₱42.71 million, deferred mine exploration costs of ₱20.42 million, installment receivables-net of current portion ₱48.34 million, contract asset-net of current portion of ₱13.52 million, pension assets of ₱1.73 million, deferred rent expense of ₱11.92 million, and restricted investments of ₱7.18 million. The goodwill recognized by the Group amounting to ₱127.84 million resulted from the Company's acquisition of a non-controlling interest (13%) from a previous stockholder of MACS in 2006 and the purchase by MAPDC of 67% of BTSI in 2016, 100% of NAWASCOR in 2017 and ASSC of 60% of SUMMA in 2018. Service concession right amounting to ₱424.61 million pertains to incurred construction costs in relation to the construction of water treatment plant and pipe laying activities of SNVRDC and right for water supply and distribution of NAWASCOR and SUMMA. This asset was accounted for in accordance to IFRIC 12, Service Concession Arrangements, under the intangible asset model as SNVRDC received the right to charge users of the public service.

Accounts payable and accrued liabilities increased by ₱882.68 million (+102%) as of December 31, 2019 mainly due to the significant increase in volume of the ground handling and catering operations.

Loans payable of ₱1,841.9 billion refers to the loan availed from local banks by several companies under the Group to finance their asset acquisition as a result of business expansion which remain outstanding as of year-end. During the year, loans were availed by, MSFI amounting to ₱275 million, BTSI with ₱150 million, MASCORP with ₱162.3 million and US$3.5 million and MAC with ₱500 million. Loan settlement during the year amounted to ₱533.6 million.

Accrued retirement benefits payable of 66.61 million and other long term employee benefits amounting to ₱26.48 million is accounted for based on the latest actuarial valuation of the Group. Deferred tax liabilities of ₱142.80 million remained at the same level as prior year's ending balance. Dividends payable of ₱35.93 million shows the remaining outstanding checks payable by the Parent Company for the cash dividends declared to MAC shareholders.

The Group's other reserves pertain to MAC's gain on the sale of 13% of MACS shares of stock to SATS, the sale 49% of WBSI shares to MetroPac Water Investments Corporation (MWIC) and the sale of MASCORP's 20% shares to Konoike Transport Co., LTD. ("Konoike"), net of taxes paid. This is accounted for in accordance with International GAAP 2015 on sale of shares of stock without loss of control. Other components of equity pertain to Reserve for fair value changes of financial assets investments amounting to ₱45.07 million, the Parent Company's share in foreign currency translation adjustments (loss) of LTP in the amount of (₱47.32) million which changes in accordance with US$ exchange rate fluctuations during the period covered, MAC's share in re-measurements of defined benefit plan of associates, and re-measurements of defined benefit plans of subsidiaries.

Movement in the "non-controlling interests" depends on the results of operations of MACS, ASSC, BTSI and WBSI, subsidiaries of MAPDC with JV partners. This account reflects the 33% equity share of SATS (JV Partner of MAC) in the catering JV,40% share of minority shareholders in SUMMA, 33% share of minority shareholders in BTSI, 49% share of MWIC in WBSI, 49% share of PTC Holding, Inc. ("PTC") in FAA, 20% share of Konoike in MASCORP and 49% share of minority shareholders in Allied Konsult. As of December 31, 2019, non-controlling interests amounted to ₱413.69 million.

***2018 compared with 2017***

The Group recorded a consolidated net income after tax of ₱1,086.10 million for the year 2018, a slight increase of (2%) as compared to the consolidated net income after tax of ₱1,066.15 million in 2017.

The Group's major subsidiaries posted a stronger operating and financial performance in 2018, including our MRO and catering associates, LTP and CPCS.

Revenues from in-flight catering contributed 49% of the total revenues and MACS has been consistent in reporting billion peso revenues from last year's ₱1.54 billion to the current year's ₱1.66 billion. This is brought about by increase in the number of meals served to airline clients, from 3.5 million in 2017 to 3.6 million meals in 2018. The revenues from ground-handling and aviation services rose to ₱1.46 billion from ₱1.03 billion in 2017. The growth is due to continuous passenger and ramp services for the domestic and international flights of PAL and PAL Express  and MASCORP took over ground handling services of new foreign clients outstations which increased by a total of 28,089 flights (+30%) from 92,773 in 2017 to 120,862 in the current year. MASCORP has established its presence in 32 airport stations this year, from 7 stations in 2016.Revenues from water operations contributed 8% of the total revenues and increased by ₱128.40 million (+90%) to ₱271.0 million from ₱142.65 million during the same period last year. The growth is brought about by the acquisition of SUMMA, which is engaged in water treatment and equipment lease last October 2018 further NAWASCOR,  an operating water utility company in Naic, Cavite which was acquired last August 2017 contributed ₱26.14 million in revenues, as well as the customer growth in Solano Water. Revenue contribution from BTSI grew despite the temporary closure of Boracay. DENR released a memorandum circular requiring a number of establishments in Boracay to have their own Sewerage Treatment Plants ("STP"). BTSI entered into agreements for the construction, operation and maintenance of sewerage and treatment facility which created additional revenue stream for BTSI.

Administrative revenues did not vary significantly as rates charged did not vary significantly compared with last year.  No revenues were derived from chartered flights in 2017 since the operations of the helicopter was halted in August 2016.  Currently, MAATS is generating income only from fixed-based operations (FBO) services.

Total direct costs in 2018 amounted to ₱2.60 billion, posting an increase of ₱614.47 million (+31%) from 2017.  The increase in the current period is due to the higher labor costs of our ground-handling and catering subsidiary, driven largely by increases in manpower count due to the growth in business volume and preparation of the ground handling company for the opening of the Terminal 2 in Cebu and taking over of some clients of a ground handling company which closed last April. Wage increases also impacted on the labor costs. In addition, cost of construction for the construction of STP for BTSI's customer contributed to the significant increase in direct cost.   Consolidated operating expenses increased by ₱109.28 million from last year's ₱601.43 million due higher admin costs, productivity-based incentives for employees of the Group, start-up costs of the water related subsidiaries, and higher taxes caused by the new tax reform law.

Share in net income/loss of associates amounting to ₱1,070.01 million which increased by ₱91.51 (+9%) million represents MAC's share in the net operating result of its associated companies (LTP and CPCS). Changes in equity shares from period to period are dependent upon the results of operations of the two associated companies. For the year ended December 31, 2018, our MRO business registered profits of ₱2.06 billion from which we share 49% or ₱1,022.5 billion. In 2017, MAC's share in LTP's income is ₱939.0 million, out of ₱1.894.7 billion. CPCS - our catering associate in Cebu, reflected a 20% increase in its net earnings.  MAC booked its 40% net income share in CPCS at ₱47.55 million, compared to last year's  ₱39.54 million.

The interest income of ₱11.08 million pertain to income earned from short-term investments, accretion from refundable deposits and installment receviables. Financing charges increased from ₱33.2 million in 2017 to ₱51.4 million in 2018, aligned with the increase in notes payable of the Group and the impact of adoption of IFRS 16 *Leases*.

Other income and charges is higher at ₱57.18 million against the ₱44.29 million in 2017 mainly due to foreign exchange gains.

The Group posted a provision for income tax in the amount of ₱117.34 million in 2018, 1% higher as compared to 2017's ₱116.42 million.

Management remains confident about the Group's future and its ability to grow profits. LTP stands to benefit from a robust growth in its line maintenance business, as the planes for servicing from its core client which stood at 61 aircrafts at the end of last year, has currently grown to 79 aircrafts as of the year ended. LTP has started to provide line maintenance for PALex starting July 2018. Continuous growth shall also be driven by new business opportunities in the catering and ground handling business units that will include passenger lounge servicing and expansion in other secondary airports outside our current locations. MacroAsia Airport Services stands to benefit from its being one of 3 ground handlers that were given concessions to operate in the new Terminal 2 in Mactan, Cebu, which became operational. The new commissary of MSFI, a subsidiary of MACS is set to start commercial operations by end of 1st quarter 2019.

***Financial Position***

At the consolidated level as of December 31, 2018, our total assets stood at ₱9.56 billion, posting a ₱1.73 billion increase (+22%) from last year-end's level of ₱7.84 billion. Cash and cash equivalents of ₱675.20 million decreased by ₱238.0 million (-26%), which is caused by the start-up costs of our pre-operating companies and business expansion of MASCORP and BTSI. The Group sees no liquidity issues, as the cash balances of the operating subsidiaries continue to increase from robust operating cash inflows. The operations of the investments in SNVRDC, BTSI,SUMMA and NAWASCOR will also help the cash inflows.

Receivables grew by ₱202.60 million (+29%) due to trade and non-trade related additions in our current operations. These are expected to be collected within the year. Inventories of ₱88.77 million were maintained in line with forecasted inventory level requirements. Other current assets of ₱188.87 million represents input taxes, creditable withholding and prepaid taxes and unamortized prepayments for insurance covers, rent, utilities and unconsumed supplies as of December 31, 2018.

Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. Movements in the account are contributed by the share in cumulative translation adjustments for LTP due to foreign exchange fluctuations, share in re-measurement gains and losses on defined benefit plans due to the revised PAS19, share in cash dividends declared during the current period, and the incremental equity share in net earnings/loss of the associated companies. The Group recorded an increase of 25% or ₱460.25 million in this investment account, from ₱1.83 billion in 2017 to ₱2.29 billion in 2018.

The group's property and equipment of ₱2.07 billion increased by ₱920.43 million from last year's ₱1.14 billion due to new acquisitions made by our catering, ground handling and pre-operating companies. Deferred mine exploration costs of ₱20.42 million remained the same. Investment property of ₱143.85 million pertains to land held for future development by MAPDC.

Input taxes-net represent VAT paid on purchases of goods and services that can be recovered as tax refund/credit from the Bureau of Internal Revenue (BIR) or the Bureau of Customs. The Group also has input taxes arising from acquisition of property and equipment and other assets.

The carrying amount of deferred income tax assets of ₱25.33 million as of December 31, 2018, did not change significantly from the prior year-end. The DTA mostly came from the allowances on probable losses and doubtful accounts. Intangible assets and goodwill increased by ₱33.89 million (+14%) due to the recognition of SUMMA's goodwill amounting to ₱27.37 million. Other noncurrent assets account includes advances to contractors and suppliers of ₱196.95 million, equity investments designated at fair value through other comprehensive income (FVTOCI)/ available for sale (AFS) investments ₱65.16 million, deferred project costs ₱56.81 million, deposits of ₱41.37 million, deferred mine exploration costs of ₱20.42 million, installment receivables-net of current portion ₱49.40 million, contract asset-net of current portion of ₱25.41 million, pension assets of ₱37.21 million, deferred rent expense of ₱13.35 million, prepaid rent of ₱6.34 million and restricted investments of ₱7.18 million. The goodwill recognized by the Group amounting to ₱127.84 million resulted from the Company's acquisition of a non-controlling interest (13%) from a previous stockholder of MACS in 2006 and the purchase by MAPDC of 67% of BTSI in 2016, 100% of NAWASCOR in 2017 and ASSC of 60% of SUMMA in 2018. Service concession right amounting to ₱429.70 million pertains to incurred construction costs in relation to the construction of water treatment plant and pipe laying activities of SNVRDC and right for water supply and distribution of NAWASCOR. This asset was accounted for in accordance to IFRIC 12, Service Concession Arrangements, under the intangible asset model as SNVRDC received the right to charge users of the public service.

Accounts payable and accrued liabilities increased by ₱224.85 million (+35%) as of December 31, 2018 mainly due to the significant increase in volume of the ground handling operations and accrual of construction costs for MSFI and BTSI. Notes payable of ₱1,101.98 million refers to the loan availed from local banks by several companies under the Group. MASCORP our ground-handling subsidiary, has an outstanding loan of ₱94 million used to finance its various asset acquisitions. Loan obtained by the Parent Company in December 2016 with outstanding amount of ₱85 million related to the acquisition of BTSI, additional loans drawn by MSFI amounting to ₱125 million in April and ₱275 million in July. In May 2018, BTSI entered into long-term loans amounting to ₱100 million. Additional short-term loans are availed by MASCORP and BTSI with an aggregate amount of ₱78.68 million and ₱75.0 million, respectively on the 3rd quarter. Moreover, additional loans availed by MASCORP and BTSI with aggregate amount of ₱50.0 million and ₱150.0 million, respectively on the 4th quarter. Accrued retirement benefits payable of ₱19.35 million and other long term employee benefits amounting to ₱9.70 million is accounted for based on the latest actuarial valuation of the Group. Deferred tax liabilities of ₱138.61 million remained at the same level as prior year's ending balance. Dividends payable of ₱21.23 million shows the remaining outstanding checks payable by the Parent Company for the cash dividends declared to MAC shareholders.

The Group's other reserves pertain to MAC's gain on the sale of 13% of MACS shares of stock to SATS and the sale of 49% of WBSI shares to MetroPac Water Investments Corporation (MWIC), net of taxes paid. This is accounted for in accordance with International GAAP 2015 on sale of shares of stock without loss of control. Other components of equity pertain to Reserve for fair value changes of financial assets investments amounting to ₱35.72 million, the Parent Company's share in foreign currency translation adjustments (loss) of LTP in the amount of ₱53.35 million which changes in accordance with US$ exchange rate fluctuations during the period covered, MAC's share in re-measurements of defined benefit plan of associates, and re-measurements of defined benefit plans of subsidiaries.

Movement in the "non-controlling interests" depends on the results of operations of MACS, ASSC, BTSI and WBSI, subsidiaries of MAPDC with JV partners. This account reflects the 33% equity share of SATS (JV Partner of MAC) in the catering JV,40% share of minority shareholders in SUMMA, 33% share of minority shareholders in BTSI and 49% share of MWIC in WBSI. As of December 31, 2018, non-controlling interests amounted to ₱363.09 million.

***Plans and Prospects***

The Group's aviation-related business units continue to be impacted by the global downturn in air travel due to Corona Virus Disease 2019 (COVID-19). Being an archipelago, air travel in the Philippines is expected to recover faster, compared to countries without a domestic travel market. Domestic flights have started to increase after the enhance community quarantine (ECQ) were implemented, as more local government units open their borders to domestic tourism and inter-island travel. In coping with the business downturn, the Group implemented cost containment and cash conservation measures, highlighted by an aggressive rightsizing program in line with the airport business volumes. Other than the sustainable cost leadership efforts on aviation-related businesses, the Group has also focused on growing its non-airline related business (water distribution and non-airline food business).

**MRO (Aircraft Maintenance, Repair, Overhaul):**
Lufthansa Technik Philippines (LTP) will continue to complete its facility expansion program by completing the shell of a multi-purpose wide-body hangar in 2021. This is in anticipation of the return of business volumes to normalcy within the next two years. While foreign airline clients have opted to delay their heavy maintenance programs in the midst of this pandemic, it is forecasted that as travel restrictions ease due to the various vaccination programs globally, planes that were grounded will slowly be recalled into operation, thus, increasing the market for potential base repair in 2021 onwards. The line business, which is essentially airport-flight driven will follow the airport volume growth in NAIA, Cebu, Clark, Davao where LTP operates. In the meantime, LTP has reduced its workforce in response to the volume downturn, without jeopardizing its future capacity due to the long gestation period of training rated and qualified technical staff for the MRO business.

**FOOD SERVICES:**

***Inflight Food***: The Group's inflight catering services business through MacroAsia Catering Services (MACS), MacroAsia SATS Inflight Services (MSIS) and Cebu Pacific Catering Services (CPCS), faced substantial meal volume downturn as commercial flights and passenger travel were restricted. The PAL Kitchen operated by MSIS is growing faster than the foreign airlines kitchen, driven by a growing domestic requirement for meals, and the strategy of the major local carrier to double-cater meals from Manila for flights bound for several regional destinations. During the quarantine period, the foreign airlines kitchen was successful in securing additional foreign airlines from its competitor.

***Non-Airline Food***: MacroAsia SATS Food Industries (MSFI) started operations in March 2019, supporting the requirements of the inflight kitchens. Being a commissary outside of the airport, it is able to produce meals for the general public, as well as institutional clients or food brands as contracted by establishments to be its "dark/virtual kitchen" partner. MSFI is looking to have a significant increase in utilization rate by end of 2021 as the Company has established its presence through various online platforms, launching its own brand ( "MAC Chefs Depot" and "Chef's Express"). It has been successful in being a virtual kitchen for some name brands, and is currently growing its portfolio to produce items for various quick-service restaurants with a multi-store channel. It has also locked-in a multiple-year supply contract for a budget carrier. It is focusing its portfolio growth to cater to more institutional clients, convenience stores, and other players with existing market reach.

**GATEWAY SERVICES:**

The Group's ground handling business, through MASCORP which is present in 27 airport locations all over the Philippines saw its workforce decline as airports all over the country went into hibernation. Only 3 key airports (NAIA, Clark, Cebu) became substantial entry points for airline travel during the quarantine period in the Philippines. Due to the volume downturn, MASCORP implemented a capacity reduction program, targeting HR costs as the major item for containment. With the one-time costs in 2020 well-spent, MASCORP will benefit from having a better productivity rate and leaner costs in 2021 as flight volumes slowly return. The Group's revenues from gateway services will also go beyond ground handling, as this will include apron ramp cleaning, maintenance of ground support equipment (GSE) and cargo handling. During the quarantine period, it was also able to secure a major foreign airline in NAIA.

**PROPERTY DEVELOPMENT**:

No major development works in ecozone operations are foreseen in 2021, as the thrust is to have the operational at optimal cost to conform with PEZA and locator requirements, while waiting for airport volumes to return to normalcy.

**AVIATION TRAINING**:
The Group's aviation training business, through First Aviation Academy, Inc. (FAA), was impacted by the closure of Subic Bay Intl Airport (SBIA) to flights during the quarantine period in 2020. While SBIA has already opened up to limited flights per day, FAA has opted to expand its operations to other provincial airports. In 2021, it will invest in more training aircraft and simulators in order to cope with the delayed training schedule for its pilot students, and in preparation for a marketing drive to take in foreign trainees into its fold. During the quarantine period, it has secured bank and shareholder financing for its expansion program.

In previous years, the Group has ventured into natural resources development, considering its rich history as a mining company in the 1970's.

**MINING:**
The mining assets of MacroAsia are legacy assets of the original company (MAC was formerly Infanta Mineral And Industrial Corporation). Due to the high nickel price and market demand, MAC has received in 2020, various development offers for the Infanta Nickel Mine. MAC is currently studying the commercial offers, without MAC allocating funds for any further investment in this area. Whatever direction MAC will take in this regard, such will be seen as beneficial to the Group as it will bring an opportunity to generate cash from the asset.

**WATER BUSINESS:**
In 2020, the MacroAsia Group is booking revenues from 3 operating water utilities owned by MAPDC namely: BTSI (Boracay), NAWASCOR (Cavite) and SNVRDC (Nueva Vizcaya), and the other one is SUMMA (Bulacan, Bicol, Iloilo) which is owned by ASSC. While most concession areas saw significant portfolio and volume growth, the water operations of BTSI were impacted by the closure of Boracay to tourism. The government has now re-opened the island to domestic tourism, and the water demand in the area is slowly growing. SUMMA also ended its bulk water treatment contract in Marilao in 2020. The volume declines from BTSI and SUMMA were substantial, going beyond the intrinsic growth of volumes in Cavite and Nueva Vizcaya.

It is expected that in 2021, the water business of MAC will grow significantly better than 2020. Volumes in Boracay Island are slow returning. The Cavite operations are expected to double its account portfolio due to new operations in new areas outside of Naic, particularly in Maragondon, Gen. Trias and some other areas. Solano Water is also expanding its network due to the completion of its tertiary line expansion project started in 2020.

SUMMA, having successfully constructed the Maragondon Water Treatment Plant will expand its marketing reach to LGUs and water districts to build portable water treatment plants. In line with its commitment to environmental sustainability, it will expand its business in wastewater treatment. Summa plans to sell or lease out affordable but efficient Compact Wastewater Treatment Systems all over the Philippines. Summa also targets to substantially grow its business in bulk water and will further improve the operational efficiency of its existing water treatment plants.

A new JV in 2020 that is focused on sewage treatment will also be operational in 2021. Its treatment plant is based in Gen. Trias, Cavite. This JV's business, focusing on a niche market, will help water districts, LGUs and commercial establishments comply with the Clean Water Act.

**New Prospects**

*Foray into telecom (radio trunking)*

Currently, the radio trunking requirements of the Group in various airports are provided by 3rd-party providers. In the last two years, the Group has invested on a digital radio trunking system in several airports, using a frequency that has already been made available by the government to the aviation group, several years back. With the impending completion of regulatory requirements and the commissioning of the network, this investment will be operational in the first half of 2021, opening new avenues for cost control and revenue growth.

MAC and its subsidiaries expect to maintain a liquid position, as cash flow generation shall be seen to increase from current and new businesses of the Group. While the Group endeavors to fund new investments mostly from internally-generated funds, the robust growth plans may drive the Group to avail of debt from bilateral partner banks for major projects in 2021.

Due to the nature of the Group's operations, no product research and development activities are anticipated during the next 12 months. However, more employees, particularly aircraft-services and passenger services staff shall continue to undergo specialized training and development, since there is a demand for such skills in the global labor market.

## ITEM 7. FINANCIAL STATEMENTS

The consolidated financial statements are filed as part of this Form 17-A (page 68).

## ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

***External Audit Fees and Services***

| | 2020 | 2019 |
|---|---|---|
| Regular annual audit of financial statements | ₱7,510,500 | ₱7,418,500 |
| Non audit fees | 2,700,000 | - |
| **Total** | **₱10,210,500** | **₱7,418,500** |

***Audit Committee's Approval Policies for the Services of External Auditor***

All services to be rendered and fees to be charged by the external auditors are presented to and pre-approved by the Audit Committee. An audit planning meeting is conducted at least one month before the actual performance of work. The meeting includes discussion of the following:

a. client service team
b. scope of audit work
c. updates for management
d. possible risk areas and suggested Management action plans to strengthen internal controls
e. coordination with the audit of subsidiaries and associates
f. audit work plan and critical dates
g. expectations settings

***Independent Public Accountants***

SyCip Gorres Velayo & Co. (SGV & Co.) has acted as the Group's independent public accountant. Audit Partner-in-Charge, Mr. Kristopher S. Catalan of SGV & Co. handled the financial audit for the year ended December 31, 2020. Among his clients are the largest companies in the consumer products, technology, asset management, air transportation, agricultural businesses, industrial goods, construction and real estate industries. He is a member of the SGV & Co.'s Capital Markets Center and the Accounting Standards Group. He is highly knowledgeable in Revenue Recognition, Business Combinations and Leases. He is also a frequent resource person in training on International Financial Reporting Standards (IFRS) and Assurance. He took over from Ms. Josephine H. Estomo of the same auditing firm, who was partner-in-charge from years 2014 to 2019. The change was made in compliance with SEC Memorandum Circular No. 8 – Rotation of External Auditors/Partners-in-Charge.

***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

There were no other changes in or disagreements with accountants during the last three calendar years or any subsequent interim period.

# PART III. MANAGEMENT AND CERTAIN SECURITY HOLDERS

## ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

***Board of Directors****

| Name | Position | Committee Membership |
|---|---|---|
| Dr. Lucio C. Tan | Chairman of the Board and Chief Executive Officer | Chairman – Investment Committee |
| Carmen K. Tan | Director | Member – Investment Committee |
| Lucio C. Tan III | Director | Member – Corporate Governance, Audit, Related Party Transactions, Compensation and Investment Committees |
| Vivienne K. Tan | Director | Member – Risk Management and Investment Committees |
| Joseph T. Chua | President and Chief Operating Officer | Member – Investment, Mining and Risk Management Committees |
| Michael G. Tan | Director | Member – Audit, Compensation, Risk Management and Mining Committees |
| Eduardo Luis T. Luy | Treasurer | Member – Mining Committee |
| Johnip G. Cua | Lead Independent Director | Chairman – Audit, Compensation and Mining Committees<br>Member – Corporate Governance, Related Party Transactions, Investment and Risk Management Committees |
| Ben C. Tiu | Independent Director | Chairman – Risk Management Committee<br>Member – Corporate Governance, Audit, Related Party Transactions and Compensation Committees |
| Marixi R. Prieto | Independent Director | Chairperson –Corporate Governance and Related Party Transactions Committees<br>Member – Audit and Risk Management Committees |
| Samuel C. Uy | Independent Director | Member – Corporate Governance, Audit, Related Party Transactions, Compensation and Risk Management Committees |

**The Directors' term of office is one year. Election for the Board of Directors is conducted during the annual stockholders' meeting held every second Thursday of May (formerly every third Friday of July) , starting 2021.*

***Dr. Lucio C. Tan.*** Mr. Tan, 86, Filipino, has served as Chairman of the Board of Directors since July 2015 and as Chief Executive Officer since December 14, 2015. Dr. Tan is also the Chairman of LT Group, Inc., Absolut Distillers, Inc., Alliedbankers Insurance Corporation, Allianz PNB Life Insurance, Air Philippines Corporation, Asia Brewery, Inc., Asian Alcohol Corporation, Basic Holdings Corporation, Buona Sorte Holdings, Inc., Eton Properties Philippines, Inc., Fortune Tobacco Corporation, Foremost Farms, Inc., Grandspan Development Corporation, Himmel Industries, Inc., Lucky Travel Corporation, Mabuhay Maritime Express Transport, Inc., Philippine Airlines, Inc., PMFTC Inc., Progressive Farms, Inc., PAL Holdings, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Tangent Holdings Corporation, The Charter House, Inc., Trustmark Holdings Corporation, University of the East, Zuma Holdings and Management Corporation. He is also a Director of Philippine National Bank. He holds a Bachelor of Science degree in Chemical Engineering from Far Eastern University.

Dr. Lucio Tan holds a Doctor of Philosophy degree, Major in Commerce from the University of Santo Tomas in 2003 and is an awardee of several other honorary Doctorate degrees. He holds a Bachelor of Science degree in Chemical Engineering from Far Eastern University.

***Carmen K. Tan.*** Mrs. Tan, 79, Filipino, has served as a Director of the Corporation since July 2012. Aside from her membership in the Board of Directors of the Corporation, Ms. Tan is also the Vice Chairman of Philippine Airlines, Inc. and LT Group, Inc. She is also a Director of Air Philippines Corporation, Asia Brewery, Inc., Buona Sorte Holdings, Inc., Foremost Farms, Inc., Dynamic Holdings, Ltd, Eton City, Inc., Fortune Tobacco Corporation, Himmel Industries, Inc., Lucky Travel Corporation, PAL Holdings, Inc., Philippine National Bank, PMFTC Inc., Progressive Farms, Inc., Tanduay Distillers, Inc., Manufacturing Services and Trade Corporation, Sipalay Trading Corporation, Saturn Holdings, Inc., Tangent Holdings Corporation, Trustmark Holdings Corporation and Zuma Holdings and Management Corporation.

Mrs. Tan is a distinguished alumna of the Paco Chinese School and the University of the East, Manila.

***Lucio C. Tan III,*** Mr. Tan, 28, Filipino, has served as Director of the Corporation since December 2019. Since December 2019, Mr. Tan has also served on the Board of Directors of the following corporations: LT Group, Inc., PAL Holdings, Inc., Philippine Airlines, PAL Express, Lufthansa Technik Philippines, Inc., MacroAsia Catering Services, Inc., MacroAsia SATS Inflight Services Corporation, MacroAsia Airport Services Corporation, MacroAsia Properties Development Corporation, Belton Communities, Inc., Eton City, Inc. and FirstHomes, Inc. He is currently the President and CEO of Tanduay Distillers Inc.

Before joining the group, he worked as Head Software Engineer for Lyft from April 2018 to 2019, and as Intern for Facebook, Apple and Cisco. He joined organizations like the Stanford Asian Student Entrepreneur Society, where he served on the Executive Board and as Finance Officer, and the Stanford Tau Beta Pi Engineering Honors Society as a member.

Mr. Tan took his Masters Degree in Computer Science and graduated with the highest award given to engineering seniors of Stanford University USA - The Frederick E. Terman Award in 2015 for the course M.S. in Computer Science. He was also awarded the President’s Award for Academic Excellence in his Freshman Year and admitted to the Tau Beta Pi Honors Society for his Junior and Senior years.

***Vivienne K. Tan.*** Ms. Tan, 52, Filipino, has served as Director of the Corporation since July 2019. She also serves as a member of the Board of Directors of: (i) LT Group, Inc., (ii) Eton Properties Philippines, Inc., and (iii) PNB. She is a member of the Board of Trustees of (i) University of the East, (ii) University of the East Ramon Magsaysay Memorial Medical

Center and (iii) De La Salle - College of Saint Benilde. She is an Executive Director of Dynamic Holdings Limited. Ms. Tan is also the Founding Chairperson of Entrepreneurs School of Asia, and is the Founder and President of the Thames International Business School.

Ms. Tan has a Bachelor of Science Double Degree in Mathematics and Computer Science from the University of San Francisco, USA. She also has a Post-Graduate Diploma in Fashion Design and Manufacturing Management from the Fashion Institute of Design and Merchandising in Los Angeles.

***Joseph T. Chua.*** Mr. Chua, 64, Filipino, has been a member of the Corporation's Board of Directors since August 1997. He is currently the President and COO of MacroAsia Corporation, a position he has held since December 15, 2015. Prior to this, he was the CEO of MacroAsia Corporation from July 2003 to December 14, 2015. He is also the President and a member of the Board of Directors of the following corporations: (i) MacroAsia Catering Services, Inc. (since July 2003), (ii) MacroAsia Airport Services Corp. (since 2000), (iii) MacroAsia Properties Development Corporation (since 2013), (iv) MacroAsia Air Taxi Services (since 2004), (v) MacroAsia Mining Corporation (since 2012), (vi) MacroAsia SATS Food Industries Corporation (since 2015), (vi) MacroAsia SATS Inflight Services Corporation (since March 2019), (vii) Watergy Business Solutions Inc. (since 2014) and Allied Water Services, Inc. (since June 2002).

Mr. Chua is also the Chairman of the Board of Directors of the following corporations: (i) J.F. Rubber Phils. (since 1993), (ii) MacroAsia Air Taxi Services (2001-2003), (iii) Watergy Business Solutions Inc. (2011-2013), (iv) Cavite Business Resources Inc. (since 2011), (v) MacroAsia Properties Development Corporation (2003-2012), (vi) MacroAsia Mining Corporation (2004-2012), (vii) Boracay Tubi System, Inc. (since December 2016), (viii) Naic Water Supply Corporation (since August 2017), (ix) First Aviation Academy, Inc. (since December 2017), (x) Summa Water Resources, Inc. (since October 2018), (xi) Alliedkonsult Eco-solutions Services Corporation (since November 2019), (xii) Cavite Alliedkonsult Services Corporation (since November 2019), (xiii) MacroAsia Airport Services Corporation (since March 2020), (xiv) MacroaAsia Catering Services, Inc. (since October 2020), (xv) MacroAsia SATS Food Industries Corporation (since October 2020) and (xvi) MacroAsia SATS Inflight Services Corporation (since October 2020).

He also served/serves as a director of: (i) PAL Holdings, Inc. (October 2014-January 2018 and October 2019-Present), (ii) Philippine Airlines, Inc. (August 2003-March 2012 and October 2014-January 2018), (iii) Air Philippines Corporation (February 2015-January 2018), (iv) Bulawan Mining Corporation (since June 2009-January 2018), (v) PNB Management & Development Corporation (since June 2009-January 2018), (vi) ETON Properties Philippines, Inc. (May 2013–September 2017), (vii) Eton City Inc., (since May 2013), (viii) Belton Communities, Inc. (since May 2013), (ix) FirstHomes Inc. (since May 2013) and (x) PNB General Insurers Co., Inc. (August 2014-February 2018), (xi) Lufthansa Technik Philippines, Inc. (since 2000) and (xii) LTG, Inc. (June 2014-February 2018). His other business affiliations include: (i) Philippine National Bank, as director (May 2014-May 2015) and Board Advisor (May 2015-February 2018).

Mr. Chua holds a Master of International Finance degree from the University of Southern California, USA and a double degree of Bachelor of Arts in Economics and Bachelor of Science in Business Management from De La Salle University.

***Michael G. Tan.*** Mr. Tan, 54, Filipino, has served as Director since 17 July 2015. He serves as the President and Chief Operating Officer of LT Group, Inc., Asia Brewery, Inc., and Director of the following companies: Eton Properties Philippines, Inc., Philippine National Bank, PMFTC Inc., Tanduay Distillers, Inc. and Victorias Milling Co.

Mr. Michael Tan holds a Bachelor of Science degree in Applied Science in Civil Engineering, major in Structural Engineering, from the University of British Columbia, Canada.

***Eduardo Luis T. Luy.*** Mr. Luy, 27, Filipino, has served as Director and Treasurer of the Corporation since December 12, 2019. He worked in Reyes Tacandong & Co. from 2015-2018.

Mr. Luy holds a Master in Business Administration from Asian Institute of Management and a Bachelor of Science degree in Business Administration from the University of the Philippines-Diliman.

***Johnip G. Cua.*** Mr. Cua, 64, Filipino, has served as Independent Director of the Corporation since 2006. He was formerly the President of Procter & Gamble Philippines Inc. (1995-2006). He currently serves as the Chairman of the Board of the P&Gers Fund Inc. (since 2009) and Xavier School, Inc. (since 2012), and the Chairman & President of Taibrews Corporation (since 2011). Additionally, he serves as a member of the Board of Trustees of Xavier School Educational & Trust Fund (since 1996) and MGCC Foundation (since 2015).

Mr. Cua is an Independent Director of the following corporations: (i) BDO Private Bank (since 2008), (ii) Philippine Airlines Inc. (since 2014), (iii) PAL Holdings Inc. (since 2014), (iv) Century Pacific Food Inc. (since 2014), (v) LT Group Inc. (since 2018), (vi) Tanduay Distillers Inc. (since 2018), (vii) Asia Brewery Inc. (since 2018), (viii) Eton Properties Inc. (since May 2014), (ix) ALI Eaton Property Development Corp. (since July 2018), (x) MacroAsia Catering Services, Inc. (since 2007), (xi) MacroAsia Airport Services Corp. (since 2007), (xii) MacroAsia Properties Development Inc. (since 2013), (xiii) PhilPlans First Inc. (since 2009 ), and (xiv) First Aviation Academy Inc. (since 2017).

Mr. Cua is also a member of the Board of Directors of the following corporations: (i) Allied Botanical Corporation (since 2012), (ii) Alpha Alleanza Manufacturing Inc. (since 2008), (iii) Bakerson Corporation (since 2002), (iv) Interbake Marketing Corporation (since 1991), (v) Lartizan Corporation (since 2007), (vi) Teambake Marketing Corporation (since 1994), and (vii) Zenori Corporation (since 2018).

Mr. Cua holds a Bachelor of Science degree in Chemical Engineering from the University of the Philippines.

***Ben C. Tiu*** Mr. Tiu, 68, Filipino, has served as an Independent Director of the Corporation since July 2013. He is the Chairman of the Board of Directors of the following corporations: (i) Fidelity Securities (since 1993), (ii) Tera Investments, Inc. (since 2001), (iii) TKC Steel Corporation (since 2007Present), (iv) Treasure Steelworks Corp. (since 2005), and (v) BRJ Trading (since 1988). He also serves as the Chairman and President of JTKC Equities, Inc. (since 1993). He is currently the Executive Vice President of JTKC Leisure Group. He also serves as Director of I-Remit Inc. (since 2006).

Mr. Tiu holds a Master of Business Administration degree from the Ateneo De Manila University and a Bachelor of Science degree in Mechanical Engineering from Loyola Marymount University, USA.

***Marixi R. Prieto.*** Ms. Prieto, 80, Filipino, has served as an Independent Director of the Corporation since December 2015. She is the Chairman of the Board of Bataan 2020 Inc. She served/serves as a member of the Board of Directors in the following companies: (i) Philippine Daily Inquirer, (ii) Hinge Inquirer Publication Inc., (iii) Inquirer Interactive Inc., (iv) Inquirer Publications Inc., (v) Printown Group, (vi) Sunvar Inc., Investment and Marketing Association, (vii) Ionian Industrial Property Inc., (viii) Corinthian Industrial Property, Inc., (ix) HMR Enterprises, Inc., (x) Lexmedia Realty, Inc., (xi) Var Buildings, Inc., (xii) Parkside Realty Development Corporation, (xiii) Golden Pizza Inc., (xiv) Golden Donuts Inc., (xv) International Family Foods Services, Inc., (xvi) Mix-plant Inc., (xvii) LRP Inc., Pinnacle Printers Corporation, (xviii) Inquirer Holdings, Inc., (xix) Mediacom Equities, Inc., (xx) Matrix Resources Portfolio Holdings, Inc., (xxi) Excel Pacific Equities, Inc., and (xxii) Cebu Daily News.

Ms. Prieto is also the Treasurer of the following corporations: (i) Sunvar Realty Development Corporation, (ii) Marilex Realty Development Corporation, and (iii) Ionian Realty & Development Corporation.

Ms. Prieto holds a Bachelor of Science degree in Business Management from Assumption College Inc.

***Samuel C. Uy.*** Mr. Uy, 67, Filipino, has served as Independent Director since April 30, 2018. He is the current President and Administrator of Ricardo Limso Medical Center (since 2004), as well as the President and CEO of 3S Realty Corporation (since 2007) and Toril Sports Complex (since 2008). He is also the Vice President since 1986-2019 of Kaunlaran Development Corporation and Davao Farms Incorporated, and became the President since 2020. He is also the Vice President of Asaje Hotels (since 2020), Dimdi Centre Inc. (since 1986) and Daland Development Corporation. He is the Treasurer for Dimdi Builders Inc. and Asaje Realty Corp. (since 2020).

Mr. Uy is also a director of Honda Cars Gensan, and an Independent Director of Philippine Airlines, Inc. (since March 2017).

Mr. Uy holds a Bachelor of Science degree in Agriculture from Xavier University. He also studied Bachelor of Science in Management at the Ateneo de Manila University.

*Executive Officers*

| Name | Position |
|---|---|
| Atty. Marivic T. Moya | Senior Vice President - Human Resources, Legal and External Relations, Chief Compliance Officer / Corporate Information Officer |
| Amador T. Sendin | Chief Financial Officer, Chief Risk Officer, Senior Vice President - Administration |
| Belgium S. Tandoc | Vice-President - Business Development/ Data Protection Officer |
| Atty. Florentino M. Herrera III | Corporate Secretary |

***Atty. Marivic T. Moya***. Ms. Moya, 60, Filipino, has served as an Executive Officer since May 1999. She is the current Senior Vice President for Human Resources, Legal and External Relations, Chief Compliance Officer and the Chief Information Officer of MacroAsia Corporation. Prior to this, Atty. Moya was the Vice President for Human Resources, Legal and External Relations of MacroAsia Corporation and Compliance Officer (1999-2019).

She is also the Corporate Secretary of MacroAsia Catering Services Inc. (since 2004), MacroAsia SATS Food Industries Corporation, MacroAsia SATS Inflight Services Corporation (since 2019) and Director of MacroAsia Catering Services Inc. and MacroAsia SATS Inflight Services Corporation (since 2019), MacroAsia Airport Services Corp. (since 2004), MacroAsia Properties Development Corp. (since 2004) and Director (since 2019), Asia's Emerging Dragons Corp., and a Director and Corporate Secretary in MacroAsia Air Taxi Services, Inc. (since 2004), and MacroAsia Mining Corp. (since 2000), SNV Resources Development Corp., Boracay Tubi System, Inc., First Aviation Academy, Inc. (since 2017) and Summa Water Resources, Inc. (since October 2018).

She is also a Director in Naic Water Supply Corporation, Watergy Business Solutions Inc., and Cavite Business Resources Inc., Alliedkonsult Eco-solutions Corporation and Cavite Alliedkonsult Services Corporation (since 2019).

She is currently the Assistant Corporate Secretary of LT Group and PAL Holdings, Inc. She served as the Corporate Secretary of MacroAsia Corporation from 2004 to 2014. She is also the Corporate Secretary of Philippine Airlines, Inc. (since 2014). She worked with various Government Institutions from 1987 to 1999, holding key positions such as Legal Officer of the National Bureau of Investigation (NBI) from 1987-1989, Arbitration Specialist of Philippine Overseas Employment Administration (POEA) from 1989 to 1990, Director II (Chief, Legal Service) of Philippine Health Insurance Corporation from 1990 to 1996 and Graft Investigation Officer II at the Office of the Ombudsman from 1997 to 1999. She also held the position of Human Resources Manager of Grand Air from 1996 to 1997. She was a member of the Board of Trustees of the University of Santo Tomas Law Alumni Association (2010-2013).

Atty. Moya holds a Bachelor of Law degree from the University of Santo Tomas and a Bachelor of Arts degree, Major in Child Study from Maryknoll College.

***Amador T. Sendin***. Mr. Sendin, 58, Filipino, a Certified Public Accountant (CPA), has served as an Executive Officer since October 2003. He is the current Chief Financial Officer (since 2012), Chief Risk Officer and Senior Vice President for Administration of MacroAsia Corporation. He is also the Treasurer of MacroAsia Properties Development Corporation ( since 2013), Summa Water Resources, Inc. (since 2018), and the Treasurer and Director of MacroAsia Airport Services Corporation (since 2011), MacroAsia Air Taxi Services Inc. (since 2011), MacroAsia Mining Corporation (since 2004), Watergy Business Solutions Inc. (since 2010), Boracay Tubi System, Inc. (since 2016), Bulawan Mining Corporation (since 2018), First Aviation Academy Inc. (since July 2019), MacroAsia Catering Services Inc., MacroAsia SATS Food Industries Corporation, MacroAsia SATS Inflight Services Corporation (since June 2019), AlliedKonsult Eco-Solutions Corporation, and Cavite AlliedKonsult Services Corporation (since Dec 2019). He is currently the President of SNV Resources Development Corp. (since 2013), Cavite Business Resources Inc. (since 2016), Naic Water Supply Corporation (since 2017), and a Director of Cebu Pacific Catering Services, Inc. (since 2004)

Prior to this, Mr. Sendin was the Vice President for Business Development of MacroAsia Corporation (2003-2019), Treasurer and Director of Cavite Business Resources Inc. (2013-2016), Finance Manager of MacroAsia Catering Services, Inc. (2000-2003), and Finance Controller of MIASCOR Catering (1998-2000). He was Operations Head of Amikris Enterprises (1993-1998) and a Resource Person of the Central Bank Institute (Bangko Sentral Ng Pilipinas Institute) (1992-1997). He was Projects Supervisor for SAS Service Partners/Saudia Catering in KSA (1992-1993). Mr. Sendin started his career with the Central Bank of the Philippines (Bangko Sentral Ng Pilipinas) from 1983-1992, rising from a staff position until he became Division Chief/Staff Officer A.

Mr. Sendin is a holder of Masters in Accountancy from Polytechnic University of the Philippines, Bachelor of Science in Psychology from St. Louis University, and a Certificate in Organizational Development in 2000. He has also completed a Management Development Program in Switzerland.

***Belgium S. Tandoc,*** Mr. Tandoc, 50, Filipino, a Certified Financial Consultant and Certified Data Protection Officer, has served as Vice President for Business Development since July 2019. He joined the Business Development group of MacroAsia Corporation in March 2017. He is currently a Director of Naic Water Supply Corporation and Treasurer of Cavite Business Resources, Inc. Prior to joining the company, Mr. Tandoc served as the Vice President – Finance and Business Development for SCCI Advisors and SCCI Management and Insurance Agency, Inc. from 2004 to 2016 where he led and implemented various private and government projects including packaging LGU Bond flotations. Mr. Tandoc started his career as a Business Analyst at Credit Information Bureau, Inc. in 1991 and left as a Group Head in 1994. From there he moved up to various positions in several investment houses and management & financial advisory companies where he worked in various fields including investment banking, corporate finance, credit, treasury and project development.

He holds a Bachelor of Science in Business Administration – Management and Bachelor of Science in Social Work degrees from the Pamantasan ng Lungsod ng Maynila. He is a member of the Financial Executives of the Philippines.

***Atty. Florentino M. Herrera III,*** Atty. Herrera, 69, Filipino, has served as Corporate Secretary since December 2014. He is the Founding Partner of Herrera Teehankee & Cabrera Law Offices. He was a Partner of one of the largest law offices in the Philippines. He has been engaged in the general practice of law for the past forty-two (42) years, specializing in corporate law practice as counsel for various companies. Among others, he serves as Senior Adviser of CVC Asia Pacific Limited; he is a director of Philippine Airlines, Inc. (PAL), Lufthansa Technik Philippines (LTP), and Alphaland Corporation. He is the Corporate Secretary of Allianz PNB Life Insurance, Inc.

Atty. Herrera holds a Bachelor of Arts in Political Science degree and a Bachelor of Laws degree (Cum Laude, Salutatorian) both from the University of the Philippines.

***Significant Employee***

***Ronald Ron D. Dimatatac.*** Mr. Dimatatac, 29, Filipino, Certified Public Accountant (CPA) and Real Estate Broker and Appraiser has served as Financial Accountant since August 2018. He worked with SyCip Gorres Velayo & Co. (SGV & Co.) from September 2014 to September 2016 as an Assurance Associate and Senior Assurance Associate from October 2016 to July 2018.

***Family Relationships***

Dr. Lucio C. Tan, Chairman and CEO, is the husband of Ms. Carmen K. Tan, incumbent director; is the father of Ms. Vivienne K. Tan and Mr. Michael G. Tan, incumbent director; and the father-in-law of Mr. Joseph T. Chua, President and COO. Lucio C. Tan III and Eduardo Luis T. Luy are grandsons of Dr. Lucio C. Tan.

***Involvement in Certain Legal Proceedings***

The Directors of the Parent Company have not been involved in any major legal proceedings during the last five years up to the date of filing this report. Furthermore, the Directors are not aware of any major legal proceedings pending or threatened against them personally, or any fact which is likely to give rise to any major legal proceedings which may materially affect their personal capacity as Directors of the Parent Company.

**EXECUTIVE COMPENSATION**

The following table summarizes the actual aggregate compensation of all directors and officers of the Company for 2019, 2020 and 2021.

***Summary Compensation Table***

| Name and Principal Position | Year | Salaries (P'mil) | Others |
|---|---|---|---|
| Executive Officers<br>Lucio C. Tan, Chairman/CEO<br>Joseph T. Chua, President/COO<br>Atty. Marivic T. Moya, SVP- Human Resources, Legal and External Relations, Chief Compliance Officer/Corporate Information Officer<br>Amador T. Sendin, Chief Financial Officer, Chief Risk Officer and SVP- Administration<br>Belgium S. Tandoc, VP- Business Development<br>Atty. Florentino M. Herrera III, Corporate Secretary | 2019 (Actual) | 31.97 | 39.9 |
| All Other Directors and Officers as a Group Unnamed | | 6.98 | 39.07 |
| Executive Officers<br>Lucio C. Tan, Chairman/CEO<br>Joseph T. Chua, President/COO<br>Atty. Marivic T. Moya, SVP- Human Resources, Legal and External Relations, Chief Compliance Officer/Corporate Information Officer<br>Amador T. Sendin, Chief Financial Officer, Chief Risk Officer and SVP- Administration<br>Belgium S. Tandoc, VP- Business Development<br>Atty. Florentino M. Herrera III, Corporate Secretary | 2020 (Actual) | 34.11 | 55.10 |
| All Other Directors and Officers as a Group Unnamed | | 10.02 | 42.59 |

| | | | |
|---|---|---|---|
| Executive Officers<br>Lucio C. Tan, Chairman/CEO<br><br>Joseph T. Chua, President/COO<br><br>Atty. Marivic T. Moya, SVP-Human Resources, Legal and External Relations, Chief Compliance Officer/Corporate Information Officer<br><br>Amador T. Sendin, Chief Financial Officer, Chief Risk Officer and SVP- Administration<br><br>Belgium S. Tandoc, VP- Business Development<br><br>Atty. Florentino M. Herrera III, Corporate Secretary | 2021 (Estimate) | 34.11 | 3.08 |
| All Other Directors and Officers as a Group Unnamed | | 7.33 | - |

***Compensation of Directors***

1. Members of the Board do not receive any regular compensation from the Parent Company, except for every regular, special or committee meeting actually attended, for which members of the Board of Director receive a per diem of ₱30,000 to ₱ 200,000.

2. There are no other material terms of, nor any other arrangements with regard to compensation as to which directors are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.

3. As provided for in the Parent Company’s By-Laws, the Board of Directors is entitled to an annual incentive bonus in an aggregate amount not exceeding five percent (5%) of the Parent Company's net profit before tax.

***Employment Contracts and Termination of Employment and Change-in-Control Arrangements***

1. Executive officers’ compensation consists of a monthly negotiated salary, a fixed monthly allowance and 13th month pay.

2. There are no compensatory plan or arrangement with the named executive officers, which results or will result from the resignation, retirement or any other termination of the executive officer's employment with the Parent Company and its subsidiaries or from a change-in-control of the Parent Company or a change in the named executive officer's responsibilities following a change-in-control.

### *Warrants and Options Outstanding: Repricing*

The Parent Company's ₱50 million warrants were not exercised by the shareholders/officers/directors and had already expired last July 21, 2005.

## ITEM 10. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

### 1. *Security Ownership of Certain Record and Beneficial Owners of more than 5% of Registrant's Securities as of December 31, 2020*

| Title of Class | Name, Address of Record Owner and Relationship with Issuer | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Shares Held | % of Class |
|---|---|---|---|---|---|
| **COMMON** | PCD Nominee Corporation<br>*G/F MSE Building*<br>*6754 Ayala Ave., Makati City*<br>*(Shareholder)* | Various Clients[1] | Filipino | 374,655,783 | 19.38% |
| **COMMON** | PAL Holdings (formerly Baguio Gold Holdings Corp.)<br>*7th Flr. PNB Allied Bank Center*<br>*6754 Ayala Ave., Makati City*<br>*(Shareholder)* | TrustMark Holdings Corp. [2]<br>(Shareholder) | Filipino | 137,280,000 | 7.10% |
| **COMMON** | Conway Equities, Inc.<br>*10 Quezon Avenue, Quezon City* | Melito K. Tan, President[3]<br>Orville C. Go. Jr., Treasurer[3]<br>Dinah T. Paginag, Corporate Secretary[3] | Filipino | 132,771,600 | 6.87% |
| **COMMON** | Pan Asia Securities Corp.<br>*910 Tower One& Exchange Plaza*<br>*Ayala Triangle, Makati City*<br>*(Shareholder)* | Irene T. Luy., President[4]<br>Philip Sing, Treasurer[4]<br>Arlene J. Guevarra, Corporate Secretary[4] | Filipino | 111,958,302 | 5.79% |
| **COMMON** | PCD Nominee Corporation<br>*G/F MSE Building*<br>*6754 Ayala Ave., Makati City*<br>*(Shareholder)* | Various Clients[1] | Non-Filipino | 104,516,889 | 5.41% |

*[1] PCD Nominee Corp. (PCD) is a registered owner of certain shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants, who hold shares on their behalf or in behalf of their clients. PCD is a private corporation organized by major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines. The securities are voted by the trustee's designated officers who are not known to the Parent Company. None of the PCD Nominee Corporation (Filipino and Non-Filipino) account beneficially owns 5% or more of the Parent Company's common shares.*

*[2] TrustMark Holdings Corp. owns 76.92% of PAL Holdings.*

*[3] Designation in Conway Equities, Inc.*

*[4] Designation in Pan Asia Securities Corp.*

***Note:*** ***The above listed beneficial or record owner did not acquire additional shares from options, warrants, rights, conversion privilege or similar obligations, or otherwise within thirty (30) days.***

## 2. Security Ownership of Management as of December 31, 2020

| Title of Class | Name of Beneficial Owner | Amount and Nature of Ownership | Citizenship | % of Class |
|---|---|---|---|---|
| COMMON | Dr. Lucio C. Tan<br>Chairman and CEO | 156,000 Direct<br>(Beneficial) | Filipino | <1% |
| COMMON | Carmen K. Tan<br>Director | 156,000 Direct<br>(Beneficial) | Filipino | <1% |
| COMMON | Lucio C. Tan III<br>Director | 156,000 Direct<br>(Beneficial) | Filipino | <1% |
| COMMON | Michael G. Tan<br>Director | 156,000 Direct<br>(Beneficial) | Filipino | <1% |
| COMMON | Joseph T. Chua<br>President and COO | 195,000 Direct<br>6,845,748 Indirect<br>(Beneficial) | Filipino | <1% |
| COMMON | Vivienne K. Tan<br>Director | 1,560,000 Direct<br>(Beneficial) | Filipino | <1% |
| COMMON | Eduardo Luis T. Luy<br>Treasurer | 120,000 Direct<br>(Beneficial) | Filipino | <1% |
| COMMON | Johnip G. Cua<br>Independent Director | 4,236,000 Indirect<br>(Beneficial) | Filipino | <1% |
| COMMON | Ben C. Tiu<br>Independent Director | 156,000 Direct<br>(Beneficial) | Filipino | <1% |
| COMMON | Marixi R. Prieto<br>Independent Director | 156,000 Direct<br>(Beneficial) | Filipino | <1% |
| COMMON | Samuel C. Uy<br>Independent Director | 156,000 Direct<br>918,840 Indirect<br>(Beneficial) | Filipino | <1% |
| | Atty. Marivic T. Moya<br>SVP- Human Resources, Legal and External Relations; Chief Compliance Officer/Corporate Information Officer | - | - | - |
| | Amador T. Sendin<br>Chief Financial Officer, Chief Risk Officer / SVP - Administration | - | - | - |
| | Belgium S. Tandoc<br>Data Protection Officer / VP – Business Development | | | |
| | Atty. Florentino M. Herrera III<br>Corporate Secretary | 358,800 Direct<br>8,375,564 Indirect<br>(Beneficial) | Filipino | <1% |
| | **Total** | **23,701,952** | | **1.25%** |

## 3. Voting Trust Holders of 5% or more

There were no persons/shareholders of the Parent Company who have entered into a voting trust agreement during the last three years.

### *Changes in Control*

There was no significant change in control of MAC in 2020. We are not aware of any existing or pending transaction which may result in such a change in control.

## Item 12: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

1. For detailed discussion of the material related party transactions, please see Note 18 of the Group's Notes to Consolidated Financial Statements (pages 65 to 68).

   A. Part of the Group's excess cash are deposited in savings and current accounts and placed with Philippine National Bank, an affiliated company under common control, at very competitive rates and based on the outstanding cash balance at the end of the interest earning period. MacroAsia Corporation also leases the office space it currently occupies from the said bank at the bank's current prevailing rental rate. MacroAsia Mining Corporation also entered into a five-year lease contract with Philippine National Bank (formerly Allied Banking Corporation) for its office space starting January 1, 2021. The Parent Company and its subsidiaries have not been given any preferential treatment in any of its transactions with the bank and continues to lease the office space under the last term and condition.

   B. MAPDC, as an ecozone operator, leases land from MIAA and subsequently leases the same to its Ecozone locators which include LTP, an affiliate. The rental charge, which is at normal market rate, is subject to a fixed price escalation and deposit. Monthly fees due from LTP are equivalent to MAPDC's cost of leasing the land from MIAA, plus administrative fees. In Cebu, LTP has assigned its lease agreement with MCIAA to MAPDC for MAPDC to administer and sublease. The arrangement is similar to the lease setup between MAPDC and LTP in the MacroAsia Ecozone in Pasay City, except that for Cebu, it will be a lease pass-on arrangement. MAPDC has outstanding advances to WBSI, CBRI, PWBRI, MPRDC, SNVRDC, BTSI and NAWASCOR which were eliminated in the consolidation process.

   C. MASCORP provides ground handling services to various airline companies at NAIA and MCIA, including Air Philippines, an affiliate under common control. In September 2011, MASCORP started providing ground handling services to Philippine Airlines (PAL), an affiliated company under common control. The ground handling service rates being charged to Air Philippines and PAL are competitive and were the results of negotiations between the companies. MASCORP bills LTP for ground handling services rendered on behalf of its clients. MASCORP also leases ground-handling equipments from PAL and pays AirPhil (PALEx) for its shares on the rental and utilities in NAIA.

   D. MACS has outstanding payable to PAL representing PAL's share in operation of the passenger lounge at NAIA. In September 2011, MACS started providing catering services to PAL under competitive rates. MACS also leases airline catering equipment from PAL. In 2014 and 2013, MACS provided an unsecured and non-interest bearing cash advances to MacroAsia WLL.

E. The Parent Company and its subsidiaries have a trust fund for the employees' retirement plan with Philippine National Bank (formerly Allied Bank Corporation) as the fund manager. The Group has not been given any preferential treatment in any of its transactions with the Bank.

F. There are no other on-going contractual or other commitments between the Group and the aforementioned affiliates.

G. There are no other material transactions with and/or dependence on related parties not discussed above and in the Notes to Consolidated Financial Statements.

2. There are no other parties that fall outside the definition of "related parties" under Philippine Accounting Standards (PAS) 24 with whom the Parent Company or its related parties have a relationship that enabled the parties to negotiate terms of material transactions that may not be available from others or independent parties on an arm's length basis.

MacroAsia Corporation

## SIGNATURES

Pursuant to the requirement of Sec 17 of the Code and Sec 141 of the Corporation Code of the Philippines, this report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on March 18, 2021.

**MACROASIA CORPORATION**
Registrant

By:

**DR. LUCIO C. TAN**
**Chairman and Chief Executive Officer**

**JOSEPH T. CHUA**
**President and Chief Operating Officer**

**AMADOR T. SENDIN**
**Chief Financial Officer**

**ATTY. FLORENTINO M. HERRERA III**
**Corporate Secretary**

**RONALD RON D. DIMATATAC**
**Financial Accountant**

MUNTINLUPA CITY

Subscribed and sworn to before me this _____ day of APR 13 2021, affiants exhibiting to me his/her Tax Identification Number, as follows:

| NAMES | T. I. N. |
|---|---|
| LUCIO C. TAN | 101-914-722 |
| JOSEPH T. CHUA | 168-487-675 |
| AMADOR T. SENDIN | 135-963-712 |
| ATTY. FLORENTINO M. HERRERA III | 106-098-926 |
| RONALD RON D. DIMATATAC | 318-508-992 |

Doc. No. 492
Page No. 100
Book No. 115
Series of 2021

ATTY. CRISTETO REY R. GONZALODO
NOTARY PUBLIC
FOR AND IN THE CITY OF MUNTINLUPA, PHILIPPINES
UNTIL DECEMBER 31, 2021
PTR NO. - MCF 2074002/4JAN21/MUNTINLUPA
MCLE COMPLIANCE NO. - VI-0008101/22APR19-14APR22
ROLL OF ATTORNEY NO. - 44290
IBP LIFETIME MEMBER NO. - 06114/OR. NO. 637082/01-07-2005
IBP CHAPTER - PPLM
NOTARIAL COMMISSION NO. - 20-012
405 DLA Bldg., National Road, Brgy. Putatan, Muntinlupa City

# PART IV: EXHIBITS AND SCHEDULES

**ITEM 13. EXHIBITS AND REPORTS ON SEC FORM 17 C**

1. Please see accompanying Index to Exhibits in the following pages

2. The Company regularly files various reports on SEC Form 17-C relative to various company disclosures. Of these, the more significant ones are as follows:

| Date Filed | Title |
|---|---|
| February 5, 2020 | LTP Declaration of Dividends |
| February 17, 2020 | Receipt of Notice of Selection & Award – Sangley International Airport Project |
| March 9, 2020 | Results of Regular Board Meeting |
| March 11, 2020 | Declaration of Cash Dividends |
| March 19, 2020 | COVID-19 Impact |
| April 30, 2020 | Declaration of 20% Stock Dividends |
| May 4, 2020 | Amendment of Cash Dividends to Stock Dividends |
| June 8, 2020 | Nomination of Directors |
| June 19, 2020 | Holding of ASM through Remote Communication |
| July 22, 2020 | Results of Annual Stockholders' Meeting and Organizational Board Meeting |
| September 23, 2020 | Approval of Request for Extension on Sangley Airport Project |
| November 10, 2020 | Notice of Analysts' Briefing |
| November 25, 2020 | Submission of Consortium Agreement for Sangley Airport Project |
| November 27, 2020 | Press Release on the Joint Venture Signing between MacroAsia and Pro-Friends |

## ITEM 14. INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

**MacroAsia Corporation**

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of MacroAsia Corporation and its Subsidiaries (collectively referred to as "the Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Dr. Lucio Tan
Chairman of the Board and Chief Executive Officer

Joseph T. Chua
President and Chief Operating Officer

Amador T. Sendin
Chief Financial Officer

Signed this 18th day of March 2021

MacroAsia Corporation

Subscribed and sworn to before me this ______ day of APR 13 2021, affiants exhibiting to me his/her Tax Identification Number, as follows:

| NAMES | T. I. N. |
|---|---|
| LUCIO C. TAN | 101-914-722 |
| JOSEPH T. CHUA | 168-487-675 |
| AMADOR T. SENDIN | 135-963-712 |

Doc. No. 493
Page No. 100
Book No. 115
Series of 2021

ATTY. CRISTETO REY R. GONZALODO
NOTARY PUBLIC
FOR AND IN THE CITY OF MUNTINLUPA, PHILIPPINES
UNTIL DECEMBER 31, 2021

PTR NO. - MCF 3071002/4JAN21/MUNTINLUPA
MCLE COMPLIANCE NO. - VI-0008161/23APR18-14APR22
ROLL OF ATTORNEY NO. - 44299
IBP LIFETIME MEMBER NO. - 05114/OR. NO. 637852/01-27-2005
IBP CHAPTER - PPLM
NOTARIAL COMMISSION NO. 20-012
405 ULA Bldg., National Road, Brgy. Putatan, Muntinlupa City

# COVER SHEET
## for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| 4 | 0 | 5 | 2 | 4 |
|---|---|---|---|---|

COMPANY NAME

M A C R O A S I A C O R P O R A T I O N
A N D S U B S I D I A R I E S

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

1 2 t h F l o o r , P N B A l l i e d B a n k
C e n t e r , 6 7 5 4 A y a l a A v e n u e ,
M a k a t i C i t y

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| A A C F S | M S R D | N / A |

COMPANY INFORMATION

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| info@macroasiacorp.com/ macroasia_sec@macroasiacorp.com | **(02) 8840-2001** | **N/A** |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| **845** | **May 13** | **December 31** |

CONTACT PERSON INFORMATION

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| **Amador T. Sendin** | **atsendin@macroasiacorp.com** | **(02) 8840-2001** | **n/a** |

CONTACT PERSON's ADDRESS

**12th Floor, PNB Allied Bank Center, 6754 Ayala Avenue, Makati City**

***NOTE 1 :*** *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

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

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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

# INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
MacroAsia Corporation
12th Floor, PNB Allied Bank Center
6754 Ayala Avenue, Makati City

## Opinion

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

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

## Basis for Opinion

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

## Key Audit Matters

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

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

***Revenue Recognition***

The Group's revenue from inflight and other catering services, ground handling and aviation, and water, which amounted to ₱950.9 million, ₱1,057.6 million and ₱221.4 million, comprise 42%, 47% and 10%, respectively, of the Group's total consolidated revenues for the year ended December 31, 2020. We considered revenue recognition from these sources as a key audit matter because of the significant amount and volume of transactions being processed, the transactions with service agreements having multiple elements, and the risk of recognizing revenue in the improper period.

Refer to Notes 2 and 3 to the consolidated financial statements for the discussion of the relevant accounting policies and discussion of significant judgments and accounting estimates, and Note 19 to the consolidated financial statements for the discussions on revenue recognition.

*Audit Response*

We tested the relevant controls on the Group's revenue recognition process. On a sampling basis, we compared the recorded revenue during the year to the supporting documentation, such as invoices and other related documents, and assessed whether the related revenue is recognized and measured in accordance with PFRS 15, *Revenue from Contracts with Customers*. We reviewed sample manual journal entries related to revenue transactions and inspected the underlying documentation such as journal vouchers and credit memos. Also, on a sampling basis, we obtained and compared the details of discounts and allowances to the amounts recorded in the Group's revenue information system and to other documents, such as contracts with customers, reconciliation of billings and collections with customers, and other memorandum adjustments. We reviewed the payment pattern of the Group's customers vis-à-vis management's assessment on whether the collectability of the consideration from the transactions is probable in accordance with PFRS 15. Furthermore, we checked the correlation of revenue, trade receivables and cash receipts.

***Recoverability of trade receivables***

As of December 31, 2020, trade receivables amounting to ₱1,609.4 million, net of allowance for expected credit losses of ₱91.4 million, account for 91% of the total receivables and contract assets of the Group. For trade receivables without significant increase in credit risk, the Group applies the simplified approach in computing the expected credit loss (ECL). Under this approach, the Group recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group utilizes a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment. The Group applies the general approach in computing the ECL on trade receivables with significant increase in credit risk from the point of their initial recognition. Under this approach, the Group recognizes a loss allowance over the remaining life of the trade receivables, irrespective of timing of the default (a lifetime ECL). The changes in the loss allowance balance are recognized in profit or loss as an impairment loss or reversal of impairment.

We considered the recoverability of trade receivables as a key audit matter because the use of the ECL model involves the exercise of significant management judgment. Key areas of judgment in calculating ECL include: segmenting the Group's credit risk exposures; defining default; assessing significant increases in credit risk of trade receivables from initial recognition; determining the other assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts; and incorporating forward-looking information, including the impact of Corona Virus Disease (COVID-19) pandemic.

*Audit Response*

We updated our understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments*. We (a) evaluated the Group's assessment of the significant increases in credit risk of trade receivables from initial recognition; (b) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (c) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place; (d) tested historical loss rates by inspecting historical recoveries and write-offs; (e) checked the classification of outstanding exposures to their corresponding aging buckets; and (f) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and industry practices, including the impact of the COVID-19 pandemic.

Further, on a sampling basis, we checked the data used in the ECL models, such as the historical aging analysis and default and recovery data by reconciling the billings and invoices to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we re-performed the disaggregation and traced the disaggregated information from source systems to the loss allowance analysis. We also recalculated impairment provisions on a sample basis.

***Impairment of goodwill, intangible assets with indefinite useful lives, service concession rights and non-financial operating assets***

As at December 31, 2020, the Group's goodwill attributable to the cash generating units (CGUs) that are expected to benefit from the business combination, the intangible assets with indefinite useful life (right-to-use assets), the service concession rights and non-financial operating assets amounted to ₱5,196.4 million. Under PFRSs, the Group is required to annually perform impairment testing of goodwill and intangible assets with indefinite useful life. Further, PFRSs require that the Group assess at the end of each reporting period whether there is any indication that the service concession rights and non-financial operating assets are impaired. If such indication exists, the Group should estimate the recoverable amount of these assets.

We considered the impairment testing of goodwill, intangible assets with indefinite useful life, service concession right and non-financial operating assets as a key audit matter because the amounts involved are material to the consolidated financial statements and the management's impairment assessment process involves significant judgment and assumptions, specifically the anticipated revenue growth and forecasted volume of flights serviced and meals ordered which are impacted by the COVID-19 pandemic, annual water consumption, tariff rate, growth rates and discount rates.

Refer to Notes 2 and 3 to the consolidated financial statements for the relevant accounting policy and a discussion of significant judgments and Notes 12 and 14 for the detailed discussion on goodwill, intangible assets with indefinite useful lives, service concession rights and non-financial operating assets.

*Audit Response*

We involved our internal specialist in evaluating the methodologies and the assumptions used. We compared the key assumptions used against the historical performance of the CGUs, industry/market outlook and other relevant external data, taking into consideration the impact associated with the COVID-19 pandemic. We inquired from management and operations personnel about the plans to support the forecast assumptions.

We tested the parameters used in the determination of the discount rates against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill, intangible assets with indefinite useful lives, service concession right and non-financial operating assets.

***Valuation, Presentation and Disclosure of Investment in Associates***

The Group has a 49% interest in Lufthansa Technik Philippines, Inc. (LTP), 30% interest in Japan Airport Services Corporation (JASCO), and 40% interest in Cebu Pacific Catering Services, Inc. (CPCS) that are accounted for under the equity method. For the year ended December 31, 2020, the Group's share in the net loss of LTP, JASCO and CPCS amounted to ₱599.0 million, ₱30.4 million, and ₱10.4 million, respectively. The Group's share in the associates' net income or loss is significantly affected by the economic condition and performance of the aviation industry. Also, the Group's share in the net income of LTP is significantly affected by the amount of provisions for claims and losses recognized by LTP. In the normal course of business, LTP is involved in certain claims by third parties and the determination of whether a provision should be recognized and the estimation of provision for such claims and losses require significant management judgment.

PFRSs also require the impairment testing of investments in associate where there are indicators of impairment. The Group's management assessed that the investment in associates may be impaired due to the economic downturn in the aviation industry brought by the COVID-19 pandemic. We have identified this matter as a key audit matter because the impairment assessment process requires significant management judgment and is based on assumptions, specifically the anticipated revenue growth, annual operating expenses, terminal growth rate and discount rates, among others These assumptions are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the COVID-19 pandemic.

Refer to Notes 2 and 3 to the consolidated financial statements for the relevant accounting policy and a discussion of significant judgments and Note 9 for the detailed discussion on investment in associates.

*Audit Response*

We obtained the financial information of the associates as at and for the year ended December 31, 2020 and recomputed the Group's share in net loss of the associates. We obtained an understanding of the associates' revenue recognition and tested the relevant controls on the information system and manual processes.

We inquired of LTP's management about the status and potential exposures of significant claims and losses, progress of the claims and their assessment of the likely outcome. We further reviewed the minutes of meeting of LTP's Board of Directors and other documents supporting LTP management's assessment of contingencies and the estimation of recognized provisions for claims and losses. We evaluated the position of LTP's management on each of the significant claims by considering the relevant documents and information.

For the review of impairment testing, we involved our internal specialist in evaluating the methodology and the assumptions used. We compared the key assumptions such as the anticipated revenue growth and annual operating expenses against the historical performance of the cash generating unit (CGU) and other relevant external data, taking into consideration the impact associated with the COVID-19 pandemic. We tested the parameters used in the determination of the discount rate against market data.

***Accounting for retirement benefits cost***

The Group has funded, non-contributory defined benefit group retirement plans, covering all of their permanent employees. As of and for the year ended December 31, 2020, accrued retirement benefits payable, retirements benefits cost and remeasurement loss recognized in other comprehensive income amounted to ₱220.4 million, ₱68.2 million and ₱107.3 million, respectively. In 2020, the Group's aviation-related business units continue to be impacted by the downturn in air travel due to the COVID-19 pandemic. Due to prolonged operational shutdown and cost-cutting measures, the Group has implemented a retrenchment program which involved laying off approximately 20% of their operational workforce. The retrenchment program was accounted for as curtailment and recognized additional past service cost amounting to ₱44.8 million. The valuation of the retirement benefits cost and accrued retirement benefits payable involve a significant management judgment in the use of assumptions. The valuation also requires the assistance of an external actuary whose calculations depend on certain assumptions, such as prospective salary increase and employee turnover rates, as well as discount rate, which could have a material impact on the results. Thus, we considered this as a key audit matter.

Refer to Notes 2 and 3 to the consolidated financial statements for the relevant accounting policy and a discussion of significant judgments and Note 21 for the detailed discussion on retirement benefits cost.

*Audit Response*
We involved our internal specialist in the review of the scope, bases, methodology and results of the work by the Group's external actuary, whose professional qualifications, capabilities and objectivity were also taken into consideration. We evaluated the key assumptions used by comparing the updated employee listing, employee demographics and attrition rates against the Group's human resources data, and the discount rate and mortality rate against external data. We inquired from management about the basis of the salary rate increase and compared it against the Group's future plans and historical data.

**Other Information**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Kristopher S. Catalan.

SYCIP GORRES VELAYO & CO.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534231, January 4, 2021, Makati City

March 18, 2021

## MACROASIA CORPORATION AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEETS

| | December 31 | |
|---|---|---|
| | **2020** | 2019 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Notes 5, 18, 22 and 23) | **₱1,268,774,694** | ₱1,219,639,428 |
| Receivables and contract assets (Notes 6, 15, 18 and 23) | **1,766,913,340** | 1,925,742,769 |
| Inventories (Note 7) | **79,618,754** | 105,978,871 |
| Other current assets (Note 8) | **334,530,199** | 348,491,609 |
| **Total Current Assets** | **3,449,836,987** | 3,599,852,677 |
| **Noncurrent Assets** | | |
| Investments in associates (Note 9) | **1,365,403,361** | 3,087,533,060 |
| Property, plant and equipment (Note 12) | **2,441,912,974** | 2,561,076,769 |
| Net investment in lease (Note 28) | **1,175,652,748** | 1,171,844,192 |
| Right-of-use assets (Note 28) | **462,518,495** | 499,566,989 |
| Investment property (Note 13) | **143,852,303** | 143,852,303 |
| Service concession rights (Note 14) | **422,446,347** | 424,608,123 |
| Intangible assets and goodwill (Notes 10 and 14) | **297,067,238** | 302,112,383 |
| Input taxes (Note 8) | **220,648,609** | 262,173,286 |
| Deferred income tax assets - net (Notes 10 and 25) | **72,415,789** | 51,897,998 |
| Other noncurrent assets (Notes 6, 15, 20, 21, 25, 28 and 30) | **337,873,395** | 383,451,244 |
| **Total Noncurrent Assets** | **6,939,791,259** | 8,888,116,347 |
| **TOTAL ASSETS** | **₱10,389,628,246** | ₱12,487,969,024 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Notes payable (Notes 16, 18, 22 and 23) | **₱595,000,000** | ₱575,000,000 |
| Accounts payable and accrued liabilities (Notes 17, 18 , 20, 23 and 29) | **1,708,711,598** | 1,750,913,920 |
| Income tax payable | **135,047** | 14,004,966 |
| Dividends payable (Note 27) | **31,968,020** | 35,928,020 |
| Current portion of long-term debts (Notes 16, 18, 22, and 23) | **240,136,978** | 482,536,067 |
| Current portion of lease liabilities (Note 28) | **15,607,124** | 24,688,033 |
| **Total Current Liabilities** | **2,591,558,767** | 2,883,071,006 |
| **Noncurrent Liabilities** | | |
| Long-term debts - net of current portion (Notes 16, 18, 22 and 23) | **951,964,267** | 784,399,498 |
| Lease liabilities - net of current portion (Note 28) | **1,685,377,576** | 1,698,736,101 |
| Accrued retirement and other employee benefits payable (Note 21) | **257,713,557** | 93,089,694 |
| Deferred income tax liabilities - net (Notes 10, 15 and 25) | **118,798,079** | 142,800,411 |
| Other noncurrent liabilities (Note 18) | **41,675,217** | 48,029,160 |
| **Total Noncurrent Liabilities** | **3,055,528,696** | 2,767,054,864 |
| **Total Liabilities** | **5,647,087,463** | 5,650,125,870 |

*(Forward)*

| | December 31 | |
|---|---|---|
| | **2020** | 2019 |
| **Equity attributable to equity holders of the Company** | | |
| Capital stock - ₱1 par value (Note 27) | **₱1,933,305,923** | ₱1,618,146,293 |
| Additional paid-in capital | **281,437,118** | 281,437,118 |
| Retained earnings (Note 27) | **2,182,541,299** | 4,081,275,526 |
| Other comprehensive income (Notes 9, 15 and 21) | **(366,035,148)** | (159,952,483) |
| Other reserves (Note 27) | **1,003,041,257** | 1,030,075,272 |
| Treasury shares (Note 27) | **(459,418,212)** | (426,826,835) |
| | **4,574,872,237** | 6,424,154,891 |
| **Non-controlling interests** (Notes 4 and 11) | **167,668,546** | 413,688,263 |
| **Total Equity** | **4,742,540,783** | 6,837,843,154 |
| **TOTAL LIABILITIES AND EQUITY** | **₱10,389,628,246** | ₱12,487,969,024 |

*See accompanying Notes to Consolidated Financial Statements.*

## MACROASIA CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| **REVENUE** (Note 19) | | | |
| In-flight and other catering (Note 18) | **₱950,879,262** | ₱2,905,490,152 | ₱1,663,770,983 |
| Ground handling and aviation (Note 18) | **1,057,628,803** | 2,869,563,325 | 1,463,947,551 |
| Water distribution | **221,429,144** | 347,597,854 | 271,043,164 |
| Administrative fees (Note 18) | **23,470,384** | 29,742,058 | 27,857,712 |
| Exploratory drilling fees (Note 29) | **4,156,179** | 15,437,718 | – |
| | **2,257,563,772** | 6,167,831,107 | 3,426,619,410 |
| **DIRECT COSTS AND EXPENSES** (Notes 20 and 29) | | | |
| In-flight and other catering | **907,828,375** | 2,077,705,460 | 1,102,589,553 |
| Ground handling and aviation | **1,236,058,342** | 2,424,663,739 | 1,175,549,990 |
| Water distribution | **173,850,823** | 245,470,437 | 246,621,272 |
| Administrative fees | **41,149,796** | 43,681,283 | 60,958,179 |
| Exploratory drilling | **5,713,779** | 24,338,456 | 13,666,586 |
| | **2,364,601,115** | 4,815,859,375 | 2,599,385,580 |
| **GROSS PROFIT (LOSS)** | **(107,037,343)** | 1,351,971,732 | 827,233,830 |
| **SHARE IN NET EARNINGS (LOSSES) OF ASSOCIATES** (Note 9) | **(639,807,745)** | 1,077,260,403 | 1,070,014,588 |
| | **(746,845,088)** | 2,429,232,135 | 1,897,248,418 |
| **OPERATING EXPENSES** (Note 20) | **931,657,302** | 1,038,520,689 | 710,712,348 |
| | **(1,678,502,390)** | 1,390,711,446 | 1,186,536,070 |
| **OTHER INCOME (CHARGES)** (Note 22) | | | |
| Interest income (Notes 5 and 18) | **9,547,969** | 11,775,315 | 11,076,601 |
| Financing charges (Notes 16, 18, 22 and 28) | **(132,524,490)** | (88,377,257) | (51,353,800) |
| Foreign exchange gain (loss) - net | **(60,038,305)** | 17,452,614 | 27,414,886 |
| Others - net (Note 22) | **52,006,771** | 53,805,137 | 29,766,123 |
| | **(131,008,055)** | (5,344,191) | 16,903,810 |
| **INCOME (LOSS) BEFORE INCOME TAX** | **(1,809,510,445)** | 1,385,367,255 | 1,203,439,880 |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** (Note 25) | | | |
| Current | **9,148,777** | 193,978,703 | 122,041,967 |
| Deferred | **(18,449,939)** | (2,637,521) | (4,702,321) |
| | **(9,301,162)** | 191,341,182 | 117,339,646 |
| **NET INCOME (LOSS)** | **(₱1,800,209,283)** | ₱1,194,026,073 | ₱1,086,100,234 |
| Net income (loss) attributable to: | | | |
| Equity holders of the Company | **(₱1,587,308,157)** | ₱1,129,066,014 | ₱1,051,242,575 |
| Non-controlling interests (Note 11) | **(212,901,126)** | 64,960,059 | 34,857,659 |
| | **(₱1,800,209,283)** | ₱1,194,026,073 | ₱1,086,100,234 |
| **Basic/Diluted Earnings (Loss) Per Share*** (Note 26) | **(₱0.84)** | ₱0.59 | ₱0.55 |

**After retroactive effect of 20% and 30% stock dividends in 2020 and 2018, respectively.*

*See accompanying Notes to Consolidated Financial Statements.*

## MACROASIA CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| **NET INCOME (LOSS)** | **(₱1,800,209,283)** | ₱1,194,026,073 | ₱1,086,100,234 |
| **OTHER COMPREHENSIVE INCOME (LOSS) -** Net | | | |
| *Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:* | | | |
| Net foreign currency translation adjustments (Note 9) | **(49,177,022)** | (100,669,833) | 106,010,813 |
| Changes in fair value of debt securities held at FVTOCI (Note 15) | – | – | (2,092,938) |
| Cumulative unrealized loss on fair value changes on debt securities recycled to profit or loss (Note 15) | – | – | 6,846,940 |
| *Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:* | | | |
| Changes in fair value of equity investments held at FVTOCI (Note 15) | **(6,800,000)** | 9,350,000 | 17,000,000 |
| Remeasurement gains (losses) on defined benefit plans, net of tax effect (Note 21) | **(82,954,716)** | (58,117,549) | 9,012,108 |
| Share in remeasurement gains (losses) on defined benefit plans of associates (Note 9) | **(86,650,358)** | (112,207,996) | 60,508,402 |
| | **(225,582,096)** | (261,645,378) | 197,285,325 |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | **(₱2,025,791,379)** | ₱932,380,695 | ₱1,283,385,559 |
| **Other comprehensive income (loss) attributable to:** | | | |
| Equity holders of the Company | **(₱206,082,665)** | (₱258,099,173) | ₱196,968,087 |
| Non-controlling interests (Note 11) | **(19,499,431)** | (3,546,205) | 317,238 |
| | **(₱225,582,096)** | (₱261,645,378) | ₱197,285,325 |
| **Total comprehensive income (loss) attributable to:** | | | |
| Equity holders of the Company | **(₱1,793,390,822)** | ₱870,966,841 | ₱1,248,210,662 |
| Non-controlling interests (Note 11) | **(232,400,557)** | 61,413,854 | 35,174,897 |
| | **(₱2,025,791,379)** | ₱932,380,695 | ₱1,283,385,559 |

*See accompanying Notes to Consolidated Financial Statements.*

# MACROASIA CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

| | Attributable to Equity Holders of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Other Comprehensive Income | | | | | | | | | |
| | Capital Stock (Note 27) | Additional Paid-in Capital | Other Reserves (Note 27) | Reserve for Fair Value Changes of Financial Assets Investments (Note 15) | Share in Foreign Currency Translation Adjustments of an Associate (Note 9) | Remeasurements on Defined Benefit Plans (Note 21) | Share in Remeasurements on Defined Benefit Plan of Associates (Note 9) | Subtotal | Retained Earnings (Note 27) | Treasury Shares (Note 27) | Subtotal | Non-controlling Interests (Note 11) | Total |
| **BALANCES AT JANUARY 1, 2018** | **₱1,250,000,000** | **₱281,437,118** | **₱143,299,677** | **₱13,965,997** | **(₱52,663,046)** | **₱30,968,116** | **(₱91,092,464)** | **(₱98,821,397)** | **₱2,587,383,549** | **(₱113,676,300)** | **₱4,049,622,647** | **₱319,338,507** | **₱4,368,961,154** |
| Net income (loss) | – | – | – | – | – | – | – | – | 1,051,242,575 | – | 1,051,242,575 | 34,857,659 | 1,086,100,234 |
| Other comprehensive income (loss) | – | – | – | 21,754,002 | 106,010,813 | 8,694,870 | 60,508,402 | 196,968,087 | – | – | 196,968,087 | 317,238 | 197,285,325 |
| Total comprehensive income (loss) | – | – | – | 21,754,002 | 106,010,813 | 8,694,870 | 60,508,402 | 196,968,087 | 1,051,242,575 | – | 1,248,210,662 | 35,174,897 | 1,283,385,559 |
| Declaration of 30% stock dividends | 368,146,293 | – | – | – | – | – | – | – | (368,146,293) | – | – | – | – |
| Dividends to non-controlling interest | – | – | – | – | – | – | – | – | – | – | – | (24,750,000) | (24,750,000) |
| Acquisition of treasury shares | – | – | – | – | – | – | – | – | – | (62,539,102) | (62,539,102) | – | (62,539,102) |
| Non-controlling interest arising on a business combination (Note 10) | – | – | – | – | – | – | – | – | – | – | – | 33,329,261 | 33,329,261 |
| **BALANCES AT DECEMBER 31, 2018** | **1,618,146,293** | **281,437,118** | **143,299,677** | **35,719,999** | **53,347,767** | **39,662,986** | **(30,584,062)** | **98,146,690** | **3,270,479,831** | **(176,215,402)** | **5,235,294,207** | **363,092,665** | **5,598,386,872** |
| Net income (loss) | – | – | – | – | – | – | – | – | 1,129,066,015 | – | 1,129,066,014 | 64,960,059 | 1,194,026,073 |
| Other comprehensive income (loss) | – | – | – | 9,350,000 | (100,669,833) | (54,571,342) | (112,207,998) | (258,099,173) | – | – | (258,099,173) | (3,546,205) | (261,645,378) |
| Total comprehensive income (loss) | – | – | – | 9,350,000 | (100,669,833) | (54,571,342) | (112,207,998) | (258,099,173) | 1,129,066,015 | – | 870,966,841 | 61,413,854 | 932,380,695 |
| Declaration of cash dividends at ₱0.20 per share | – | – | – | – | – | – | – | – | (318,270,319) | – | (318,270,319) | – | (318,270,319) |
| Dividends to non-controlling interest | – | – | – | – | – | – | – | – | – | – | – | (26,400,000) | (26,400,000) |
| Acquisition of treasury shares | – | – | – | – | – | – | – | – | – | (250,611,433) | (250,611,433) | – | (250,611,433) |
| Disposal of 20% ownership in a subsidiary | – | – | 886,775,595 | – | – | – | – | – | – | – | 886,775,595 | – | 886,775,595 |
| Investment of non-controlling interest in a newly incorporated subsidiary | – | – | – | – | – | – | – | – | – | – | – | 3,062,650 | 3,062,650 |
| **BALANCES AT DECEMBER 31, 2019** | **1,618,146,293** | **281,437,118** | **1,030,075,272** | **45,069,999** | **(47,322,066)** | **(14,908,356)** | **(142,792,060)** | **(159,952,483)** | **4,081,275,526** | **(426,826,835)** | **6,424,154,891** | **413,688,263** | **6,837,843,154** |
| Net income (loss) | – | – | – | – | – | – | – | – | (1,587,308,157) | – | (1,587,308,157) | (212,901,126) | (1,800,209,283) |
| Other comprehensive income (loss) | – | – | – | (6,800,000) | (49,177,022) | (63,455,285) | (86,650,358) | (206,082,665) | – | – | (206,082,665) | (19,499,431) | (225,582,096) |
| Total comprehensive income (loss) | – | – | – | (6,800,000) | (49,177,022) | (63,455,285) | (86,650,358) | (206,082,665) | (1,587,308,157) | – | (1,793,390,822) | (232,400,557) | (2,025,791,379) |
| Declaration of 20% stock dividends | 315,159,630 | – | – | – | – | – | – | – | (315,159,630) | – | – | – | – |
| Dividends to non-controlling interest | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Acquisition of treasury shares | – | – | – | – | – | – | – | – | – | (32,591,377) | (32,591,377) | – | (32,591,377) |
| Acquisition of investment in subsidiaries from non-controlling interest incorporated subsidiary (Note 27) | – | – | (27,034,015) | – | – | – | – | – | 3,733,560 | – | (23,300,455) | (13,619,160) | (36,919,615) |
| **BALANCES AT DECEMBER 31, 2020** | **₱1,933,305,923** | **₱281,437,118** | **₱1,003,041,257** | **₱38,269,999** | **(₱96,499,088)** | **(₱78,363,641)** | **(₱229,442,418)** | **(₱366,035,148)** | **₱2,182,541,299** | **(₱459,418,212)** | **₱4,574,872,237** | **₱167,668,546** | **₱4,742,540,783** |

*See accompanying Notes to Consolidated Financial Statements.*

## MACROASIA CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income (loss) before income tax | **(₱1,809,510,445)** | ₱1,385,367,255 | ₱1,203,439,880 |
| Adjustments for: | | | |
| Depreciation and amortization (Notes 4, 12, 14, 15, 20 and 28) | **313,883,156** | 268,894,865 | 212,137,508 |
| Share in earnings (loss) of associates (Note 9) | **639,807,745** | (1,077,260,403) | (1,070,014,588) |
| Financing charges (Notes 16, 18 and 22) | **132,524,490** | 88,377,257 | 51,353,800 |
| Interest income (Notes 5, 6, 15, 18, 22 and 28) | **(9,547,969)** | (11,775,315) | (11,076,601) |
| Unrealized foreign exchange (gain)/loss - net | **2,537,803** | (2,531,368) | (5,346,891) |
| Retirement benefits costs (Note 21) | **68,242,853** | 40,670,855 | 25,936,047 |
| Provision for (reversal of) other long-term benefits (Note 21) | **10,838,994** | 16,778,280 | (223,702) |
| Gain on sale of disposal of property and equipment (Note 12) | – | – | (406,314) |
| Loss on sale of investment in debt securities (Note 15) | – | – | 6,846,940 |
| Operating income (loss) before working capital changes | **(651,223,373)** | 708,521,426 | 412,646,079 |
| Decrease (increase) in: | | | |
| Receivables and contract assets | **132,072,713** | (1,025,319,146) | (276,330,415) |
| Inventories | **26,360,117** | (17,204,561) | (5,010,794) |
| Input taxes and other current assets | **83,621,245** | (159,620,652) | (30,515,456) |
| Service concession right | **(18,162,324)** | (14,921,378) | (24,406,608) |
| Increase (decrease) in: | | | |
| Accounts payable and accrued liabilities | **(19,411,600)** | 706,308,267 | 225,710,089 |
| Cash generated from (used in) operations | **(446,743,222)** | 197,763,956 | 302,092,895 |
| Interest received | **5,739,411** | 10,361,668 | 9,806,748 |
| Financing charges paid | **(104,014,589)** | (86,440,557) | (43,228,631) |
| Contributions to the retirement fund (Note 21) | **(21,842,600)** | (29,893,088) | (28,887,875) |
| Income taxes paid, including creditable withholding taxes and tax credit certificates | **(58,617,869)** | (196,829,377) | (135,514,330) |
| Other employee benefits paid | – | – | (1,562,742) |
| Net cash flows from (used in) operating activities | **(625,478,869)** | (105,037,398) | 102,706,065 |

*(Forward)*

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2020** | 2019 | 2018 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Dividends received (Note 9) | **₱963,261,800** | ₱916,316,715 | ₱799,282,000 |
| Acquisitions of: | | | |
| Property and equipment (Note 12) | **(157,044,125)** | (514,462,303) | (1,014,879,287) |
| Investments - net of cash acquired (Notes 9, 10 and 27) | **(26,930,103)** | (853,370,000) | (51,997,029) |
| Right-to-use of water permits (Note 14) | – | (32,108,342) | – |
| Returns from (payments for) refundable deposits and other noncurrent assets (Note 15) | **37,625,170** | 131,136,565 | (8,880,085) |
| Acquisition of software (Note 15) | – | – | (5,278,225) |
| Payments of advances to contractors (Note 15) | – | – | (205,430,736) |
| Payments for project advances (Note 15) | – | – | (328,067) |
| Proceeds from disposal of: | | | |
| AFS debt securities (Note 15) | – | – | 63,153,060 |
| Property and equipment (Note 12) | – | – | 406,339 |
| Proceeds from sale of investment in stocks (Note 10) | – | 886,775,595 | – |
| Net cash from (used in) investing activities | **816,912,742** | 534,288,230 | (423,952,030) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from availments of: | | | |
| Notes payable (Note 16) | **145,000,000** | 625,000,000 | 403,865,000 |
| Long-term debts (Note 16) | **252,950,917** | 648,575,000 | 250,000,000 |
| Payments of: | | | |
| Notes payable (Note 16) | **(125,000,000)** | (398,450,000) | (262,700,886) |
| Long-term debts (Note 16) | **(327,785,237)** | (135,165,356) | (38,067,035) |
| Lease liabilities (Note 28) | **(48,374,107)** | (51,068,773) | (24,101,553) |
| Acquisition of treasury shares (Note 27) | **(32,591,377)** | (250,444,773) | (62,539,102) |
| Dividends paid (Note 27) | **(3,960,000)** | (317,601,323) | (184,176,616) |
| Net cash flows from (used in) financing activities | **(139,759,804)** | 120,844,775 | 82,279,808 |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **(2,538,803)** | (5,653,012) | 971,066 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **49,135,266** | 544,442,595 | (237,995,091) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **1,219,639,428** | 675,196,833 | 913,191,924 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 5) | **₱1,268,774,694** | ₱1,219,639,428 | ₱675,196,833 |

*See accompanying Notes to Consolidated Financial Statements.*

## 1. Corporate Information and Business Operations

Corporate Information
MacroAsia Corporation (the Company or MAC), a publicly-listed corporation, was incorporated in the Philippines on February 16, 1970 under the name Infanta Mineral & Industrial Corporation to engage in the business of geological exploration and development. On January 26, 1994, its Articles of Incorporation was amended to change its primary purpose from exploration and development to that of engaging in the business of a holding company, and changed its corporate name to Cobertson Holdings Corporation. On November 6, 1995, the Company's Articles of Incorporation was again amended to change its corporate name to its present name. On August 7, 2018, the Company's Articles of Incorporation was further amended for the extension of the Company's corporate life for another 50 years, from and after February 15, 2020. However, under the Revised Corporation Code of the Philippines, MAC shall have perpetual corporate life. Its registered office address is at 12th Floor, PNB Allied Bank Center, 6754 Ayala Avenue, Makati City.

Business Operations
The principal activities of the Company and its subsidiaries (collectively referred to as the Group) are described in Note 4. The Company, through its subsidiaries and associates (see Note 9), is primarily engaged in aviation-support businesses at the Ninoy Aquino International Airport (NAIA), Manila Domestic Airport (MDA), Mactan-Cebu International Airport (MCIA), Kalibo International Airport (KIA), Davao International Airport and the General Aviation Areas. It provides in-flight catering services, ground handling services for passenger and cargo aircraft, and helicopter charter flight services. It also operates/develops the sole economic zone within the NAIA.

Through MACS and its subsidiaries, the Company also provides food requirements of some passenger terminal lounges in NAIA. MACS and its subsidiaries have also ventured into the provision of the food service requirements of non-airline institutional clients outside the airport. Through MacroAsia Properties Development Corporation (MAPDC), the Company started pursuing projects related to reclaimed water supply, bulk water supply using surface water sources, and water distribution in areas outside of Metro Manila. Further, considering the expertise of staff gained through the exploration of the Company's Infanta Nickel Project in Palawan, the Company has rendered nickel exploration services for other mining companies, through MacroAsia Mining Corporation (MMC), a wholly-owned subsidiary.

Through Lufthansa Technik Philippines, Inc. (LTP), an associate, which has a maintenance, repairs and overhaul facility in the Philippines, the Company provides globally competitive heavy maintenance and engineering services for specific models of Airbus and Boeing aircraft for airline clients all over the world.

On February 5, 2020, the Philippine Securities and Exchange Commission (SEC) approved the change of Airport Specialists' Services Corporation (ASSC) registered name to Allied Water Services, Inc. (AWSI) also pursuing subsequent water-related projects.

Status of Operations
The Group's aviation-related business units continued to be impacted by the downturn in air travel due to the Corona Virus Disease 2019 (COVID-19) pandemic. Being an archipelago, air travel in the Philippines is expected to recover faster, compared to countries without a domestic travel market. Domestic flights have started to increase after the enhance community quarantine (ECQ) were implemented (see Note 36), as more local government units open their borders to domestic tourism and

inter-island travel. In coping with the business downturn, the Group implemented cost containment and cash conservation measures, highlighted by an aggressive rightsizing program in line with the airport business volumes (see Note 21). Other than the sustainable cost leadership efforts on aviation-related businesses, the Group has also focused on growing its non-airline related business (water distribution and non-airline food business).

The consolidated financial statements of the Group as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 were authorized for issuance by the Board of Directors (BOD) on March 18, 2021.

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

Basis of Preparation

The consolidated financial statements have been prepared using the historical cost basis, except for equity investments held at fair value through other comprehensive income (FVTOCI) which are carried at fair value. The consolidated financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency. Amounts are rounded to the nearest Peso except when otherwise indicated.

The financial statements have been prepared under the going concern assumption. The Group believes that its businesses would remain relevant despite challenges posed by the COVID-19 pandemic. Despite the adverse impact of the COVID-19 pandemic on short-term business results, long-term prospects remain attractive.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

The financial reporting framework includes all applicable PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Interpretations Committee and International Financial Reporting Interpretations Committee (IFRIC) including the SEC pronouncements.

Changes in Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The Group adopted the amendments beginning June 1, 2020.

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning on or after January 1, 2021. The Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

The Group will adopt the following new or revised standards, amendments to standards and interpretations on the respective effective dates, as applicable:

*Effective beginning on or after January 1, 2021*

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

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

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

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

*Effective beginning on or after January 1, 2022*

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

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

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

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

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

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

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

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

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

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

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

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact to the Group.

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

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

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

*Effective beginning on or after January 1, 2023*

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

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

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

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

- PFRS 17, *Insurance Contracts*

  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, 2023, with comparative figures required. Early application is permitted.

*Deferred effectivity*

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

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

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

The significant accounting policies adopted in the preparation of the consolidated financial statements are summarized below.

<u>Basis of Consolidation</u>
The consolidated financial statements comprise the financial statements of the Group, its direct subsidiaries, the subsidiaries of MACS, MAPDC, Boracay Tubi Systems Inc. (BTSI) and the subsidiary of MMC, Watergy Business Solutions, Inc. (WBSI) and Allied Water Services, Inc. (AWSI), which were all incorporated in the Philippines and are registered with the Philippine SEC as of December 31 of each year.

| | | Percentage of Ownership by MAC | | | | Percentage of Direct Ownership by MACS/ MAPDC/ WBSI/BTSI/ MMC/AWSI | |
|---|---|---|---|---|---|---|---|
| | | **2020** | | 2019 | | | |
| Entity | Nature of business | **Direct** | **Indirect** | Direct | Indirect | **2020** | 2019 |
| MacroAsia Airport Services Corporation (MASCORP) [9] | Groundhandling aviation services | **80[9]** | **–** | **80[9]** | – | **–** | – |
| MacroAsia Catering Services Corporation (MACS) | In-flight and other catering services | 67 | **–** | 67 | – | **–** | – |
| MacroAsia SATS Industries (MSFI)[8] | Meal production and food processing | – | 67 | – | 67 | 100 | 100 |
| MacroAsia SATS Inflight Services Corporation (MSISC)[8] | Meal production and food processing | – | 67 | – | 67 | 100 | 100 |
| MacroAsia Air Taxi Services, Inc. (MAATS) | Helicopter chartering services | 100 | **–** | 100 | – | – | – |
| MacroAsia Properties Development Corporation (MAPDC) | Economic Zone (Ecozone) developer/operator and water supplier | 100 | **–** | 100 | – | – | – |
| SNV Resources Development Corporation (SNVRDC) | Water treatment and distribution | – | 100 | – | 100 | 100 | 100 |
| Boracay Tubi System, Inc. (BTSI)[3] | Water treatment and distribution, and construction of sewage treatment plant | – | 67 | – | 67 | 67 | 67 |
| MONAD Water and Sewerage Systems, Inc. (MONAD)[3] | Water sewerage treatment | – | 53.6 | – | 53.6 | 80 | 80 |
| New Earth Water System, Inc. (NEWS)[3] | Water projects | – | 67 | – | 67 | 100 | 100 |
| Naic Water Supply Corporation (NAWASCOR)[4] | Water distribution | – | 100 | – | 100 | 100 | 100 |
| Mabini Pangasinan Resources Development Corporation (MPRDC)[2] | Water projects | – | 100 | – | 100 | 100 | 100 |
| Panay Water Business Resources, Inc. (PWBRI)[2] | Water projects | – | 90 | – | 90 | 90 | 90 |
| Watergy Business Solutions, Inc. (WBSI) | Water projects | – | 100 | – | 51 | 100 | 51 |
| Cavite Business Resources Inc. (CBRI) | Water projects | – | 100 | – | 51 | 100 | 51 |
| First Aviation Academy, Inc.[5] | Aviation school | 51 | – | 51 | – | – | – |
| Allied Water Service, Inc (AWSI)[1] | Water projects | 100 | **–** | 100 | – | **–** | – |
| AlliedKonsult Eco Solutions Corporation[2] | Water treatment | **–** | 51 | **–** | 51 | 51 | 51 |
| Cavite AllliedKonsult Services Corporation[2] | Water treatment | **–** | 51 | **–** | 51 | 51 | 51 |

*(Forward)*

| Entity | Nature of business | Percentage of Ownership by MAC 2020 Direct | Percentage of Ownership by MAC 2020 Indirect | Percentage of Ownership by MAC 2019 Direct | Percentage of Ownership by MAC 2019 Indirect | Percentage of Direct Ownership by MACS/ MAPDC/ WBSI/BTSI/ MMC/AWSI 2020 | Percentage of Direct Ownership by MACS/ MAPDC/ WBSI/BTSI/ MMC/AWSI 2019 |
|---|---|---|---|---|---|---|---|
| Summa Water Resources Inc. (SWRI)[(6)] | Water treatment and equipment lease | – | 60 | – | 60 | 60 | 60 |
| MacroAsia Mining Corporation (MMC) | Mine exploration, development and operation | 100 | – | 100 | – | – | – |
| Bulawan Mining Corporation [(2),(7)] | Mine operation, development and utilization | – | 100 | – | 100 | 100 | 100 |
| MMC Management and Development Corporation [(2),(10)] | Mine operation, development and utilization | – | 100 | – | – | 100 | – |

(1) *Resumes operation as holding company of newly acquired water companies*
(2) *No commercial operations as of December 31, 2020*
(3) *Ownership interest effective December 2, 2016*
(4) *Ownership interest effective August 1, 2017*
(5) *Incorporated on December 5, 2017 and started commercial operations on May 19, 2019*
(6) *Ownership interest effective October 1, 2018*
(7) *Ownership interest effective November 15, 2018*
(8) *Started commercial operations on March 16, 2019*
(9) *Change in ownership interest starting December 5, 2019 (see Note 11)*
(10) *Ownership interest effective March 2, 2020*

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

Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but are considered as an impairment indicator of the assets transferred.

Non-controlling Interests

Non-controlling interest represents the portion of the net assets of consolidated subsidiaries not held by the Group. Non-controlling interest is presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within the equity section of the consolidated balance sheet, separate from the Company's equity. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognized in equity of the Company in transactions where the non-controlling interests are acquired or sold without loss of control. This is recognized in the Company's "other reserves". If the Group loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any non-controlling interests; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; (g) reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Group should re-attribute a proportion of the goodwill between the controlling and non-controlling interests when their relative ownership interests change. The proportion of goodwill that is attributable to the non-controlling interests is not necessarily equal to their ownership percentage.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. As of the acquisition date, the acquirer shall recognize, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. The excess of consideration of an acquisition over the fair values of acquired identifiable assets and liabilities is recognized as goodwill. For each business combination, the acquirer has the option to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group as an acquirer shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete.

During the measurement period, the Group as an acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group as an acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group as an acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9, either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the fair values of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

*Common control business combinations*
Where there are business combinations involving entities that are ultimately controlled by the same ultimate parent (i.e., controlling shareholders) before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group accounts for such business combinations in accordance with the guidance provided by the Philippine Interpretations Committee Q&A No. 2011-02, PFRS 3.2 *Common Control Business Combinations*. The purchase method of accounting is used, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered. In cases where the transaction has no commercial substance, the business combination is accounted for using the pooling of interest method.

In applying the pooling of interest method, the Group follows the Philippine Interpretations Committee Q&A No. 2012-01, PFRS 3.2 - *Application of the Pooling of Interest Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*, which provides the following guidance:

- the assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize

any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies;
- no new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity as other equity reserve, i.e., either contribution or distribution of equity;
- the consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place; and
- as a policy, comparatives are presented as if the entities had always been combined.

Investments in Associates
Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in associates is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The profit or loss reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of the investee is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The aggregate of the Group's share of profit or loss of associates is shown in the profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associates.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associates. At each reporting date, the Group determines whether there is objective evidence that the investment in the associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value, and then recognizes the loss in the profit or loss.

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

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. Investments in associates pertain to the Company's investments in shares of stock of LTP, 49%-owned, Cebu Pacific Catering Services, Inc. (CPCS), 40%-owned, MacroAsia WLL, 35%-owned, Citicore Summa Water Corporation (CSWC), 24%-owned through SWRI. In 2019, investments in associates include investment in shares of stock of Japan Airport Services Co., Ltd., (JASCO), 30%-owned (see Note 9).

Functional Currency-denominated Transactions and Translations

Each entity in the Group determines its own functional currency and the items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange at end of reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Various factors are considered in determining the functional currency of each entity within the Group, including prices of goods and services, competition, cost and expenses, and other factors including the currency in which financing deals are primarily undertaken. Additional factors are considered in determining the functional currency of a foreign operation, including whether its activities are carried as an extension of the Group rather than being carried out with significant autonomy.

The financial position and results of operations of associates in United States (US) Dollar ($) and Japanese Yen (JPY) functional currency are translated into the Group's presentation currency using the following procedures:

a. Assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date.
b. Income and expenses for each statement of income and items recognized in other comprehensive income (except for the cumulative translation adjustments) are translated using the monthly average rate.
c. Equity items other than those resulting from income and expense and other comprehensive income are translated at historical rates of exchange.
d. All resulting exchange differences are recognized as part of other comprehensive income (loss) and as a separate component of equity presented as "Other components of equity" under "Share in foreign currency translation adjustments of an associate".

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:

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

The principal or the most advantageous market must be accessible 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. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

The Group's Finance Committee determines the policies and procedures for both recurring fair value measurement. At each reporting date, the Group analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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

As of December 31, 2020 and 2019, the Group's equity investments held at FVTOCI are carried at fair value and with fair value measurements at each reporting period (see Note 15). Also, fair values of financial instruments measured at amortized cost are disclosed in Note 33. The Group also discloses the fair value of its investment property with unrecognized fair value measurements (see Notes 13 and 33).

<u>Financial Assets and Financial Liabilities</u>
Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVTOCI, and fair value through profit or loss (FVTPL).

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

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, 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.

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

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

As at December 31, 2020 and 2019, the Group's financial assets consist of financial assets at amortized cost and financial assets at FVTOCI with no recycling of cumulative gains and losses upon derecognition.

*Financial assets at amortized cost (debt instruments)*
This category is 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 closely payments of principal and interest on the principal amount outstanding.

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

As of December 31, 2020 and 2019, the Group's financial assets at amortized cost includes cash and cash equivalents, receivables, net investment in lease, refundable deposits and restricted cash investments included under "Other noncurrent assets".

*Financial assets designated at FVTOCI (debt instruments)*
The Group measures debt instruments at FVTOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the 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 FVTOCI, 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.

As of December 31, 2020 and 2019, the Group does not have debt instruments designated at FVTOCI.

*Financial assets designated at FVTOCI (equity instruments)*
Upon initial recognition, the Company can elect to classify irrevocably its equity instruments as equity instruments designated at FVTOCI 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 FVTOCI are not subject to impairment assessment.

The Company elected to classify irrevocably its quoted and unquoted equity instruments under this category.

As of December 31, 2020 and 2019, the Group's equity instruments at FVTOCI include golf club shares and equity shares.

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

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the 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 timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*Other financial liabilities*
This category pertains to financial liabilities that are not held for trading or not designated as FVTPL upon the inception of the liability. These include liabilities arising from operating and financing activities.

Borrowings are recognized initially at fair value, net of any transaction cost incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowing using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

Accounts payable and accrued expenses are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are measured at amortized cost, normally equal to the nominal amount.

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 or discount and any directly attributable transaction costs.

The Group's accounts payable and accrued expenses (except for statutory payables), lease liabilities, notes payable, long-term debts, and dividends payable are classified as other financial liabilities.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
*Financial assets*
A financial asset (or, where applicable, a part of a financial asset or part of an entity of similar financial assets) is derecognized when:

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

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

*Financial liabilities*
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

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

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

observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset (i.e., rights that are not dependent on the occurrence of a future event) the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default and insolvency or bankruptcy of the Group and all of the counterparties.

Current versus Non-Current Classification
The Group presents assets and liabilities in the consolidated balance sheet based on current/non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in normal operating cycle
- Held primarily for the purpose of trading
- Due to be settled within 12 months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

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

Cash and Cash Equivalents
Cash consists of 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 months or less from dates of acquisition and are subject to an insignificant risk of changes in value.

Cash and cash equivalents which are restricted in use are not presented as part of cash, but presented separately as part of "Other current assets" or "Other noncurrent assets" depending on the maturity.

Inventories
Inventories are stated at the lower of cost and net realizable value (NRV). Cost, which includes purchase price and costs incurred in bringing the product to its present location and condition, is determined on the basis of the moving average method.

NRV of food and beverage is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale. In the case of materials and supplies, NRV is the recoverable value of the inventories when disposed of at their current condition.

Other Current Assets
Other current assets include excess creditable withholding taxes and prepayments. Creditable withholding taxes are deducted from income tax due on the same year the revenue was recognized, with excess recognized as current asset. Prepayments are expenses paid in advance and recorded as asset before they are utilized. They are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets, otherwise, these are classified as other noncurrent assets.

Value-Added Tax (VAT) and Tax Credit Certificates (TCCs)
Revenue, expenses, assets and liabilities are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated balance sheet. When VAT passed on from purchase of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated balance sheet to the extent of the recoverable amount. Receivables and payables are stated with the amount of VAT included. For sale or purchase of services, related VAT is deferred until the related receivable or payable from the transaction has been collected or paid.

Input VAT from acquisition of capital goods amounting to ₱1,000,000 and above of any given calendar month is deferred and amortized over 60 months or the useful life of the capital goods, whichever is shorter. The unamortized portion is included under “Input VAT - net” in the consolidated balance sheet. The Group maintains an allowance for any possible disallowance of conversion of input VAT to TCC. A review of input VAT is made on a continuing basis to determine the adequacy of allowance for probable losses at each reporting date.

The net amount of VAT payable to taxation authority is included in “Accounts payable and accrued liabilities” in the consolidated balance sheet.

TCCs pertain to amount of tax credit for which the Group is allowed or entitled to in accordance with applicable laws and can be used to settle the Group’s obligations due to the national government.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less impairment in value, if any.

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

Construction in progress, which is included in property, plant and equipment, is carried at cost. This includes cost of construction, equipment and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and become available for use.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

| | No. of years |
|---|---|
| Building | 5 to 25 |
| Kitchen and other operations equipment | 3 to 10 |
| Transportation equipment | 5 |
| Aviation equipment | 2 to 10 |
| Plant and technical equipment | 10 to 20 |
| Water pumps and machineries | 10 to 20 |
| Water pipelines | 10 |
| Drilling equipment | 5 |
| Office furniture, fixtures and equipment | 3 to 7 |

Building and leasehold and land improvements are amortized over the respective lease term or the lives of the assets (which range from 2 to 25 years), whichever is shorter.

Depreciation and amortization of an item of property, plant and equipment begins when the asset becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation and amortization ceases at the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* or the date the asset is derecognized, whichever is earlier.

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

When property, plant and equipment are sold or retired, their cost, related accumulated depreciation and amortization and any accumulated impairment in value are removed from the accounts. Any gain or loss resulting from their disposal is included in profit or loss.

Fully depreciated property, plant and equipment are retained in the accounts until these are no longer in use.

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

*Net investment in the lease*
The Group recognizes assets held under a finance lease as net investment in the lease. The net investment in the lease is the gross investment discounted at the interest rate implicit in the lease. The gross investment in the lease is the aggregate of the minimum lease payments receivable by the Group, and any guaranteed and unguaranteed residual value. Initial direct costs are in the measurement of the

net investment in the least at inception. The lease payments received from the lessee are treated as repayments of principal and finance income.

*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 those costs are incurred to produce inventories. 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 as presented below:

| | In Years |
|---|---|
| Land | 5 to 50 |
| Office space | 5 to 35 |

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

*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 a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets*
The Group applies the short-term lease recognition exemption to its short-term leases of machinery, equipment, office space and staff house (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 leases of low-value assets recognition exemption to leases of office equipment that are considered of 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.

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

Leases where the Group retains legal title to assets but passes substantially all the risks and rewards of ownership to the lessee in return for a stream of rentals are classified as finance leases. The Group recognizes assets held under a finance lease as an amount equal to the net investment in the lease as "Finance lease receivables." The net investment in the lease is the gross investment discounted at the interest rate implicit in the lease. The gross investment in the lease is the aggregate of the minimum lease payments receivable by the Group, and any guaranteed and unguaranteed residual value. Initial direct costs are in the measurement of the net investment in the least at inception. The lease payments received from the lessee are treated as repayments of principal and finance income.

<u>Investment Property</u>
Investment property, which pertains to a parcel of land held for appreciation in value and land and building held for rentals, are measured at cost less any impairment in value.

Investment property is derecognized when it has either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses resulting from the derecognition of an investment property is recognized in the profit or loss in the year of derecognition. Transfers are made to investment property when, and only when, there is a change in use, evidenced by cessation of owner-occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

<u>Service Concession Arrangements</u>
The Group accounts for its service concession arrangements in accordance with Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, under the intangible asset model as it receives the right (license) to charge users of public service (see Note 14).

*Revenue and cost recognition.* The Group recognizes and measures revenue and cost in accordance with PFRS 15, for the services it performs. When the Group provides construction or upgrade services, the consideration received or receivable by the Group is recognized at its fair value. The revenue and cost from these services are recognized based on the percentage of completion measured principally on the basis of estimated completion of a physical proportion of the contract works, and by reference to the actual costs incurred to date over the estimated total cost of the project. The construction revenue and construction cost are reported as part of "Other income" in the consolidated statement of income.

*Contract assets ongoing construction.* During the construction phase of the arrangements, the Group's contract assets (representing its accumulating right to be paid for rehabilitation works) are presented as part of "Service concession assets" (SCA) for intangible asset model.

*Service concession right.* The service concession right is recognized initially at the fair value of construction works incurred, which include professional and consultancy fees, structural costs, etc. The Group applies PAS 38, *Intangible Assets,* on measuring the intangible assets. Following initial recognition, the service concession right is carried at cost less accumulated amortization and any impairment losses. Amortization period is based on the concession period.

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

Intangible Assets

The Group recognizes an intangible asset acquired in a business combination if it is identifiable and distinguishable from goodwill. The Group considers an intangible asset as identifiable if:

- it is separable, i.e., there is evidence of exchange transactions for the asset or an asset of a similar type, even if those transactions are infrequent and regardless of whether the Group is involved in those transactions; or
- it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations ("contractual-legal" criterion).

The Group's intangible assets recognized from business combination pertain to customer relationship, customer contracts and right to use asset (i.e., extraction and distribution of water in certain provinces in the Philippines). The estimated useful life of the intangible assets follows:

| | No. of years |
|---|---|
| Customer relationships | 22 |
| Customer contracts | 18 |

The right-to-use of water permits is assessed to have an indefinite useful life.

Deferred Mine Exploration Costs

Expenditures for mine exploration works on mining properties (i.e., acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resource) are deferred as incurred, carried at cost less any impairment in value and presented as "Deferred mine exploration costs" in the consolidated balance sheet. When, as a result of the exploration work, recoverable reserves are determined to be present in quantities that can be commercially produced, exploration expenditures and subsequent development costs are capitalized as mine and mining properties and classified as part of property and equipment. A valuation allowance is provided for estimated unrecoverable deferred mine exploration costs based on the technical assessment by the Group of the future prospects of each mining property. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or when the project is abandoned, the deferred mine exploration costs associated with the project and the related impairment provisions are written off. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

Mining expenses, which are not related to establishing the technical feasibility and commercial viability of mineral resource extractions, are expensed outright.

Deferred Project Costs
Deferred project costs pertain to expenditures related to ongoing water projects where technical feasibility has been completed and the Group has the intention and ability (e.g., technical and financial) to complete the relevant activities to have grants from government authorities either to provide bulk or retail water services. Once grants from government authorities are awarded, the Group assesses whether these assets shall be accounted for under Philippine Interpretation IFRIC 12 or property and equipment. Deferred project costs are not amortized until these are transferred as property, plant and equipment or either financial or intangible asset under IFRIC 12.

Nonrefundable Security Deposits
Nonrefundable security deposits are included as part of "Other noncurrent assets" which represent the difference between the face amount and the present value of refundable rental deposits made and are being amortized on a straight-line basis over the lease term. Amortization of nonrefundable security deposits is included under "Financing charges" account in profit or loss. Accretion of the refundable rental deposits using the effective interest method is included under "Interest income" account in profit or loss.

Impairment of Nonfinancial Assets
*Nonfinancial assets other than goodwill and intangible assets with indefinite life*
The Group assesses at each reporting date whether there is an indication that investments in associates, property, plant and equipment, right-of-use asset, investment property, deferred project costs, service concession right and intangible assets with finite life may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The Group also assesses its deferred mine exploration costs for impairment when facts and circumstances suggest that its carrying amount may exceed its recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

*Goodwill and intangible assets with indefinite life*
Goodwill and intangible assets with indefinite life are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit (or group of cash generating units) to which the goodwill relates or the intangible assets with indefinite life. Where the recoverable amount of the cash-generating unit to which goodwill has been allocated or the

intangible assets with indefinite life is less than its carrying amount, an impairment loss is recognized immediately in profit or loss. Impairment losses relating to goodwill or intangible assets with indefinite life cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test at each end of the reporting date.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group has generally concluded that it is principal in its revenue arrangements because it typically controls the goods and services before transferring them to the customer.

*Sale of goods (beverage and dry store)*

Sale of beverage and dry store is recognized at point in time upon delivery of goods to and acceptance by airline clients and other customers.

*Rendering of services*

Revenue from inflight and other catering, ground handling, aviation and administrative services, charter flights, water service (including provision of potable water and treatment of sewage water) and exploratory drilling services is recognized over time when the related services are rendered.

The Group, through BTSI, also provides operation and maintenance of sewerage treatment plant ("STP") that is either performed separately or together with the construction of STP. The operation and maintenance of STP can be obtained from other providers and do not significantly customize or modify the construction of STP. Contracts for construction and operation and maintenance of STP comprise two separate and distinct performance obligations because each are capable of being distinct and separately identifiable.

In determining the transaction price for the construction and operation and maintenance of sewerage treatment plant, the Group allocates the transaction price based on relative stand-alone selling prices of the performance obligations. Further, the Group considers the effects of variable consideration and the existence of significant financing component.

Revenue from construction of STP is recognized over time as the construction of STP creates an asset that the customer controls as the STP is constructed. Revenue from operation and maintenance of STP is recognized over time as the customers simultaneously receive and consume the benefits provided by the Group.

*Variable consideration*

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at the contract inception and is not constrained as it is not highly probable that a significant revenue recognized will occur as the uncertainty on the variable consideration will be resolved within a short time frame.

*Significant financing component*

Generally, the Group receives the consideration within the normal credit terms from its customers. Using the practical expedient in PFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of promised good or service to the customer will be one year or less.

The Group receives the consideration for BTSI's construction of STP over three to four years. The transaction price for such contracts is discounted using the rate that would be reflected in a separate financing transaction between BTSI and its customers at contract inception to take into consideration the significant financing component.

Interest income
Interest income is recognized as the interest accrues using, where applicable, the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the net carrying amount of the financial assets.

Dividend income
Dividend income is recognized when the Group's right as a shareholder to receive the payment is established.

Other income
Other income is recognized when the right to receive payment is established.

Contract Balances
*Contract assets*
A contract asset is the right to consideration in exchange for goods and services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration before payment is due, a contract asset is recognized for the earned consideration that is conditional.

*Trade receivables*
A receivable represents the Group's right to an amount of consideration that is unconditional. Refer to accounting policies of financial assets in section Financial Assets and Financial Liabilities – initial recognition and subsequent measurement.

*Contract liabilities*
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods and services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Direct Costs, Selling Expenses and General and Administrative Expenses
Direct costs, which include expenses incurred by the Group for the generation of revenue from rendering of in-flight and other catering services, rental and administrative services, ground handling and aviation services, water treatment and distribution, exploratory services and charter flights are expensed as incurred.

Selling expenses, which include costs of advertising and promotion, and general and administrative expenses, which include the cost of administering the business, are not directly associated with the generation of revenue and are generally expensed as incurred.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the profit or loss for the year in accordance with PFRSs. Other comprehensive income of the Group includes share in foreign currency translation adjustments on investment in associates, unrealized changes in fair value of financial assets held at FVTOCI, remeasurements in the Group's defined benefit plans and the Group's share in associates' remeasurements on defined benefit plans.

Employee Benefits

*Retirement benefits costs*

Retirement benefits costs are actuarially determined using the projected unit credit method. This method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each separately to build up the final obligation. Retirement benefit costs comprise the following:

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

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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.

The amount recognized as accrued retirement benefits payable or plan 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.

*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 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period. For leave credits expected to be settled at the date of retirement or recognition, the liability is presented at its present value using assumptions consistent with those used to discount retirement benefits. The expense recognized in profit or loss comprise the service cost, net interest of the liability and remeasurements.

*Short-term employee benefits*
Short-term employee benefits include items such as salaries and wages, social security contributions and nonmonetary benefits, if expected to be settled wholly within 12 months after the reporting date in which the employees rendered the related services. Short-term employee benefits are recognized as expense as incurred. When an employee has rendered service to the Group during the reporting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid.

*Termination benefit*
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Borrowing Costs
Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are capitalized if they are directly attributable to the acquisition, production or construction of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. Borrowing costs not qualified for capitalization are expensed as incurred.

Income Taxes
*Current income tax*
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax for the current and prior period, shall, to the extent unpaid, be recognized as a liability and is presented as "Income tax payable" in the consolidated balance sheet. If the amount already paid, including the cumulative creditable withholding taxes, in respect of the current and prior period exceeds the amount due for those periods, the excess shall be recognized as an asset under "Other current assets" in the consolidated balance sheet.

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

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

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

The carrying amount of deferred income tax assets is reviewed at each reporting date 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 assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax assets to be recovered.

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and those directly in comprehensive income are recognized in the consolidated statement of comprehensive income. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off the deferred income tax assets against the deferred income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as an interest expense. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the Group's negotiation with the third party.

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. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued and outstanding.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Retained Earnings

Retained earnings consist of appropriated and unappropriated balances. Appropriated retained earnings are restricted for specific purposes and/or are not available for dividend declaration. Unappropriated retained earnings are not restricted and include the cumulative balance of net income or loss, any dividend distributions, prior period adjustments and effects of any change in accounting policy.

*Dividend distributions*

Cash dividends on common shares are recognized as liability and deducted from retained earnings upon declaration by the BOD.

Stock dividends on common shares are measured based on the total par value of declared stock dividend. Stock dividends are deducted from retained earnings when the BOD's declaration is ratified by the stockholders of the Parent Company. Unissued stock dividends are recorded as stock dividends distributable and credited to capital stock upon issuance.

Dividends for the year that are declared after the end of the reporting period but before the approval for issuance of the consolidated financial statements are dealt with as an event after the reporting period.

Treasury Shares

Own equity instruments, which are reacquired, are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and consideration, if reissued, is recognized in "Additional paid-in capital" account.

Earnings Per Share

Basic earnings per share is computed by dividing net income for the year attributable to ordinary equity holders of the Company by the weighted average number of shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net income by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued upon conversion of all dilutive potential ordinary shares. The effect of stock dividends, if any, is accounted for retrospectively. The Company has no potentially dilutive shares as of December 31, 2020 and 2019.

Events After the Reporting Period

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

Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the aviation-support service provided by its four subsidiaries, maintenance, repairs and overhaul, mining-related activities and water treatment and distribution. This is the basis on which the Group reports its primary segment information. The Group also monitors the revenue and operating results of its associates. Information with respect to these subsidiaries, as well as the Group's associates, are disclosed in Notes 4 and 9. The Group's geographic segment is the Philippines only. The Group operates and derives all its revenue from domestic operation.

## 3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRSs requires the Group to exercise judgments, make estimates and use assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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

*Determination of the Group's functional currency*
Judgment is exercised in assessing various factors in determining the functional currency of each entity within the Group. These include the prices of goods and services, competition, cost and expenses, and other factors including the currency in which financing is primarily undertaken.

The Group, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be Peso. It is the currency of the primary economic environment in which the Group operates. The functional currencies of LTP and JASCO, the Group's associated companies (see Notes 2 and 9), has been determined to be US$ and JPY, respectively.

*Revenue from contracts with customers*
The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Determination of the timing of satisfaction of performance obligation*
  *In- flight and other catering, ground handling and aviation, and water services*
  The Group assessed that performance obligation for inflight and other catering, except for dry store and beverage, ground handling and aviation and water services are rendered to the customers over time. As a result, the Group's revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment.

  *Sale of dry store and beverage*
  The Group assessed that performance obligation for sale of dry store and beverage are satisfied at a point in time. The Group uses its judgment on when a customer obtains control of the promised goods. The Group has assessed that the actual delivery of the goods to the customer is the point in time when the performance obligation has been satisfied.

- *Allocation of total transaction price between construction and operation and maintenance of STP*
  Management determined that the contractually agreed price for construction of STP does not depict the amount the Group expects to receive for the performance obligation as the costs of STP are also expected to be recovered through the fees from operation and maintenance. Accordingly, the Group determined that the total transaction price of construction and operation and maintenance (i.e., the performance obligations) of STP needs to be allocated. This required the estimation of each of the performance obligation's stand-alone selling prices based on expected value method. The Group estimates consideration from the construction of STP based on expected gross margin. On the other hand, the Group estimates the variable consideration from operation and maintenance of STP based on the historical patterns of water consumption and room capacity of the Group's customers.

The revenue recognized for the construction and the operation and maintenance of STP amounted to nil and ₱8.5 million in 2020, and ₱5.1 million and ₱15.8 million in 2019. Contract assets which will be realized as receivables as the Group renders operation and maintenance, amounted to ₱17.6 million and ₱20.8 million as of December 31, 2020 and 2019, respectively (see Notes 6 and 19).

*Assessment of control or significant influence over the investee*
The Group makes an assessment whether or not it controls an investee by considering all relevant facts and circumstances which indicate that 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. A reassessment is made if circumstances indicate that there are changes in these control elements. The Group has significant influence over an investee if it only has the power to participate in the financial and operating policy decisions, but not control or jointly control over the investee. As of December 31, 2020 and 2019, the Group still determined that it controls its subsidiaries and has significant influence over its associates (see Notes 9 and10).

*Assessment of operators under Philippine Interpretation IFRIC 12*
Management has assessed that memoranda of agreement with the Municipality of Solano, Nueva Vizcaya (Solano) to provide water distribution facilities and with the Municipality of Naic Cavite (Naic) to develop and operate water supply and distributions system are covered by the Philippine Interpretation IFRIC 12. The memoranda of agreement qualify under the intangible asset model with respect to the operation of the waterwork facilities as the Group has the right (license) to charge users of public service (see Note 14).

*Classification of leases - the Group as a lessor*
The Group has entered into short-term leases, which provide no transfer of ownership to the lessee. The Group has determined that, based on an evaluation of the terms and conditions of the arrangements, it retains all the significant risks and rewards of ownership of these equipment and accounts for these as operating leases.

*Determining the lease term of contracts with renewal and termination options - the Group as a 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 Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for leases which are renewable at the option of the lessee. The Group typically exercises its option to renew for these leases because of significant permanent improvement introduced in the leased premises. The renewal periods for leases are not included as part of the lease term if option to renew is at lessor's discretion or leases which renewal depends on mutual consent of contracting parties as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Refer to Note 28 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

*Contingencies*
The Group, in its normal course of business, is involved in various legal cases and claims. Based on management's assessment, the Group will be able to defend its position on these cases and that the ultimate outcome will not have a significant impact on the Group's consolidated financial statements. Accordingly, no provision has been recognized for these contingencies. LTP, the most significant associate of the Group also assesses the need to recognize the provisions based on the status of the claims (see Note 9).

<u>Estimates and Assumptions</u>
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects that period, or in the period of revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustment to the carrying amounts of the Group's assets and liabilities follow.

*Determination of fair values in business combination and goodwill*
The Group accounts for the acquired businesses using the acquisition method, which requires the identification of the assets and liabilities of the acquired entities and the determination of their fair values on acquisition date. Management exercises significant judgment and estimation to allocate the purchase price to the fair values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date.

On acquisition of the investment in JASCO, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for either as goodwill included in the carrying amount of the investment relating to an associate or a joint venture or as income in the determination of the Company's share of the associate's profit or loss in the period in which the investment is acquired.

On the acquisition of NAWASCOR and SWRI, any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill or gain on bargain purchase in profit or loss.

As of December 31, 2020, the investment in JASCO amounted to ₱853.4 million which includes a goodwill amounting to ₱446.9 million (see Notes 9 and 10).

*Determination of fair value of financial instruments*
When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair values is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these assumptions about these factors could affect the reported fair value of financial instruments (see Note 33).

*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 (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

*Provision for expected credit losses*
The Group uses a provision matrix to calculate ECLs for financial assets at amortized cost. 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 calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analyzed. 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 timing of the default (a lifetime ECL).

The assessment of the correlation between observed default rates, forecast economic conditions and ECLs is a 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 the customer's actual default in the future.

The Group has a segmentation of its credit risk exposures based on homogeneity of credit risk characteristics and credit risk management policies to identify defaulting customers using observable inputs such as historical loss rates, recoveries and write-offs. The Group has also applied forward-looking information for its overlay through statistical test and corroboration using publicly available information.

The Group's receivables and contract assets, net of allowance for the expected credit losses of ₱91.4 million and ₱15.5 million, amounted to ₱1,766.9 million and ₱1,925.7 million as of December 31, 2020 and 2019, respectively (see Note 6).

*Determination of NRV of inventories*
The Group estimates the NRV of inventories based on the most reliable evidence available at the time the estimates are made. These estimates consider the fluctuations of prices or costs directly relating to events occurring after the reporting date to the extent that such events affect the value of inventories. Other factors include the age of the inventories and Company's experience on write-off and expirations.

The Group did not identify any factors which indicate inventory obsolescence based on the above discussions. Accordingly, no provision was recognized in 2020, 2019 and 2018.

The Group's inventories carried at cost as of December 31, 2020 and 2019 amounted to ₱79.6 million and ₱106.0 million, respectively (see Note 7).

*Estimating allowances for probable losses on input taxes and TCCs*
The Group estimates the level of provision for probable losses on input taxes and TCCs based on the experience of the Group and assessment of counsels assisting the Group in processing the claims and negotiating the realization of TCCs. As of December 31, 2020 and 2019, the carrying value of input taxes and TCCs amounted to ₱396.5 million and ₱446.9 million, respectively. Allowance for probable losses amounted to ₱13.3 million and ₱18.9 million, respectively (see Note 8).

*Estimation of useful lives of property, plant and equipment*
The Group estimates the useful lives of property, plant and equipment based on the internal technical evaluation and experience with similar assets. In cases where the use of property, plant and equipment is dependent on the grant of certain permits to conduct its business, management considers the probability of renewal of such permits based on past experience. In this situation, useful lives of property, plant and equipment are based on the economic useful lives rather than the currently effective period of the permits. Estimated useful lives are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. There is no change in the estimated useful lives of property, plant and equipment in 2020, 2019 and 2018.

The carrying value of property, plant and equipment subject to depreciation as of December 31, 2020 and 2019 amounted to ₱2,036.6 million and ₱2,241.2 million, respectively (see Note 12).

*Estimation of useful life of service concession right*
At the start of operation of the water work facilities, the service concession right is to be amortized over the concession period as provided in the agreements with relevant government units. The amortization period is reviewed when there are changes in the expected term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset. In 2018, NAWASCOR was granted additional concession period of 15 years by the Municipality of Naic, Cavite. Accordingly, NAWASCOR changed the useful life of its service concession right from 25 years to 40 years (see Note 29).

Amortization for the service concession right amounted to ₱20.3 million, ₱20.0 million and ₱18.9 million in 2020, 2019 and 2018, respectively. The carrying value of the service concession right amounted to ₱422.4 million and ₱424.6 million as of December 31, 2020 and 2019, respectively (see Note 14).

*Estimation of useful life of intangible assets acquired as part of business combination*
The assigned useful lives of intangible assets acquired as part of business combination are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on collective assessment of similar businesses, internal evaluation and experience with similar assets. Further, management considers the probability of renewal of certain permits and the cost and efforts in renewing such permits based on past experience. The useful life of each asset is reviewed at each financial year and updated if expectations differ from previous estimates due to technical or commercial obsolescence and legal or other limits on the use of the asset. There were no changes in the estimated useful lives of customer contract and relationships, while right to use asset is assessed to have indefinite useful life due to minimal efforts required to renew certain permits to extract and distribute water in relevant provinces based on past experience.

The total carrying value of the customer contract and relationships, and the right-to-use of water permits amounted to ₱169.2 million and ₱174.3 million as of December 31, 2020 and 2019, respectively (see Note 14).

*Determination of impairment indicators and impairment testing of nonfinancial assets*
*A. Nonfinancial assets other than goodwill and intangible assets with indefinite life*
The Group assesses at each reporting date whether there is any indication that its nonfinancial assets other than goodwill and intangible assets with indefinite life (i.e., investments in associates, property, plant and equipment, right-of-use assets, investment property, service concession right, intangible assets, deferred project costs, deferred mine exploration costs) may be impaired. Also, the Group assesses whether facts and circumstances suggest that carrying amount of deferred mine exploration costs may exceed its recoverable amount. The factors that the Group considers important which could trigger an impairment review included the following, among others:

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

If such indication exists, the Group performs impairment testing to estimate the recoverable amount of the related asset. Management determined certain facts which indicate impairment of the service concession right which required impairment testing as of December 31, 2020 and 2019.

The carrying values of the nonfinancial assets are as follows:

| | **2020** | 2019 |
|---|---|---|
| Investments in associates (Note 9) | **₱1,365,403,361** | ₱3,087,533,060 |
| Property, plant and equipment (Note 12) | **2,441,912,974** | 2,561,076,769 |
| Right-of-use assets (Note 28) | **462,518,495** | 499,566,989 |
| Investment property (Note 13) | **143,852,303** | 143,852,303 |
| Service concession right (Note 14) | **422,446,347** | 424,608,123 |
| Customer contract and relationships (Note 14) | **58,255,851** | 61,646,255 |
| Deferred project costs (Note 15) | **42,783,267** | 57,013,350 |
| Deferred mine exploration costs (Notes 15 and 30) | **20,418,948** | 20,418,948 |

Investment in associates, property, plant and equipment, right-of-use assets
In 2020, the aviation-related operations of the Group were significantly impacted by the international and domestic travel restrictions due to the COVID-19 pandemic which resulted to cancellation of passenger flights. As a result, the kitchen facilities of the Group's catering segment have been operating below target capacity. The closure of Boracay to travelers also impacted BTSI, one of the Group's subsidiaries.

For purposes of impairment testing of investment in associates, property, plant and equipment and right-of-use assets, recoverable amount has been determined based on the value-in-use calculations using cash flow projections. The projected cash flows were based on expectations on future outcomes, such as anticipated revenue growth and forecasted volume of flights serviced and meals ordered which are impacted by the COVID-19 pandemic, annual water consumption and operating expenses , taking into account past experiences. The discount rate is a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The discount rates used ranged from 8% to 16%.

Refer to Notes 9 and 12 on the discussions of assumptions which are most sensitive to impact the calculated value-in-use. Based on the impairment test, the recoverable amount of the investment in associates, property, plant and equipment and right-of-use assets exceeds their carrying values. Management believes that any reasonable possible change in any of the assumptions used would not cause the carrying values to exceed their respective recoverable amount.

Service concession right
As of December 31, 2020, the Group's service concession right for SNVRDC is operating at lower than the expected level and has been operating at a loss since the start of its commercial operation.

For the purpose of impairment testing of SNVRDC's service concession right, recoverable amount is determined based on the value-in-use using cash flow projections based on financial budgets as approved by management covering 17 years of projections, coterminous to the term of the concession agreement with the Municipality of Solano. The projected cash flows are based on expectations of future outcomes considering past experience, adjusted for anticipated revenue growth based on management's future plans. The discount rate is a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The pre-tax discount rate used is 9.5% and 8.5% in 2020 and 2019, respectively. Refer to Note 14 on the discussions of assumptions which are most sensitive to impact the calculated value-in-use. Based on the impairment test, the recoverable amount of the service concession right exceeds its carrying value. Management believes that any reasonable possible change in any of the assumptions used would not cause the carrying value to exceed its recoverable amount.

The carrying value of the service concession right subjected to impairment testing amounted to ₱252.8 million and ₱267.5 million as of December 31, 2020 and 2019, respectively (see Note 14).

Deferred mine exploration costs
For deferred mine exploration costs, the Group considers its ability to secure the necessary permits to continue its exploration activities within the mining tenements and the probability of subsequent operations of mining tenements. The recovery of deferred mine exploration costs depends upon the success of exploration activities, the discovery of recoverable reserves in quantities that can be commercially produced and future development of the mining properties, including grants of necessary permits.

While the Group finds its Mineral Production Sharing Agreements (MPSAs) for its Infanta Nickel Project valid and subsisting as affirmed by the MGB through the Department of Environment and Natural Resources (DENR), the Group assessed that the prevailing mining prospects do not support nickel mining. Accordingly, management believes that the provision for probable loss amounting to ₱217.1 million recognized in 2016 is still appropriate as of December 31, 2020 and 2019. Further, the Group also has an ongoing case with a government agency relating to a necessary permit before the Group can file a Declaration of Mine Feasibility (see Note 30).

*B. Goodwill and intangible assets with indefinite life*
For goodwill and intangible assets with indefinite useful life, the Group performs impairment testing at least on an annual basis or more frequently, if events or changes in circumstances indicate that these may be impaired. For the purpose of impairment testing, goodwill has been allocated to BTSI group, NAWASCOR, SWRI and MACS in 2020 and 2019 as the cash generating units.

The recoverable amounts of the cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on financial budgets as approved by management covering five years of projections. The projected cash flows are based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth based on management's future plans. Cash flows beyond the forecast period are extrapolated into perpetuity assuming four percent (4%) growth rate for impairment test purposes. The discount rate is a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The pre-tax discount rate used ranged from 9.6% to 11.0% in 2020 and 8.4% to 9.0% in 2019.

The carrying value of goodwill subjected to impairment testing amounted to ₱127.8 million as of December 31, 2020 and 2019 (see Note 14).

For the right to use of water permits, the recoverable amount is determined based on fair value less cost to sell calculations determined by discounting notional royalty savings after tax. These calculations use net sales projections and the related royalty savings based on a five-year projection. Net sales beyond the forecast period are extrapolated into perpetuity assuming four percent (4%) growth rate for impairment test purposes. Management considered the impact of cost to sell in the calculations of fair value less cost to sell as negligible. The royalty rate is the average of royalty rates for water distribution entities, while the discount rate was a pre-tax measure based on the weighted average cost of capital of listed entities with similar assets or similar in terms of potential risk. The royalty rate applied is 1.6% for both years while pre-tax discount rates used range were 11.0% and 8.4% in 2020 and 2019, respectively.

The carrying value of right-to-use of water permits amounted to ₱111.0 million and ₱112.6 million as of December 31, 2020 and 2019, respectively (see Note 14).

Management believes that no reasonably possible change in any of the assumptions used would cause the carrying values of the goodwill and right-to-use asset to exceed their recoverable amounts. Based on management's assessment, the recoverable amounts of these assets are higher than their carrying values, thus no impairment loss was recognized in 2020, 2019 and 2018.

*Estimation of retirement benefits costs and obligation, and accumulating leave credits*
The cost of defined benefit pension plans, as well as the present value of the pension obligation is, determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All significant assumptions are reviewed at each reporting date. The calculation of accumulating leave credits follows the same assumptions as the defined benefit costs.

In determining the appropriate discount rate, management considers the interest rates of government bonds, adjusted to zero coupon rates, with term consistent with the obligation of the plan.

Accrued retirement and other employee benefits payable amounted to ₱257.7 million and ₱93.1 million as of December 31, 2020 and 2019, respectively (see Note 21). Pension asset amounted to ₱1.2 million and ₱1.7 million as of December 31, 2020 and 2019, respectively, and is included under "Other noncurrent assets" account (see Note 15). Retirement benefits cost amounted to ₱68.2 million, ₱40.7 million, and ₱25.9 million in 2020, 2019 and 2018, respectively (see Note 21).

*Estimation of provisions for probable loss*
The Group is a party to certain claims arising from the normal course of business. The estimate of probable costs of possible claims has been developed in consultation with the Company's legal counsel and is based upon an analysis of potential results. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the Company's negotiation with the third party.

LTP, the significant associate, has recognized provisions as of December 31, 2020 and 2019 which relate to certain claims by third parties. LTP's management exercised significant judgment in assessing the probability of the claims based on historical experience. LTP has recognized provisions amounting to ₱406.8 million and ₱815.4 million as of December 31, 2020 and 2019, respectively, which are included as part of LTP's "Current liabilities." The provision (reversal of provision) for probable losses and claims recognized in profit or loss amounted to (₱357.8 million) in 2020 , (₱96.7 million) in 2019 and ₱259.4 million in 2018 which are included as part of "General and administrative expenses" of LTP's summarized financial information (see Note 9).

*Recognition of deferred income tax assets*
The Group reviews the carrying amounts of deferred income tax assets (gross of deferred income tax liabilities) at each reporting date and adjusts the balance of deferred income tax assets 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. The determination of future taxable income, which will establish the amount of deferred income tax assets that can be recognized, requires the estimation and use of assumptions about the Group's future income and timing of reversal of temporary differences, unused NOLCO and excess MCIT over RCIT.

Gross deferred income tax assets recognized, which relate primarily to operating subsidiaries, amounted to ₱62.0 million and ₱57.2 million as of December 31, 2020 and 2019, respectively. The Group also has unrecognized deferred income taxes primarily on the non-operating subsidiaries' temporary differences, NOLCO and MCIT (see Note 25).

## 4. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the aviation-support services provided by the four subsidiaries, mining-related activities and water-related projects, which is the basis on which the Group reports its primary segment information. The Group also monitors its share in the results of operations of its associates (LTP, CPCS and JASCO) that are accounted for using the equity method.

The operations of the Group's segments are described as follows:

- In-flight and other catering segment, which is operated by MACS and through the Company's interest in CPCS, refers to servicing of meal requirements of certain foreign and domestic passenger airlines, as well as certain passenger terminal lounges at the NAIA and the MDA, and of certain non-airline institutional accounts.

- Ground handling and aviation segment, which is operated by MASCORP and MAATS, refers to both ramp and passenger handling and aviation services to foreign airlines and domestic carriers at NAIA, MCIA, KIA, Davao International Airport, Tuguegarao Airport and Clark International Airport. In 2019, the Company acquired 30% ownership in JASCO, a ground handling and aviation service company operating in Japan (see Note 9).

- Maintenance, repairs and overhaul (MRO), which is operated through the Company's interest in LTP, pertains to rendering of MRO services of Airbus and Boeing aircraft for certain airlines.

- Administrative segment, which is primarily operated through MAPDC, refers to the sub-lease of the MacroAsia Ecozone at NAIA (see Note 28), which MAPDC leases from Manila International Airport Authority (MIAA) with LTP as the anchor locator (see Note 18).

- Charter flights segment, was operated by MAATS up to 2016, refers to international and domestic chartered flights from its base at the General Aviation Area, MDA to any point within the Philippines, through alliances with other helicopter owners.

- Water treatment and distribution segment, which is operated through SNVRDC, BTSI, NAWASCOR and SWRI. The Group has on-going water related projects which pertain to the development (e.g., studies, surveys) and construction of water-treatment facilities activities, which are undertaken by MAPDC and its other subsidiaries. The Group, through BTSI, is also engaged in the construction, operation and maintenance of sewage treatment facilities.

- Mining segment, which is operated through MMC, refers to mining-related activities of the Group. This segment refers to expenditures for exploration activities and rendering of exploration-related services.

The Group has only one geographic segment. Of the Group's total revenue, ₱1,209.1 million (or 54%), ₱3,478.7 million (or 57%) and ₱941.4 million (or 27%) in 2020, 2019 and 2018, respectively, was derived from two customers which are entities under common control.

Segment assets include the operating assets used by a segment and consist principally of cash and cash equivalents, receivables, inventories, other current assets, and property, plant and equipment, net investment in the lease, and right-of-use assets, net of allowances, depreciation and amortization and any impairment in value. Segment liabilities include all operating liabilities and consist principally of notes payable, accounts payable and accrued liabilities, and lease liabilities. Segment assets and liabilities do not include deferred income tax. Segment results pertain to operating income.

Financial information on the Group's business segments as of and for the years ended December 31 are presented below. The amounts disclosed were determined consistent with the measurement basis under PFRSs.

For the year ended December 31, 2020:

| | Inflight and Other Catering | Ground Handling and Aviation | Maintenance, Repairs and Overhaul | Administrative | Water Treatment and Distribution | Mining | Eliminations, Adjustments and Others | Total |
|---|---|---|---|---|---|---|---|---|
| Segment revenue | **₱950,879,262** | **₱1,057,628,803** | **₱–** | **₱23,470,384** | **₱226,126,526** | **₱4,156,179** | **(₱4,697,382)** | **₱2,257,563,772** |
| Direct costs | **(907,828,375)** | **(1,236,058,342)** | **–** | **(41,149,796)** | **(175,123,923)** | **(5,713,779)** | **1,273,100** | **(2,364,601,115)** |
| Gross profit (loss) | **43,050,887** | **(178,429,539)** | **–** | **(17,679,412)** | **51,002,603** | **(1,557,600)** | **(3,424,282)** | **(107,037,343)** |
| Equity in net losses of associates | **(10,420,639)** | **(30,433,105)** | **(616,326,821)** | **–** | **–** | **–** | **17,372,820** | **(639,807,745)** |
| | **32,630,248** | **(208,862,644)** | **(616,326,821)** | **(17,679,412)** | **51,002,603** | **(1,557,600)** | **13,948,538** | **(746,845,088)** |
| Operating expenses | **(361,940,227)** | **(177,586,694)** | **–** | **(49,226,601)** | **(77,292,942)** | **(11,881,731)** | **(253,729,107)** | **(931,657,302)** |
| Interest income | **648,035** | **157,291** | **–** | **27,841** | **2,917,201** | **31,185** | **5,766,416** | **9,547,969** |
| Financing charges | **(42,036,847)** | **(16,284,155)** | **–** | **(20,882,124)** | **(24,276,343)** | **(17,413)** | **(29,027,608)** | **(132,524,490)** |
| Foreign exchange gain (loss) - net | **12,880,054** | **(6,294,104)** | **–** | **33,540** | **5,638** | **–** | **(66,663,433)** | **(60,038,305)** |
| Other income (charges) - net | **(20,568,132)** | **18,392,030** | **–** | **971,738** | **26,516,940** | **(10,000)** | **26,704,195** | **52,006,771** |
| Income (loss) before income tax | **(378,386,869)** | **(390,478,276)** | **(616,326,821)** | **(86,755,018)** | **(21,126,903)** | **(13,435,559)** | **(303,000,999)** | **(1,809,510,445)** |
| Provision for (benefit from) income tax | **(4,412,536)** | **(10,765,249)** | **–** | **4,764** | **5,583,871** | **6,237** | **281,751** | **(9,301,162)** |
| Segment profit (loss) | **(₱373,974,333)** | **(₱379,713,027)** | **(₱616,326,821)** | **(₱86,759,782)** | **(₱26,710,774)** | **(₱13,441,796)** | **(₱303,282,750)** | **(₱1,800,209,283)** |
| Depreciation and amortization expense | **₱89,966,615** | **₱94,565,288** | **₱–** | **₱24,406,018** | **₱60,380,966** | **₱3,293,656** | **₱41,270,613** | **₱313,883,156** |
| Segment profit (loss) attributable to: | | | | | | | | |
| Equity holders of the Company | **(254,001,614)** | **(296,922,365)** | **(616,326,821)** | **(86,759,782)** | **(16,541,622)** | **(13,441,796)** | **(303,314,157)** | **(1,587,308,157)** |
| Non-controlling interests | **(119,972,719)** | **(82,790,662)** | **–** | **–** | **(10,169,152)** | **–** | **31,407** | **(212,901,126)** |

Other financial information of the operating segments as of December 31, 2020 is as follows:

| | Inflight and Other Catering | Ground Handling and Aviation | Maintenance, Repairs and Overhaul | Administrative | Water Treatment and Distribution | Mining | Eliminations, Adjustments and Others | Total |
|---|---|---|---|---|---|---|---|---|
| Assets: | | | | | | | | |
| Current assets | **₱1,005,024,935** | **₱1,184,137,847** | **₱–** | **₱610,923,099** | **₱363,729,762** | **₱14,836,177** | **₱271,185,167** | **₱3,449,836,987** |
| Noncurrent assets | **1,217,564,403** | **667,799,615** | **–** | **2,579,789,260** | **1,404,897,879** | **6,989,873** | **1,062,750,229** | **6,939,791,259** |
| | **₱2,222,589,338** | **₱1,851,937,462** | **₱–** | **₱3,190,712,359** | **₱1,768,627,641** | **₱21,826,050** | **₱1,333,935,396** | **₱10,389,628,246** |
| Liabilities: | | **-** | | | | | | |
| Current liabilities | **₱1,063,736,879** | **₱1,414,971,301** | **₱–** | **₱1,331,234,319** | **₱1,055,216,699** | **₱25,184,712** | **(₱2,164,297,578)** | **₱2,591,558,767** |
| Noncurrent liabilities | **642,147,342** | **284,738,086** | **–** | **1,666,116,232** | **366,063,110** | **2,001,103** | **(40,024,742)** | **3,055,528,696** |
| | **₱1,705,884,221** | **₱1,699,709,387** | **₱–** | **₱2,997,350,551** | **₱1,421,279,809** | **₱27,185,815** | **(₱2,204,322,320)** | **₱5,647,087,463** |
| Equity attributable to: | | | | | | | | |
| Equity holders of the Company | **₱613,948,599** | **₱218,679,264** | **₱–** | **₱193,361,808** | **₱203,679,829** | **(₱5,359,765)** | **₱3,350,562,502** | **₱4,574,872,237** |
| Non-controlling interests | **(97,243,482)** | **(66,451,189)** | **–** | **–** | **143,668,003** | **–** | **187,695,214** | **167,668,546** |
| Investments in associates | **19,792,119** | **824,162,315** | **473,679,679** | **–** | **47,769,226** | **–** | **–** | **1,365,403,339** |
| Additions to noncurrent assets - | | | | | | | | |
| Property, plant and equipment | **26,157,840** | **13,420,492** | **–** | **2,905,611** | **82,746,221** | **1,928,055** | **1,747,666** | **128,905,885** |

For the year ended December 31, 2019:

| | Inflight and Other Catering | Ground Handling and Aviation | Maintenance, Repairs and Overhaul | Administrative | Water Treatment and Distribution | Mining | Eliminations, Adjustments and Others | Total |
|---|---|---|---|---|---|---|---|---|
| Segment revenue | ₱2,905,490,152 | ₱2,869,563,325 | ₱– | ₱30,995,437 | ₱363,929,639 | ₱15,437,718 | (₱17,585,164) | ₱6,167,831,107 |
| Direct costs | (2,077,705,460) | (2,424,663,739) | – | (43,681,283) | (290,994,070) | (24,338,457) | 45,523,634 | (4,815,859,375) |
| Gross profit (loss) | 827,784,692 | 444,899,586 | – | (12,685,846) | 72,935,569 | (8,900,739) | 27,938,470 | 1,351,971,732 |
| Equity in net earnings of associates | 39,838,392 | 10,220,156 | 1,010,579,024 | – | – | – | 16,622,831 | 1,077,260,403 |
| | 867,623,084 | 455,119,742 | 1,010,579,024 | (12,685,846) | 72,935,569 | (8,900,739) | 44,561,301 | 2,429,232,135 |
| Operating expenses | (503,933,784) | (234,787,015) | – | (39,390,549) | (109,362,698) | (11,014,917) | (140,031,726) | (1,038,520,689) |
| Interest income | 676,310 | 245,901 | – | 181,030 | 3,785,216 | 39,982 | 6,846,876 | 11,775,315 |
| Financing charges | (8,661,964) | (23,672,166) | – | (21,401,559) | (27,234,983) | (47,868) | (7,358,717) | (88,377,257) |
| Foreign exchange gain - net | (16,343,669) | 2,028,825 | – | (8,775) | – | – | 31,776,233 | 17,452,614 |
| Other income (charges) - net | 5,273,690 | 7,586,457 | – | 14,714,155 | 69,828,740 | – | (43,597,905) | 53,805,137 |
| Income (loss) before income tax | 344,633,667 | 206,521,744 | 1,010,579,024 | (58,591,544) | 9,951,844 | (19,923,542) | (107,803,938) | 1,385,367,255 |
| Provision for income tax | (113,090,326) | (63,854,240) | – | 2,433,893 | (11,518,504) | (35,260) | (5,276,745) | (191,341,182) |
| Segment profit (loss) | ₱231,543,341 | ₱142,667,504 | ₱1,010,579,024 | (₱56,157,651) | (₱1,566,660) | (₱19,958,802) | (₱113,080,683) | ₱1,194,026,073 |
| | | | | | | | | |
| Depreciation and amortization expense | ₱56,826,964 | ₱79,022,380 | ₱– | ₱28,412,748 | ₱81,471,246 | ₱7,051,984 | ₱16,109,543 | ₱268,894,865 |
| Segment profit (loss) attributable to: | | | | | | | | |
| Equity holders of the Company | 168,280,708 | 144,361,564 | 1,010,579,024 | (56,157,651) | (4,958,146) | (19,958,802) | (113,080,683) | 1,129,066,014 |
| Non-controlling interests | 63,262,633 | (1,694,060) | – | – | 3,391,486 | – | – | 64,960,059 |

Other financial information of the operating segments as of December 31, 2019 is as follows:

| | Inflight and Other Catering | Ground Handling and Aviation | Maintenance, Repairs and Overhaul | Administrative | Water Treatment and Distribution | Mining | Eliminations, Adjustments and Others | Total |
|---|---|---|---|---|---|---|---|---|
| Assets: | | | | | | | | |
| Current assets | ₱1,328,603,594 | ₱1,318,535,029 | ₱– | ₱485,251,419 | ₱366,185,241 | ₱24,355,264 | ₱76,922,130 | ₱3,599,852,677 |
| Noncurrent assets | 1,285,824,838 | 754,384,139 | – | 2,602,716,520 | 1,377,545,611 | 8,138,487 | 2,859,506,752 | 8,888,116,347 |
| | ₱2,614,428,432 | ₱2,072,919,168 | ₱– | ₱3,087,967,939 | ₱1,743,730,852 | ₱32,493,751 | ₱2,936,428,882 | ₱12,487,969,024 |
| Liabilities: | | | | | | | | |
| Current liabilities | ₱1,128,325,494 | ₱1,466,786,412 | ₱– | ₱1,114,389,640 | ₱1,059,563,910 | ₱19,482,887 | (₱1,905,477,337) | ₱2,883,071,006 |
| Noncurrent liabilities | 563,225,184 | 86,168,380 | – | 1,679,909,373 | 302,432,695 | 4,814,043 | 130,505,189 | 2,767,054,864 |
| | ₱1,691,550,678 | ₱1,552,954,792 | ₱– | ₱2,794,299,013 | ₱1,361,996,605 | ₱24,296,930 | (₱1,774,972,148) | ₱5,650,125,870 |
| Equity attributable to: | | | | | | | | |
| Equity holders of the Company | ₱886,015,121 | ₱500,984,160 | ₱– | ₱293,668,926 | ₱238,790,959 | ₱8,196,821 | ₱4,496,498,904 | ₱6,424,154,891 |
| Non-controlling interests | 36,862,633 | 18,980,216 | – | – | 142,943,288 | – | 214,902,126 | 413,688,263 |
| Investments in associates | 50,212,737 | 854,978,597 | 2,151,339,726 | – | 31,002,000 | – | – | 3,087,533,060 |
| Additions to noncurrent assets - | | | | | | | | |
| Property, plant and equipment | 590,839,266 | 437,856,059 | – | 20,193,391 | 174,545,577 | – | 50,670,985 | 1,274,105,278 |

For the year ended December 31, 2018:

| | Inflight and Other Catering | Ground Handling and Aviation | Maintenance Repairs and Overhaul | Administrative | Water Treatment and Distribution | Mining | Eliminations, Adjustments and Others | Total |
|---|---|---|---|---|---|---|---|---|
| Segment revenue | ₱1,663,770,983 | ₱1,463,947,551 | ₱– | ₱209,630,059 | ₱284,200,794 | ₱– | (₱194,929,977) | ₱3,426,619,410 |
| Direct costs | (1,102,589,553) | (1,176,064,366) | – | (234,940,224) | (245,222,996) | (13,666,586) | 173,098,145 | (2,599,385,580) |
| Gross profit (loss) | 561,181,430 | 287,883,185 | – | (25,310,165) | 38,977,798 | (13,666,586) | (21,831,832) | 827,233,830 |
| Equity in net earnings of associates | 47,549,870 | – | 1,011,684,062 | – | – | – | 10,780,656 | 1,070,014,588 |
| | 608,731,300 | 287,883,185 | 1,011,684,062 | (25,310,165) | 38,977,798 | (13,666,586) | (11,051,176) | 1,897,248,418 |
| Operating expenses | (361,623,558) | (156,981,223) | – | (48,739,360) | (64,940,278) | (13,238,254) | (65,189,675) | (710,712,348) |
| Interest income | 3,076,525 | 113,745 | – | 1,424,990 | 839,735 | 36,650 | 5,584,956 | 11,076,601 |
| Financing charges | – | (11,778,682) | – | (1,248,148) | (7,814,001) | – | (30,512,969) | (51,353,800) |
| Other income (charges) - net | 27,382,296 | 7,425,947 | – | 18,555,629 | 8,806,346 | (55,050) | (4,934,159) | 57,181,009 |
| Income (loss) before income tax | 277,566,563 | 126,662,972 | 1,011,684,062 | (55,317,054) | (24,130,400) | (26,923,240) | (106,103,023) | 1,203,439,880 |
| Provision for income tax | (74,746,606) | (40,072,511) | – | (1,178,298) | (3,373,516) | (7,330) | 2,038,615 | (117,339,646) |
| Segment profit (loss) | ₱202,819,957 | ₱86,590,461 | ₱1,011,684,062 | (₱56,495,352) | (₱27,503,916) | (₱26,930,570) | (₱104,064,408) | ₱1,086,100,234 |
| | | | | | | | | |
| Depreciation and amortization expense | ₱47,398,159 | ₱52,754,576 | ₱– | ₱4,880,352 | ₱47,148,621 | ₱7,232,532 | ₱18,245,373 | ₱177,659,613 |
| Segment profit attributable to: | | | | | | | | |
| Equity holders of the Company | 151,580,828 | 86,590,461 | 1,011,684,062 | (56,495,352) | (24,644,348) | (26,930,570) | (90,542,506) | 1,051,242,575 |
| Non-controlling interests | 51,239,129 | – | – | – | (2,859,568) | – | (13,521,902) | 34,857,659 |

Other financial information of the operating segments as of December 31, 2018 is as follows:

| | Inflight and Other Catering | Ground Handling and Aviation | Maintenance Repairs and Overhaul | Administrative | Water Treatment and Distribution | Mining | Eliminations, Adjustments and Others | Total |
|---|---|---|---|---|---|---|---|---|
| Assets: | | | | | | | | |
| Current assets | ₱714,036,409 | ₱599,004,605 | ₱– | ₱553,526,435 | ₱158,102,316 | ₱24,130,038 | (₱195,534,080) | ₱1,853,265,723 |
| Noncurrent assets | 1,121,869,122 | 530,200,813 | – | 1,145,591,135 | 1,230,952,425 | 13,770,002 | 3,667,043,632 | 7,709,427,129 |
| | ₱1,835,905,531 | ₱1,129,205,418 | ₱– | ₱1,699,117,570 | ₱1,389,054,741 | ₱37,900,040 | ₱3,471,509,552 | ₱9,562,692,852 |
| Liabilities: | | | | | | | | |
| Current liabilities | ₱697,487,097 | ₱673,931,350 | ₱– | ₱1,153,780,429 | ₱757,418,922 | ₱6,050,003 | (₱1,934,401,261) | ₱1,354,266,540 |
| Noncurrent liabilities | 370,005,636 | 62,522,978 | – | 148,495,634 | 272,591,776 | 2,489,265 | 1,753,934,151 | 2,610,039,440 |
| | ₱1,067,492,733 | ₱736,454,328 | ₱– | ₱1,302,276,063 | ₱1,030,010,698 | ₱8,539,268 | (₱180,467,110) | ₱3,964,305,980 |
| Equity attributable to: | | | | | | | | |
| Equity holders of the Company | ₱716,856,432 | ₱392,751,090 | ₱– | ₱422,867,033 | ₱361,903,610 | ₱29,360,772 | ₱3,311,555,270 | ₱5,235,294,207 |
| Non-controlling interests | 51,556,366 | – | – | – | (2,859,567) | – | 314,395,866 | 363,092,665 |
| Investments in associates | 30,374,348 | – | 2,453,279,160 | – | 31,002,000 | – | (228,987,328) | 2,285,668,180 |
| Additions to noncurrent assets - | | | | | | | | |
| Property, plant and equipment | 536,572,091 | 222,925,259 | – | 67,181,093 | 205,073,263 | – | 5,071,129 | 1,036,822,835 |

## 5. Cash and Cash Equivalents

| | 2020 | 2019 |
|---|---|---|
| Cash on hand and cash in banks (Note 18) | **₱462,772,459** | ₱952,199,325 |
| Short-term deposits (Note 18) | **806,002,235** | 267,440,103 |
| | **₱1,268,774,694** | ₱1,219,639,428 |

Cash in banks earn interest at the respective bank deposits rates. Short-term deposits are made for varying periods of up to three months and earn interest at the respective short-term deposit rates. Interest income earned amounted to ₱7.2 million, ₱6.6 million and ₱8.3 million in 2020, 2019, and 2018, respectively (see Note 22).

## 6. Receivables and Contract Assets

| | 2020 | 2019 |
|---|---|---|
| Receivables: | | |
| Trade: | | |
| Third parties | **₱400,426,451** | ₱650,335,369 |
| Related parties (Note 18) | **1,300,374,485** | 1,179,434,461 |
| Advances to officers and employees | **21,391,746** | 20,943,058 |
| Interest receivable | **2,279,004** | 2,279,004 |
| Other receivables | **130,728,001** | 80,983,439 |
| Contract assets - current portion | **3,135,480** | 7,294,471 |
| | **1,858,335,167** | 1,941,269,802 |
| Less allowance for ECL | **91,421,827** | 15,527,033 |
| | **₱1,766,913,340** | ₱1,925,742,769 |

Trade receivables arise from the revenue-generating activities of the Group. These are non-interest bearing with normal credit terms ranging from 30 to 90 days.

*Long-term receivables*
Included under trade receivables are monthly installments due from customers from the construction of STPs. Payment terms from the said contracts are beyond one year; thus, contains significant financing component. Interest income earned from installment receivables amounted to ₱1.3 million, ₱3.7 million and ₱0.5 million in 2020, 2019 and 2018, respectively (see Note 22).

As of December 31, outstanding receivables pertaining to construction of STPs are as follows:

| | 2020 | 2019 |
|---|---|---|
| Gross installment receivables | **₱45,027,014** | ₱61,427,613 |
| Less unearned interest | **1,035,421** | 912,267 |
| | **43,991,593** | 60,515,346 |
| Current portion | **15,933,542** | 12,172,159 |
| Noncurrent portion (Note 15) | **₱28,058,051** | ₱48,343,187 |

In relation to the construction of STPs, the Group allocates the total transaction price earned between the construction of STPs and the operation and maintenance services for the STPs. The allocated amounts for the operation and maintenance services are recognized as contract assets. These contracts assets are realized as receivables as the Group performs the operations and maintenance of STPs, which is the remaining performance obligation, over the contract period of about 10 years. Contract assets are presented based on the timing of realization. Current and noncurrent portion of contract assets amounted to ₱3.1 million and ₱14.5 million as of December 31, 2020 and ₱7.3 million, and ₱13.5 million as of December 31, 2019 (see Note 15).

Advances to officers and employees pertain to cash advances that are subject to liquidation.

Other receivables include amounts due from third party insurance company and certain government agencies (e.g., SSS) and employee loans which are payable through salary deductions.

Allowance for ECL pertains to trade receivables. The rollforward analyses of the allowance for ECL as of December 31, 2020 and 2019 are as follows:

| | **2020** | 2019 |
|---|---|---|
| Beginning balance | **₱15,527,033** | ₱14,918,648 |
| Provisions (Note 20) | **75,894,794** | 608,385 |
| Ending balance | **₱91,421,827** | ₱15,527,033 |

7. **Inventories** - at cost

| | **2020** | 2019 |
|---|---|---|
| Food and beverage | **₱32,336,794** | ₱62,542,228 |
| Materials and supplies | **47,281,960** | 43,436,643 |
| | **₱79,618,754** | ₱105,978,871 |

Cost of inventories recognized as expense and included as part of "Food" and "Supplies" accounts under "Direct costs" amounted to ₱397.6 million, ₱1,282.6 million and ₱831.7 million in 2020, 2019 and 2018, respectively (see Note 20).

8. **Other Current Assets**

Other current assets consist of:

| | **2020** | 2019 |
|---|---|---|
| Input taxes | **₱175,851,540** | ₱184,711,090 |
| Creditable withholding taxes | **104,233,175** | 57,347,417 |
| Supplies | **22,576,308** | 20,747,286 |
| Prepayments | **20,388,093** | 9,595,203 |
| Other current assets | **11,481,083** | 11,531,524 |
| Advances to suppliers, contractors and others | **–** | 64,559,089 |
| | **₱334,530,199** | ₱348,491,609 |

*Input VAT*

| | **2020** | 2019 |
|---|---|---|
| Gross input tax | **₱409,806,340** | ₱465,740,842 |
| Less allowance for probable losses | **13,306,191** | 18,856,466 |
| | **396,500,149** | 446,884,376 |
| Less noncurrent portion | **220,648,609** | 262,173,286 |
| Current portion | **₱175,851,540** | ₱184,711,090 |

Input taxes represent VAT paid on purchases of goods and services that can be recovered as tax refund/credit from the Bureau of Internal Revenue (BIR) or the Bureau of Customs. The Group also has input taxes arising from acquisition of property and equipment and other assets and those which are not expected to be utilized in the next 12 months. Provision for losses on input taxes amounted to ₱6.3 million, ₱8.7 million and ₱7.9 million in 2020, 2019 and 2018, respectively (see Note 20). The Group wrote-off input taxes amounting to nil and ₱31.8 million in 2020 and 2019, respectively, which were fully provided with allowance.

Further, in 2020, the Group has claimed tax refund amounting to ₱54.2 million from 2018 Input VAT claim application totaling ₱76.8 million, ₱7.9 million of which was provided for losses.

*CWTs* represent creditable tax certificates from customers which can be applied against any related income tax liability of a company in the Group to which the CWTs relate.

*Advances to suppliers and contractors* pertain to down payments for various purchases of operating supplies of the Group.

*Others* mainly consist of prepaid insurance, rent and utilities.

## 9. **Investments in Associates**

| | Percentage of ownership interest | **2020** | 2019 (As restated, Note 10) |
|---|---|---|---|
| Acquisition costs: | | | |
| LTP | **49** | **₱935,759,560** | ₱935,759,560 |
| CPCS | **40** | **5,000,000** | 5,000,000 |
| MacroAsia WLL | **35***** | **2,310,175** | 2,310,175 |
| CSWC | **24****** | **47,769,226** | 31,002,000 |
| JASCO (Note 10) | **30** | **853,799,023** | 853,799,023 |
| | | **1,844,637,984** | 1,827,870,758 |
| Accumulated equity in net earnings (losses): | | | |
| Beginning of year | | **1,450,022,943** | 1,289,079,255 |
| Share in net earnings (loss) for the year | | **(639,807,745)** | 1,077,260,403 |
| Dividends declared (Note 18) | | **(963,261,800)** | (916,316,715) |
| End of year | | **(153,046,602)** | 1,450,022,943 |

*(Forward)*

| | 2020 | 2019 |
|---|---|---|
| Share in foreign currency translation adjustments: | | |
| Beginning of year | **(₱47,322,066)** | ₱53,347,767 |
| Net foreign currency translation adjustments for the year | **(49,177,022)** | (100,669,833) |
| End of year | **(96,499,088)** | (47,322,066) |
| Share in re-measurement losses on defined benefit plans of associates: | | |
| Beginning of year | **(142,792,060)** | (30,584,062) |
| Remeasurement losses on defined benefit plans for the year | **(86,650,358)** | (112,207,998) |
| End of year | **(229,442,418)** | (142,792,060) |
| Impairment allowance on investment in MacroAsia WLL | **(246,515)** | (246,515) |
| | **₱1,365,403,361** | ₱3,087,533,060 |

**Effective ownership interest through MACS*
***Effective ownership through SWRI*

As of December 31, 2020 and 2019, the shares of stock of these associates companies are not traded in public and as such, have no publicly traded price quotation.

<u>LTP</u>
LTP is a joint venture between Lufthansa Technik AG (LHT), a corporation organized and existing under the laws of the Federal Republic of Germany and MAC, a corporation organized under the laws of the Republic of the Philippines. LTP was incorporated primarily to provide aircraft maintenance, aircraft overhaul, aircraft engine repair and overhaul and aircraft component repair and overhaul services in Manila, Cebu and other locations. LTP is also registered with the Philippine Economic Zone Authority (PEZA). The agreement provides for supermajority (i.e., two-thirds) vote of directors for the approval of the annual budget as well as other critical corporate acts of the agreement. The registered office address of LTP is LTP Technical Center, MacroAsia Ecozone, Villamor Airbase, Pasay City.

<u>CPCS</u>
CPCS is the Company's first in-flight catering venture, which started commercial operations in 1996. It is the only in-flight catering company at Mactan-Cebu International Airport and serves both domestic and international airlines. The registered office address of CPCS is 1st Ave. Extension, Block B6, MEZ I, Lapu-Lapu City.

<u>JASCO</u>
On November 5, 2019, MAC entered into a Share Purchase Agreement with Konoike Transport for the 7,200 ordinary shares or 30% ownership interest in Japan Airport Service Co., Ltd. (JASCO) for an aggregate amount of ₱853,799,023 (JPY 1,825,000,000). JASCO is a wholly-owned subsidiary of NKS Holding Co. Ltd., a Japanese company wholly-owned by Konoike Transport (see Notes 10 and 11).

MacroAsia WLL
On June 5, 2012, MACS entered into a Shareholders' Agreement with individuals to establish MacroAsia WLL, a national institutional catering and laundry company in Doha, Qatar. As of December 31, 2020, MacroAsia WLL has not yet started its commercial operations.

In 2015, the Group recognized provision for the probable loss of ₱0.2 million on the investment in associate equivalent to its remaining carrying amount.

CWSC
CSWC is a joint venture between SWRI and another domestic corporation in the Philippines. CSWC has bulk water supply with the water district of Janiuay, Iloilo. The registered office address of CWSC is 9/F, 45 San Miguel, San Miguel Avenue, Ortigas Center, Pasig City.

Summarized financial information of LTP, CPCS and JASCO based on their financial statements as of and for the years ended December 31 is as follows:

| | 2020 | | |
|---|---|---|---|
| | **LTP** | **CPCS** | **JASCO** |
| **Current assets** | **₱4,100,259,031** | **₱78,943,676** | **₱453,922,560** |
| **Noncurrent assets** | **5,275,960,719** | **20,087,167** | **276,795,372** |
| **Current liabilities** | **(3,833,762,355)** | **(10,624,616)** | **(191,290,886)** |
| **Noncurrent liabilities** | **(4,177,821,882)** | **(17,208,811)** | **(428,003,393)** |
| **Equity** | **1,364,635,513*** | **71,197,416** | **111,423,652** |
| **Group's carrying amount of the investment** | **₱473,679,699** | **₱19,792,099** | **₱824,162,315** |

**Inclusive of cumulative foreign currency translation loss amounting to ₱332,029,145*

| | 2020 | | |
|---|---|---|---|
| | **LTP** | **CPCS** | **JASCO** |
| **Revenue from contracts with customers** | **₱8,304,900,219** | **₱59,351,437** | **₱1,091,294,779** |
| **Direct costs** | **3,215,894,999** | **48,107,209** | **1,355,847,032** |
| **Gross profit** | **5,089,005,220** | **11,244,227** | **(264,552,253)** |
| **General and administrative expenses** | **6,133,406,008** | **13,837,113** | **98,646,840** |
| **Net income** | **(1,257,809,837)** | **(4,334,427)** | **(101,443,685)** |
| **Other comprehensive income (loss)** | **(176,837,467)** | **-** | **-** |
| **Total comprehensive income** | **(1,434,647,304)** | **(4,334,427)** | **(101,443,685)** |
| **Group's share in the net income** | **(616,326,820)** | **(1,733,771)** | **(30,433,105)** |
| **Group's share in total comprehensive income (loss)** | **(₱702,977,179)** | **(₱1,733,771)** | **(₱30,433,105)** |

| | 2019 | | |
|---|---|---|---|
| | LTP | CPCS | JASCO |
| Current assets | ₱5,641,838,633 | ₱125,021,436 | ₱626,507,338 |
| Noncurrent assets | 5,426,111,617 | 24,522,322 | 163,216,563 |
| Current liabilities | (3,066,852,604) | (23,533,145) | (340,271,373) |
| Noncurrent liabilities | (3,177,211,522) | (478,771) | (235,307,935) |
| Equity | 4,823,886,124* | 125,531,843 | 214,144,593 |
| Group's carrying amount of the investment | ₱2,151,339,704 | ₱50,212,737 | ₱854,978,597 |

**Inclusive of cumulative foreign currency translation loss amounting to ₱100,669,833*

| | 2019 | | |
|---|---|---|---|
| | LTP | CPCS | JASCO |
| Revenue from contracts with customers | ₱12,930,987,843 | ₱285,489,710 | ₱228,318,846 |
| Direct costs | 8,527,663,671 | 163,679,886 | 197,143,161 |
| Gross profit | 4,403,324,172 | 121,809,824 | 31,175,685 |
| General and administrative expenses | 2,058,920,017 | 16,681,456 | 9,873,410 |
| Net income | 2,062,406,122 | 99,595,978 | 34,067,187 |
| Other comprehensive loss | (228,995,908) | – | – |
| Total comprehensive income | 1,833,410,214 | 99,595,978 | 34,067,187 |
| Group's share in the net income | 1,027,201,856 | 39,838,391 | 10,220,156 |
| Group's share in total comprehensive income | ₱914,993,861 | ₱39,838,391 | ₱10,220,156 |

| | 2018 | |
|---|---|---|
| | LTP | CPCS |
| Current assets | ₱6,113,831,497 | ₱145,772,098 |
| Noncurrent assets | 3,550,755,678 | 23,016,892 |
| Current liabilities | (3,427,673,860) | (92,209,464) |
| Noncurrent liabilities | (1,230,221,151) | (478,771) |
| Equity | 5,006,692,164* | 76,100,755 |
| Group's carrying amount of the investment | ₱2,453,279,160 | ₱30,374,348 |

**Inclusive of cumulative foreign currency translation loss amounting to ₱106,010,813*

| | 2018 | |
|---|---|---|
| | LTP | CPCS |
| Revenue | ₱11,821,748,391 | ₱341,529,715 |
| Direct costs | 7,903,836,808 | 201,224,607 |
| Gross profit | 3,917,911,583 | 140,305,108 |
| General and administrative expenses | 1,687,823,781 | 16,019,855 |
| Net income | 2,064,661,350 | 118,874,675 |
| Other comprehensive income | 123,539,028 | 424,690 |
| Total comprehensive income | 2,188,200,378 | 119,299,365 |
| Group's share in the net income | 1,022,464,718 | 47,549,870 |
| Group's share in total comprehensive income | ₱1,082,998,842 | ₱47,719,746 |

In the normal course of business, LTP is involved in certain claims by third parties mainly related to damages, consignment of inventories, labor and other contingencies. These provisions for claims and losses pertain to management's best estimate of probable losses in connection with claims from third parties involving damages, consignment of inventories, and other issues. These provisions have been developed in consultation with LTP's legal counsels, advisors and are based upon an analysis of potential results. LTP recognized provisions amounting to ₱406.8 million and ₱815.4 million as of December 31, 2020 and 2019, respectively, which are included as part of "Current liabilities" of LTP's summarized financial information. The provision (reversal of provision) for probable losses and claims recognized in profit or loss amounted to (₱357.8 million), (₱96.7 million) and ₱259.4 million in 2020, 2019 and 2018, respectively, which is included as part of "General and administrative expenses" of LTP's summarized financial information.

Dividend received from LTP and CPCS amounted to ₱963.3 million, ₱916.3 million and ₱799.3 million in 2020, 2019 and 2018, respectively.

Further, the Group has interest in two associates. The financial information of these associates as of and for the years ended December 31, 2020 and 2019 is as follows:

| | **2020** | 2019 |
|---|---|---|
| Total assets | **₱55,408,213** | ₱56,164,790 |
| Total liabilities | **5,460,926** | 2,429,762 |
| Equity | **49,947,287** | 53,735,028 |
| Net loss | **(4,551,172)** | (6,162,234) |
| Group's carrying amount of the investments | **47,769,226** | 31,002,000 |

Impairment

Management performs its annual assessment whether there is an impairment indication. The Group's management assessed that the investment in associates may be impaired due to the economic downturn in the aviation industry brought by the COVID-19 pandemic. The recoverable amounts are computed based on value in use calculations using the cash flow projections of three to five years as approved by management and discounted using a pre-tax discount rates ranging from 6.9% to 13.2% in 2020. Management determined that the value-in-use exceeds the carrying amount of the cash generating units as of December 31, 2020.

The key assumptions used in determining the recoverable amounts as of December 31, 2020 of investment in associates are the anticipated revenue growth and annual operating expenses. Further, management used ranged from 0.0% to 4.0% growth rate in the calculation of cash flows beyond the forecast period.

Management believes that no reasonably possible change in the assumptions would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

## 10. Acquisitions

*Acquisition of 30% interest in JASCO*
In 2019, the Company acquired 30% ownership in Japan Airport Services Co. Ltd. (JASCO), from Konoike Transport Group for a cash consideration amounting to ₱853.8 million. This resulted to recognition of investment in associate which includes provisional goodwill amounting to ₱792.8 million.

In 2020, the Group engaged an external specialist to value JASCO's assets and liabilities. This resulted in recognition of customer relationship amounting to ₱352.3 million and reduction of the provisional amount of goodwill by the same amount.

The reconciliation of the provisional and final fair values of the identified assets and liabilities and analysis of cash flows as of the date of acquisition is presented below.

| | Provisional | Adjustments | Final |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | ₱79,324,526 | ₱– | ₱79,324,526 |
| Receivables | 108,654,168 | – | 108,654,168 |
| Prepayments and other current assets | 9,759,586 | – | 9,759,586 |
| Property and equipment | 29,009,899 | – | 29,009,899 |
| Deferred income tax asset | 9,620,262 | – | 9,620,262 |
| Other noncurrent assets | 10,834,055 | – | 10,834,055 |
| | 247,202,496 | – | 247,202,496 |
| **Liabilities** | | | |
| Accounts payable and accrued expenses | 117,524,566 | – | 117,524,566 |
| Income tax payable | 3,858,486 | – | 3,858,486 |
| Retirement obligation | 49,181,534 | – | 49,181,534 |
| Other noncurrent liabilities | 22,416,359 | – | 22,416,359 |
| | 192,980,945 | – | 192,980,945 |
| Total identifiable net assets at fair value | 54,221,551 | – | 54,221,551 |
| Customer relationship | – | 352,266,807 | 352,266,807 |
| Goodwill | 799,148,449 | (352,266,807) | 446,881,642 |
| Purchase consideration | ₱853,370,000 | ₱– | ₱853,370,000 |

| | |
|---|---|
| **Analysis of Cash Flows** | |
| Cash transferred as purchase consideration* | ₱853,370,000 |
| Transaction costs of the acquisition** | 429,023 |
| Net cash transferred | ₱853,799,023 |

**Included in cash flows from investing activities*
***Included in cash flows from operating activities*

If the business combination had taken place at the beginning of 2019, the Group's income before income tax would have been ₱1,436.5 million. From the date of acquisition, JASCO contributed (₱27.1 million) and ₱10.2 million to the Group's income (loss) before income tax in 2020 and 2019, respectively.

*Acquisition of SWRI*
On October 1, 2018, the Group, through AWSI, purchased the 60% shares of stock held by the former individual shareholders of SWRI for a total consideration of ₱63.0 million under a Share Purchase Agreement (SPA). The Group acquired SWRI as part of its strategy to grow its water treatment and distribution segment. As of December 31, 2018, the Group recognized the acquired assets and liabilities of SWRI at provisional amounts.

In 2019, the Group engaged an external specialist to value SWRI's water service contract. This resulted in adjustments in the provisional amounts of the acquired assets and liabilities, which were retrospectively adjusted in the 2018 consolidated financial statements, as follows:

a. Identification and valuation of water service contract amounting to ₱21.3 million;
b. Increase in property, plant and equipment by ₱6.6 million; and
c. Reduction in goodwill by ₱6.0 million

The reconciliation of the provisional and final fair values of the identified assets and liabilities and analysis of cash flows as of the date of acquisition is presented below.

| | Provisional | Adjustments | Final |
|---|---|---|---|
| **Assets** | | | |
| Cash | ₱1,552,968 | ₱– | ₱1,552,968 |
| Receivables | 6,294,876 | – | 6,294,876 |
| Inventories | 4,642,600 | – | 4,642,600 |
| Prepayments and other current assets | 3,206,362 | – | 3,206,362 |
| Investment in associate | 36,670,000 | – | 36,670,000 |
| Property and equipment | 47,308,454 | 6,577,546 | 53,886,000 |
| Deferred income tax asset | 867,517 | – | 867,517 |
| Other noncurrent assets | 16,161,878 | – | 16,161,878 |
| Service concession right (Note 14) | – | 21,283,538 | 21,283,538 |
| | 116,704,655 | 27,861,084 | 144,565,739 |
| **Liabilities** | | | |
| Accounts payable and accrued liabilities | 8,403,630 | – | 8,403,630 |
| Loans payable | 24,559,778 | – | 24,559,778 |
| Deferred income tax liability | – | 8,358,325 | 8,358,325 |
| Other noncurrent liabilities | 34,283,443 | – | 34,283,443 |
| | 67,246,851 | 8,358,325 | 75,605,176 |
| Total identifiable net assets at fair value | 49,457,804 | 19,502,759 | 68,960,563 |
| Non-controlling interest | (19,783,132) | (13,546,129) | (33,329,261) |
| Goodwill (Note 14) | 33,325,328 | (5,956,630) | 27,368,698 |
| Purchase consideration | ₱63,000,000 | ₱– | ₱63,000,000 |

| | |
|---|---|
| **Analysis of Cash Flows** | |
| Cash transferred as purchase consideration* | ₱63,000,000 |
| Unpaid consideration | (9,450,000) |
| Cash transferred as purchase consideration | 53,550,000 |
| Transaction costs of the acquisition** | 472,500 |
| Cash acquired with the subsidiary* | (1,552,968) |
| Net cash transferred | ₱52,469,532 |

**Included in cash flows from investing activities*
***Included in cash flows from operating activities*

If the business combination had taken place at the beginning of 2018, the Group's revenue and income before income tax would have been ₱3,623.7 million and ₱1,229.0 million, respectively. From the date of acquisition, SWRI contributed ₱6.9 million and ₱1.7 million to the Group's revenue and income before income tax, respectively.

## 11. Material Partly-owned Subsidiaries

As of December 31, 2020, MASCORP has a material non-controlling interest of 20%. On December 5, 2019, the Company entered into a share purchase agreement with Konoike Transport Co., LTD. ("Konoike") to sell 250,001 shares representing 20% of the total issued and outstanding capital stock of MASCORP. After the sale, MASCORP is 20% owned by Konoike. The transaction was accounted for as a sale of share in subsidiary without loss of control; thus an equity transaction (see Note 27).

As of December 31, 2020 and 2019, MACS has a material non-controlling interest of 33%.

Set out on the next page are the summarized financial information of MACS and MASCORP. The amounts disclosed are based on those included in the consolidated financial statements before intercompany eliminations.

Summarized balance sheets:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **MASCORP** | **MACS** | MASCORP | MACS |
| Current assets | **₱1,090,865,110** | **₱516,970,108** | ₱1,190,998,956 | ₱680,146,955 |
| Noncurrent assets | **595,219,107** | **507,480,530** | 582,316,376 | 555,060,139 |
| Current liabilities | **1,185,882,435** | **350,408,928** | 1,242,143,427 | 443,906,363 |
| Noncurrent liabilities | **252,480,805** | **99,478,546** | 45,851,297 | 15,833,959 |
| Equity | **247,720,977** | **574,563,164** | 485,320,608 | 775,466,772 |
| Equity attributable to non-controlling interest | **45,245,529** | **189,536,697** | 2,274,397 | 255,834,887 |

Summarized statements of income:

| | **2020** | | 2019 | | 2018 |
|---|---|---|---|---|---|
| | **MASCORP** | **MACS** | MASCORP | MACS | MACS |
| Revenue | **₱1,042,025,762** | **₱540,234,571** | ₱2,821,166,345 | ₱1,819,496,574 | ₱1,662,854,455 |
| Direct costs | **1,195,934,267** | **479,559,308** | 2,397,933,240 | 1,217,760,927 | 1,101,952,910 |
| Operating expenses | **156,467,140** | **218,296,602** | 209,946,096 | 367,868,378 | 342,249,529 |
| Net income | **(225,810,815)** | **(158,075,135)** | 135,766,067 | 154,102,149 | 173,490,184 |
| Net income attributable to non-controlling interest | **(45,162,163)** | **(52,164,794)** | 2,274,397 | 50,784,564 | 57,251,761 |

Summarized statements of comprehensive income:

| | **2020** | | 2019 | | 2018 |
|---|---|---|---|---|---|
| | **MASCORP** | **MACS** | MASCORP | MACS | MACS |
| Net income | **(₱225,810,815)** | **(₱158,075,135)** | ₱135,766,067 | ₱154,102,149 | ₱143,378,867 |
| Other comprehensive income(loss) | **(11,788,817)** | **(42,828,474)** | (22,324,383) | (8,744,192) | 1,477,525 |
| Total comprehensive income | **(237,599,632)** | **(200,903,609)** | 113,441,684 | 145,357,957 | 144,856,392 |
| Total comprehensive income (loss) attributable to non-controlling interest | **(47,519,264)** | **(66,298,191)** | 1,902,324 | 57,504,124 | 47,802,608 |

Summarized statements of cash flows:

| | **2020** | | 2019 | | 2018 |
|---|---|---|---|---|---|
| | **MASCORP** | **MACS** | MASCORP | MACS | MACS |
| Cash flows from operations | **(₱277,697,006)** | **₱63,789,580** | ₱118,270,707 | ₱129,818,154 | ₱162,472,304 |
| Cash flows used in investing activities | **7,323,037** | **(107,152,634)** | (111,633,957) | (80,223,573) | (55,146,343) |
| Cash flows from (used in) financing activities | **138,712,431** | **(3,960,000)** | 85,260,054 | (37,500,000) | (95,000,000) |

## 12. Property, Plant and Equipment

| | January 1, 2020 | Additions | Adjustments, Reclassifications and Disposal | December 31, 2020 |
|---|---|---|---|---|
| **Cost** | | | | |
| Land and land improvements | **₱470,430,500** | **₱549,050** | **(₱33,605,500)** | **₱437,374,050** |
| Building and leasehold improvements | **949,898,086** | **3,540,130** | **38,707,739** | **992,145,955** |
| Kitchen and other operations equipment | **644,390,240** | **9,981,451** | **99,037,999** | **753,409,690** |
| Transportation equipment | **388,554,343** | **2,455,456** | **(4,328,056)** | **386,681,743** |
| Aviation equipment | **827,031,464** | **1,086,756** | **448,794** | **828,567,014** |
| Plant and technical equipment | **2,783,914** | **3,359,420** | **434,212** | **6,577,546** |
| Water pumps and machineries | **201,065,852** | **2,010,179** | **57,753,917** | **260,829,948** |
| Water pipelines | **179,081,794** | **-** | **(176,303,536)** | **2,778,258** |
| Office furniture, fixtures and equipment | **192,361,539** | **13,788,727** | **(4,517,472)** | **201,632,794** |
| Drilling equipment | **5,735,469** | **-** | **21,690,022** | **27,425,491** |
| Construction in progress (Notes 16 and 18) | **319,902,271** | **92,134,716** | **(7,882,927)** | **404,154,060** |
| | **₱4,181,235,472** | **₱128,905,885** | **(₱8,564,808)** | **₱4,301,576,549** |

| | January 1, 2020 | Additions | Adjustments, Reclassifications and Disposal | December 31, 2020 |
|---|---|---|---|---|
| **Accumulated Depreciation and Amortization** | | | | |
| Land improvements | **(₱4,510,679)** | **(₱1,150,105)** | **₱5,660,784** | **₱-** |
| Buildings and leasehold improvements | **(388,579,439)** | **(37,990,456)** | **(3,432,111)** | **(430,002,006)** |
| Kitchen and other operations equipment | **(360,064,109)** | **(50,378,461)** | **(46,651,616)** | **(457,094,186)** |
| Transportation equipment | **(246,737,319)** | **(37,889,000)** | **3,754,966** | **(280,871,353)** |
| Aviation equipment | **(311,210,251)** | **(61,687,368)** | **(793,410)** | **(373,691,029)** |
| Plant and technical equipment | **(1,588,992)** | **-** | **154,064** | **(1,434,928)** |
| Water pumps and machineries | **(80,838,924)** | **(22,170,418)** | **(45,971,223)** | **(148,980,565)** |
| Water pipelines | **(93,928,894)** | **(5,262,426)** | **96,413,063** | **(2,778,257)** |
| Office furniture, fixtures and equipment | **(126,964,627)** | **(27,861,354)** | **15,879,389** | **(138,946,592)** |
| Drilling equipment | **(5,735,469)** | **(675,831)** | **(19,453,359)** | **(25,864,659)** |
| | **(1,620,158,703)** | **(245,065,419)** | **5,560,547** | **(1,859,663,575)** |
| **Net Book Value** | **₱2,561,076,769** | **(₱116,159,534)** | **(₱3,004,261)** | **₱2,441,912,974** |

| | January 1, 2019 | Additions | Adjustments, Reclassifications and Disposal | December 31, 2019 |
|---|---|---|---|---|
| **Cost** | | | | |
| Land and land improvements | ₱309,535,197 | ₱18,887,591 | ₱142,007,712 | ₱470,430,500 |
| Building and leasehold improvements | 454,968,477 | 545,428,549 | (50,498,940) | 949,898,086 |
| Kitchen and other operations equipment | 415,184,918 | 211,974,198 | 17,231,124 | 644,390,240 |
| Transportation equipment | 349,244,374 | 29,030,660 | 10,279,309 | 388,554,343 |
| Aviation equipment | 569,837,555 | 209,058,032 | 48,135,877 | 827,031,464 |
| Plant and technical equipment | 31,080,847 | 1,413,630 | (29,710,563) | 2,783,914 |
| Water pumps and machineries | 117,263,085 | 10,423,799 | 73,378,968 | 201,065,852 |
| Water pipelines | 108,104,929 | – | 70,976,865 | 179,081,794 |
| Office furniture, fixtures and equipment | 113,941,903 | 72,374,111 | 6,045,525 | 192,361,539 |
| Drilling equipment | 5,735,469 | – | - | 5,735,469 |
| Construction in progress (Notes 16 and 18) | 904,030,539 | 175,514,708 | (759,642,976) | 319,902,271 |
| | ₱3,378,927,293 | ₱1,274,105,278 | (₱471,797,099) | ₱4,181,235,472 |
| **Accumulated Depreciation and Amortization** | | | | |
| Land improvements | (₱12,336,660) | (₱3,015,470) | ₱10,841,451 | (₱4,510,679) |
| Buildings and leasehold improvements | (368,871,391) | (19,350,912) | (357,136) | (388,579,439) |
| Kitchen and other operations equipment | (305,989,043) | (35,320,782) | (18,754,284) | (360,064,109) |
| Transportation equipment | (201,191,414) | (37,922,517) | (7,623,388) | (246,737,319) |
| Aviation equipment | (252,652,757) | (58,682,593) | 125,099 | (311,210,251) |
| Plant and technical equipment | (3,845,218) | (676,509) | 2,932,735 | (1,588,992) |
| Water pumps and machineries | (15,281,930) | (11,135,548) | (54,421,446) | (80,838,924) |
| Water pipelines | (41,267,214) | (18,092,020) | (34,569,660) | (93,928,894) |
| Office furniture, fixtures and equipment | (106,215,600) | (18,259,009) | (2,490,018) | (126,964,627) |
| Drilling equipment | (5,735,469) | – | – | (5,735,469) |
| | (1,313,386,696) | (202,455,360) | (104,316,647) | (1,620,158,703) |
| **Net Book Value** | ₱2,065,540,597 | ₱1,071,649,918 | (₱576,113,746) | ₱2,561,076,769 |

| | 2018 | | | | |
|---|---|---|---|---|---|
| | January 1, 2018 | Additions | Additions through business combination (Note 10) | Adjustments, Reclassifications and Disposal | December 31, 2018 |
| **Cost** | | | | | |
| Land and land improvements | ₱305,707,114 | ₱3,828,083 | ₱– | ₱– | ₱309,535,197 |
| Building and leasehold improvements | 453,181,774 | 1,786,703 | – | – | 454,968,477 |
| Kitchen and other operations equipment | 368,953,424 | 56,634,823 | – | (10,403,329) | 415,184,918 |
| Transportation equipment | 326,565,550 | 27,111,396 | 254,118 | (4,686,690) | 349,244,374 |
| Aviation equipment | 358,380,538 | 211,457,017 | – | – | 569,837,555 |
| Plant and technical equipment | 30,950,737 | 4,553 | 125,557 | – | 31,080,847 |
| Water pumps and machineries | 55,293,683 | 9,291,072 | 46,858,103 | 5,820,227 | 117,263,085 |
| Water pipelines | 108,104,929 | – | – | – | 108,104,929 |
| Office furniture, fixtures and equipment | 101,537,338 | 12,932,937 | 70,676 | (599,048) | 113,941,903 |
| Drilling equipment | 5,735,469 | – | – | – | 5,735,469 |
| Construction in progress (Notes 16 and 18) | 212,197,836 | 713,776,251 | – | (21,943,548) | 904,030,539 |
| | 2,326,608,392 | 1,036,822,835 | 47,308,454 | (31,812,388) | 3,378,927,293 |

(*Forward*)

| | 2018 | | | | |
|---|---|---|---|---|---|
| | January 1, 2018 | Additions | Additions through business combination (Note 10) | Adjustments, Reclassifications and Disposal | December 31, 2018 |
| **Accumulated Depreciation and Amortization** | | | | | |
| Land improvements | (₱11,040,709) | (₱379,378) | ₱– | (₱916,573) | (₱12,336,660) |
| Buildings and leasehold improvements | (358,645,669) | (10,225,722) | – | – | (368,871,391) |
| Kitchen and other operations equipment | (290,467,763) | (29,630,600) | – | 14,109,320 | (305,989,043) |
| Transportation equipment | (174,607,959) | (33,182,100) | – | 6,598,645 | (201,191,414) |
| Aviation equipment | (216,509,223) | (36,143,534) | – | – | (252,652,757) |
| Plant and technical equipment | (1,897,289) | (1,827,999) | – | (119,930) | (3,845,218) |
| Water pumps and machineries | (7,121,276) | (8,163,154) | – | 2,500 | (15,281,930) |
| Water pipelines | (23,322,827) | (17,518,874) | – | (425,513) | (41,267,214) |
| Office furniture, fixtures and equipment | (92,151,587) | (14,490,888) | – | 426,874 | (106,215,601) |
| Drilling equipment | (5,735,469) | – | – | – | (5,735,469) |
| | (1,181,499,771) | (151,562,249) | – | 19,675,323 | (1,313,386,697) |
| **Net Book Value** | ₱1,145,108,621 | ₱885,260,586 | ₱47,308,454 | (₱12,137,064) | ₱2,065,540,597 |

Management performed impairment tests for CGUs which were significantly impacted by the COVID-19 pandemic. The recoverable amounts are computed based on value in use calculations using cash flow projections of three to five years as approved by management and discounted using a pre-tax discount rate of with the range of 12.0% -17.0% in 2020. Management determined that the value in use exceeds the carrying amount of the CGUs with sufficient headroom as of December 31, 2020.

The key assumptions used in determining the recoverable amounts as of December 31, 2020 of property plant and equipment are the same as with those used in the impairment testing of service concession rights. Further, management used 4.0% growth rate in the calculation of cash flows beyond the forecast period.

Management believes that no reasonably possible change in the assumptions would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

Acquisitions of property and equipment on credit amounting to ₱155.4 million and ₱183.5 million in 2020 and 2019, respectively, which are included as part of "Accounts payable and accrued liabilities" account. These are treated as noncash investing activities in the consolidated statements of cash flows.

Depreciation and amortization is distributed as follows:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Direct costs (Note 19) | **₱189,445,680** | ₱146,273,834 | ₱122,457,830 |
| Operating expenses (Note 20) | **55,619,739** | 56,181,526 | 29,104,419 |
| | **₱245,065,419** | ₱202,455,360 | ₱151,562,249 |

The costs of fully depreciated property and equipment which are still in use amounted to ₱859.4 million as of December 31, 2020 and 2019.

## 13. **Investment Property**

The Group's investment property pertains to a parcel of land held for future development which amounted to ₱143.9 million as of December 31, 2020 and 2019. The fair value of the investment property amounted to ₱261.1 million which is based on the latest available appraisal report rendered by a Philippine SEC-accredited professional firm of independent appraisers as of December 31, 2016 (see Note 33). Management believes that there have been no significant activities in the areas where the investment properties are located which can indicate significant changes in the fair values of investment properties per appraiser reports.

The independent appraiser used the "Market Data Approach" in valuing the property in 2016. This approach considers the sales and listings and other market data of comparable properties registered within the vicinity of the property being valued. Factors such as location, size, shape of lot, highest and best use and time element were also taken into consideration in order to estimate the fair value of the property.

Operating expense incurred in relation to investment property pertains to real property taxes (included as part of "Taxes and licenses") amounted to ₱0.4 million in 2020, 2019 and 2018 (see Note 20).

There are neither restrictions on the realizability of investment property nor contractual obligations to develop or maintain such property.

## 14. **Service Concession Right, Intangible Assets and Goodwill**

Service Concession Right

| | **2020** | 2019 |
|---|---|---|
| **Cost** | | |
| Beginning balance | **₱493,222,225** | ₱478,300,849 |
| Additions | **18,162,324** | 14,921,376 |
| Ending balance | **511,384,549** | 493,222,225 |
| **Accumulated Amortization** | | |
| Beginning balance | **68,614,103** | 48,598,179 |
| Amortization (Note 20) | **20,324,099** | 20,015,923 |
| Ending balance | **88,938,202** | 68,614,102 |
| **Net Book Value** | **₱422,446,347** | ₱424,608,123 |

The cost of service concession right pertains to incurred construction costs by SNVRDC in relation to the construction of water treatment plant and pipe laying activities in Solano, Nueva Viscaya and the fair value of NAWASCOR's water system and pipelines in Naic, Cavite (see Note 29). Pursuant to Philippine Interpretation IFRIC 12, the Group recognizes intangible assets in accordance with the accounting policies stated in Note 2.

The additions to service concession right in 2020 amounting to ₱18.2 million pertain to costs of ongoing construction of water facilities and pipe laying activities. These are recognized as contract assets and are presented as part of service concession right in the 2020 consolidated balance sheet. Construction revenue and costs amounted to ₱2.4 million, ₱0.3 million and ₱24.4 million in 2020, 2019 and 2018, respectively.

As of December 31, 2020 and 2019, management performed impairment test of SNVRDC's service concession right due to SNVRDC's continued losses since the start of commercial operations in 2016. SNVRDC is part of water treatment and distribution segment. SNVRDC's service concession right, which pertains to incurred construction costs, amounted to ₱252.8 million and ₱267.5 million as at December 31, 2020 and 2019, respectively. Management has determined based on the impairment test that the value in use exceeds the carrying value of the service concession right.

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

- *Discount rate (9.5%)* – Discount rate represents the current market assessment of the risk specific to the Company, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is derived from the weighted average cost of capital (WACC). The Group used WACC rate as affected by beta of companies with similar activities and capital structure. WACC is also affected by costs of debt and capital based on average lending rates for long-term loans.
- *Average volume of annual water consumption (2.4 million cubic meter)* – The average volume of annual water consumption is based on management's best estimate of water consumption per customer and increases in number of connections considering factors such as historical trend, market analysis, government regulations and other economic factors.
- *Average price per cubic meter (average annual increase of 3% until 2028)* – Price per cubic meter represents the management's forecast that the Company would charge its customers considering the estimated increase to be granted by the Municipality of Solano, the approved tariff rate of National Water Regulations Board, and the estimated yearly increase that is acceptable to the customers.

*Sensitivity to Changes in Assumptions*
Other than as disclosed above, management believes that any reasonable possible change in any of the above assumptions would not cause the carrying value to exceed its recoverable amount.

Goodwill and Intangible Assets

| | **2020** | 2019 |
|---|---|---|
| Goodwill | **₱127,842,231** | ₱127,842,230 |
| Right-to-use of water permits | **110,969,156** | 112,623,898 |
| Customer contract and relationships | **58,255,851** | 61,646,255 |
| | **₱297,067,238** | ₱302,112,383 |

*Goodwill*
The goodwill recognized by the Group amounting to ₱127.8 million as of December 31, 2020 and 2019 resulted from the Group's acquisition of: (a) 13% non-controlling interest from a previous stockholder of MACS in 2006, (b) 67% of BTSI in 2016, (c) 100% of NAWASCOR in 2017 and (d) 60% of SUMMA in 2018 (see Note 10).

The carrying amount of goodwill is allocated to each of the CGUs (determined to be at the subsidiary level) as of December 31, 2020 and 2019 as follows:

| MACS | BTSI | NAWASCOR | SWRI (Note 10) | Total |
|---|---|---|---|---|
| ₱17,531,232 | ₱46,056,594 | ₱36,885,706 | ₱27,368,698 | ₱127,842,230 |

Management performs its annual impairment test for each reporting period of goodwill of CGUs. BTSI and NAWASCOR are part of the water treatment and distribution segment, while MACS is part of inflight and other catering services segment. The recoverable amounts are computed based on value in use calculations using cash flow projections as approved by management and discounted using a pre-tax discount rate of 12.0% in 2020 and 8.4% in 2019. Management determined, that the value in use exceeds the carrying amount of the cash generating units with sufficient headroom as of December 31, 2020 and 2019.

The key assumptions used in determining the recoverable amounts as of December 31, 2020 of goodwill allocated to BTSI and NAWASCOR and right to use assets are the same as with those used in the impairment testing of service concession rights. Further, management used 4.0% growth rate in the calculation of cash flows beyond the forecasted period. In addition, for impairment testing of goodwill allocated to MACS, management used sales growth rate based on MACS' five-year forecast and long-term growth rate of 4.0% based on forecasted growth in food industry.

Management believes that no reasonably possible change in the assumptions would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

*Right-to-use of water permits*
The right-to-use of water permits of BTSI and NEWS allowing them to extract and distribute water in certain provinces of the Philippines and NAWASCOR to operate, manage, maintain water systems of certain subdivisions. Management believes that the right-to-use assets have an indefinite useful life due to the permanent nature of water permits and minimal time and effort required of BTSI and NEWS to renew certain operating permits in view of continued compliance with relevant regulations.

*Customer contract and relationships*
Customer contract and relationships pertain to Group's long-term water supply contract with a third party and established relationships with the existing customers through service contracts. These are identified intangible assets as part of the acquisition of BTSI group in 2016. The customer contract is amortized over the remaining contract term, while customer relationships are amortized over the estimated years where all the existing customers would have switched to other water distributors. The amortization of customer contract and relationships amounted to ₱3.4 million in 2020 and 2019.

## 15. Other Noncurrent Assets

| | **2020** | 2019 |
|---|---:|---:|
| Installment receivables - net of current portion (Note 6) | **₱28,058,051** | ₱48,343,187 |
| Finance lease receivable - net of current portion (Note 6) | **13,271,412** | 13,612,695 |
| Contract assets - net of current portion (Note 6) | **14,544,434** | 13,520,926 |
| Advances to contractors and suppliers | **47,445,697** | 54,998,126 |
| Equity investments designated at FVTOCI | **68,155,800** | 76,138,300 |
| Deferred project costs | **42,783,267** | 57,013,350 |
| Deposits | **44,210,866** | 42,714,608 |
| Deferred mine exploration cost (Note 30) | **20,418,948** | 20,418,948 |
| Deferred rent expense | **25,785,880** | 11,922,204 |
| Pension asset (Note 21) | **1,200,703** | 1,729,914 |
| Others | **31,998,337** | 43,038,986 |
| | **₱337,873,395** | ₱383,451,244 |

*Advances to contractors and suppliers*
Advances to contractors pertain to advance payments to contractors which primarily serve as mobilization fee and are diminished through progress billings, and down payments for major capital expenditures.

*Equity investments designated at FVTOCI*
The Company's investments in golf club share and other proprietary and equity shares are carried at fair value based on published club share quotes that are publicly available from local dailies and from the website of club share brokers. As of December 31, 2020 and 2019, equity investments designated at FVTOCI amounted to ₱68,155,800 and ₱76,138,300, respectively.

Below is the movement of reserve for fair value changes of financial assets investments at FVTOCI, which is presented as part of "Reserve for fair value changes of financial assets investments" in the consolidated statements of changes in equity.

| | **2020** | 2019 |
|---|---|---|
| Beginning balance | **₱45,069,999** | ₱35,719,999 |
| Changes in fair value of equity investments held at FVTOCI, net of tax effect | **(6,800,000)** | 9,350,000 |
| Ending balance | **₱38,269,999** | ₱45,069,999 |

Deferred income tax liabilities (assets) on the fair value changes of the equity investments designated as FVTOCI amounted to (₱6.3 million) and ₱7.5 million as of December 31, 2020 and 2019, respectively (see Note 25).

*Finance lease receivable*
The Group has a long-term lease agreement with a third party which stipulates for a minimum volume of cubic meter to be delivered daily. This is accounted for under finance lease with the related receivables classified as part of "Installment receivables" of the Group. The gross investment in the lease and the present value of minimum lease payments as of December 31 are shown as follows:

| | **2020** | 2019 |
|---|---|---|
| Not later than one year | **₱1,030,346** | ₱1,030,347 |
| Later than one year and not later than five years | **4,121,385** | 4,121,385 |
| Later than five years | **14,081,401** | 15,111,746 |
| Gross finance lease receivable | **19,233,132** | 20,263,478 |
| Less unearned interest | **(5,568,527)** | (6,109,655) |
| Present value of minimum lease payments | **13,664,605** | 14,153,823 |
| Current portion (Note 6) | **(393,193)** | (541,128) |
| Finance lease receivable - noncurrent portion | **₱13,271,412** | ₱13,612,695 |

*Deferred project costs*

| | **2020** | 2019 |
|---|---|---|
| Maragondon Bulk Water project costs | **₱34,067,350** | ₱34,067,350 |
| Engineering designs, consultancy, development and geodetic surveys costs | **8,715,917** | 22,946,000 |
| | **₱42,783,267** | ₱57,013,350 |

a. Maragondon Bulk Water project costs pertain to the cost of feasibility study acquired as part of WBSI acquisition in 2011. Prior to acquisition, WBSI had contractual joint venture agreement with Maragondon Water District (MWD) when WBSI submitted an unsolicited proposal to develop a bulk water supply project to be sourced from the Maragondon River, to install and operate the water treatment plant and deliver treated water at the off-takers tapping point. As part of the agreement, MWD assigned its water permits for the use of the raw water from Maragondon River to WBSI. As of December 31, 2020, the Group is working with the local government to execute the Bulk Water Supply Agreement which will contain the terms and conditions to operate the water treatment facility, as well as the corresponding tariffs and royalty fees.

In January 2019, the Group entered into a Supplemental Agreement to clarify the terms of the contractual joint venture agreement and agree on the implementation timeline of the project.

b. In relation to the Group's water-related projects, the Group incurs expenditures related to the technical feasibility studies which include engineering designs, consultancy fees, development and geodetic surveys and other project costs.

*Others* include software and restricted time deposits placed by the Group to guaranty an institutional catering contract amounting to ₱19.2 million and ₱12.4 million as of December 31, 2020 and 2019, respectively. The Group recognized amortization related to software amounting to ₱6.4 million, ₱6.1 million and ₱4.0 million in 2020, 2019 and 2018, respectively (see Note 20).

## 16. Notes Payable and Long-Term Debts

Notes payable

| Entity | Facility | Terms | Outstanding Balance 2020 | 2019 |
|---|---|---|---|---|
| Company | One-year loan agreement | Principal payable at maturity; interest payable quarterly, interest rate of 5.75%. | **₱500,000,000** | ₱500,000,000 |
| BTSI | 6 months short-term loan agreement | Principal and interest payable at maturity; interest rate of 8.00%. | **45,000,000** | 50,000,000 |
| MSFI | 180 days short-term loan agreement | Principal and interest payable at maturity; interest rate of 6.75%. (Note 18) | – | 25,000,000 |
| | 180 days short-term loan agreement | Principal and interest payable at maturity; interest rate of 6.0%. (Note 18) | **50,000,000** | – |
| | | | **₱595,000,000** | ₱575,000,000 |

Long-term debts

| Entity | Facility | Terms | Outstanding Balance 2020 | 2019 |
|---|---|---|---|---|
| MSFI | Eight-year term loan agreement | Principal and interest payable quarterly; interest rate equivalent to the benchmark rate plus 100 basis points per annum or 4.00%, whichever is higher (Note 18). | **₱350,000,000** | ₱366,666,667 |
| | Eight-year term loan agreement | Principal and interest payable quarterly; interest rate equivalent to 7.10% per annum (Note 18). | **250,000,000** | 250,000,000 |
| MASCORP | Five-year term loan agreement | Principal and interest payable monthly; interest rate of 2.49% per annum subject to quarterly re-pricing (Note 18). | **137,265,743** | 153,592,835 |
| | Five-year term loan agreement | Principal and interest payable monthly; interest rate of 3.84% per annum subject to quarterly re-pricing (Note 18). | **134,750,000** | 143,000,000 |
| | Five-year term loan agreement | Principal and interest payable monthly; interest rate of 3.01% per annum subject to quarterly re-pricing (Notes 18 and 23). | **24,587,776** | 28,355,600 |
| | Five-year term loan agreement | Principal and interest payable monthly; interest rate of 3.30% per annum subject to quarterly re-pricing (Notes 18 and 23). | **24,587,776** | 28,355,600 |

*(Forward)*

| Entity | Facility | Terms | Outstanding Balance 2020 | 2019 |
|---|---|---|---|---|
| BTSI | Five-year term loan agreement | Principal and interest payable quarterly; interest rate of 7.75% per annum. | **₱–** | ₱111,111,111 |
| | Five-year term loan agreement | Principal and interest payable quarterly; interest rate of 6.5% per annum. | – | 100,000,000 |
| | Five-year term loan agreement | Principal and interest payable quarterly; interest rate of 8.4% per annum. | – | 44,444,444 |
| | Five-year term loan agreement | Principal and interest payable quarterly; interest rate of 8.4% per annum. | – | 22,222,222 |
| | Ten-year term loan agreement | Monthly principal repayment to commence at the one year after the drawdown date, and bears interest rate of 6.0% per annum | **252,950,917** | – |
| SWRI | Nine-year term loan agreement | Principal and interest payable monthly; interest rate of 8.0%. | **21,604,778** | 23,059,033 |
| | | | **1,195,746,990** | 1,270,807,512 |
| | Unamortized transaction costs | | **(3,645,745)** | (3,871,947) |
| | | | **1,192,101,245** | 1,266,935,565 |
| | Current portion | | **240,136,978** | 482,536,067 |
| | | | **₱951,964,267** | ₱784,399,498 |

The aforementioned notes payable and long-term debts are obtained from local banks.

The MSFI loan was specifically availed to finance the construction of its kitchen facility. In accordance with the loan agreement, MSFI is required to maintain debt-to-equity ratio of not more than 70:30 and debt service coverage ratio (DSCR) of at least 1.2 times. In December 2020, the lender-bank approved to defer the effectivity of the financial loan covenants covering year 2020.

In accordance with the loan agreements, MASCORP is required to maintain a debt-to-equity ratio of not greater than 2.33 times and debt service coverage ratio of not lower than 1.0x. As of December 31, 2020, the lender-bank approved to defer the effectivity of the financial loan covenants until December 31, 2021.

BTSI is required to maintain certain financial ratios, such as current ratio, debt service cost coverage and debt equity ratio, and comply with non-financial covenants for bank loan applicable a year after the grant of the loan. As at December 31, 2020 and 2019, BTSI is in compliance with the financial and non-financial loan covenants.

Total interest expense incurred amounted to ₱105.1 million, ₱59.0 million, and ₱25.2 million in 2020, 2019 and 2018, respectively (see Note 22). In 2018, capitalized interest amounted to ₱18.8 million which pertained to MSFI loans. The capitalization rate is 4.19% in 2018 which is the effective interest rate of the loan. There was no capitalization of interest expense in 2020 and 2019.

17. **Accounts Payable and Accrued Liabilities**

| | **2020** | 2019 |
|---|---|---|
| Trade accounts payable: | | |
| Third parties | **₱769,639,917** | ₱907,668,794 |
| Related parties (Note 18) | **265,003,639** | 194,439,584 |
| Nontrade accounts payable (Notes 18 and 29) | **165,561,742** | 91,766,034 |
| Accrued: | | |
| Rental | **67,991,456** | 55,180,273 |
| Service fees (Note 29) | **47,931,512** | 64,097,444 |
| Personnel cost | **22,889,047** | 23,424,076 |
| Outside services | **8,221,582** | 12,362,748 |
| Interest (Notes 16 and 18) | **10,555,947** | 7,980,719 |
| Construction costs | **–** | 17,639,410 |
| Utilities and others (Note 20) | **104,971,509** | 66,911,234 |
| Unearned revenue | **79,430,482** | 91,313,239 |
| Retention payable | **25,187,531** | 60,373,869 |
| Output VAT | **57,095,532** | 64,043,299 |
| Payable to government agencies | **84,231,702** | 93,713,197 |
| | **₱1,708,711,598** | ₱1,750,913,920 |

Trade payables are incurred in the conduct of the Group's business with normal credit terms ranging from 30 to 45 days. Nontrade payables include concession privilege fee payable and payable to mine surveyor and subcontractor.

Retention payable pertains to the portion of the contractors' billings on the various construction projects retained by the Group and will be released upon acceptance of the completed projects and submission by the contractors of the certificate of completion and guarantee bond.

Deferred output VAT, which is included as part of "Output VAT", pertains to output VAT of uncollected receivables from the rendering of the Group's services.

Payable to government agencies include other tax-related payable such as withholding tax and payable to Social Security System, Philippine Health Insurance Corporation and Pag-IBIG Fund Contributions.

18. **Related Party Transactions**

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. It includes companies in which one or more of the directors and/or shareholder of the Company either has a beneficial controlling interest or are in a position to exercise significant influence therein (i.e., affiliates).

Transactions between the Company and its subsidiaries and the related balances are eliminated at consolidation and are no longer included in the disclosures.

Transactions disclosed below pertain to the following related parties:

| Relationship | Name |
|---|---|
| Affiliates | Philippine National Bank<br>Philippine Airlines, Inc. (PAL)<br>Air Philippines Corporation (APC) |
| Associates | LTP<br>CPCS |

The following tables summarize the transactions with the Group's related parties and their account balances:

| Nature of Transaction | Outstanding balance 2020 | 2019 | Terms and conditions |
|---|---|---|---|
| | *(In millions)* | | |
| **Affiliates** | | | |
| Deposits and cash equivalents | **₱1,056.0** | ₱558.7 | On demand; prevailing interest rate |
| Rental deposit | **4.2** | 4.2 | To be refunded at the end of lease term; non-interest bearing |
| Trust fund retirement plan (Note 21) | **139.1** | 191.5 | Based on trustee agreement |

| Nature of Transaction | Amount of Transactions 2020 | 2019 | 2018 | Outstanding Balance Receivable (Payable) 2020 | 2019 | Terms and Conditions |
|---|---|---|---|---|---|---|
| | | | *(In millions)* | | | |
| **Affiliates** | | | | | | |
| Interest income on deposits and cash equivalents (Note 22) | **₱5.6** | ₱3.6 | ₱6.3 | **₱–** | ₱– | On demand; prevailing interest rate |
| Ground handling services | **824.8** | 2,338.3 | 1,122.0 | **903.3** | 804.6 | 30 day, unsecured, non-interest bearing, impaired |
| Equipment rent | **112.1** | 134.4 | 16.4 | **(314.6)** | (141.4) | On-demand, unsecured, non-interest bearing |
| Share in passenger lounge | – | – | – | – | 39.6 | On-demand, unsecured, non-interest bearing |
| Catering services | **391.9** | 957.3 | 136.4 | **331.5** | 330.8 | 30 day, unsecured, non-interest bearing, impaired |
| Share in rental and utilities in MIAA | **1.0** | 1.0 | 1.7 | – | (0.3) | On-demand, unsecured, non-interest bearing |
| Short-term debt (Note 16) | **50.0** | 163.5 | 243.5 | **(50.0)** | (25.0) | 5-8 year term loan, interest bearing based on benchmark rate, payable quarterly; no collateral |
| Long-term debt (Note 16) | – | – | – | **(921.2)** | (970.0) | |
| Interest expense | **55.8** | 34.5 | 27.8 | – | (7.9) | |
| Office rent | – | 2.8 | 1.2 | – | – | 30 day, unsecured, non-interest bearing |
| **Associates** | | | | | | |
| Administrative and lease income from sublease of land | **₱67.6** | ₱30.5 | ₱30.5 | **₱55.0** | ₱– | 25 years, non-interest bearing, includes impact of straight-line recognition of lease income |
| Service fee from preventive maintenance and waste water treatment services | **1.0** | 16.3 | 17.8 | **0.7** | 3.5 | 30 day, unsecured, non-interest bearing, unimpaired |
| Ground handling | **18.9** | (4.7) | (1.0) | **6.4** | – | 30 day, unsecured, non-interest bearing, impaired |
| Catering services | **5.66** | (1.2) | – | **3.5** | – | 30 day, unsecured, non-interest bearing, impaired |
| Management services | **22.1** | 22.1 | 19.2 | – | – | 30 day, unsecured, non-interest bearing, unimpaired |
| Dividend declaration | **963.3** | 916.3 | 807.3 | – | – | On-demand, unsecured, non-interest bearing |

Outstanding balances at year-end are to be settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

Ground handling and catering arrangements
Transactions with PAL and APC include ramp, passenger, cargo and other ground handling services and catering services. The Group also provides catering services to an airport lounge of PAL.

As of December 31, 2020 and 2019, the Group's trade receivables from related parties amounted to ₱1,220.2 million and ₱1,175.0 million, net of allowance amounting to ₱80.2 million and ₱4.4 million, respectively.

Loans
In 2017, the Group availed an eight-year term loan facility amounting to ₱400.0 million with the local affiliated bank (see Note 16). The loan was availed to finance the Group's construction of kitchen facility. In 2019, the Group availed an eight-year term loan facility amounting to ₱250.0 million with the local affiliated bank. These loans were availed to finance the Group's construction of kitchen facility. The carrying value of the loan as of December 31, 2020 and 2019 amounted to ₱600.0 million and ₱616.7 million, respectively. Interest expense incurred amounted to ₱38.3 million in 2020, ₱14.1 million in 2019 and ₱18.8 million in 2018 (Notes 12 and 16).

In 2017, the Group availed of two five-year term loans totalling to ₱94.2 million with the local affiliated bank for working capital and to finance the acquisition of groundhandling service equipment. The carrying value of the loan as of December 31, 2020 and 2019 amounted to ₱49.2 million and ₱56.7 million, respectively. Interest expense amounted to ₱1.9 million in 2020, ₱4.0 million in 2019 and ₱4.9 million in 2018.

In 2019, the Group obtained five-year term loans from PNB amounting to US$3.5 million equivalent to ₱183.6 million and ₱165.0 million payable in 60 equal and successive monthly amortizations commencing at the end of the first month from initial draw down date of the loans. Interest rate is subject to quarterly repricing. These loans were availed to refinance the short-term loans drawn against the omnibus credit line with PNB and for the purchase of various equipment which are mostly ground support equipment for the Group's operations in various stations. The carrying value of the loan as of December 31, 2020 and 2019 amounted to ₱272.0 million and ₱296.6 million, respectively. Interest expense amounted to ₱11.4 million in 2020 and ₱13.4 million in 2019.

The Group also has outstanding short-term loans which amounted to ₱50.0 million and ₱25.0 million as of December 31, 2020 and 2019, respectively.

In 2019, the Group received refundable rental deposit from LTP amounting to ₱24.6 million. As of December 31, 2020 and 2019, the accreted value of rental deposit are presented as part of "Other noncurrent liabilities" in the consolidated balance sheets amounting to ₱10.9 million and ₱9.4 million, respectively. Accretion of interest (included as part of "Financing charges" account) amounted to ₱1.5 million in 2020, ₱1.9 million in 2019 and ₱1.2 million in 2018 (see Note 22). As of December 31, 2020 and 2019, unearned rent income from nonrefundable deposits amounted to ₱5.5 million and ₱6.5 million, respectively.

The following are the transactions among related parties which are eliminated in the consolidated statements of income:

| Nature | Revenue and other income recognized by: | Costs and expenses recognized by: | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| | | | | *(In Millions)* | |
| Service fees | MAC | MACS/ MASCORP/BTSI/MAPDC | **₱0.5** | ₱172.4 | ₱166.1 |
| Land and building rental | MAPDC | MSFI/ SNVRDC | **14.5** | 16.6 | 16.6 |
| Water revenue | MONAD | BTSI | **4.7** | 16.3 | 7.7 |
| Technical management fees | MAPDC | MSFI/ SNVRDC/BTSI/FAA | **–** | 1.0 | 13.2 |
| Dividend income | MAC | MAATS/ MACS/MASCORP | **–** | 53.6 | 60.3 |
| Gain on sale of equipment | MACS | MSFI | **–** | – | 12.9 |

The following are the balances among related parties which are eliminated in the consolidated balance sheets:

| Nature | Assets recognized by: | Liabilities recognized by: | December 31 2020 | 2019 |
|---|---|---|---|---|
| | | | *(In Millions)* | |
| Due from/to related parties | MAC | MASCORP/ MACS/ MAPDC/ MAATS/ MMC/AWSI/BTSI/CBRI/FAA/SUMMA SNVRDC/NAWASCOR | **₱1,920.4** | ₱1,469.8 |
| | MACS | MSFI/ MSICS | **222.1** | 129.1 |
| | MAPDC | SNVRDC/ BTSI/ NAWASCOR/ MPRDC/ PWRI/ WBSI/ CBRI/ MAATS/ MMC | **391.4** | 429.7 |
| | WBSI | CBRI | **10.0** | 10.0 |
| | AWSI | MAPDC/ MMC/ MAC | **34.5** | 5.5 |
| | MMC | BUMICO | **–** | 0.1 |
| | MONAD | BTSI/NEWS | **0.1** | 0.1 |
| | BTSI | MONAD/NEWS | **54.7** | – |
| | AlliedKonsult | MMC | **1.0** | – |
| Trade receivables/ payables | MAC | MAC/ MACS/ MAATS/BTSI/MASCORP | **381.1** | 94.9 |
| | MASCORP | MAATS | **–** | 0.7 |
| | MACS | MASCORP/ MAC | **14.9** | – |
| | MAPDC | SNVRDC/ MSFI/ MAC/MAATS | **81.5** | 19.6 |
| | BTSI | MONAD/NEWS | **0.3** | 58.7 |
| | MAATS | MASCORP | **1.7** | – |

Compensation of Key Management Personnel

The short-term benefits of the Company's key management personnel amounted to ₱141.8 million in 2020, ₱117.9 million in 2019 and ₱101.4 million in 2018. There are no termination benefits or share-based payments granted to key management personnel.

In accordance with the guidelines and regulations on corporate governance issued by SEC and other regulatory bodies, the Group adopted a policy on related party transactions. The material related party transactions policy shall cover transactions meeting the materiality threshold of 10% of the Group's total consolidated assets. All individual material related party transactions shall be approved by at least two-thirds (2/3) vote of the BOD with at least a majority of the independent directors voting to approve the material related party transaction.

## 19. **Revenue**

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Gross service revenue | **₱2,291,281,620** | ₱6,316,750,263 | ₱3,577,023,689 |
| Less discount | **33,717,848** | 148,919,156 | 150,404,279 |
| | **₱2,257,563,772** | ₱6,167,831,107 | ₱3,426,619,410 |

<u>Disaggregated Revenue Information</u>
The Group derives its revenue from transfer of goods and services over time and at a point in time, in different product types and within the Philippines.

Set out below are the disaggregation of the Group's revenue for 2020 and 2019 and the reconciliation of the revenue from contracts with customers with the amounts disclosed in segment information (see Note 4).

<u>2020</u>

| | **In-flight and Other Catering** | **Ground Handling and Aviation** | **Administrative** | **Water Treatment and Distribution*** | **Mining** | **Total** |
|---|---|---|---|---|---|---|
| <u>Services</u> | | | | | | |
| Inflight and other catering | **₱705,371,060** | **₱–** | **₱–** | **₱–** | **₱–** | **₱705,371,060** |
| Passenger and ramp services | **–** | **893,800,943** | **–** | **–** | **–** | **893,800,943** |
| Cargo handling | **–** | **148,224,819** | **–** | **–** | **–** | **148,224,819** |
| Water distribution | **–** | **–** | **–** | **212,933,810** | **–** | **212,933,810** |
| Operation and maintenance of STP | **–** | **–** | **–** | **8,495,334** | **–** | **8,495,334** |
| Exploratory drilling fees | **–** | **–** | **–** | **–** | **4,156,179** | **4,156,179** |
| Others | **222,104,770** | **15,603,041** | **–** | **–** | **–** | **237,707,811** |
| <u>Goods</u> | | | | | | |
| Beverages and dry goods | **23,403,432** | **–** | **–** | **–** | **–** | **23,403,432** |
| | **950,879,262** | **1,057,628,803** | **–** | **221,429,144** | **4,156,179** | **2,234,093,388** |
| **Administrative fee** | **–** | **–** | **23,470,384** | **–** | **–** | **23,470,384** |
| **Total** | **₱950, 879,262** | **₱1,057, 628,803** | **₱23,470,384** | **₱221, 429,144** | **₱4,156,179** | **₱2,257,563,772** |

**In 2020, revenue eliminated in rental and administrative and water treatment and distribution segments amounted to nil and ₱4.7 million, respectively.*

<u>2019</u>

| | **In-flight and Other Catering** | **Ground Handling and Aviation** | **Administrative** | **Water Treatment and Distribution*** | **Mining** | **Total** |
|---|---|---|---|---|---|---|
| <u>Services</u> | | | | | | |
| Inflight and other catering | ₱2,758,346,616 | ₱– | ₱– | ₱– | ₱– | ₱2,758,346,616 |
| Passenger and ramp services | – | 2,579,417,701 | – | – | – | 2,579,417,701 |
| Cargo handling | – | 259,277,818 | – | – | – | 259,277,818 |
| Water distribution | – | – | – | 326,697,108 | – | 326,697,108 |
| Construction of STP | – | – | – | 5,089,286 | – | 5,089,286 |
| Operation and maintenance of STP | – | – | – | 15,811,460 | – | 15,811,460 |
| Exploratory drilling fees | – | – | – | – | 15,437,718 | 15,437,718 |
| Others | 42,827,126 | 30,867,806 | – | – | – | 73,694,932 |
| <u>Goods</u> | | | | – | | |
| Beverages and dry goods | 104,316,410 | – | – | – | – | 104,316,410 |
| | 2,905,490,152 | 2,869,563,325 | – | 347,597,854 | 15,437,718 | 6,138,089,049 |
| **Administrative fee** | – | – | 29,742,058 | – | – | 29,742,058 |
| **Total** | ₱2,905,490,152 | ₱2,869,563,325 | ₱29,742,058 | ₱347,597,854 | ₱15,437,718 | ₱6,167,831,107 |

**In 2019, revenue eliminated in rental and administrative and water treatment and distribution segments amounted to ₱1.3 million and ₱16.3 million, respectively.*

2018

| | In-flight and Other Catering | Ground Handling and Aviation | Administrative | Water Treatment and Distribution* | Mining | Total |
|---|---|---|---|---|---|---|
| Services | | | | | | |
| Inflight and other catering | ₱1,495,324,042 | ₱– | ₱– | ₱– | ₱– | ₱1,495,324,042 |
| Passenger and ramp services | – | 1,361,111,692 | – | – | – | 1,361,111,692 |
| Cargo handling | – | 63,509,619 | – | – | – | 63,509,619 |
| Water distribution | – | – | – | 157,911,390 | – | 157,911,390 |
| Construction of STP | – | – | – | 112,756,360 | – | 112,756,360 |
| Operation and maintenance of STP | – | – | – | 375,414 | – | 375,414 |
| Others | 40,246,022 | 39,326,240 | – | – | – | 79,572,262 |
| Goods | | | | – | | |
| Beverages and dry goods | 128,200,919 | – | – | – | – | 128,200,919 |
| | 1,663,770,983 | 1,463,947,551 | – | 271,043,164 | – | 3,398,761,698 |
| **Administrative fee** | – | – | 27,857,712 | – | – | 27,857,712 |
| **Total** | ₱1,663,770,983 | ₱1,463,947,551 | ₱27,857,712 | ₱271,043,164 | ₱– | ₱3,426,619,410 |

**In 2018, revenue eliminated in administrative and water treatment and distribution segments amounted to ₱7.7 million and ₱16.6 million, respectively.*

Others include laundry, warehousing and other ancillary services rendered by MACS and MASCORP.

| **Timing of revenue recognition** | **2020** | 2019 | 2018 |
|---|---|---|---|
| Goods or services transferred over time | **₱2,234,160,340** | ₱6,063,514,697 | ₱3,298,418,491 |
| Goods transferred at a point in time | **23,403,432** | 104,316,410 | 128,200,919 |
| | **₱2,257,563,772** | ₱6,167,831,107 | ₱3,426,619,410 |

Contract Balances

The Group's gross trade receivables amounted to ₱1,700.8 million and ₱1,829.8 million as at December 31, 2020 and 2019, respectively (see Note 6).

As of December 31, 2020 and 2019, the Group's contract assets amounted to ₱17.6 million and ₱20.8 million (see Notes 6 and 15). The Group does not have contract liabilities as of December 31, 2020 and 2019.

## 20. Direct Costs and Operating Expenses

Direct costs

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Salaries and wages | **₱867,551,376** | ₱1,574,521,074 | ₱697,125,732 |
| Food (Note 7) | **359,125,545** | 1,206,608,196 | 676,937,203 |
| Contractual services | **252,788,580** | 763,865,636 | 338,733,294 |
| Depreciation and amortization (Notes 12, 14 and 28) | **249,223,305** | 191,099,090 | 180,797,286 |
| Concession privilege fee (Note 29) | **122,656,569** | 360,839,555 | 198,643,074 |
| Employee benefits (Note 21) | **93,233,412** | 95,849,021 | 73,576,148 |
| Repairs and maintenance | **89,010,790** | 119,633,035 | 65,582,077 |
| Rent (Notes 18 and 28) | **82,163,442** | 124,016,404 | 79,740,868 |
| Overhead | **50,790,827** | 90,891,677 | 56,279,345 |
| Supplies (Note 7) | **38,513,637** | 76,038,939 | 154,774,471 |
| Utilities | **34,606,929** | 50,683,775 | 20,611,210 |
| Insurance | **28,009,718** | 20,855,024 | 12,463,400 |
| Laundry | **2,655,727** | 13,147,398 | 12,197,195 |
| Others | **94,271,258** | 127,810,551 | 31,924,277 |
| | **₱2,364,601,115** | ₱4,815,859,375 | ₱2,599,385,580 |

Operating expenses

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Selling – | | | |
| Advertising and promotions | **₱3,869,609** | ₱9,938,579 | ₱5,559,169 |
| General and administrative: | | | |
| Salaries and wages | **218,923,218** | 248,929,636 | 190,420,085 |
| Employee benefits (Note 21) | **128,775,880** | 115,931,308 | 113,479,428 |
| Provisions for probable losses (Notes 6, 8 and 30) | **91,115,059** | 16,142,666 | 13,135,673 |
| Taxes and licenses (Note 13) | **79,872,079** | 67,779,179 | 54,184,422 |
| Depreciation and amortization (Notes 12, 14 and 28) | **64,659,851** | 77,795,775 | 31,340,222 |
| Repairs and maintenance | **44,647,242** | 68,526,930 | 24,923,913 |
| Professional and legal fees | **42,910,357** | 61,605,030 | 52,638,386 |
| Security and janitorial | **23,937,678** | 41,720,064 | 17,752,977 |
| Rent (Notes 18 and 28) | **18,399,466** | 15,155,725 | 11,574,449 |
| Supplies | **16,991,605** | 28,198,627 | 17,320,155 |
| Utilities | **15,161,740** | 29,103,185 | 19,750,444 |
| Project expenses | **14,690,404** | 48,927,226 | 3,136,137 |
| Transportation and travel | **14,024,730** | 33,898,463 | 28,293,237 |
| Directors' fees | **12,448,672** | 11,152,184 | 8,060,392 |
| Entertainment, amusement and recreation | **8,752,011** | 29,259,951 | 15,196,486 |
| Communications | **8,715,816** | 9,488,927 | 5,695,007 |
| Mining expenses (Note 30) | **6,250,757** | 13,436,723 | 6,516,673 |
| Gas and oil | **5,893,441** | 7,284,629 | 5,487,369 |
| Insurance | **5,470,466** | 5,672,441 | 2,343,802 |
| Service fee (Note 29) | **87,703** | 48,257,394 | 38,251,508 |
| Others | **106,059,518** | 50,316,047 | 45,652,414 |
| | **927,787,693** | 1,028,582,110 | 705,153,179 |
| | **₱931,657,302** | ₱1,038,520,689 | ₱710,712,348 |

Others include quality control related expenses (e.g., hygiene and sanitation), company activities and projects, and personnel training costs.

## 21. Employee Benefits Costs

Accrued retirement and other employee benefits payable consists of the following:

| | 2020 | 2019 |
|---|---|---|
| Accrued retirement benefits payable | **₱220,392,633** | ₱66,607,764 |
| Other employee benefits | **37,320,924** | 26,481,930 |
| | **₱257,713,557** | ₱93,089,694 |

Retirement Benefits Cost

The Group has funded, non-contributory defined benefit group retirement plans, covering all of their permanent employees. The retirement benefit is equal to a certain percentage of the monthly final salary for every year of service. The fund is administered by a trustee bank which is responsible for investment strategy of the plan, in consultation with the Group's Management.

Under the existing regulatory framework, Republic Act No. 7641, *Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The components of retirement benefits cost recognized in profit or loss follow:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Current service cost | **₱83,960,850** | ₱41,995,458 | ₱26,050,670 |
| Net interest cost (income) | **4,124,610** | (1,324,603) | (114,623) |
| Past service cost due to employee reduction | **(44,847,817)** | – | – |
| Past service cost due to plan amendment | **25,005,210** | – | – |
| | **₱68,242,853** | ₱40,670,855 | ₱25,936,047 |
| Portions recognized in: | | | |
| Direct costs (Note 19) | **₱50,002,007** | ₱16,342,069 | ₱18,865,372 |
| Operating expenses (Note 20) | **18,240,846** | 24,328,786 | 7,070,675 |
| | **₱68,242,853** | ₱40,670,855 | ₱25,936,047 |

The details of the remeasurement in other comprehensive income are as follows:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Actuarial gain (loss) on defined benefit obligation arising from changes in: | | | |
| Experience adjustments | **₱2,703,424** | (₱18,355,611) | (₱4,651,024) |
| Financial assumptions | **(105,195,011)** | (49,519,472) | 25,432,270 |
| | **(102,491,587)** | (67,875,083) | 20,781,246 |
| Remeasurement loss on plan assets | **(5,422,240)** | (4,085,391) | (7,893,810) |
| | **(107,290,383)** | (71,960,474) | 12,887,436 |
| Tax effect | **24,335,667** | 13,842,925 | (3,875,328) |
| | **(₱82,954,716)** | (₱58,117,549) | ₱9,012,108 |

The details of the accrued retirement benefits payable, net of pension assets, are as follows:

| | **2020** | 2019 |
|---|---|---|
| Present value of defined benefit obligation | **₱358,273,209** | ₱256,375,216 |
| Fair value of plan assets | **(139,081,279)** | (191,497,366) |
| | **₱219,191,930** | ₱64,877,850 |

Movements in accrued retirement benefits payable and pension asset follow:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Accrued retirement benefits payable** | **Pension asset** (Note 15) | Accrued retirement benefits payable | Pension asset (Note 15) |
| Beginning balance | **₱66,607,764** | **₱1,729,914** | ₱19,349,822 | ₱37,210,213 |
| Retirement benefits cost recognized in profit or loss | **68,554,575** | **(311,722)** | 40,726,616 | (55,761) |
| Remeasurements in other comprehensive income | **107,072,894** | **(217,489)** | 71,790,216 | (170,258) |
| Contributions | **(21,842,600)** | – | (29,893,088) | – |
| Accrued retirement resulting from business combination (Note 10) | – | – | (35,365,802) | (35,254,280) |
| Ending balance | **₱220,392,633** | **₱1,200,703** | ₱66,607,764 | ₱1,729,914 |

Changes in present value of defined benefit obligation are as follows:

| | **2020** | 2019 |
|---|---|---|
| Beginning balance | **₱256,375,216** | ₱145,040,559 |
| Current service cost | **83,960,850** | 41,995,458 |
| Interest cost | **13,753,964** | 10,726,716 |
| Past service cost due to employee reduction | **(44,847,817)** | – |
| Past service cost due to plan amendment | **25,005,210** | – |
| Actuarial loss on retirement obligation | **102,491,587** | 67,875,083 |
| Benefits paid out of the Group's plan assets | **(78,465,801)** | (9,262,600) |
| Ending balance | **₱358,273,209** | ₱256,375,216 |

Changes in fair value of plan assets are as follows:

| | **2020** | 2019 |
|---|---|---|
| Beginning balance | **₱191,497,366** | ₱162,900,950 |
| Interest income on plan assets | **9,629,354** | 12,051,319 |
| Contributions to the plan | **20,200,000** | 29,893,088 |
| Benefits paid | **(76,823,201)** | (9,262,600) |
| Remeasurement loss on plan assets | **(5,422,240)** | (4,085,391) |
| Ending balance | **₱139,081,279** | ₱191,497,366 |
| Actual return on plan assets | **₱218,713,220** | ₱64,877,850 |

The major categories of plan assets are as follows:

| | **2020** | 2019 |
|---|---|---|
| Cash and cash equivalents | **₱53,173** | ₱3,557,978 |
| Debt instruments: | | |
| Government securities | **138,956,804** | 173,914,979 |
| Quoted debt securities | – | 13,962,571 |
| Receivables | **71,302** | 61,838 |
| | **₱139,081,279** | ₱191,497,366 |

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

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining retirement benefits cost and obligations as of January 1 are shown below.

| | **2020** | 2019 |
|---|---|---|
| Average discount rates | **5.04%** | 7.40% |
| Average future salary increases | **5.00%** | 5.00% |

The average discount rate and future salary increase as of December 31, 2020 is 3.79% and 6.92%, respectively.

The sensitivity analysis on the next page has been determined based on reasonably possible changes of each significant assumption on the present value of defined benefit obligation as of December 31, assuming all other assumptions were held constant:

| Assumptions: | 2020 | 2019 |
|---|---|---|
| Discount rate: | | |
| +100 basis points | **(₱58,543,585)** | (₱25,249,930) |
| -100 basis points | **79,592,873** | 35,368,700 |
| Salary increase rate: | | |
| +100 basis points | **74,650,488** | 34,274,080 |
| -100% basis points | **(56,708,432)** | (25,056,941) |

There were no changes in the methods and assumptions from the previous periods used in preparing the sensitivity analysis.

Shown below is the maturity analysis of the undiscounted benefit payments:

| Date of retirement: | 2020 | 2019 |
|---|---|---|
| 1 year and less | **₱32,910,961** | ₱1,895,465 |
| more than 1 year to 5 years | **45,523,827** | 51,108,386 |
| more than 5 years to 10 years | **130,049,917** | 160,829,265 |
| more than 10 years to 15 years | **244,522,069** | 187,681,472 |
| more than 15 years to 20 years | **354,860,571** | 275,610,565 |
| more than 20 years | **12,770,718,281** | 14,890,076,805 |

The Group expects to contribute ₱99.6 million in 2021. The Group does not currently employ any asset-liability matching strategies.

Other employee benefits

Employees can accumulate earned leave credits, which can be used anytime when needed by the employee or converted to cash, computed based on the employee's final rate upon separation (i.e., resignation or retirement). Accumulated leave credits are presented as "Other employee benefits" which amounted to ₱41.8 million and ₱26.5 million as of December 31, 2020 and 2019, respectively. Reversal for accumulating leave credits amounted to ₱10.8 million and ₱16.8 million in 2020 and 2019, respectively, and provision for accumulating leave credits amounted to ₱0.2 million in 2018.

## 22. Other Income (Charges)

a. Interest income was derived from:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Cash and cash equivalents (Notes 5 and 18) | **₱7,245,031** | ₱6,623,302 | ₱8,307,155 |
| Installment receivables (Note 6) | **1,349,571** | 3,738,366 | 460,707 |
| Accretion of refundable deposits (Note 18) | **953,367** | 1,413,647 | 1,379,937 |
| Debt instruments at FVTOCI (Note 15) | – | – | 928,802 |
| | **₱9,547,969** | ₱11,775,315 | ₱11,076,601 |

b. Financing charges pertain to:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Notes payable and long-term debts (Notes 16 and 18) | **₱105,134,587** | ₱59,015,513 | ₱25,203,099 |
| Lease liabilities (Note 28) | **25,934,673** | 27,425,044 | 24,902,553 |
| Accretion of refundable deposits (Note 18) | **1,455,230** | 1,936,700 | 1,248,148 |
| | **₱132,524,490** | ₱88,377,257 | ₱51,353,800 |

c. Other income consist of:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Construction revenue (Note 14) | **₱2,387,242** | ₱306,255 | ₱24,406,608 |
| Construction costs (Note 14) | **(2,387,242)** | (306,255) | (24,406,608) |
| Connection and reconnection fees | **1,321,062** | 1,196,694 | 1,551,367 |
| Loss on sale of investment in debt securities (Note 15) | **–** | – | (6,846,940) |
| Others - net | **50,685,711** | 52,608,443 | 35,061,746 |
| | **₱52,006,771** | ₱53,805,137 | ₱29,766,173 |

Others include management fee charged to an associate amounting to ₱22.1 million,₱22.1 million and ₱19.2 million in 2020, 2019 and 2018, respectively (see Note 18), and items that are individually immaterial.

23. **Foreign Currency-denominated Monetary Assets and Liabilities**

The Group's foreign currency-denominated monetary assets and liabilities as of December 31 are as follows:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **US Dollar** | **Total Peso Equivalent** | US Dollar | Total Peso Equivalent |
| **Assets** | | | | |
| Cash and cash equivalents | **$19,979,801** | **₱960,157,810** | $4,528,444 | ₱234,614,411 |
| Receivables | **3,733,480** | **191,452,474** | 8,685,429 | 335,503,235 |
| | **23,713,281** | **1,151,610,284** | 13,213,873 | 570,117,646 |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities (Note 17) | **149,390** | **6,842,418** | 175,093 | 8,284,192 |
| Notes payable and long term debts (Note 16) | **3,882,333** | **186,441,295** | 4,153,333 | 210,304,035 |
| | **4,031,723** | **193,283,713** | 4,328,426 | 218,588,227 |
| Net foreign currency-denominated assets | **$19,681,558** | **₱958,326,571** | $8,885,447 | ₱351,529,419 |

As of December 31, 2020 and 2019, the exchange rates of the Peso to US$ dollar were ₱48.02 and ₱50.63 to US$1, respectively.

## 24. Registration with the Philippine Economic Zone Authority (PEZA), Mactan Cebu International Airport Authority (MCIAA) and Subic Bay Metropolitan Authority (SBMA)

The Group, through MASCORP and MAPDC, is registered with the PEZA and has commercial operations as the Ecozone Developer/Operator of the MacroAsia Special Ecozone at the Ninoy Aquino International Airport (NAIA) and at Mactan Cebu International Airport (MCIA). MacroAsia Special Ecozone is the only existing ecozone within NAIA.

In 2018, the Group, through FAA, was issued Certificate of Registration and Tax Exemption and was granted rights, privileges and benefits as a Subic Bay Freeport Enterprise in accordance with Republic Act No. 7227, Bases Conversion and Development Act of 1992, the rules of authority bestowed on the SBMA.

Under the terms of their registrations, the Group is entitled to certain tax benefits provided for under relevant rules and regulations which include, among others, exemption from payment of all national internal revenue taxes and all local government imposed fees, licenses or taxes. In lieu thereof, MAPDC and FAA shall pay a 5% final tax on gross income earned from their operations within the special tax zones.

## 25. Income Taxes

a. The current provision for income tax is as follows:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| RCIT | **₱5,942,539** | ₱183,994,720 | ₱115,108,725 |
| MCIT | **2,510,423** | 7,915,305 | 4,464,679 |
| Final tax on interest | **692,053** | 1,117,956 | 1,660,945 |
| 5% final tax on gross income | **3,762** | 950,722 | 807,618 |
| | **₱9,148,777** | ₱193,978,703 | ₱122,041,967 |

The Parent Company's and subsidiaries' net deferred income tax assets (liabilities) as of December 31 are as follows:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Net Deferred Income Tax Assets** | **Net Deferred Income Tax Liabilities** | Net Deferred Income Tax Assets | Net Deferred Income Tax Liabilities |
| *Recognized directly in the consolidated statements of income:* | | | | |
| **Deferred income tax assets on:** | | | | |
| Allowances for: | | | | |
| ECL | **₱17,983,808** | **₱–** | ₱4,658,109 | ₱– |
| Probable losses | **7,004,735** | **–** | 7,639,680 | – |
| Accrued rental expense | **185,343** | **–** | 619,828 | – |
| Accrued retirement benefits payable and other employee benefits | **16,608,243** | **–** | 15,926,513 | – |
| Accrued expenses | **10,666,784** | **–** | 13,539,422 | – |
| Lease liabilities | **2,696,721** | **4,839,926** | 10,490,949 | 2,488,789 |
| Unrealized foreign exchange loss | **–** | **–** | 1,317,137 | – |
| Unamortized past service cost | **2,019,933** | **–** | 511,118 | 34,924 |
| | **57,165,567** | **4,839,926** | 54,702,756 | 2,523,713 |

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Net Deferred Income Tax Assets** | **Net Deferred Income Tax Liabilities** | Net Deferred Income Tax Assets | Net Deferred Income Tax Liabilities |
| **Deferred income tax liabilities on:** | | | | |
| Contract assets | **(₱5,303,975)** | **₱–** | ₱– | (₱6,244,619) |
| Right-of-use assets | **–** | **(8,386,110)** | (634,945) | (3,017,715) |
| Unrealized foreign exchange gain | **(3,290,749)** | – | – | – |
| Fair value adjustment on property, plant and equipment as a result of business combination | **–** | **(121,722,731)** | – | (128,531,790) |
| | **(8,594,724)** | **(130,108,841)** | (634,945) | (137,794,124) |
| *Recognized directly in equity:* | | | | |
| **Net deferred income tax liabilities (asset) on:** | | | | |
| Fair value changes of equity investments designated as FVTOCI | **–** | **6,330,000** | – | (7,530,000) |
| Remeasurement loss (gain) | **23,844,946** | **140,836** | (2,169,813) | – |
| | **23,844,946** | **6,470,836** | (2,169,813) | (7,530,000) |
| | **₱72,415,789** | **(₱118,798,079)** | ₱51,897,998 | (₱142,800,411) |

b. As of December 31, the deductible temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized in the consolidated balance sheets are as follows:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Deductible temporary differences on: | | | |
| Allowances for probable losses - | | | |
| Deferred mine exploration costs | **₱217,070,924** | ₱217,070,924 | ₱217,070,924 |
| Accrued retirement benefits payable | **85,996,260** | 9,499,895 | 10,710,549 |
| Accrued rental expense | **7,468,279** | 21,125,027 | 17,534,737 |
| NOLCO | **846,716,039** | 495,579,393 | 378,668,161 |
| MCIT | **10,311,475** | 11,890,547 | 8,359,259 |
| Unrealized foreign exchange losses | **–** | 524,972 | 748,675 |

The Group did not recognize deferred income tax assets on these temporary differences, NOLCO and MCIT as management believes that certain companies in the Group may not have sufficient taxable income against which these temporary differences and NOLCO can be used or RCIT payable against which the MCIT can be applied.

c. On September 11, 2020, the President signs into law the "Bayanihan to Recover as One Act" or "Bayanihan 2", an Act in response to COVID-19 to accelerate the recovery and bolster the resiliency of the Philippine economy.

Unless otherwise disqualified from claiming the deduction, the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five consecutive taxable years immediately following the year of such loss. The net operating loss for said taxable years may be carried over as a deduction even after the expiration of RA No. 11494 provided the same are claimed within the next five consecutive taxable years immediately following the year of such loss.

As at December 31, 2020, the Group has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

| Year Incurred | Available Until | Available NOLCO | Tax Effect |
|---|---|---|---|
| 2019 | 2022 | ₱219,055,865 | ₱65,716,760 |
| 2018 | 2021 | 174,839,206 | 52,451,762 |
| | | ₱393,895,071 | ₱118,168,522 |

NOLCO incurred in 2017 amounting to ₱101.7 million expired in 2020.

As at December 31, 2020 the Company has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

| Year Incurred | Available Until | Available NOLCO | Tax Effect |
|---|---|---|---|
| 2020 | 2025 | ₱452,820,968 | ₱135,846,290 |

d. Details of excess of MCIT over RCIT as of December 31, 2020 are as follows:

| Period/Year Incurred | Balance at Beginning of Year | Additions | Expired | Balance at End of the Year | Available Until |
|---|---|---|---|---|---|
| 2020 | ₱– | ₱1,488,826 | ₱– | ₱1,488,826 | 2023 |
| 2019 | 4,357,970 | – | – | 4,357,970 | 2022 |
| 2018 | 4,464,679 | – | – | 4,464,679 | 2021 |
| 2017 | 3,067,898 | – | (3,067,898) | – | 2020 |
| | ₱11,890,547 | ₱1,488,826 | (₱3,067,898) | ₱10,311,475 | |

e. The reconciliation of the provision for (benefit from) income tax at the statutory tax rates to the provision for income tax as shown in the consolidated statements of income is as follows:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Provision for (benefit from) income tax computed at the statutory tax rate | **(₱542,853,134)** | ₱444,670,313 | ₱361,264,733 |
| Adjustments resulting from: | | | |
| Share in net loss (earnings) of associates | **191,942,324** | (323,178,121) | (321,004,376) |
| Nondeductible expenses | **149,431,770** | 4,489,218 | 20,289,851 |
| Movements in deductible temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized | **193,005,297** | 66,320,193 | 57,396,962 |
| Interest income already subjected to final tax at lower rates or not subject to income tax | **(827,419)** | (960,421) | (607,524) |
| Provision for (benefit from) income tax | **(₱9,301,162)** | ₱191,341,182 | ₱117,339,646 |

f. On February 3, 2021, the House of Representatives and the Senate have ratified the Bicameral Committee's version of the proposed "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", reconciling the disagreeing provisions of Senate Bill No. 1357 and House Bill No. 4157.

   The said Act aims to:

   1. Improve the equity and efficiency of the corporate tax system by lowering the rate, widening the tax base, and reducing tax distortions and leakages;
   2. Develop, subject to the provisions of this Act, a more responsive and globally-competitive tax incentives regime that is performance-based, targeted, time-bound, and transparent;
   3. Provide support to businesses in their recovery from unforeseen events such as an outbreak of communicable diseases or a global pandemic and strengthen the nation's capability for similar circumstances in the future; and
   4. Create a more equitable tax incentive system that will allow for inclusive growth and generation of jobs and opportunities in all the regions of the country and ensure access and ease in the grant of these incentives especially for applicants in least developed areas.

The enrolled bill will be submitted to the President for his approval and upon receipt of the bill, the President may do any of the following:

1. Sign the enrolled bill without vetoing any line or item therein;
2. Sign the enrolled bill with line or item veto which veto may be overridden by Congress; or
3. Inaction within 30 days from receipt which would result to the automatic approval of the enrolled bill as it is.

Once signed, the measure is set to take effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

Among the salient provisions of the aforementioned Bicameral version is the reduction in the corporate income tax rate as follows:

*Domestic Corporation*
For total assets of a Company of ₱100 million and below:
- 20% - if their net taxable income is ₱5 million and below
- 25% - if their net taxable income is more than ₱5 million

For total assets of a company of more than ₱100 million, corporate income tax rate is 25% based on net taxable income. Total assets are exclusive of the value of the land where the property, plant, and equipment are situated.

The target effectivity date is on July 1, 2020.

Also, there is a reduction of minimum corporate income tax from 2% to 1% for a period of three (years) (i.e., July 1, 2020 until June 30, 2023).

As of March 18, 2021, the said bill has not been passed into law.

## 26. Basic/Diluted Earnings (Loss) Per Share

Basic/diluted earnings per share are computed as follows:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Net income (loss) attributable to equity holders of the Company | **(₱1,587,308,157)** | ₱1,129,066,014 | ₱1,051,242,575 |
| Divided by weighted average number of common shares outstanding* | **1,896,186,265** | 1,911,992,689 | 1,911,199,590 |
| | **(₱0.84)** | ₱0.59 | ₱0.55 |

**Computed as if the issuance of shares of stock of 315,159,739, and 368,146,293 shares declared in 2020 and 2018, respectively resulting from 20% and 30% stock dividends, respectively, have been recognized since January 1,2018.*

There are no potential common shares with dilutive effect on the basic earnings (loss) per share in 2020, 2019 and 2018.

## 27. Equity

*Capital stock*

a. Track record of registration of securities

On August 30, 1974, the Philippine SEC authorized the registration and licensing of the Company's securities with total par value of ₱20.0 million divided into 2,000,000,000 shares with a par value of ₱0.01 per share.

On December 10, 1993, the Company amended its articles of incorporation, increasing the par value of its shares from ₱0.01 per share to ₱1.00 per share.

On March 22, 2000, the Philippine Stock Exchange (PSE) authorized to list the Company's 750,000,000 shares, with a par value of ₱1.00 per share and 500,000,000 warrants divided into the following:

i. 250,000,000 shares to cover the 1:4 stock rights offering to stockholders of record as of April 12, 2000 at an offer price of ₱2.00 per share;
ii. 500,000,000 warrants to cover the 2:1 warrants offering attached to and detachable from the rights shares at a subscription price of ₱0.10 per warrant; and
iii. 500,000,000 shares to cover the underlying shares of warrants at an exercise price of ₱6.00 per share. Actual listing of the underlying common shares of the warrants shall take effect upon the exercise of the warrants.
iv. All warrants expired in 2005.

MAC's shares are listed and traded at the PSE and the number of holders of its common equity as of December 31, 2020 and 2019 is 845.

b. The Company's authorized capital stock is 2,000,000,000 shares with ₱1 per share. Movements in the Company's issued, treasury and outstanding shares are as follows:

| | Issued | Treasury | Outstanding |
|---|---|---|---|
| As of December 31, 2010 | 1,250,000,000 | (2,985,000) | 1,247,015,000 |
| Acquisition of treasury shares in 2011 | – | (7,486,000) | (7,486,000) |
| As of December 31, 2011 | 1,250,000,000 | (10,471,000) | 1,239,529,000 |
| Acquisition of treasury shares in 2012 | – | (6,125,000) | (6,125,000) |
| As of December 31, 2012 | 1,250,000,000 | (16,596,000) | 1,233,404,000 |
| Acquisition of treasury shares in 2013 | – | (6,249,600) | (6,249,600) |
| As of December 31, 2015, 2016 and 2017 | 1,250,000,000 | (22,845,600) | 1,227,154,400 |
| Stock dividend declaration (Note 17) | 368,146,293 | – | 368,146,293 |
| Acquisition of treasury shares in 2018 | – | (3,949,100) | (3,949,100) |
| As of December 31, 2018 | 1,618,146,293 | (26,794,700) | 1,591,351,593 |
| Acquisition of treasury shares in 2019 | – | (12,845,600) | (12,845,600) |
| As of December 31, 2019 | 1,618,146,293 | (39,640,300) | 1,578,505,993 |
| Acquisition of treasury shares in 2020 | | (2,707,300) | (2,707,300) |
| Stock dividend declaration | 315,159,630 | – | 315,159,630 |
| As of December 31, 2020 | 1,933,305,923 | (42,347,600) | 1,890,958,323 |

*Retained earnings*

c. Restriction on retained earnings

The retained earnings as of December 31 is restricted for dividend declaration for the portion equivalent to the following:

- Undistributed earnings of subsidiaries and equity in net earnings of associates amounting to ₱1,350.0 million and ₱1,645.0 million as of December 31, 2020 and 2019, respectively. Further, the undistributed earnings of subsidiaries include appropriated retained earnings of MACS and MASCORP totalling to ₱500.0 million and ₱795.0 million as of December 31, 2020 and 2019, respectively.

- Cost of treasury shares amounting to ₱459.4 million and ₱426.8 million as of December 31, 2020 and 2019, respectively.

- Deferred income tax assets amounting to ₱62.0 million and ₱57.2 million as of December 31, 2020 and 2019, respectively.

d. Appropriation and reversal of appropriation of retained earnings

As of December 31, 2017 and 2016, the Company's retained earnings included appropriated amounts of ₱393.1 million and ₱300.0 million for the mining development projects and water projects, respectively. These were originally approved for appropriation in 2011.

On March 22, 2018, the Company's BOD approved the reversal of the appropriation for mining development projects amounting to ₱393.1 million. The appropriation for water projects is retained for the next few years as aligned with the Groupwide water related projects ranging two to three years.

On December 12, 2019, the Company's BOD approved the reversal of the appropriation for water projects amounting to ₱300.0 million and appropriation of ₱850.0 million for various projects to be undertaken by the Group. The appropriation for water projects is retained for the next few years as aligned with the Group-wide water related projects ranging two to three years.

On September 24, 2020, the MASCORP's BOD approved the reversal of appropriated retained earnings of ₱265.0 million. The business expansions to which the previous appropriations were intended, will no longer materialize due to the COVID-19 pandemic which negatively affected the financial results of MASCORP. Hence, the appropriation of retained earnings is no longer necessary.

Appropriated retained earnings as of December 31, 2020 and 2019 amounted to ₱1,350.0 million and ₱1,645.0 million, respectively.

e. Dividends declared by the Parent Company from the unappropriated retained earnings are as follows:

| Type | Date Approved | Per share | Stockholder of Record Date | Date of Payment |
|---|---|---|---|---|
| Stock | July 17, 2020 | 20% | August 14, 2020 | September 11, 2020 |
| Cash | March 14, 2019 | ₱0.20 | April 12, 2019 | May 10, 2019 |
| Stock | July 20, 2018 | 30% | August 17, 2018 | September 12, 2018 |
| Cash | December 13, 2017 | ₱0.14 | January 5, 2018 | January 31, 2018 |
| Cash | December 14, 2016 | ₱0.08 | January 6, 2017 | February 1, 2017 |

f. Cash dividends received by non-controlling interest are as follows:

| Entity | Date Declared | Amount | Per share | Dividends attributable to non-controlling interest (SATS) |
|---|---|---|---|---|
| MACS | December 27, 2019 | ₱80,000,000 | ₱64.0 | ₱26,400,000 |
| MACS | December 6, 2018 | 75,000,000 | 60.0 | 24,750,000 |
| MACS | November 28, 2017 | 70,000,000 | 56.0 | 23,100,000 |
| MACS | December 8, 2016 | 50,000,000 | 40.0 | 16,500,000 |

As of December 31, 2020 and 2019, ₱22.4 million and ₱26.4 million, respectively, remained outstanding and presented as "Dividends payable" in the consolidated balance sheets.

*Treasury shares*

g. Treasury stock

On March 14, 2019, the Parent Company's BOD approved the additional funding of ₱200.0 million for the 2017 Share Buyback Program of the Corporation.

On June 15 2017, the Parent Company's BOD approved to allot ₱210.0 million to repurchase shares of the Parent Company at market price. The mechanics of the 2017 Buyback Program is similar to the ₱50.0 million buyback program implemented in 2010. The Program commenced on June 20, 2017 and will run until the ₱210.0 million pesos authorized cash outlay is fully utilized, or until such time that the Parent Company's BOD may direct, subject to appropriate disclosures to the PSE and the SEC.

On July 16, 2010, the Parent Company's BOD approved the Share Buyback Program (the Program) involving a total cash outlay of ₱50.0 million for the repurchase of the outstanding common shares of the Parent Company from the market, using the trading facilities of the PSE. The Program will not involve any active or widespread solicitation for stockholders to sell. Repurchase of shares of stock will be done during the period of the Program at such prices perceived by the Company to be lower than the inherent value of the share. The Program will run until the ₱50.0 million authorized cash outlay is fully utilized or until such time that the Company's BOD may direct, subject to appropriate disclosures to the PSE and the Philippine SEC.

In 2020 and 2019, the Company reacquired ₱32.6 million and ₱250.6 million treasury shares, respectively.

As of December 31, 2020 and 2019, the Parent Company's cost and number of shares held in treasury are as follows:

| | **2020** | 2019 |
|---|---|---|
| Cost | **₱459,418,212** | ₱426,826,835 |
| Number of shares held in treasury | **42,347,600** | 39,640,300 |

*Other reserves*

h. The sale of 250,001 shares representing 20% of the total issued and outstanding capital stock of MASCORP to Konoike amounting to ₱1.1 billion (JPY 2.3 billion) was accounted for as a sale of share in subsidiary without loss of control, thus an equity transaction. The excess of consideration received over the carrying amount of the non-controlling interests amounted to ₱886.8 million, which is presented as part of "Other reserves" in the equity section of the consolidated balance sheets.

i. In December 2015, the Group, through MAPDC, entered into a share purchase agreement with a third party wherein WBSI shall be owned by MAPDC and the third party at 51% and 49%, respectively. The transaction was accounted for as a sale of share in subsidiary without loss of control; thus an equity transaction. The excess of consideration received over the carrying amount of the non-controlling interests amounted to ₱24.3 million, which is presented as part of "Other reserves" in the equity section of the consolidated balance sheets.

   In August 2020, a third party has entered into a deed of absolute sale of shares wherein WBSI shall now be fully owned by MAPDC. The transaction between parent and non-controlling interest is accounted for as an equity transaction. The excess of consideration paid over the Company amount of the non-controlling interests amounted to ₱27.0 million, which is presented as reduction to "Other reserves" in the equity section of the 2020 consolidated balance sheets.

j. In July 2015, the Company signed a Sale and Purchase Agreement with SATS to sell 162,500 shares representing 13% of the total issued and outstanding capital stock of MACS. After the sale, MACS is 33% owned by SATS. The excess of consideration received over the carrying amount of the non-controlling interests amounted to ₱119.0 million, which is presented as part of "Other reserves" in the equity section of the consolidated balance sheets.

## 28. **Leases**

The Group has various operating lease agreements with airport authorities for its catering and ground handling operations and with a third party lessor for the Group's office spaces and land. The Group also has land subleased to an associate and accounted for as net investment in the lease. Leases of office space between 5 and 35 years, while land generally have lease terms between 5 and 50 years.

The Group has certain lease of land with lease term of 12 months or less that the Group applies the 'short-term lease' exemptions for these leases.

Set out below is the carrying amount of the net investment in the lease recognized and the movements during the period:

| | **2020** | 2019 |
|---|---|---|
| At January 1 | **₱1,171,844,192** | ₱1,169,089,704 |
| Accretion of interest | **3,808,556** | 2,754,488 |
| At December 31 | **₱1,175,652,748** | ₱1,171,844,192 |

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

| | **2020** | | | |
|---|---|---|---|---|
| | Land | Office space | Land and office space | Total |
| **Cost** | | | | |
| At January 1 | **₱496,795,403** | **₱60,431,856** | **₱37,032,831** | **₱594,260,090** |
| Additions | **–** | **–** | **–** | **–** |
| At December 31 | **496,795,403** | **60,431,856** | **37,032,831** | **594,260,090** |
| **Accumulated Depreciation and Amortization** | | | | |
| At January 1 | **(62,182,330)** | **(24,894,167)** | **(7,616,604)** | **(94,693,101)** |
| Depreciation | **(23,069,003)** | **(9,914,606)** | **(4,064,885)** | **(37,048,494)** |
| At December 31 | **(85,251,333)** | **(34,808,773)** | **(11,681,489)** | **(131,741,595)** |
| **Net Book Value** | **₱411,544,070** | **₱25,623,083** | **₱25,351,342** | **₱462,518,495** |

| | 2019 | | | |
|---|---|---|---|---|
| | Land | Office space | Land and office space | Total |
| **Cost** | | | | |
| At January 1 | ₱496,795,403 | ₱60,431,856 | ₱34,519,510 | ₱591,746,769 |
| Additions | – | – | 2,513,321 | 2,513,321 |
| At December 31 | 496,795,403 | 60,431,856 | 37,032,831 | 594,260,090 |
| **Accumulated Depreciation and Amortization** | | | | |
| At January 1 | (39,116,080) | (14,978,161) | (3,700,954) | (57,795,195) |
| Depreciation | (23,066,250) | (9,916,006) | (3,915,650) | (36,897,906) |
| At December 31 | (62,182,330) | (24,894,167) | (7,616,604) | (94,693,101) |
| **Net Book Value** | ₱434,613,073 | ₱35,537,689 | ₱29,416,227 | ₱499,566,989 |

The following are the amounts recognized in the consolidated statements of income:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Depreciation expense of right-of-use assets (Notes 19 and 20) | **₱37,048,494** | ₱36,897,906 | ₱34,079,321 |
| Interest expense on lease liabilities (Note 22) | **25,934,673** | 27,425,044 | 24,902,553 |
| Expenses relating to short-term leases (Notes 19 and 20) | **100,562,908** | 139,172,129 | 91,315,317 |
| Total amount | **₱163,546,075** | ₱203,495,079 | ₱150,297,191 |

The rollforward analysis of lease liabilities follows:

| | **2020** | 2019 |
|---|---|---|
| At January 1 | **₱1,723,424,134** | ₱1,743,543,333 |
| Additions | **–** | 30,949,574 |
| Interest expense (Note 22) | **25,934,673** | 27,425,044 |
| Payments | **(48,374,107)** | (78,493,817) |
| As at December 31 | **1,700,984,700** | 1,723,424,134 |
| Current portion | **15,607,124** | 24,688,033 |
| Noncurrent portion | **₱1,685,377,576** | ₱1,698,736,101 |

## 29. Significant Agreements and Commitments

*Concession Agreements*
The Group has concession agreements with MIAA, CAAP, LIPAD and GMR-Megawide Cebu Airport Corporation ("GMCAC") (the airport authorities) to exclusively operate within the airport authorities' premises at NAIA Terminal 1, 2 and 3, Davao, Clark and Cebu, respectively. The Group pays the airport authorities a monthly concession privilege fee equivalent to 7% of monthly gross revenue on catering services and groundhandling services, except Clark which is 4.9% of the gross revenue. For GMCAC, CPF is 7% and 10% effective July 1, 2018 for ground handling services rendered for the domestic and international flights, respectively.

Concession privilege fee amounted to ₱122.7 million, ₱360.8 million and ₱198.6 million in 2020, 2019 and 2018, respectively, which is presented under "Direct Costs" (see Note 19).

*Service Fee Agreement*
The Group has a service fee agreement with SATS, the 33% owner of MACS. Service fee amounted to ₱0.1 million, ₱48.3 million and ₱38.3 million in 2020, 2019 and 2018, respectively (see Note 20).

Outstanding payable to SATS amounted to ₱47.9 million and ₱64.1 million as of December 31, 2020 and 2019, respectively (see Note 17).

*Waterworks System Agreements*
The Group has Memorandum of Agreements (Agreements) with various government municipalities to design, construct, commission and maintain a new and complete waterworks system, particularly in Mabini Pangasinan, Solano, Nueva Vizcaya and Naic, Cavite. The Agreements commenced in 2013, 2015 and 2017, and are for a period of 25 years to 40 years, as applicable, subject to renewal based on the provisions of the Agreements.

*Certificate of Public Convenience (CPC)*
BTSI is a holder of CPC, which allows BTSI to install, operate and maintain waterworks systems in certain barangays in Malay, Aklan. The CPC was granted by National Water Resources Board (NWRB) in 2014 and is valid until July 2017. In 2017, BTSI's CPC was renewed with validity until July 18, 2022.

*Exploratory Service Agreements*
MMC has various service agreements with third parties, wherein MMC will undertake exploratory drilling and sampling of nickel laterite services on the third parties, mining tenements.

Revenue recognized amounted to ₱4.2 million, ₱15.4 million and nil in 2020, 2019 and 2018, respectively (see Note 19) .

## 30. **Deferred Mine Exploration Costs and Mining-Related Activities**

As of December 31, 2020 and 2019, deferred mine exploration costs follow:

| | |
|---|---|
| Cost | ₱237,489,872 |
| Accumulated impairment loss | 217,070,924 |
| | ₱20,418,948 |

*Infanta Nickel Project*

Deferred mine exploration costs pertain to costs incurred by the Company in the exploration of its mining property located in Brooke's Point, Palawan, the Infanta Nickel Project (the Project).

The Project is the Company's tenement under MPSAs with the government, MPSA 220IV-B and MPSA 221 IV-B. The MPSAs are a consolidation of the Company's eight mining lease contracts with the Government that were granted under Commonwealth Act No. 137 and P.D. 463. In the 1970's, the Company operated the mine as an export producer of beneficiated nickel laterite. As such, it had sales and purchase agreements with Sumitomo Metal Mining Co., Ltd. of Japan, and thus, had made shipments of nickel ore to Japan in the 1970's until very low nickel prices forced the operations to be suspended. The previous quarry and road network within the tenement still exists and is currently being maintained for future use.

The MPSAs run for a term not exceeding 25 years from the dates of the grant, and are renewable for another term not exceeding 25 years under the same terms and conditions, without prejudice to changes that will be mutually agreed upon by the DENR and the Company. As provided under the MPSAs, the Company is allowed to conduct exploration activities within a certain period ("exploration period"), renewable for like periods but not to exceed a total term of eight years.

In 2008, the Supreme Court ruled with finality that the Company has vested legal rights to its MPSAs; and with the grant of the environmental compliance certificate (ECC) in 2010 for operations by the DENR, the Company secured two major permits necessary to bring back the mine to operations. Further, in 2010, the exploration efforts of the Company resulted in the delineation of 10.8 million dry metric ton of measured mineral resource with average grade of 1.30% nickel (Ni) and 31.28% iron (Fe) at 1% Ni cut-off. The reserves calculation was validated by the Mines and Geosciences Bureau (MGB) to be acceptable. MGB's independent calculation revealed a measured mineral resource of 12.8 million dry metric ton with average grade of 1.29% Ni and 32.20% Fe at 1.0% Ni cut-off.

The recovery of deferred mine exploration costs depends upon the success of exploration activities and future development of the mining properties, as well as the discovery of recoverable reserves in quantities that can be commercially produced. Currently, the Company is working on the acquisition of the Certificate of Pre-condition (CP) from the National Commission on Indigenous People and approval of its Declaration of Mining Feasibility from the MGB. Simultaneously, it has ongoing discussions with potential partners for the development of the project for the best interest of the various stakeholders. As of December 31, 2018, the Company was able to obtain the approval of MGB for the third renewal of the exploration period of MPSA 220 IV-B and second renewal of the exploration period of MPSA 221 IV-B. However, recent pronouncements of the DENR indicate no strong support for nickel mine operations in the short-term, applicable to Infanta Nickel and other tenements in the country. While the Company finds its MPSAs valid and subsisting as affirmed by the MGB through the DENR, the prevailing mining prospects do not support nickel mining. Accordingly, management believes that the full provision of ₱217.1 million recognized in 2016 is still appropriate as of December 31, 2020.

On January 30, 2015, the Company executed a Deed of Assignment of the MPSAs to MMC. However, the assignment has not taken effect yet. As of December 31, 2020, the Company has submitted the necessary requirements for the renewal of Exploration Period of the two MPSAs; and has obtained approval by the MGB.

Administrative expenses related to the mining exploration activities are expensed as incurred and presented under "Mining expenses" under "Operating expenses" account. These amounted to ₱6.3 million, ₱13.4 million and ₱6.5 million in 2020, 2019 and 2018, respectively (see Note 20).

*Deeds of Assignment with Bulawan Mining Corporation (BUMICO)*
In 2012, the Company entered into two deeds of assignment with BUMICO. The first deed of assignment covered BUMICO's rights, title to, interests and obligations under the former's application for exploration permit with the MGB of the DENR over certain properties in Basay, Negros Oriental under Exploration Permit Application No. 000103 VII. In consideration, the Company paid BUMICO ₱16.0 million, which is recorded as "Deferred mine exploration costs" under "Other noncurrent assets" account in the consolidated balance sheets. The said assignment was approved by the Regional Director of the MGB on January 28, 2013.

The second deed of assignment covered BUMICO's rights, interests and obligations under an Operating Agreement with Philex Mining Corporation (PHILEX). The Operating Agreement granted PHILEX the exclusive right and privilege to take over, as an independent contractor, the working and operation of Mineral Claims as defined in the Operating Agreement for a period of 25 years. In consideration, the Company offered its technical services for BUMICO to tie up with PHILEX. The said deed of assignment was consented by PHILEX. Currently, PHILEX has no operations over the Mineral Claims. Once PHILEX resumes the operations of and generates income from the Mineral Claims, the Company shall be entitled to royalty payments and that BUMICO shall be entitled to a certain percentage of such royalties.

## 31. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders repurchase or issue new shares. The Group is not subject to externally imposed capital requirements as of December 31, 2020 and 2019. Further, no changes were made in the objectives, policies or processes for each of the three years in the period ended December 31, 2020.

The Group monitors capital vis-à-vis after tax profit. The Group also monitors the return on equity ratio. Equity considered by the Group is total equity in the consolidated balance sheets, excluding items arising from other comprehensive income. The return on equity ratio is computed by dividing the after tax profit by total capital.

The following summarizes the total capital considered by the Group and the computation of the return on equity:

| | 2020 | 2019 |
|---|---|---|
| Capital stock | **₱1,933,305,923** | ₱1,618,146,293 |
| Additional paid-in-capital | **281,437,118** | 281,437,118 |
| Retained earnings | **2,182,541,299** | 4,081,275,526 |
| Treasury shares | **(459,418,212)** | (426,826,835) |
| | **₱3,937,866,128** | ₱5,554,032,102 |
| Net income (loss) | **(₱1,800,209,283)** | ₱1,194,026,073 |
| Return on equity | **(45.72)%** | 21.50% |

32. **Financial Risk Management Objectives and Policies**

**Risk Management Structure**

Audit Committee
The Committee performs oversight role on financial management functions especially in the areas of managing credit, market, liquidity, operational, legal and other risks of the Group.

Risk Management Committee
The Committee assists the BOD in identifying and assessing the various risks to which the Group is exposed to. The Committee also ensures that the Group's management has implemented a process to identify, manage and report on the risks that might prevent the Group from achieving its strategic objectives.

BOD
The BOD is responsible for the overall risk management approach and for approval of risk strategies and principles of the Group.

**Financial Risk Management**

The Group's principal financial instruments comprise cash and cash equivalents and some external liabilities which were availed of primarily to fund operations. The Group has other financial assets and financial liabilities such as trade receivables and payables which arise directly from operations.

The main risks, arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk and liquidity risk. The BOD reviews and approves policies for managing these risks and they are summarized as follows:

*Foreign currency risk*
The Group's transactional currency exposure arises from sales in currencies other than its functional currency and retaining its cash substantially in currency other than its functional currency. Approximately an average of 29% of Group's revenue are denominated in US$. In addition, the Group closely monitors the foreign exchange rates fluctuations and regularly assesses the impact of future foreign exchange movements on its operations. Foreign currency monetary assets and liabilities are disclosed in Note 23.

The table on the next page demonstrates the impact on the Group's income before income tax and equity of reasonably possible changes in the US$, with all other variables held constant.

| | Movement in US$ | Increase (decrease) in income before income tax |
|---|---|---|
| | | *(In millions)* |
| **2020** | Increase of 5.0% | **₱23.5** |
| | Decrease of 5.0% | **(23.5)** |
| 2019 | Increase of 5.0% | 87.3 |
| | Decrease of 5.0% | (87.3) |
| 2018 | Increase of 5.0% | 16.3 |
| | Decrease of 5.0% | (16.3) |

The Group reported net foreign exchange gain (loss) of (₱60.0 million) in 2020, (₱17.5 million) in 2019, and ₱27.4 million in 2018 (see Notes 22 and 23).

*Credit and concentration risk*
Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations under a financial instrument or customer contract, leading to a financial loss. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Group trades only with related parties and duly evaluated and approved creditworthy third parties. It is the Group's policy that all customers and counterparties that wish to trade with the Group, particularly on credit terms, are subjected to credit verification procedures. In addition, receivable balances are monitored on a continuous basis. The Group has major concentration of credit risk given that the majority of the Group's cash and cash equivalents are deposited in the local affiliated bank and major customers of MASCORP and MSISC include PAL and APC. As of December 31, 2020 and 2019, the related party which comprise the significant portion of the Group's total receivable has a negative working capital and has been incurring losses resulting to a deficit. Management assessed and believes that the carrying amount of the trade receivable from related parties are collectible and that the Group is not exposed to any significant risk since these companies are related parties. Further, the local affiliated bank is one of the country's reputable banks.

With respect to credit risk arising from financial assets, the Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying values of these instruments. The Group only deals with financial institutions that have been approved by the BOD of the Company and those of its subsidiaries. The Group does not require any collateral and other credit enhancements. Consequently, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECL). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance).

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:
a. *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
b. *Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
c. *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

For cash in bank, the Group applies the low credit risk simplification where the Group measures the ECLs on a 12-month basis based on the probability of default and loss given default which are publicly available. The Group also evaluates the credit rating of the bank and other financial institutions to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

For trade and other receivables, an impairment analysis is performed at each reporting date using a provision matrix, however for customers with significant increase in risks of default general approach is used to measure ECLs. The provision rates are based on days past due for groupings of customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. On the other hand, for general approach, we determine the cash shortfall for the difference between the average monthly collection and the average current monthly service billing. The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- Gross Domestic Product (GDP) growth rates
- Unemployment rates
- Inflation rates
- Interest rates
- Foreign currency exchange rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Based on the Group's credit risk experience, expected credit loss rate increases as the age of the receivables increase.

The aging per class of financial assets and contract assets, and the expected credit loss follows:

December 31, 2020

| | | Past Due but not Impaired | | | | | |
|---|---|---|---|---|---|---|---|
| | Current | Less than 30 Days | 30 to 60 Days | 61 to 90 Days | Over 90 Days | ECL | Total, net of ECL |
| **Financial assets** | | | | | | | |
| Cash in banks* | **₱1,264,263,425** | **₱–** | **₱–** | **₱–** | **₱–** | **₱–** | **₱1,264,263,425** |
| Trade receivables | **107,960,094** | **88,886,514** | **85,733,047** | **1,007,903,681** | **501,739,427** | **(91,421,827)** | **1,700,800,936** |
| Advances to officers and employees | **21,391,746** | – | – | – | – | – | **21,391,746** |
| Other receivables | **133,863,475** | – | – | – | – | – | **133,863,475** |
| Interest receivable | **2,279,004** | – | – | – | – | – | **2,279,004** |
| Deposits | **44,210,866** | – | – | – | – | – | **44,210,866** |
| Restricted cash investment | **7,181,182** | – | – | – | – | – | **7,181,182** |
| Contract assets | **17,679,916** | – | – | – | – | – | **17,679,916** |
| Installment receivables | **43,991,593** | – | – | – | – | – | **43,991,593** |
| Finance lease receivable | **19,233,132** | – | – | – | – | – | **19,233,132** |
| **Total** | **₱1,662,054,433** | **₱88,886,514** | **₱85,733,047** | **₱1,007,903,681** | **₱501,739,427** | **(₱91,421,827)** | **₱3,254,895,275** |

**Exclusive of cash on hand amounting to ₱4,511,269*

December 31, 2019

| | Current | Past Due but not Impaired Less than 30 Days | 30 to 60 Days | 61 to 90 Days | Over 90 Days | ECL | Total, net of ECL |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| Cash in banks* | ₱1,209,362,783 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱1,209,362,783 |
| Trade receivables | 1,001,692,174 | 212,720,681 | 44,338,310 | 162,468,906 | 408,549,759 | (15,527,033) | 1,814,242,797 |
| Advances to officers and employees | 20,943,058 | – | – | – | – | – | 20,943,058 |
| Other receivables | 80,983,439 | – | – | – | – | – | 80,983,439 |
| Interest receivable | 2,279,004 | – | – | – | – | – | 2,279,004 |
| Deposits | 42,714,608 | – | – | – | – | – | 42,714,608 |
| Restricted cash investment | 7,181,182 | – | – | – | – | – | 7,181,182 |
| Contract assets | 20,815,397 | – | – | – | – | – | 20,815,397 |
| Installment receivables | 60,515,346 | – | – | – | – | – | 60,515,346 |
| Finance lease receivable | 14,153,823 | – | – | – | – | – | 14,153,823 |
| **Total** | ₱2,460,640,814 | ₱212,720,681 | ₱44,338,310 | ₱162,468,906 | ₱408,549,759 | (₱15,527,033) | ₱3,273,191,437 |

**Exclusive of cash on hand amounting to ₱10,276,645*

*Impairment assessment*
The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group assesses impairment on an individual account basis for all stage 3 assets, regardless of the class of financial assets. Stage 1 and stage 2 assets are assessed on a collective basis.

Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention even at interim.

*Credit quality per class of financial assets*
The credit quality of financial assets is managed by the Group using internal credit ratings. The Group considers its cash and cash equivalents (including restricted cash investment) as high grade since these are placed in financial institutions of high credit standing. Accordingly, ECLs relating to cash and cash equivalents rounds to zero. The Group considers its dividend receivables as high grade as these are due from an associate who has strong capacity to pay; thus LGD is considered low and no ECL is recognized. The Group considers its advances to officers and employees as standard grade as collectability is assured through salary deduction. Accordingly, the LGD is considered low; thus, no ECLs are recognized on the advances to employees.

*Interest rate risk*
The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's notes payable with floating interest rates. The Group has a practice of keeping its interest-bearing liabilities to third parties within a threshold that can be serviced through operating cash flows.

Management closely monitors the behaviour of interest rates to ensure that cash flow interest rate risk is kept within management's tolerable level. Finally, interest-bearing liabilities are ordinarily incurred on a short-term basis only.

The table below sets forth the estimated change in the Group's income before income tax (through the impact on the variable rate borrowings) due to parallel changes in the interest rate curve in terms of basis points (bp) as of December 31, 2020 and 2019, with all other variables held constant. There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

| | Increase (decrease) in income before income tax | |
|---|---|---|
| | **2020** | 2019 |
| | | *(In millions)* |
| 100 bp rise | (₱17.67) | (₱14.51) |
| 100 bp fall | 17.67 | 14.51 |
| 50 bp rise | (8.84) | (7.26) |
| 50 bp fall | 8.84 | 7.26 |

*Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its obligations when they fall due under normal and stress circumstances. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows which could be used to secure additional funding if required.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of operating cash flows and short-term bank loans.

In addition, the Group has an omnibus line of credit for ₱100.0 million (or USD equivalent) and bills purchase line for ₱10.0 million. The omnibus line of credit is available by way of short-term promissory notes with interest, while the bills purchase line is available for settlement of the Company's obligation through the bank.

The tables below summarize the maturity profile of the Group's financial liabilities based on contractual and undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. The table also analyses the maturity profile of the Group's financial assets held for managing liquidity in order to provide complete view of the Group's contractual commitments and liquidity.

December 31, 2020:

| | <1 year | >1-2 years | >2-3 years | >3 years | Total |
|---|---|---|---|---|---|
| **Loans and receivables:** | | | | | |
| Cash and cash equivalents | **₱1,268,774,694** | **₱–** | **₱–** | **₱–** | **₱1,268,774,694** |
| Receivables: | | | | | |
| Trade | **1,609,379,109** | **–** | **–** | **–** | **1,609,379,109** |
| Interest receivable | **2,279,004** | **–** | **–** | **–** | **2,279,004** |
| Installment receivable* | **–** | **11,731,091** | **17,596,638** | **14,663,864** | **43,991,593** |
| Finance lease receivable** | **361,215** | **1,360,262** | **2,234,392** | **15,277,263** | **19,233,132** |
| Deposits*** | **–** | **–** | **–** | **44,210,866** | **44,210,866** |
| | **2,880,794,022** | **13,091,353** | **19,831,029** | **74,151,993** | **2,987,868,397** |
| **Other financial liabilities:** | | | | | |
| Accounts payable and accrued liabilities**** | **1,708,711,599** | **–** | **–** | **–** | **1,708,711,599** |
| Notes payable***** | **595,000,000** | **–** | **–** | **–** | **595,000,000** |
| Long-term debts | **281,062,904** | **255,635,947** | **257,555,947** | **397,009,280** | **1,191,264,078** |
| Dividends payable | **31,968,020** | **–** | **–** | **–** | **31,968,020** |
| Deposit****** | **–** | **–** | **–** | **15,842,710** | **15,842,710** |
| | **2,616,742,523** | **255,635,947** | **257,555,947** | **412,851,990** | **3,542,786,406** |
| Liquidity position | **₱264,051,499** | **(₱242,544,594)** | **(₱237,724,917)** | **(₱338,699,997)** | **(₱554,918,009)** |

**Gross of unearned interest income of ₱1,035,421. The current portion amounting to ₱15,933,542 is presented under trade.*
*** Gross of unearned interest income of ₱5,568,527 exclusive of ₱393,193 included under trade.*
**** Gross of unearned interest income of ₱20,198,093. Presented as part of "Other noncurrent assets".*
*****Exclusive of nonfinancial liabilities of ₱141,327,233.*
****** Inclusive of interest to maturity of ₱32,490,845.*
******* Inclusive of accretion of interest of ₱9,782,404. Presented as part of "Other noncurrent assets".*

December 31, 2019:

| | <1 year | >1-2 years | >2-3 years | >3 years | Total |
|---|---|---|---|---|---|
| **Loans and receivables:** | | | | | |
| Cash and cash equivalents | ₱1,219,639,428 | ₱– | ₱– | ₱– | ₱1,219,639,428 |
| Receivables: | | | | | |
| Trade | 1,814,242,797 | – | – | – | 1,814,242,797 |
| Interest receivable | 2,279,004 | – | – | – | 2,279,004 |
| Installment receivable* | – | 16,137,425 | 24,206,139 | 20,171,782 | 60,515,346 |
| Finance lease receivable** | 399,917 | 1,506,004 | 2,473,791 | 16,914,113 | 21,293,825 |
| Deposits*** | – | – | – | 42,714,608 | 42,714,608 |
| | 3,036,561,146 | 17,643,429 | 26,679,930 | 79,800,503 | 3,160,685,008 |
| **Other financial liabilities:** | | | | | |
| Accounts payable and accrued liabilities**** | 1,593,157,424 | – | – | – | 1,593,157,424 |
| Notes payable***** | 575,000,000 | – | – | – | 575,000,000 |
| Long-term debts | 482,536,067 | 159,114,417 | 175,781,084 | 449,503,997 | 1,266,935,565 |
| Lease liabilities | 24,688,033 | 21,423,049 | 25,821,841 | 1,651,491,211 | 1,723,424,134 |
| Dividends payable | 35,928,020 | – | – | – | 35,928,020 |
| Deposit****** | – | – | – | 16,086,997 | 16,086,997 |
| | 2,711,309,544 | 180,537,466 | 201,602,925 | 2,117,082,205 | 5,210,532,140 |
| Liquidity position | ₱325,251,602 | (₱162,894,037) | (₱174,922,995) | (₱2,037,281,702) | (₱2,049,847,132) |

**Gross of unearned interest income of ₱912,267. The current portion amounting to ₱12,172,159 is presented under trade.*
*** Gross of unearned interest income of ₱6,109,655 exclusive of ₱541,128 included under trade.*
**** Gross of unearned interest income of ₱19,514,515.*
*****Exclusive of nonfinancial liabilities of ₱157,756,496.*
****** Inclusive of interest to maturity of ₱102,830,011.*
******* Inclusive of accretion of interest of ₱9,933,244. Presented as part of "Other noncurrent assets".*

## 33. Fair Values

The table below provides the comparison of carrying amounts and fair values of the Group's assets and liabilities as at:

| | | | Fair value measurements using | |
|---|---|---|---|---|
| | Carrying value | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| **December 31, 2020** | | | | |
| *Assets measured at fair value:* | | | | |
| Equity instruments designated at FVTOCI (Note 15) | **₱68,155,800** | **₱–** | **₱68,155,800** | **₱–** |
| *Assets for which fair value is disclosed:* | | | | |
| Installment receivables (Note 15) | **43,991,593** | **–** | **–** | **43,991,593** |
| Finance lease receivable (Note 15) | **19,233,132** | **–** | **–** | **19,233,132** |
| Investment property (Note 13) | **143,852,303** | **–** | **–** | **261,096,000** |
| Deposits (Note 15) | **44,210,866** | **–** | **–** | **44,210,866** |
| *Liabilities for which fair value is disclosed* | | | | |
| Deposits (Note 18) | **15,842,710** | **–** | **–** | **15,842,710** |
| Long term debts (Note 16) | **1,192,101,245** | **–** | **1, 192,101,245** | **–** |
| **December 31, 2019** | | | | |
| *Assets measured at fair value:* | | | | |
| Equity instruments designated at FVTOCI (Note 15) | ₱76,138,300 | ₱– | ₱76,138,300 | ₱– |
| *Assets for which fair value is disclosed:* | | | | |
| Installment receivables (Note 15) | 60,515,346 | – | – | 60,515,346 |
| Finance lease receivable (Note 15) | 14,153,823 | – | – | 14,153,823 |
| Investment property (Note 13) | 143,852,303 | – | – | 261,096,000 |
| Deposits (Note 15) | 42,714,608 | – | – | 42,714,608 |
| *Liabilities for which fair value is disclosed* | | | | |
| Deposits (Note 18) | 16,086,997 | – | – | 16,086,997 |
| Long term debts (Note 16) | 1,266,935,565 | – | 1,266,935,565 | – |

The Group determined that its investments in government bonds and golf club shares are categorized at Level 2 in the fair value hierarchy. The Group assessed that, while there is a market for these securities, transactions are infrequent.

There have been no transfers between Levels 1 and 2 in 2020 and 2019.

*Cash and cash equivalents, receivables, accounts payables and accrued liabilities, and notes payable*
The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities dividends payable and notes payable approximate their fair values due to their short-term nature.

*Installment receivables and deposits*
The carrying values of installment receivables and deposits are determined based on the present value of expected cash flows discounted at the Group's borrowing rate.

*Dividends payable*
The carrying value of dividends payable approximates its fair value since they are expected to be settled within a short period of time after its declaration.

*Long-term debts*
The carrying value of long-term debts approximate its fair value due to the re-pricing feature of the interest it carries.

*Equity instruments designated at FVTOCI*
The Group's investments in golf club share and other proprietary shares are carried at fair value based on published club share quotes that are publicly available from the local dailies and from the website of club share brokers.

*Investment property*
The Philippine SEC-accredited and independent appraiser used the "Market Data Approach" in valuing the property. The Group has determined that the highest and best use of the property is its current use (i.e., industrial purpose).

## 34. Changes in Liabilities Arising from Financing Activities

The table below presents the changes in Group's liabilities arising from financing activities.

2020

| | Beginning | Availments | Payments | Noncash activities* | Dividend declaration (Note 27) | Ending |
|---|---|---|---|---|---|---|
| Note payable (Note 16) | **₱575,000,000** | **₱145,000,000** | **(₱125,000,000)** | **₱–** | **₱–** | **₱595,000,000** |
| Long-term debt (Note 16) | **1,266,935,565** | **252,950,917** | **(327,785,237)** | – | – | **1,192,101,245** |
| Lease liabilities (Note 28) | **1,723,424,134** | – | **(48,374,107)** | **25,934,673** | – | **1700,984,700** |
| Treasury shares (Note 27) | **(426,826,835)** | | **(32,591,377)** | – | – | **(459,418,212)** |
| Dividend payable (Note 27) | **9,528,020** | – | – | **(315,159,630)** | **315,159,630** | **9,528,020** |
| Dividends payable to non-controlling interest (Note 27) | **26,400,000** | – | **(3,960,000)** | – | – | **22,440,000** |
| Total liabilities from financing activities | **₱3,174,460,884** | **₱397,950,917** | **(₱537,710,917)** | **(₱289,224,957)** | **₱315,159,630** | **₱3,060,635,753** |

**Noncash activities pertain to discounting of lease payments,unpaid leases and stock dividends.*

2019

| | Beginning | Availments | Payments | Noncash activities* | Dividend declaration (Note 27) | Ending |
|---|---|---|---|---|---|---|
| Note payable (Note 16) | ₱348,450,000 | ₱625,000,000 | (₱398,450,000) | ₱– | ₱– | ₱575,000,000 |
| Long-term debt (Note 16) | 753,525,921 | 648,575,000 | (135,165,356) | – | – | 1,266,935,565 |
| Lease liabilities (Note 28) | 1,743,543,333 | – | (51,068,773) | 30,949,574 | – | 1,723,424,134 |
| Treasury shares (Note 27) | (176,215,402) | – | (250,611,433) | – | – | (426,826,835) |
| Dividend payable (Note 27) | 8,859,024 | – | (305,226,323) | – | 305,895,319 | 9,528,020 |
| Dividends payable to non-controlling interest (Note 27) | 12,375,000 | – | (12,375,000) | – | 26,400,000 | 26,400,000 |
| Total liabilities from financing activities | ₱2,690,537,876 | ₱1,273,575,000 | (₱1,152,896,885) | ₱30,949,574 | ₱332,295,319 | ₱3,174,460,884 |

**Noncash activities pertain to discounting of lease payments*

## 35. Subsequent Events

To increase one of the subsidiaries' operations, FAA management has established plans of expanding its target market through acceptance of trainees not only in the Philippines but also internationally. Accordingly, in January 2021, FAA borrowed ₱100.0 million from DBP primarily to finance the purchase of aircrafts and aircraft simulators. Also, in 2021, FAA will draw down additional ₱45.0 million which is intended for FAA's daily operations.

## 36. Other Matter

*Impact of coronavirus outbreak and enhanced community quarantine*
In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020. The ECQ shifted to modified enhanced community quarantine (MECQ) until May 31, 2020 and to general community quarantine (GCQ) for NCR and certain provinces until the first of the third quarter. Subsequently, MECQ was once again imposed on select areas including Metro Manila and a few other provinces in the National Capital Region from August 4 to 18, 2020 then back again to GCQ until December 31, 2020.

As this global problem evolves, the Group will continually adapt and adjust its business model according to the business environment in the areas where the Group operates, in full cooperation with the national and local government units.

# MACROASIA CORPORATION

## INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Schedule I : Supplementary Schedules included in SEC Form 17-A

A. Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C, Annex 68-C)

B. A map showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates, wherever located or registered

C. Supplementary schedules (Revised SRC Rule 68 - Annex 68-J)

- i. Schedule A. Financial assets
- ii. Schedule B. Amounts receivable from directors, officers, employees, related parties, and principal stockholders (other than related parties)
- iii. Schedule C. Amounts receivable from related parties which are eliminated during the consolidation of financial statements
- iv. Schedule D. Long-term debt
- v. Schedule E. Indebtedness to related parties
- vi. Schedule F. Guarantees of securities of other issuers
- vii. Schedule G. Capital stock

## MACROASIA CORPORATION

## SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

**DECEMBER 31, 2020**

| | |
|---|---|
| Unappropriated retained earnings, beginning as previously reported | ₱2,444,139,958 |
| Less: Restrictions for treasury shares, beginning | (426,826,835) |
| Unappropriated retained earnings, available for dividend declaration, beginning | 2,017,313,123 |
| Add: Net income actually earned/closed to retained earnings during the year | 626,136,347 |
| Reversal of appropriation | - |
| Less: Appropriation/restrictions | - |
| Dividend declared during the year | (315,159,630) |
| Acquisition of treasury shares | (32,591,377) |
| Retained earnings available for dividend declaration, end | ₱2,295,698,463 |

**Exhibit 2. Index to Supplementary Schedules**

SGV
Building a better working world

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Fax: (632) 8819 0872
ey.com/ph

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

**INDEPENDENT AUDITOR'S REPORT**
**ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
MacroAsia Corporation
12th Floor, PNB Allied Bank Center
6754 Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of MacroAsia Corporation and Subsidiaries as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, included in this Form 17-A and have issued our report thereon dated March 18, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

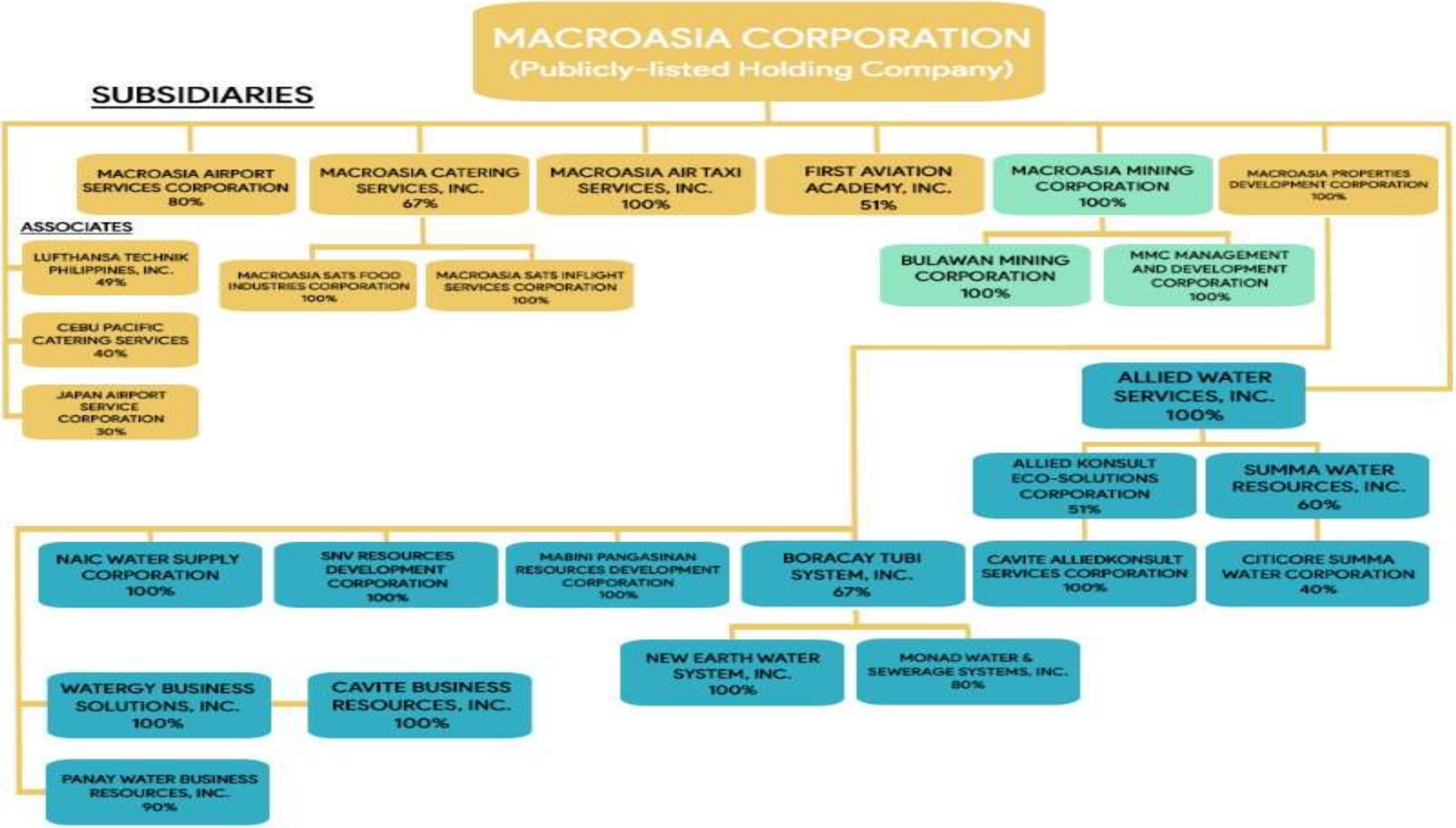
Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534231, January 4, 2021, Makati City

March 18, 2021

# SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION DECEMBER 31, 2020

| | |
|---|---|
| Unappropriated retained earnings, beginning as previously reported | ₱2,444,139,958 |
| Less: Treasury shares | 426,826,835 |
| Unappropriated retained earnings, as adjusted to available for dividend declaration, beginning | 2,017,313,123 |
| Add: Net income actually earned/closed to retained earnings during the year | 626,136,347 |
| Less: Dividend declared during the year | 315,159,630 |
| Acquisition of treasury shares | 32,591,377 |
| Retained earnings available for dividend declaration, end | ₱2,295,698,463 |

## GROUP STRUCTURE



**MacroAsia Corporation and Subsidiaries**
**Schedule A - Financial Assets**
**As of December 31, 2020**

| Financial Assets | Name of Issuing entity and association of each issue | Amount shown in the balance sheet | Income received and accrued |
|---|---|---|---|
| Loan and Receivables | | | |
| Cash in bank and cash equivalents | | 1,268,774,694 | |
| Receivables | | 1,766,913,340 | |
| Deposits | | 44,210,866 | |
| | | | |
| Equity investments designated at FVTOCI/AFS investments: | | | |
| Investment in stock | PLDT | 55,800 | - |
| Investment in stock | Tower Club | 100,000 | - |
| Investment in stock | Manila Golf and Country Club | 68,000,000.00 | - |
| **Total** | | 3,148,054,700 | - |

**MacroAsia Corporation and Subsidiaries**
**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders**
**As of December 31, 2020**

| | Balance at beginning of period | Additions | Amounts collected | Amounts written off | Adjustment | Current | Not current | Balance at end of period |
|---|---|---|---|---|---|---|---|---|
| Advances to officers & employees | | | | | | | | |
| of MAC | 2,215,648 | 10,669,410 | (5,497,338) | - | - | 7,387,719 | - | 7,387,719 |
| of MACS | 2,832,803 | 306,278 | (2,817,528) | - | - | 321,553 | - | 321,553 |
| of MASCORP | 2,852,754 | 9,522,976 | (10,268,175) | - | - | 2,107,555 | - | 2,107,555 |
| of MAPDC | 4,322,191 | - | (1,609,959) | - | - | 2,712,232 | - | 2,712,232 |
| of SNVRDC | 15,000 | 1,078,459 | (1,093,459) | - | - | - | - | - |
| of PWBRI | 5,000 | - | - | - | - | 5,000 | - | 5,000 |
| of CBRI | 34,951 | 49,643 | (34,595) | - | - | 49,998 | - | 49,998 |
| of MAATS | 201,826 | 278,520 | (321,247) | - | - | 159,099 | - | 159,099 |
| of MMC | 2,062,936 | 635,865 | (835,657) | - | - | 1,863,144 | - | 1,863,144 |
| of MPRDC | - | - | - | - | - | - | - | - |
| of NAWASCOR | 57,201 | 833,506 | (92,700) | (756,581) | - | 41,426 | - | 41,426 |
| of SUMMA | 527,675 | 3,489,673 | (2,431,325) | - | - | 1,586,023 | - | 1,586,023 |
| of BTSI | 503,111 | 3,034,679 | (2,829,165) | - | - | 708,625 | - | 708,625 |
| of MONAD | 3,104,722 | 36,083 | (15,456) | - | - | 3,125,350 | - | 3,125,350 |
| of NEWS | 31,000 | - | - | | | 31,000 | - | 31,000 |
| of FAA | 695,467 | 366,813 | (389,846) | - | - | 672,435 | - | 672,435 |
| of MSFI | 65,000 | 1,449,716 | (1,303,053) | - | - | 211,663 | - | 211,663 |
| of MSIS | 982,430 | 943,073 | (1,497,837) | - | - | 427,666 | - | 427,666 |
| | | | | | | | | |
| Receivables from Related Parties and Principal Stockholders | | | | | | | | |
| of MACS from LTP | 6,641,267 | 5,854,980 | (8,994,075) | - | - | 125,212 | 3,376,959 | 3,502,171 |
| of MACS from PAL | 334,999 | - | - | - | - | - | 334,999 | 334,999 |
| of MACS from PAL - Mabuhay Lounge | 39,271,647 | 26,573,131 | (38,261,568) | - | - | - | 27,583,210 | 27,583,210 |
| of MACS from PAL - PALEX | 1,519,158 | 1,653,832 | (756,583) | - | - | 268,226 | 2,148,181 | 2,416,407 |
| of MASCORP from PAL | 630,341,418 | 705,162,120 | (637,553,017) | - | - | 697,950,520 | - | 697,950,520 |
| of MASCORP from PALEX (former Airphil) | 178,681,618 | 119,645,583 | (103,445,332) | - | - | 194,881,869 | - | 194,881,869 |
| of MASCORP from LTP | 4,377,855 | 18,492,868 | (16,524,326) | - | - | 6,346,398 | - | 6,346,398 |
| of MAATS from LTP | 3,589,381 | 23,394,896 | (13,949,721) | | - | 13,034,556 | | 13,034,556 |
| of MAPDC from LTP | 489,322 | 147,339,553 | (87,009,138) | (5,091,311) | - | 55,728,425 | - | 55,728,425 |
| of WBSI from PNB | 95,609 | - | (95,609) | - | - | - | - | - |
| of MSIS from PAL | 322,644,354 | 363,643,538 | - 385,154,661 | - | - | 301,133,231 | - | 301,133,231 |
| Total | 1,208,496,344 | 1,444,455,193 | (1,322,781,370) | (5,847,893) | - | 1,290,878,925 | 33,443,349 | 1,324,322,274 |

**MacroAsia Corporation and Subsidiaries**
**Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements**
**As of December 31, 2020**

| Name and designation of debtor | Balance at beginning of period | Additions | Amount collected | Amounts written off | Current | Not Current | Balance at end of period | Amount Eliminated |
|---|---|---|---|---|---|---|---|---|
| MAC from | | | | | | | | |
| MAATS | - | 2,246,000 | - | - | - | - | 2,246,000 | 2,246,000 |
| MAPDC | 1,097,895,924 | 57,056,327 | (7,000,000) | (4,157,106) | | | 1,143,795,146 | 1,143,795,146 |
| MACS | 95,208,175 | - | - | - | 95,208,175 | - | 95,208,175 | 95,208,175 |
| MASCORP | 289,912,766 | 180,422,500 | - | - | 470,335,266 | - | 470,335,266 | 470,335,266 |
| MMC | 11,002,114 | 6,100,000 | - | - | 17,102,114 | - | 17,102,114 | 17,102,114 |
| AWSI | 85,401,301 | 16,168,000 | - | - | 101,569,301 | - | 101,569,301 | 101,569,301 |
| FAA | - | 68,630,000 | - | - | 68,630,000 | - | 68,630,000 | 68,630,000 |
| BTSI | - | 60,363,378 | - | - | 60,363,378 | - | 60,363,378 | 60,363,378 |
| SNV | - | 14,903,081 | - | - | 14,903,081 | - | 14,903,081 | 14,903,081 |
| CBRI | - | 146,708,182 | - | - | 146,708,182 | - | 146,708,182 | 146,708,182 |
| SUMMA | - | 37,079,241 | - | - | 37,079,241 | - | 37,079,241 | 37,079,241 |
| NAWASCOR | - | 45,000,000 | - | - | 45,000,000 | - | 45,000,000 | 45,000,000 |
| Allied Konsult | - | 60,604 | - | - | 60,604 | - | 60,604 | 60,604 |
| MACS from | | | | | | | | |
| MAC | 111,266 | 117,603 | (211,525) | - | - | 17,344 | 17,344 | 17,344 |
| MASCORP | 476,004 | 2,356,711 | (77,914) | - | 14,596 | 2,740,205 | 2,754,801 | 2,754,801 |
| MSFI | 127,679,757 | 121,399,861 | | - | 37,414,141 | 211,665,477 | 249,079,618 | 249,079,618 |
| MSIS | 1,373,184 | 13,752,509 | - | - | 14,813,184 | 312,509 | 15,125,693 | 15,125,693 |
| MAPDC from | | | | | | | | |
| WBSI | 12,800,000 | 200,000 | - | - | 13,000,000 | - | 13,000,000 | 13,000,000 |
| MMC | - | - | - | - | - | - | - | - |
| SNVRDC | 283,187,371 | - | (10,510,000) | - | 272,677,371 | - | 272,677,371 | 272,677,371 |
| PWBRI | - | - | - | - | - | - | - | - |
| MPRDC | 1,706,000 | - | - | - | 1,706,000 | - | 1,706,000 | 1,706,000 |
| CBRI | 10,615,080 | - | - | - | 10,615,080 | - | 10,615,080 | 10,615,080 |
| BTSI | 47,650,000 | 2,208,462 | - | - | 49,858,462 | - | 49,858,462 | 49,858,462 |
| NAWASCOR | 73,774,599 | - | - | - | 73,774,599 | - | 73,774,599 | 73,774,599 |
| MAATS | 300,528 | 483,756 | - | - | 784,284 | - | 784,284 | 784,284 |
| AWSI from | | | | | | | | |
| MMC | 3,000,000 | - | - | - | 3,000,000 | - | 3,000,000 | 3,000,000 |
| MAPDC | 2,500,000 | - | - | - | 2,500,000 | - | 2,500,000 | 2,500,000 |
| Alliedkonsult | 510,220 | - | (495,514) | - | 14,706 | - | 14,706 | 14,706 |
| Cavite Alliedkonsult | 219,062 | - | (219,062) | - | - | - | (0) | (0) |
| Summa Water Resources Inc | 30,402,418 | - | - | - | 30,402,418 | - | 30,402,418 | 30,402,418 |
| MAATS from | | | | | | | | |
| MASCORP | 4,840,085 | 997,753 | (3,497,454) | - | 2,340,383 | - | 2,340,383 | 2,340,383 |
| WBSI from | | | | | | | | |
| CBRI | 10,003,278 | - | - | - | 10,003,278 | - | 10,003,278 | 10,003,278 |
| MMC from | | | | | | | | |
| MAC | 2,721,162 | - | - | - | 2,721,162 | - | 2,721,162 | 2,721,162 |
| BUMICO | 125,193 | 50,400 | - | - | 175,593 | - | 175,593 | 175,593 |
| MAATS | - | 35,840 | - | - | 35,840 | - | 35,840 | 35,840 |
| Alliedkonsult from | | | | | | | | |
| MMC | - | 1,000,000 | - | - | 1,000,000 | - | 1,000,000 | 1,000,000 |
| Cavite Alliedkonsult | - | 1,120,915 | - | - | 1,120,915 | - | 1,120,915 | 1,120,915 |
| Total | 2,193,415,488 | 778,461,123 | (22,011,470) | (4,157,106) | 1,584,931,355 | 214,735,535 | 2,945,708,035 | 2,945,708,035 |

**MacroAsia Corporation and Subsidiaries**
**Schedule D - Long Term Debt**
**As of December 31, 2020**

| Title of issue and type of obligation | Amount authorized by indenture | | Amount shown under caption "Current portion of long-term debt" in related balance sheet | | Amount shown under caption"Long-Term Debt" in related balance sheet* | | Balance at end of period | Interest Rate |
|---|---|---|---|---|---|---|---|---|
| | (In original currency) | (In PhP) | (In original currency) | (In PhP) | (In original currency) | (In PhP) | | |
| Local Bank | USD 960,000 | 49,334,400 | 288,000 | 13,830,624 | 224,000 | 10,757,152 | 24,587,776 | 4.34% |
| Local Bank | USD 960,000 | 49,334,400 | 288,000 | 13,830,624 | 224,000 | 10,757,152 | 24,587,776 | 4.34% |
| Local Bank | USD 3,500,000 | 183,575,000 | 1,050,000 | 50,424,150.00 | 1,808,333 | 86,841,593.43 | 137,265,743 | 5.11% |
| Local Bank | PHP 165,000,000 | 165,000,000 | 49,500,000 | 49,500,000 | 85,250,000 | 85,250,000 | 134,750,000 | 7.27% |
| Local Bank | PHP 400,000,000 | 400,000,000 | 74,074,074 | 74,074,074 | 275,925,926 | 275,925,926 | 350,000,000 | 4.00% |
| Local Bank | PHP 250,000,000 | 250,000,000 | 38,571,428.57 | 38,571,429 | 211,428,571 | 211,428,571 | 250,000,000 | 7.00% |
| Local Bank | PHP 100,000,000 | 100,000,000 | 2,342,138 | 2,342,138 | 250,608,779 | 250,608,779 | 252,950,917 | 6.00% |
| Local Bank | PHP 27,000,000 | 27,000,000 | 2,880,000 | 2,880,000 | 18,724,778 | 18,724,778 | 21,604,778 | 9.00% |
| TOTAL | | 1,224,243,800 | | 245,453,039 | | 950,293,952 | 1,195,746,991 | |

**exclusive of the unamortized transaction costs of 3,645,744*

**MacroAsia Corporation and Subsidiaries**
**Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)**
**As of December 31, 2020**

| Name of related party | Balance at beginning of period | Balance at end of period |
|---|---|---|
| Philippine National Bank | 941,615,101 | 896,593,408 |
| PNB-IBJL Leasing & Finance Corporation | 28,355,600 | 24,586,240 |
| TOTAL | 969,970,701 | 921,179,648 |

**MacroAsia Corporation and Subsidiaries**
**Schedule F - Guarantees of Securities and Other Issuers**
**As of December 31, 2020**

| Name of issuing entity of securities guaranteed by the company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount owned by person for which statement is filed | Nature of guarantee |
|---|---|---|---|---|

Not Applicable

**MacroAsia Corporation and Subsidiaries**
**Schedule G - Capital Stock**
**As of December 31, 2020**

.

| Title of Issue | Number of Shares authorized | Number of shares issued as shown under related balance sheet caption | Number of treasury shares | Number of shares outstanding | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by related parties | Number of shares held by directors and officers |
|---|---|---|---|---|---|---|---|
| Common Stock | 2,000,000,000 | 1,933,305,923 | (42,347,600) | 1,890,958,323 | - | 1,384,368,902 | 23,701,952 |
| | | | | | | 73.21% | 1.25% |

SGV
Building a better working world

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Fax: (632) 8819 0872
ey.com/ph

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

**INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors
MacroAsia Corporation
12th Floor, PNB Allied Bank Center
6754 Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of MacroAsia Corporation and Subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 18, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534231, January 4, 2021, Makati City

March 18, 2021

# MACROASIA CORPORATION
## SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
### AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

| Ratio | Formula | | 2020 | 2019 |
|---|---|---|---|---|
| **Current ratio** | Total current assets divided by total current liabilities | | | |
| | Total current assets | ₱3,449,836,987 | **1.3:1** | 1.2:1 |
| | Divided by: | | | |
| | Total current liabilities | 2,591,558,767 | | |
| | **Current ratio** | 1.3 | | |
| **Debt-to-equity ratio** | Total interest-bearing debts divided by total stockholders' equity | | | |
| | Total Interest-bearing Debts | ₱1,787,101,245 | **37.7%** | 26.9% |
| | Divided by: | | | |
| | Total stockholders' equity | 4,742,540,783 | | |
| | **Debt-to-equity ratio** | 37.7% | | |
| **Asset-to-equity ratio** | Total assets divided by total stockholders' equity | | | |
| | Total assets | ₱10,389,628,246 | **2.2:1** | 1.8:1 |
| | Divided by: | | | |
| | Total stockholders' equity | 4,742,540,783 | | |
| | **Asset-to-equity ratio** | 2.2 | | |
| **Direct cost ratio** | Total direct costs divided by net revenues | | | |
| | Total direct costs | ₱2,364,601,115 | **104.7%** | 78.1% |
| | Divided by: | | | |
| | Net revenues | 2,257,563,772 | | |
| | **Direct cost ratio** | 104.7% | | |
| **Expense ratio** | Total operating expenses divided by net revenues | | | |
| | Total operating expenses | ₱931,657,302 | **41.3%** | 16.8% |
| | Divided by: | | | |
| | Net revenues | 2,257,563,772 | | |
| | | 41.3% | | |
| **Interest coverage ratio** | Total earnings before interest and Taxes divided by Total Interest expense | | **-12.7:1** | 16.7:1 |
| | Total earnings/(loss) before interest and taxes | (₱1,676,985,955) | | |
| | Divided by: | | | |
| | Interest expense | 132,524,490 | | |
| | **Interest coverage ratio** | -12.7 | | |

| | | | |
|---|---|---|---|
| **Return on net sales** | Net income/(loss) divided by net revenues<br><br>Net income/(loss) (₱1,800,209,283)<br>Divided by:<br>Net revenues 2,257,563,772<br>**Return on net sales** -79.7% | **-79.7%** | 19.4% |
| **Return on assets** | Net income/(loss) from continuing operations divided by Average Total Assets<br><br>Net income/(loss) (₱1,800,209,283)<br>Divided by:<br>Total assets 10,389,628,246<br>**Return on assets** -17.3% | **-17.3%** | 9.6% |
| **Return on investment** | Net income/(loss) attributable to equity holders of parent divided by the sum of total interest-bearing debts and equity attributable to equity holder of parent<br><br>Net income/(loss) attributable to equity holders of parent (₱1,587,308,157)<br>Divided by:<br>Total interest-bearing debts + equity attributable to equity holder of parent 6,361,973,482<br>**Return on investment** -24.9% | **-24.9%** | 13.7% |
| **Return on equity** | Net income/(loss) divided by total capital<br><br>Net income/(loss) (₱1,800,209,283)<br>Divided by:<br>Total capital 3,937,866,128<br>**Return on equity** -45.7% | **-45.7%** | 21.5% |

# Annex A: Sustainability Reporting for MacroAsia Corporation and Subsidiaries

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

## Contextual Information

| **Company Details** | |
|---|---|
| Name of Organization | MacroAsia Corporation |
| Location of Headquarters | 12/F PNB Allied Bank Center, 6754 Ayala Avenue, Makati City 1226, Philippines |
| Location of Operations | **MacroAsia Catering Services, Inc. (MACS) and Subsidiaries**<br>- *West Service Road, Merville Exit NAIA, Pasay City 1300, Philippines*<br>**MacroAsia Airport Services Corporation (MASCORP)**<br>- *3rd Floor, Bldg. A, Skyfreight Center, Ninoy Aquino Ave., Brgy. Sto. Niño, Parañaque City 1704, Philippines*<br>**MacroAsia Properties Development Corporation (MAPDC) and Subsidiaries**<br>*MacroAsia Special Economic Zone, Villamor Airbase*<br>*Pasay City 1309, Philippines*<br>**MacroAsia Air Taxi Services, Inc. (MAATS)**<br>- *2nd Floor Anzcor Hangar 2 Building-A, A. Soriano Island Aviation, Andrews Avenue, Pasay City 1300, Philippines*<br>**First Aviation Academy, Inc. (FAA)**<br>- *12/F PNB Allied Bank Center, 6754 Ayala Avenue, Makati City 1226, Philippines*<br>**MacroAsia Mining Corporation (MMC) and Subsidiaries**<br>- *12/F PNB Allied Bank Center, 6754 Ayala Avenue, Makati City 1226, Philippines*<br>**Allied Water Services Inc. (AWSI) and Subsidiaries**<br>- *12/F PNB Allied Bank Center, 6754 Ayala Avenue, Makati City 1226, Philippines* |
| Report Boundary: Legal entities (e.g. subsidiaries) included in this report* | MacroAsia Catering Services, Inc. (MACS)<br>MacroAsia SATS Food Industries Corporation (MSFI)<br>MacroAsia SATS Inflight Services Corporation (MSIS)<br>MacroAsia Airport Services Corporation (MASCORP)<br>MacroAsia Properties Development Corporation (MAPDC)<br>MacroAsi Air Taxi Services, Inc. (MAATS)<br>First Aviation Academy, Inc. (FAA)<br>MacroAsia Mining Corporation (MMC)<br>Allied Water Services Inc. (AWSI)<br>Boracay Tubi System, Inc. (BTSI)<br>SNV Resources Development Corporation (SNVRDC)<br>Naic Water Supply Corporation (NAWASCOR) |

| | |
|---|---|
| Business Model, including Primary Activities, Brands, Products, and Services | Maintenance Repair and Overhaul (MRO), Food Services, Gateway Services, Fixed-Based Operations (FBO), Aviation Training, Ecozone Development, Water Businesses and Mining |
| Reporting Period | December 31, 2020 |
| Highest Ranking Person responsible for this report | Dr. Lucio C. Tan |

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

## Materiality Process

| Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1] |
|---|
| In identifying the essential sustainability issues, opportunities, and risks, the company considers the following factors:<br>• *its impact on the business operations,*<br>• *critical issues to the stakeholders, and*<br>• *importance to the community where we operate* |

# ECONOMIC

## Economic Performance

### Direct Economic Value Generated and Distributed

| Disclosure | Amount | Units |
|---|---|---|
| Direct economic value generated (revenue) | 2,257,563,773 | PhP |
| Direct economic value distributed: | | |
| a. Operating costs | 503,053,443 | PhP |
| b. Employee wages and benefits | 1,308,483,886 | PhP |
| c. Payments to suppliers, other operating costs | 1,403,816,327 | Php |
| d. Dividends given to stockholders and interest payments to loan providers | 421,749,447 | PhP |
| e. Taxes given to government | 70,570,917 | PhP |
| f. Investments to community (e.g. donations, CSR) | 1,032,696 | PhP |

[1] See *GRI 102-46* (2016) for more guidance.

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *Primary business operations:*<br>• *The company may be able to generate revenue due to brisk business activities.*<br>• *As a labor-intensive company, this translates to employment generation.*<br>• *Revenue generation means more taxes paid.*<br>• *Contributes to national economic development* | • *Employees – for the benefits given by the company*<br>• *Government – for the taxes paid, and withholding taxes remitted by the company*<br>• *Suppliers – for the purchases made by the company as the source of their income*<br>• *Community – for the CSR program of the company* | • *Strategic business planning*<br>• *Engaging suppliers with Sustainable Development Goals incorporated in their business cultures.*<br>• *Achieving global market leadership through sound and achievable goals*<br>• *Natural resources partner in the Philippines* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| • *Operational and financial risks of the subsidiaries and affiliates*<br>• *Global Economic Slowdown*<br>• *Industry Regulations*<br>• *National Regulations*<br>• *Competition*<br>• *Volatility of Foreign Exchange Rates*<br>• *Valuation of Non-Current Assets*<br>• *Lock-in commitments in Infrastructure investment*<br>• *Decline in Local Employment* | • *Employees*<br>• *Company*<br>• *Supplier*<br>• *Community*<br>• *Government*<br>• *Investors* | • *Group-wide monitoring process performed by executive/management committee held on a weekly basis*<br>• *Aggressive marketing, offering of innovative products and services*<br>• *Optimizing resources and provision of quality services*<br>• *Sustainable cost leadership efforts*<br>• *Year-round preventive maintenance of ground support equipment in accordance with the manufacturer's specifications*<br>• *Employees year-round training program in order to keep up with the latest trends with emphasis on operational safety, reliability and customer service* |

| | | |
|---|---|---|
| • *Limits in accessibility and mobility*<br>• *Drop of demand for certain services offered (non-essentials i.e. travel, recreation)* | | • *Regular audit to ensure compliance with local and international standards*<br>• *Regular renewal of accreditations and certifications to ensure services are carried out in accordance with respective countries' aviation regulations*<br>• *Maintain close relationship with airline clients, which in turn enables reciprocal arrangements for auxiliary aviation services.*<br>• *Strong backing of the Company's venture partners for a globally-competitive expertise and market reach*<br>• *Operational funding requirements and adequate capital to continue and expand its existing business and develop or venture into new business*<br>• *Engage in foreign exchange hedging transactions to minimize impact of losses from such fluctuation*<br>• *In the case of the parent company, as maintaining the currency portfolio as per the guidance received from the Investment Committee*<br>• *Non-current assets are adjusted at fair market values for impairment, recoverability and timing of reclassification*<br>• *Scenario planning / Strategic business planning* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| • *Business expansion organization*<br>• *Business growth through diversification* | • *Employees*<br>• *Company*<br>• *Suppliers* | • *Scenario planning / Strategic business planning* |

## Climate-related risks and opportunities[2]

| Governance | Strategy | Risk Management | Metrics and Targets |
|---|---|---|---|
| Disclose the organization's governance around climate-related risks and opportunities | Disclose the actual and potential impacts[3] of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material | Disclose how the organization identifies, assesses, and manages climate-related risks | Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material |
| **Recommended Disclosures** | | | |
| • *The Board of Directors, through its Risk Management Committee, and Audit Committee, oversees the climate-related risks and opportunities of the company. From time to time, the committee meets to discuss any material risk exposures, actions taken, and recommends corrective measures, as necessary.* | • *Emission reporting obligations*<br>• *Exposure to litigations*<br>• *Shift in consumer preferences*<br>• *Increased cost of raw materials*<br>• *Extreme weather events*<br>• *Deceases*<br>• *Disrupted business supply*<br>• *Uninsurable risks* | • *The Chief Risk Officer (CRO) is the champion of Enterprise Risk Management (ERM); he shall be responsible for the identification and assessments of climate-related risks. The management team communicates the identified and assessed risk to the Board of Directors through board committees.*<br>• *The corporation disseminates the survey questionnaire to the different heads of subsidiaries. After that, the group will collate all the responses and map the identified and assessed climate-related risks.*<br>• *A weekly management committee meeting is in place to discuss any material risk exposures and opportunities* | • *The company assess the climate-related risks and opportunities by defining the probability, and materiality of its impact in the business operations* |

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.
[3] For this disclosure, impact refers to the impact of climate-related issues on the company.

| | | | |
|---|---|---|---|
| | | *identified and any additional information available as of the given date.* | |
| • *The Chief Risk Officer is the champion of Enterprise Risk Management (ERM); he shall be responsible for the identification and assessments of climate-related risks.* | • *Asset impairment, early retirement of assets.*<br>• *Reduced revenue*<br>• *Increase in production cost* | • *A weekly management committee meeting is in place to discuss any material risk exposures and opportunities identified and any additional information available as of the given date.* | • *Quantitative and qualitative monitoring of resources* |
| | b) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario | c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management | |

## Procurement Practices

### Proportion of spending on local suppliers

| Disclosure | Quantity | Units |
|---|---|---|
| Percentage of procurement budget used for significant locations of operations that is spent on local suppliers | 95 | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| • *There is a material economic impact on our primary business operations and/or supply chain. The group is engaged in diverse industries, i.e., gateway services, aircraft repair maintenance and* | • *Internally, the employer and employee*<br>• *Externally,*<br>*1. the suppliers*<br>*2. the government* | • *It is the aim of management to -*<br>*1. Obtain quality goods and services at the lowest reasonable cost, while operating at the highest standards of ethical conduct.*<br>*2. Establish purchasing programs, goals and targets, policies,* |

| | | |
|---|---|---|
| *overhaul, catering, water supply and treatment services.*<br><br>• *Our organization assists suppliers through our regular purchasing activities. A brisk and satisfactory relationship redounds to the business growth of our suppliers as well.* | *3. public/consumers* | *responsibilities that will stabilize our interaction with suppliers.*<br><br>• *Promote sourcing of local products to a greater degree as this spurs national economic development.* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| • *Lack of reliable source of suppliers with track records which meet our procurements requirements which may result in higher operating costs.*<br><br>• *Effect of extreme weather conditions and natural calamities on agricultural products and water supply*<br><br>• *Environmental and health concerns (proper waste disposal, spoilage, spread of diseases, contamination, pollution)*<br><br>• *Dependence on imported items including equipment and other CAPEX needs*<br><br>• *Goods are supply-and-demand driven, thus affected by price fluctuations.* | • *Our suppliers and clients are principally affected as our goods and services are price and inflation sensitive.* | • *Aggressive search for potential/ alternative roster of suppliers*<br><br>• *Build a wider range of agri-business suppliers and make appropriate substitute measures*<br><br>• *Same as # 2*<br><br>• *Explore tie-ups with local producers through contract growing arrangement and fabricators through manufacturing contracts*<br><br>• *Develop a stable supplier base to stabilize prices.*<br><br>• *Establishment of uniform guidelines and procedures to regulate procurement activities.*<br><br>• *Regular evaluation of supplier performance and forecasting of requirements with constant reference to historical purchases and deliveries*<br><br>• *Collaboration of purchasing department with finance and support units* |

| | | |
|---|---|---|
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| • *Bulk/ Wholesale buying to capitalize on economies of scale, favorable payment terms and to mitigate effects of forex fluctuations and price volatility*<br>• *More timely supplier information using information technology.* | • *Same as above* | • *To align procurement policies and procedures of subsidiaries towards cost saving.*<br>• *Consolidate requirements of requesting units.*<br>• *Keep abreast of trends in information tech.* |

## Anti-corruption

### Training on Anti-corruption Policies and Procedures

| Disclosure | Quantity | Units |
|---|---|---|
| Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to | 100 | % |
| Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to | 100 | % |
| Percentage of directors and management that have received anti-corruption training | 100 | % |
| Percentage of employees that have received anti-corruption training | 100 | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *Primary business operations*<br>• *Lower revenue*<br>• *Higher cost due to corruption.*<br>• *Loss of assets*<br>• *Lower results of operations* | • *Company*<br>• *Employees*<br>• *Suppliers*<br>• *Community*<br>• *Government* | • *The company is committed to establish a whistle-blower policy to encourage employees to report corrupt practices.*<br>• *Cultivate a culture of honesty, transparency and integrity* |
| **What are the Risk/s Identified?** | | |
| • *Higher cost for the company, which translates to a lower bottom line.* | | |

| | | |
|---|---|---|
| • *Reputational risk*<br>• *Loss of sales/customers* | | |
| **What are the Opportunity/ies Identified?** | | |
| • *Good publicity*<br>• *Higher rating*<br>• *More sales means the higher bottom line* | | |

## Incidents of Corruption

| Disclosure | Quantity | Units |
|---|---|---|
| Number of incidents in which directors were removed or disciplined for corruption | 0 | 0 |
| Number of incidents in which employees were dismissed or disciplined for corruption | 0 | 0 |
| Number of incidents when contracts with business partners were terminated due to incidents of corruption | 0 | 0 |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *-N/A-* | *-N/A-* | *-N/A-* |
| **What are the Risk/s Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *-N/A-* | *-N/A-* | *-N/A-* |
| **What are the Opportunity/ies Identified?** | **Which stakeholders are affected?** | **Management Approach** |
| *-N/A-* | *-N/A-* | *-N/A-* |

# ENVIRONMENT

## Resource Management

Energy consumption within the organization:

| Disclosure | Quantity | Units |
|---|---|---|
| Energy consumption (renewable sources) | n/a | |
| Energy consumption (gasoline) | 1,025 | GJ |
| Energy consumption (LPG) | 18,909 | GJ |
| Energy consumption (diesel) | 11,601,229 | GJ |
| Energy consumption (electricity) | 121,601 | MW |

Reduction of energy consumption

| Disclosure | Quantity | Units |
|---|---|---|
| Energy reduction (gasoline) | n/a | Liters |
| Energy reduction (LPG) | n/a | Kgs |
| Energy reduction (diesel) | n/a | Liters |
| Energy reduction (electricity) | n/a | kWh |
| Energy reduction (gasoline) | n/a | Liters |

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>Use of non-renewable energy in aviation services, mining, and water supply operation utilizing the following:<br>• Power Generators<br>• Equipment and Vehicles<br>• Industrial equipment</td><td rowspan="5">• Employees<br>• Community<br>• Employers</td><td rowspan="5">• Installation of cost saving devices on existing equipment and vehicles that uses power and fuel<br>• Acquisition of more fuel-efficient vehicles and equipment<br>• Proper use and regular preventive maintenance of electrical and fuel driven vehicles and equipment</td></tr>
<tr><td>What are the Risk/s Identified?</td></tr>
<tr><td>• Greenhouse gases generation<br>• Potential air and noise pollution</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td></tr>
<tr><td>• Reduction of operating expense<br>• Improvement of Bottomline</td></tr>
</table>

## Water consumption within the organization

| Disclosure | Quantity | Units |
|---|---|---|
| Water withdrawal | 7,197,610 | Cubic meters |
| Water consumption | 10,685,610 | Cubic meters |
| Water recycled and reused | 18,423 | Cubic meters |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| *Extraction of surface water on rivers located in*<br>• *Maragondon, Cavite*<br>• *Solano, Nueva Vizcaya*<br>• *Malay, Aklan*<br>*Extraction of ground water in*<br>• *Naic, Cavite* | • *Communities where surface and/or ground water are extracted*<br>• *Communities down-stream of river water sources*<br>• *Customers*<br>• *Employees*<br>• *Shareholders* | • *Proper use and regular preventive maintenance of water treatment facilities*<br>• *Regular monitoring of WTP performance vs design capacity*<br>• *Regular monitoring of potable water quality*<br>• *Recycling and reuse of wastewater*<br>• *Strict compliance to latest potable water (PNSDW) standards*<br>• *Adopted water Strict adherence water allocation specified in the Water Rights/Permit granted by NWRB*<br>• *conservation measures in facilities to reduce water consumption*<br>• *Information campaign to customers regarding water conservation tips*<br>• *Adopted water recycling/reuse* |
| **What are the Risk/s Identified?** | | |
| • *Over extraction of surface water that may result to:*<br>– *Reduced downstream flow*<br>• *Over extraction of ground water that may result to:*<br>– *Lowering of water table*<br>– *Salt intrusion*<br>– *Ground subsidence*<br>• *Water pollution* | | |
| **What are the Opportunity/ies Identified?** | | |
| • *Reduce dependence on water sources*<br>• *Less operating expense*<br>• *Better Returns* | | |

## Materials used by the organization

| Disclosure | Quantity | Units |
|---|---|---|
| Materials used by weight or volume | | |
| • Renewable<br>– Water | 10,685,610 | cu.m. |
| • Non-renewable<br>– Gasoline<br>– Diesel<br>– LPG<br>– Electricity<br>– Various Chemicals | 28,840<br>1,802,066<br>40,596<br>91,531,556<br>59,501 | Liters<br>Liters<br>kgs<br>kWh<br>kgs |
| Percentage of recycled input materials used to manufacture the organization’s primary products and services | none | % |

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>• Raw water from surface and ground water sources<br>• Fuel, power, and other materials needed for production</td><td rowspan="6">• Employees<br>• Community<br>• Suppliers<br>• Customers</td><td rowspan="6">• Strict adherence water allocation specified in the Water Rights/Permit granted by NWRB<br>• Campaign on Clean Water Awareness<br>• Watershed protection thru tree planting activities</td></tr>
<tr><td>What are the Risk/s Identified?</td></tr>
<tr><td>• Reduction of available flow of raw water<br>• Water pollution<br>• Shortage in supply of power, fuel, etc.</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td></tr>
<tr><td>• Operating cost reduction<br>• Better returns</td></tr>
<tr></tr>
</table>

## Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

| Disclosure | Quantity | Units |
|---|---|---|
| Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | 22 | sites |
| Habitats protected or restored | 9.28 | Ha. |
| IUCN[4] Red List species and national conservation list species with habitats in areas affected by operations | n/a | |

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td><ul><li>Preservation of quality of well/catchment area</li><li>Loss of forest covers due to clearing</li><li>Facility damage due to natural calamities</li><li>Substandard facilities</li></ul></td><td rowspan="6"><ul><li>Employees</li><li>Community</li></ul></td><td rowspan="6"><ul><li>Monitor water quality of well/catchment area</li><li>Clean water awareness campaign geared towards communities around catchment area</li><li>Reforestation of cleared areas if necessary</li><li>Proper design of facilities</li><li>Area protection thru perimeter fencing/lighting and deployment of security personnel</li><li>Tree planting activities within the protected areas</li></ul></td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td><ul><li>Air emissions/pollution</li><li>Water pollution</li><li>Disturbance of flora and fauna</li></ul></td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>NONE</td></tr>
</table>

[4] International Union for Conservation of Nature

## Environmental impact management

### Air Emissions

*GHG*

| Disclosure | Quantity | Units |
|---|---|---|
| Direct (Scope 1) GHG Emissions<br>• Aviation Services<br>• Water Supply Services | *2,464.06*<br>*0.56* | Tonnes $CO_2$/year |
| Energy indirect (Scope 2) GHG Emissions<br>• Aviation Services<br>• Water Supply Services | *6,787.63*<br>*n/a* | Tonnes $CO_2$/year |
| Emissions of ozone-depleting substances (ODS) | *0.6* | Tonnes |

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>• Concentration of gas emissions from operation of vehicles and equipment</td><td rowspan="5">• Employees<br>• Proponent<br>• Contractor</td><td rowspan="5">• Provided air pollution control devices on vehicles and equipment to ensure government regulations are met<br>• Utilization of more environmentally friendly gensets that serve as backup source in case of power outages<br>• Reduction of carbon footprint thru utilization of:<br>– Vehicles and equipment that are fuel efficient</td></tr>
<tr><td>What are the Risk/s Identified?</td></tr>
<tr><td>• Emission of air pollutants from pumping and genset operation</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td></tr>
<tr><td>None</td></tr>
</table>

*Air pollutants*

| **Disclosure** (Aviation Services) | **Quantity** | **Units** |
|---|---|---|
| $NO_x$ | 0.0453 | ppm |
| $So_x$ | 0.016 | ppm |
| Particulate matter (PM) | 0.134 | ppm |

| **Disclosure** (Water Supply Services) | **Quantity** | **Units** |
|---|---|---|
| $NO_x$ | 2.666 | Tonnes/year |
| Volatile organic compounds (VOCs) | 0.217 | Tonnes/year |
| CO | 0.575 | Tonnes/year |
| TSP | 0.186 | Tonnes/year |
| Particulate matter (PM) | 0.186 | Tonnes/year |

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>• Air quality degradation<br>• Noise production</td><td rowspan="6">• Employees<br>• Proponent<br>• Contractor</td><td rowspan="6">• Provided air pollution control devices on vehicles and equipment to ensure government regulations are met<br>• Utilization of more environmentally friendly gensets that serve as backup source in case of power outages<br>• Strictly practiced good housekeeping and followed preventive maintenance schedules of all equipment and vehicles<br>• Control vehicle speed to lessen suspension of road dust<br>• Conduct water spraying on roadworks to suppress dust sources and minimize discomfort to nearby residents.<br>• Provided PPEs to employees working in areas with excessive noise</td></tr>
<tr><td>What are the Risk/s Identified?</td></tr>
<tr><td>• Release of air pollutants from use of vehicles and equipment<br>• Generation of dusts from roadworks<br>• Excessive noise generation from operation of equipment</td></tr>
<tr><td>What are the Opportunity/ies Identified?</td></tr>
<tr><td>-none-</td></tr>
<tr><td></td></tr>
</table>

## Solid and Hazardous Wastes

### *Solid Waste*

| Disclosure | Quantity | Units |
|---|---|---|
| Total solid waste generated | 5,058 | tons/yr |
| Recyclable | 194 | tons/yr |
| Residuals/Landfilled | 2,909 | tons/yr |
| Waste sludge | 153 | tons/yr |

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td><ul><li>Solid waste generation</li><li>Solid waste disposal</li><li>Sludge production</li></ul></td><td rowspan="5"><ul><li>Employees</li><li>Proponent</li><li>Community</li><li>Contractor</li></ul></td><td rowspan="5"><ul><li>Implemented an Ecological Solid Waste Management Plan (ESWMP)</li><li>Solid waste segregation</li><li>Established a material recovery facility</li><li>Encouraged recycling and reuse</li><li>Provided appropriate and sufficient solid waste receptacles and bins</li><li>Coordinated with municipal/city solid waste collectors</li><li>Engaged third party private solid waste collectors</li><li>Properly treated, stored, and disposed sludge thru third party DENR licensed/accredited haulers</li></ul></td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td><ul><li>Soil/Land contamination</li><li>Health hazard</li></ul></td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td><ul><li>Operating cost reduction</li><li>Better returns</li></ul></td></tr>
</table>

*Hazardous Waste*

| Disclosure (Water Supply Services) | Quantity | Units |
| --- | --- | --- |
| • Total hazardous waste generated (stored on-site)<br>• Waste oil/used oil<br>• Busted LED components | 370<br>55.761<br>119.45 | Containers<br>MT/year<br>pcs |
| • Total hazardous waste reused<br>a) Empty containers (reused) | 518 | containers |
| Total hazardous waste transported<br>• Empty containers<br>• Waste oil/used oil | 388<br>26.674 | containers<br>MT/year |

| Disclosure | Quantity | Units |
| --- | --- | --- |
| Total weight of hazardous waste generated | 225 | Kg |
| Total weight of hazardous waste transported | 205 | kg |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
| --- | --- | --- |
| • *Handling of hazardous substances*<br>• *Accumulation of spent chemical containers*<br>• *Expired unused chemicals* | • *Employees*<br>• *Proponent*<br>• *Community* | • *Strictly followed Occupational Safety and Health Standards and practices*<br>• *Used appropriate PPEs in handling hazardous materials*<br>• *Segregated and tagged spent material containers into hazardous, non-hazardous, biodegradable, and recyclables*<br>• *Recycled, repurposed, and re-used non-hazardous, biodegradable, and recyclable spent containers of materials*<br>• *Properly disposed spent containers of hazardous materials and expired/unused materials thru third party DENR licensed/accredited haulers* |
| **What are the Risk/s Identified?** | | |
| • *Spill of hazardous substances*<br>• *Health and safety hazard* | | |
| **What are the Opportunity/ies Identified?** | | |
| • *Cost savings* | | |

## Effluents

| Disclosure | Quantity | Units |
|---|---|---|
| Total volume of water discharges | 2,491,699 | Cubic meters |
| Percent of wastewater recycled | 0.0073 | % |

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td><ul><li>Wastewater generation</li><li>Wastewater discharge</li></ul></td><td rowspan="5"><ul><li>Employees</li><li>Shareholders</li><li>Customers</li><li>Community</li></ul></td><td rowspan="5"><ul><li>Adopted appropriate and effective wastewater treatment technologies</li><li>Properly operated wastewater treatment facilities</li><li>Adopted “treat-at-point source” strategy</li><li>Regularly monitored wastewater quality being discharged</li><li>Established in-house testing laboratories for wastewater quality monitoring</li></ul></td></tr>
<tr><td>What are the Risk/s Identified?</td></tr>
<tr><td><ul><li>Contamination of land and water bodies</li><li>Suspension/revocation of discharge permit</li></ul></td></tr>
<tr><td>What are the Opportunity/ies Identified?</td></tr>
<tr><td><ul><li>Reduction of demand for fresh water</li><li>Additional revenue from treated wastewater reuse</li></ul></td></tr>
</table>

## Environmental compliance

Non-compliance with Environmental Laws and Regulations

| Disclosure | Quantity | Units |
|---|---|---|
| Total amount of monetary fines for non-compliance with environmental laws and/or regulations | none | PhP |
| No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations | 0 | instance |
| No. of cases resolved through dispute resolution mechanism | 0 | instance |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| • *Acquisition of Environmental Compliance Certificate*<br>• *Pollution*<br>- *Air*<br>- *Water*<br>- *Land* | • *Employees*<br>• *Shareholders*<br>• *Customers*<br>• *Community* | • *Necessary permits were acquired and other government requirements are met prior to implementation of programs /projects*<br>• *Ensured strict compliance to government environmental laws and regulations?* |
| **What are the Risk/s Identified?** | | |
| • *Business stoppage* | | |
| **What are the Opportunity/ies Identified?** | | |
| *-NONE-* | | |

# SOCIAL

## Employee Management

### Employee Hiring and Benefits

*Employee data*

| Disclosure | Quantity | Units |
|---|---|---|
| Total number of employees[5] | 3,099 | |
| a. Number of female employees | 1,104 | # |
| b. Number of male employees | 1,995 | # |
| Attrition rate[6] | 22% | rate |
| Ratio of lowest paid employee against minimum wage | 1.73 : 1 | ratio |

*Employee benefits*

| List of Benefits | Y/N | % of female employees who availed for the year | % of male employees who availed for the year |
|---|---|---|---|
| SSS | Y | 28% | 38% |
| PhilHealth | Y | 19% | 33% |
| Pag-ibig | Y | 21% | 37% |
| Parental leaves | Y | 6% | 4% |
| Vacation leaves | Y | 44% | 50% |
| Sick leaves | Y | 46% | 49% |
| Medical benefits (aside from PhilHealth)) | Y | 39% | 40% |
| Housing assistance (aside from Pag-ibig) | N | 0% | 0% |
| Retirement fund (aside from SSS) | Y | 2% | 17% |
| Further education support | N | 0% | 0% |
| Company stock options | N | 0% | 0% |
| Telecommuting | Y | 5% | 5% |
| Flexible-working Hours | Y | 5% | 16% |
| (Others) | N | 0% | 0% |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| • *The company ensures that all benefits are available to its employees and all government mandated contributions are being processed on time as mandated by the Philippine law.* | • *Strict monitoring of the availment and administration of benefits.* |

[5] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[6] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

| | |
|---|---|
| • *Employee benefits increases motivation and loyalty towards work.*<br>• *It can help the company to differentiate business from its competitors.* | • *Strict monitoring in the payment of the monthly contributions in SSS, Philhealth, and Pagibig.*<br>• *Management addresses the concerns via the climate survey conducted yearly. Town hall meeting conducted every quarter to update employees of the company's performance. Management exercises open door policy.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *Employees have a tendency to be complaisant since the benefits are readily available to them.*<br>• *Tendency to exhaust all loan benefits resulting to low monthly income.*<br>• *Some employees are showing lack of interest or concern.*<br>• *Some employees are not well informed of the available benefits.* | • *Strict monitoring of the availment of benefits.*<br>• *Information dissemination on the available benefits to all employees.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *To further improve employee benefit on top of what is already provided.*<br>• *Unilateral application of all employee benefits across all subsidiaries.* | • *To study and re-evaluate existing policy on employee benefits and look for areas to improve.* |

## Employee Training and Development

| Disclosure | Quantity | Units |
|---|---|---|
| Total training hours provided to employees | | |
| a. Female employees | 12,957 | hours |
| b. Male employees | 19,644 | hours |
| Average training hours provided to employees | | |
| a. Female employees | 16 | hours/employee |
| b. Male employees | 16 | hours/employee |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| • *Providing training to employees ensures continuous learning and the acquisition of new skills on the part of the employees. The ultimate benefit will be to the organization if employees continuously learn new skills.*<br>• *Classroom and actual training is being given to all employees prior to deployment as needed/required by client airlines in the aviation industry* | • *It is the obligation of the management to provide training and opportunity for the development of every employee.*<br>• *It is the management's responsibility to equip its employees by providing the best training possible needed in performing their jobs as part of their daily task.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *It is highly possible that employees would be tempted to seek greener pastures if and when their skills are enhanced.*<br>• *Some employees would want a salary increase to commensurate the new skills learned.*<br>• *It was a challenge to provide training to employees because of the cost-cutting measures in place due to the financial effect of the pandemic to the company's operations.* | • *To discourage employees from seeking employment elsewhere after receiving training, management should make salary adjustments to maintain a competitive rate.*<br>• *Company should give a clear vision on the career path of the employees.*<br>• *Continued sourcing for external and internal candidates for succession planning purposes.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *Management will be assured that its employees are among the best in the industry with competitive salary package.*<br>• *Employee will become more productive with less supervision.* | • *Management should consider employee training and development as part of its corporate goals.*<br>• *Provide developmental assignments or projects to the employees to foster growth.* |

## Labor-Management Relations

| Disclosure | Quantity | Units |
|---|---|---|
| % of employees covered with Collective Bargaining Agreements | N/A | % |
| Number of consultations conducted with employees concerning employee-related policies | 37 | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| • *Since the organization is unorganized, a Collective Bargaining Agreement or CBA has no impact.* | • *To establish an open line of communication with the employees and to make sure that their grievances are properly addressed.*<br>• *Company policy rules and regulation must be clear to all employees to minimize / prevent confusions.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *An unorganized establishment would always be at risk of being organized anytime.* | • *Management should always be attentive to the sentiments of its employees.*<br>• *Management has an open-door policy.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *Management and employees should continuously have an open communication and develop rapport and coherence with regards to the company's rules and regulations.* | • *Management should consider the creation of a Labor-Management Council or LMC to provide a venue for employees to air their grievances.* |

## Diversity and Equal Opportunity

| Disclosure | Quantity | Units |
|---|---|---|
| % of female workers in the workforce | 31.72% | % |
| % of male workers in the workforce | 68.28% | % |
| Number of employees from indigenous communities and/or vulnerable sector* | 34 | # |

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| • *The data provided reflects management's commitment to gender equality giving the same privileges and equal job opportunities to all.* | • *The company has taken suitable measures in implementing policies that will give equal opportunities for all employees.* |

| | |
|---|---|
| | • *The company is paying equal remuneration and benefits for work of equal value to all its employees regardless of gender.*<br>• *Maintain and respect diversity.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *Limitations to hiring of persons with identified medical challenges that would not allow them to handle food or be assigned in ground handling airport services.* | • *Maintain and respect diversity.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *A gender-balanced and diversified environment will be conducive to equal opportunities to for all employees to work hand in hand with the company towards reaching their corporate goals thru creativity and sharing of new ideas.* | • *Maintain and respect diversity.* |

## Workplace Conditions, Labor Standards, and Human Rights

### Occupational Health and Safety

| Disclosure | Quantity | Units |
|---|---|---|
| Safe Man-Hours | 7,240,557 | Man-hours |
| No. of work-related injuries | 2 | # |
| No. of work-related fatalities | 0 | # |
| No. of work related ill-health | 34 | # |
| No. of safety drills | 2 | # |

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Management Approach** |
|---|---|
| • *A safe and healthy work place ensures efficiency and high productivity.*<br>• *With the Health & Safety Workplace policy program of the company, employees are assured for a good place to work with.*<br>• *OHS department conducts safety-related programs on medical and work methods as required by the local government and clients.* | • *Compliance to regulatory requirements and to labor laws on Occupational Safety and Health*<br>• *Management should keep and maintain a safe and healthy work place.*<br>• *Reduce injury and lost day rate by committing to targets per year.* |

| What are the Risk/s Identified? | Management Approach |
|---|---|
| • *Possible non-compliance the requirement leading to unsafe working conditions, accidents of workforce, or non-issuance of permits.*<br>• *Management should classify which areas are risk-prone compared to others and provide the necessary policy to minimize or address the risk involved.*<br>• *There was no safety drills conducted due to the pandemic.* | • *Compliance to regulatory requirements and to labor laws on Occupational Health and Safety*<br>• *Proper labelling and wearing of Personal Protective Equipment should be a mandatory practice.*<br>• *The management conducts training, development and awareness to all employees about OSH.*<br>• *Plan and propose to have safety drills that will adhere to the safety and health protocols during pandemic.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *To further improve efficiency and productivity through providing a safe work environment.*<br>• *Wellness opportunities contributory to the improvement of performance of the workforce.* | • *To follow government regulations regarding health and safety.*<br>• *The use of Safety Hazard & Security forms, employees and management can now easily identify and classify the risks and report it to the authorities for prevention.* |

## Labor Laws and Human Rights

| Disclosure | Quantity | Units |
|---|---|---|
| No. of legal actions or employee grievances involving forced or child labor | 0 | # |

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

| Topic | Y/N | If Yes, cite reference in the company policy |
|---|---|---|
| Forced labor | Y | *Found on MACS Employee Handbook |
| Child labor | Y | *Found on MACS Employee Handbook |
| Human Rights | Y | *Policy on Against Fellow Employee/Authority found in the MAC, MACS and MASCORP Employee Handbook. |

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Management Approach** |
|---|---|
| • *The data reflects the organization's strict compliance to labor laws and related government issuances regarding Labor and Human Rights.*<br>• *The DOLE Certificate of Labor Standard issued to the company is a proof that the company is adhering to the Philippine Labor Laws.* | • *To continue its current practice and at the same time look for possible areas to improve.*<br>• *For the company to continue to adhere with DOLE's rules and regulations.*<br>• *The company ensures the implementation of due process.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *Employees may not be aware of the company policies or have forgotten it during their employment.* | • *To continue its current practice and at the same time look for possible areas to improve.*<br>• *Conduct employee orientation and refresher courses to establish the company policies to all its employees.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *Government or private sector recognition as well as less exposure to labor or other cases.* | • *To continue its current practice and at the same time look for possible areas to improve.*<br>• *Establish policies that would secure the interest of the employees.* |

*Against Fellow Employee/Authority

| Offense | Corrective Action | | | | |
|---|---|---|---|---|---|
| | 1st | 2nd | 3rd | 4th | 5th |
| 1. Making false and malicious accusations (libel) against co-workers or fellow employees. | 3 | 15 | D | | |
| 3. Provoking a fight, inflicting injury, intimidating, threatening, insulting, and harassing a co-employee for any reason at anytime within the Company premises. | 7 | 15 | D | | |
| 4. Discourtesy and disrespectful acts towards superior, company visitors, representative or fellow employee. | 7 | 15 | D | | |

## Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

*Yes, supplier must accomplish/comply with the accreditation requirement checklist (including the Supplier Accreditation Info Sheet (SAIF))*

Do you consider the following sustainability topics when accrediting suppliers?

| Topic | Y/N | If Yes, cite reference in the supplier policy |
|---|---|---|
| Environmental performance | Y | • *Reference is made in the SAIF to determine if supplier is ISO Certified and has passed environment programs*<br>• *Environment Management Program*<br>• *Submission of Sanitary Permit; DENR Compliance* |
| Forced labor | N | |
| Child labor | N | |
| Human rights | N | |
| Bribery and corruption | Y | • *Supplier signs an Oath of Integrity, which highlights the ethics and moral guidelines that each supplier should adhere to* |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| • *The more we require our suppliers to conform with our procurement regulations, better coordination is achieved.*<br>• *Proper evaluation and selection of compliant supplier.*<br>• *Non-Compliance fr Suppliers & Service providers (Supply chain) – Continuing communication with Suppliers & Service providers on compliance to above topics / requirements (with emphasis that monitoring / surveillance is not just documentary requirement compliance but will also include audits / inspections)* | • *To see to it that all our accredited suppliers are compliant with our requirements.*<br>• *Oath of Integrity, Working Conditions Communication, Compliance to Documentary Requirements, Audits, Inspections* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *Non-compliant suppliers may lead to more DOLE, DTI, BIR, SEC, and other related case exposure*<br>• *Supplier Risk- Lack of offers from suitable vendors which can result to higher prices of* | • *Assign personnel to monitor and evaluate supplier's compliance with procurement guidelines* |

| | |
|---|---|
| *goods and services or loss business opportunities*<br>• *Over/under forecasting of needs.*<br>• *Failure to forecast, plan and consult with end users which can result in delay in lead time and/or disrupted delivery schedules.* | • *Establish and develop a wider base of suppliers by securing firm contracts*<br>• *More efficient procurement planning and forecasting*<br>*a) Active collaboration between purchasing and the requesting departments.*<br>*b) Procurement Planning- Identifying and consolidating requirements*<br>*c) Determine just in time schedules*<br>• *Development of Audit & Inspection Checklists focused on above topics / requirements to be used as Assessment / Verification tools at least after 6 months of Supplier / Service provider commitment to above topics / requirements* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *Activities are within legal framework.*<br>• *Strengthening of Organizational Communication & Compliance of Suppliers & Service providers* | • *Create a team to monitor from time to time the compliance of all suppliers. Conduct spot audit.*<br>• *Inclusion of above in Management Review & during Top Management meetings;*<br>• *Development of Scoreboard as Supplier / Service provider Performance tool* |

## Relationship with Community

### Significant Impacts on Local Communities

| Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations) | Location | Vulnerable groups (if applicable)* | Does the particular operation have impacts on indigenous people (Y/N)? | Collective or individual rights that have been identified that or particular concern for the community | Mitigating measures (if negative) or enhancement measures (if positive) |
|---|---|---|---|---|---|
| *Securing of Certificates for Benefits Availment* | *Local Barangay/ Municipality* | *Applicable for Solo Parents* | *N* | *Compliance to the Solo Parent Act* | *Enhancement measures* |

| | | | | | |
|---|---|---|---|---|---|
| *Securing of HALAL Development Institute of the Phils. (HDIP) Certificate* | *Local Islam Community* | *N/A* | *Y* | *Requirements for employee HALAL crew.* | *Enhancement measures* |
| *Securing Bureau of Quarantine – Yellow Cards* | *BOQ* | *All employees* | *N* | *Requirement for Food Handlers within Airport premises* | *Enhancement measures* |
| *Continued certification for TESDA Apprenticeship program* | *TESDA Office* | *All Apprentices* | *N* | *Continued accreditation for assessment* | *Enhancement measures* |
| *Certificate of No Objection to water project* | *LGU's,* | *Community* | | *Water Rights,* | *Enhancement measures* |

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: ______________

| Certificates | Quantity | Units |
|---|---|---|
| FPIC process is still undergoing | | # |
| CP secured | | # |

| What are the Risk/s Identified? | Management Approach |
|---|---|
| • *Dent in the community relation* | • *Open communication and CSR activities* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| *Identify the opportunity/ies related to material topic of the organization* | |

## Customer Management

*Customer Satisfaction*

| Disclosure | Score | Did a third party conduct the customer satisfaction study (Y/N)? |
|---|---|---|
| Customer satisfaction | *99.67%* | N |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| • *Customer satisfaction indicates the importance of the value of the product and service provided which fulfills the clients' expectation.*<br>• *Business relationship is improved.*<br>• *Continuing business engagement with customer* | • *We conduct the client survey annually to check on how the clients rate the service that we provide. Customer commendations and complaints are also monitored so that commitment and actions may be effected.*<br>• *Customer Management Program*<br>• *Customer Concern Report* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *Dissatisfaction of clients.*<br>• *Delayed delivery, Penalties as stipulated in Service Level Agreement* | • *Although unhappy customers won't love us if we give bad service, our competitor will. We take care of each and every one of our clients' need and we are rewarded with their trust and loyalty.*<br>• *Inclusion of reporting of complaints including trending to assess vulnerabilities and areas / opportunities for improvement via Top Management Meeting* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *To attract more clients.*<br>• *Continuing Improvement via Strengthening of Programs, Policies & Procedures connected to complaints raised* | • *Keeping the customers satisfied helps us stand out from the competition.*<br>• *Inclusion of reporting of complaints including trending to assess vulnerabilities and areas / opportunities for improvement via Top Management Meeting* |

*Health and Safety*

| Disclosure | Quantity | Units |
|---|---|---|

| | | |
|---|---|---|
| No. of substantiated complaints on product or service health and safety* | 2 | # |
| No. of complaints addressed | 2 | # |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Management Approach** |
|---|---|
| • *Food safety complaints' impact is on customer satisfaction and compliance to regulatory and statutory requirements. Occurrence is within the food supply chain from raw material source, processing until delivery of the products.*<br>• *Reported employees not wearing PPEs, Face Mask and Face Shield during Work Schedule*<br>• *Reported employees taking lunch break altogether with co employees, breaking the social distancing policy in the workplace* | • *Quality and Food Safety Management Systems*<br>• *Compliance to regulatory and statutory requirements*<br>• *Compliance to customers standards*<br>• *Reiteration memo on COVID health and safety practices in the workplace (HRA Memo 2021 - 02 - 30), Provided Health Teaching bulletin advisory, Health Declaration advisory*<br>• *Erring employee is given Notice to Explain, advised the Department Heads to strengthen Health and Safety policy on COVID.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *Loss of customer; Lawsuits; Cease and desist order from regulatory agencies*<br>• *Employees are prone to COVID infection* | • *Implementation of the Quality and Food Safety Systems*<br>• *Reiteration memo on COVID health and safety practices in the workplace (HRA Memo 2021 - 02 - 30), Provided Health Teaching bulletin advisory, Health Declaration advisory*<br>• *Erring employee is given Notice to Explain, advised the Department Heads to strengthen Health and Safety policy on COVID.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *Better customer service*<br>• *Open communication with regulatory agencies* | • *Feedback mechanism; Immediate actions on issues* |

| | |
|---|---|
| • *Employees realization on the seriousness of COVID affecting himself/herself and also, the workplace.*<br>• *Employees adapting to the New Normal* | • *Affiliations/ membership with organizations related to the business circle*<br>• *Reiteration memo on COVID health and safety practices in the workplace (HRA Memo 2021 - 02 - 30), Provided Health Teaching bulletin advisory, Health Declaration advisory*<br>• *Erring employee is given Notice to Explain, advised the Department Heads to strengthen Health and Safety policy on COVID.* |

*Marketing and labelling*

| **Disclosure** | **Quantity** | **Units** |
|---|---|---|
| No. of substantiated complaints on marketing and labelling* | 95 complaints received<br>*(75 pre-pandemic / 10 during pandemic)* | 18 Foreign Airlines (Jan-Mar)<br>6 Foreign Airlines (Apr-Dec) |
| No. of complaints addressed | All complaints addressed | # |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Management Approach** |
|---|---|
| • *The complaints will impact us through penalties imposed on us based on the service level agreements.*<br>• *The penalties are unplanned additional expense.* | • *Staff are reminded to adhere to the quality policy.*<br>• *Internal process audits are being carried out.*<br>• *Quality, quantity checks are performed on a regular basis to ensure that the meals provided meet the expectation of the clients* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *Complaints will impact client retention.* | • *Operational meetings are held regularly to discuss processes and its continual improvement.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |

| | |
|---|---|
| • *Client retention* | • *Client concerns are acknowledged and the Management sees to it that the complaint is addressed and corrective actions are carried out the soonest possible time. This way, the client will feel that their feedback is taken seriously and that they are taken care of.* |

*Customer privacy*

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on customer privacy* | 0 | # |
| No. of complaints addressed | 0 | # |
| No. of customers, users and account holders whose information is used for secondary purposes | 0 | # |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| • *The trustworthiness of the clients/customers to our company* | • *Our clients' privacy is important to us. Names or personalities are not shared within and outside the organization. Also we will be having an employees' orientation stressing on confidentiality and seminars on data privacy law why it is important.*<br>• *The company is committed to protecting the personal data of all its stakeholders, be they employees, business partners, stockholders, suppliers or customers. Fulfilling this commitment is an important business principle and a central condition for the company's success.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *Loyalty of the client to our company.* | • *We may lose the trust of the clients and customers if their personal data is shared without their permission.*<br>• *Data Privacy policy sets out minimum requirements for the way personal data is processed throughout the company.* |

| What are the Opportunity/ies Identified? | Management Approach |
|---|---|
| • *Being trustworthy is a trait that you can be proud of. With a good reputation, you are likely to be endorsed to potential clients.* | • *Potential clients and customers may be enticed to get to know who our beloved company is. They may keep us in mind for future tender requirements.*<br>• *The company to protect people's privacy and prevent their data from being misused. We are aware of the potential harm caused by unlawful data processing and have therefore established a standard to minimize this risk.* |

## Data Security

| Disclosure | Quantity | Units |
|---|---|---|
| No. of data breaches, including leaks, thefts and losses of data | 0 | Cases of data breaches including leaks, thefts and losses |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| • *Cases of such data breaches will have a great impact on the corporation's confidential files that are not to be shared with the public. It will also impact the e-mails of each and every employee that is in our company, risking the business done by the company.* | • *The company has a lot of countermeasures regarding these such attacks. Since we will be migrating to Office 365 in the coming months, we will be utilizing Microsoft's own security programs which will help us build up our defense.*<br>• *But for now, the current countermeasures that we have is a Firewall installed that limits the employees to visiting certain websites. During the pandemic, employees are advised to have a skeletal work schedule; during those times we have created a remote-pc server wherein the accounting employees can work while at home. The security measure that we created is that we enroll their local IP Address into the firewall so that they can access the server outside of our network. We have also placed in a policy inside that server wherein the specified employees can only access the systems installed inside the remote-pc server since accessing the internet inside that server could* |

| | |
|---|---|
| | *bring in a type of virus that would infect and put the data at risk.*<br>• *Lastly, we have our InterScan Messaging Security Suite wherein all the e-mails being received by the employees are scanned and filtered. This application prevents the employee from receiving different types of Spam mails and also determines which e-mails are harmful to the employee, hence, bad e-mails are quarantined. Also, we have included a Scan Mail feature for our E-mail server wherein the application scans all of the employees emails and determines which e-mail is harmful or not. Lastly, we have Kaspersky installed in every workstation keeping it safe from malicious files and threats.* |
| **What are the Risk/s Identified?** | **Management Approach** |
| • *Data Breach. Data breaches are incidents where information is stolen or taken from a system without the knowledge or authorization of the system's owner. Data breaches include data losses and data leaks and thefts.* | • *The company will always be updating its security defenses for maximum defense and security for optimal usage. The company will be updating its policies regarding Data Security and will be implemented through its security applications throughout the year.* |
| **What are the Opportunity/ies Identified?** | **Management Approach** |
| • *If the company encounters a Data breach, the opportunity here is the upgrade of security systems and its data security policies.* | • *The company will evaluate the attack, continue to maintain and monitor audit logs across all facets of the business. Also, this will be the best time to collaborate, re-evaluate and brainstorm with its other subsidiaries to create industry standards, head off government regulations, and to share best practices.* |

# UN SUSTAINABLE DEVELOPMENT GOALS

## Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

| Key Products and Services | Societal Value / Contribution to UN SDGs | Potential Negative Impact of Contribution | Management Approach to Negative Impact |
|---|---|---|---|
| *Potable Water* | *Clean Water* | *Over extraction of water* | *Ensure availability of water and sustainable management of water* |
| *Treated Waste Water* | *Sanitation* | *Land, water and air pollution* | *Conserve and sustainably use the oceans, seas, and marine resources* |
| *Aviation Support Services* | *Decent employment and sustainable economic growth* | *Susceptible to contamination and pollution concerns* | *Ensure sustainable consumption and production patterns* |

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*