

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						1	8	4	0	4	4
--	--	--	--	--	--	---	---	---	---	---	---

COMPANY NAME

J	G		S	U	M	M	I	T		H	O	L	D	I	N	G	S	,		I	N	C	.		A	N	D		S
U	B	S	I	D	I	A	R	I	E	S																			

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

4	3	r	d		F	l	o	o	r	,		R	o	b	i	n	s	o	n	s	-	E	q	u	i	t	a	b	l
e		T	o	w	e	r	,		A	D	B		A	v	e	n	u	e		c	o	r	n	e	r		P	o	v
e	d	a		R	o	a	d	,		P	a	s	i	g		C	i	t	y										

Form Type

1	7	-	A
---	---	---	---

Department requiring the report

--	--	--	--

Secondary License Type, If Applicable

	N	/	A
--	---	---	---

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.jgsummit.com.ph	633-7631	-
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,017	2nd Thursday of June	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Francisco M. Del Mundo	Pancho.DelMundo@urc.net.ph	633-7631	

CONTACT PERSON'S ADDRESS

41st Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Pasig 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.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
JG Summit Holdings, Inc.
43rd Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road, Pasig City

Opinion

We have audited the accompanying consolidated financial statements of JG Summit Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 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 and Adoption of PFRS 15, *Revenue from Contracts with Customers*

Revenue is a key measure used to evaluate the performance of the Group. In addition, the Group derives part of its core income from food business, real estate sales and air transportation services. This matter is significant to our audit because revenue recognition is affected by the following: (1) the impact of the adoption on January 1, 2018, of the new revenue recognition standard, PFRS 15, and (2) the significant management judgment and estimation involved in revenue recognition.

Food Business

For the Group's food business, the revenue recognition and adoption of PFRS 15 are significant to our audit because these involve application of significant management judgment and estimation in determining whether there are other promises in the contract that are separate performance obligations and determining whether the transaction price includes variable consideration (rebates, rights of return, volume rebates), non-cash consideration, and consideration payable to customer, and due to the nature of the Group's selling and distribution system, the high volume of products, and its geographical locations.

Real Estate Business

For the Group's real estate business, the revenue recognition and adoption of PFRS 15 are significant to our audit because these involve application of significant judgment and estimation and is affected by the following: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) determination of the transaction price; (3) application of the input method as the measure of progress in determining real estate revenue; and (4) determination of the actual costs incurred as cost of sales.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as historical experience, age, and price of the property. Management regularly evaluates the sales cancellations if it would still support its current threshold of buyers' equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the Group uses the input method. Under this method, progress is measured based on actual costs incurred on materials, labor, and actual overhead relative to the total estimated development costs of the real estate project. The estimation of the total costs of the real estate project requires technical inputs by project engineers.

In determining the actual costs incurred to be recognized as cost of sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

Air Transportation Business

For the Group's air transportation business, the revenue recognition and adoption of PFRS 15 are significant to our audit as these have a significant impact on the timing of recognition of certain ancillary service fees. Under PFRS 15, these are deferred until the service has been rendered to the passengers according to flight schedule, whereas under Philippine Accounting Standard (PAS) 18, *Revenue*, these were recognized at the time of booking. Also, the amount of air transportation revenue is material to the consolidated financial statements and these consist of high volume of transactions being processed and captured from various distribution channels and locations. Revenue from passenger, cargo sales, and ancillary service fees are recorded when the related transportation service is provided, using complex information technology systems to track the point of service delivery.



The disclosures on revenue recognition policies of the Group and the impact of the adoption of PFRS 15 are included in Note 2 to the consolidated financial statements.

Audit Response

Food Business

For the Group's food business, we obtained an understanding of the process of implementing the new revenue recognition standard. We reviewed the accounting policies prepared by management, including revenue streams identification and scoping, and contract analysis.

In addition, we reviewed sample contracts and checked whether management has identified and estimated all components of the transaction price (variable consideration and consideration payable to a customer) and applied the constraint on variable consideration. We evaluated management's assumptions (historical trend of volume discounts and rights of return) by comparing the historical experience of the Group with the assumptions used in its estimates as it relates to variable consideration.

Real Estate Business

For real estate business, we obtained an understanding of the revenue recognition process, including the process of implementing the new revenue recognition standard. We reviewed the PFRS 15 adoption papers and accounting policies prepared by management, including revenue streams identification and scoping, and contract analysis.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents such as official receipts, deposit slips and bank statements.

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers. For selected contracts, we agreed the amounts excluded from the transaction price against the expected amounts required to be remitted to the government based on existing tax rules and regulations.

For the application of the input method in determining real estate revenue and for determining cost of sales, we obtained an understanding of the Group's processes for determining the POC, including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. We assessed the competence and objectivity of the project engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to the supporting documents such as purchase orders, billings and invoices of contractors and other documents evidencing receipt of materials and services from contractors. We visited selected project sites and made relevant inquiries with project engineers. We performed test computation of the percentage of completion calculation of management. For selected projects, we obtained the approved total estimated costs and any revisions thereto and the supporting details. We likewise performed inquiries with the project engineers for the revisions.



Air Transportation Business

We included internal specialist in our team to assist us in understanding and testing the controls over the IT revenue systems and revenue recognition process. This includes testing the controls over the capture and recording of revenue transactions, authorization of rate changes and the input of these information to the revenue system, and mapping of bookings from unearned to earned passenger service revenue when passengers are flown. We assessed the information produced by the IT revenue systems and tested the reports generated by these systems that are used to defer or recognize passenger service revenue, baggage fees and ancillary service fees. On a sample basis, we tested journal entries related to revenue to assess the timing of revenues recognized. Also, we conducted substantive analytical procedures on revenue recorded.

We reviewed the application of the accounting policy in relation to the adoption of the new standard. We also reviewed the disclosures related to the transition adjustments based on the requirements of PFRS 15.

Recoverability of Goodwill and Intangible Assets

As of December 31, 2018, the Group's goodwill and intangible assets with indefinite useful lives pertaining to trademarks amounted to ₱32.0 billion and ₱9.4 billion, respectively. These items are significant to the consolidated financial statements. Under PFRS, the Group is required to test annually the amount of goodwill and intangible assets with indefinite useful lives for impairment. Accordingly, management has performed an impairment test on its goodwill and other intangible assets with indefinite useful lives. Management's assessment process requires significant judgment and is based on assumptions, specifically revenue growth rate, discount rate and the long-term growth rate.

The disclosures in relation to goodwill and intangible assets are included in Notes 3, 18 and 19 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include revenue growth rate, gross margin/profit, operating margin, capital expenditures, discount rate and the long-term growth rate. We compared the key assumptions used, such as revenue growth rate against the historical performance of the cash generating unit, industry/market outlook and other relevant external data. We tested the parameters used in the determination of the discount rate 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 and intangible assets with indefinite useful lives.

Accounting for Investment in an Associate

The Group has an investment in Manila Electric Company (Meralco) that is accounted for under the equity method. For the year ended December 31, 2018, the Group's share in the net income of Meralco amounted to ₱6.6 billion and accounts for 24% of the Group's consolidated net income.



The Group's share in Meralco's net income is significantly affected by Meralco's revenues from the sale of electricity which arise from its service contracts with a large number of customers that are classified as either commercial, industrial or residential, located within Meralco's franchise area. The revenue recognized depends on (a) the complete capture of electric consumption based on the meter readings over the franchise area taken on various dates; (b) the propriety of rates computed and applied across customer classes; (c) the reliability of the IT systems involved in processing the billing transactions; and (d) impact of the adoption of new revenue recognition PFRS 15 such as accounting for the electricity, re-connection and other non-standard connection fees as arising from a single performance obligation that will be satisfied over the period when the services are expected to be provided. In addition, Meralco is involved in certain proceedings for which Meralco has recognized provisions for probable costs and/or expense and/or has disclosed relevant information about such contingencies. This matter is important to our audit because the assessment of the potential outcome or liability involves significant management judgment and estimation of its impact could have a material effect on the Group's share in Meralco's net income.

The disclosures in relation to investments in associates are included in Note 14 to the consolidated financial statements.

Audit response

We obtained an understanding and evaluated the design of, as well as tested the controls over, the customer master file maintenance, accumulation and processing of meter data, and interface of data from the billing system to the financial reporting system. In addition, we performed a test recalculation of the bill amounts using the Energy Regulatory Commission-approved rates and formulae, as well as actual costs incurred, and compared them with the amounts reflected in the billing statements. We involved our internal specialist in understanding the IT processes and in understanding and testing the IT general controls over the IT system supporting the revenue process.

On PFRS 15 adoption, we obtained an understanding of Meralco's implementation process and tested the relevant controls. We reviewed the PFRS 15 adoption documentation and the updated accounting policies as prepared by management, including revenue streams identification and scoping and contract analysis. We obtained sample contracts and reviewed the performance obligations identified to be provided by Meralco, the determination of transaction price and other considerations received from customers, and the timing of revenue recognition based on the period when services are to be rendered.

We examined the bases of management's assessment of the possible outcomes and the related estimates of the probable costs and/or expenses that are recognized. In addition, we evaluated the input data supporting the assumptions used, such as tariffs, tax rates, historical experience, regulatory ruling and other developments, against Meralco's internal and external data and performed recalculations and inspection of relevant supporting documents.

We obtained the financial information of Meralco for the year ended December 31, 2018 and recomputed the Group's share in total comprehensive income for the year ended December 31, 2018.



Estimation of Asset Retirement Obligation

As of December 31, 2018, the Group operates twenty-two (22) aircraft under operating leases. Under the terms of the operating lease arrangements, the Group is contractually required under various lease contracts to either restore certain leased aircraft to its original condition at its own cost or to bear a proportionate cost of restoration at the end of the contract period.

Management estimates the overhaul, restoration and redelivery costs and accrues such costs over the lease term. The calculation of such costs includes management assumptions and estimates in respect of the anticipated rate of aircraft utilization which includes flying hours and flying cycles and calendar months of the asset as used. These aircraft utilization and calendar months affect the extent of the restoration work that will be required and the expected costs of such overhaul, restoration and redelivery at the end of the lease term. Given the significant amounts of these provisions and the extent of management judgment and estimates required, we considered this area as a key audit matter.

The disclosures in relation to asset retirement obligation are included in Notes 3, 24 and 43 to the consolidated financial statements.

Audit response

We obtained an understanding of management's process over estimating asset retirement obligation for aircraft held under operating leases and tested the relevant controls. We recalculated the asset retirement obligation and evaluated the key assumptions adopted by management in estimating the asset retirement obligation for each aircraft by discussing with the Group's relevant fleet maintenance engineers the aircraft utilization statistics. In addition, we obtained an understanding of the redelivery terms of operating leases by comparing the estimated costs and comparable actual costs incurred by the Group from previous similar restorations.

Adequacy of Allowance for Credit Losses on Receivables and Adoption of PFRS 9, *Financial Instruments*, Expected Credit Loss (ECL) Model of Impairment on the Banking and Real Estate Business

On January 1, 2018, the Group adopted PFRS 9, which replaced PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 provides revised principles for classifying financial assets and introduces a forward-looking ECL model to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts. The Group used the modified retrospective approach in adopting PFRS 9.

The Group's adoption of the ECL model for loans receivables of its banking business and receivables and contract assets of its real estate business is significant to our audit as it involves the exercise of significant management judgment. For loans receivables from the banking business, key areas of judgment include: segmenting the Group's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset and expected recoveries from defaulted accounts; and incorporating forward-looking information (called overlays) in calculating ECL. For real estate receivables and contracts assets, key areas of judgment include: segmenting the Group's credit risk exposures; defining default; determining 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 in calculating ECL.



Refer to Notes 3, 11, and 34 to the consolidated financial statements for the disclosures on the transition adjustments and details of the allowance for credit losses using the ECL models.

Audit Response

We obtained an understanding of the approved methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

For loans receivables from the banking business, we (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place, (c) tested the Group's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Group's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's lending portfolios and broader industry knowledge; and (h) tested the effective interest rate used in discounting the expected loss.

For receivables and contract assets from the real estate business, we (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) compared the definition of default against historical analysis of accounts and credit risk management policies and practices in place; (c) checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used; (d) tested loss rates by inspecting historical recoveries including the timing, related direct costs, and write-offs; (e) evaluated 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; and (f) tested the effective interest rate, or an approximation thereof, used in discounting the expected loss.

Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse 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 of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We checked the transition adjustments and reviewed the disclosures made in the consolidated financial statements.

We involved our internal specialists in the performance of the above procedures.



Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 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 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 this independent auditor's report is Vicky Lee Salas.

SYCIP GORRES VELAYO & CO.



Vicky Lee Salas
Partner

CPA Certificate No. 86838

SEC Accreditation No. 0115-AR-4 (Group A),
May 1, 2016, valid until May 1, 2019

Tax Identification No. 129-434-735

BIR Accreditation No. 08-001998-53-2018,
February 14, 2018, valid until February 13, 2021

PTR No. 7332563, January 3, 2019, Makati City

April 12, 2019



JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017 (As restated - Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	₱49,194,676,441	₱54,336,295,189
Financial assets at fair value through profit or loss (Note 9)	3,650,524,523	14,357,132,341
Financial assets at fair value through other comprehensive income (Note 10)	23,915,670,876	–
Available-for-sale investments (Note 10)	–	21,468,095,579
Receivables (Note 11)	43,675,353,273	47,614,193,567
Inventories (Note 12)	63,472,037,028	54,757,779,634
Biological assets (Note 17)	741,719,637	1,180,266,509
Contract assets (Note 26)	5,088,356,660	–
Other current assets (Note 13)	24,566,599,212	12,861,368,517
Total Current Assets	214,304,937,650	206,575,131,336
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Note 10)	19,457,411,625	–
Available-for-sale investments (Note 10)	–	25,597,305,960
Receivables (Note 11)	49,851,486,164	42,649,712,079
Investment securities at amortized cost (Note 10)	12,597,089,717	–
Investments in associates and joint ventures (Note 14)	144,914,597,233	138,538,902,953
Property, plant and equipment (Note 16)	218,273,655,227	181,660,164,319
Investment properties (Note 15)	93,816,970,875	87,023,420,469
Contract assets (Note 26)	6,444,995,326	–
Goodwill (Note 19)	32,005,604,356	32,023,183,943
Intangible assets (Note 18)	13,954,424,592	14,021,031,196
Biological assets (Note 17)	366,184,414	498,309,880
Other noncurrent assets (Note 20)	13,299,658,655	10,867,350,382
Total Noncurrent Assets	604,982,078,184	532,879,381,181
	₱819,287,015,834	₱739,454,512,517
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 21)	₱132,655,835,417	₱113,878,808,251
Short-term debts (Note 23)	35,453,723,993	45,847,813,461
Current portion of long-term debts (Note 23)	30,962,269,832	5,728,469,720
Contract liabilities (Note 26)	12,931,513,843	–
Income tax payable	1,776,773,241	1,809,511,201
Other current liabilities (Note 22)	15,639,061,129	13,695,140,209
Total Current Liabilities	229,419,177,455	180,959,742,842
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 23)	179,286,697,516	175,958,344,946
Deferred tax liabilities (Note 38)	7,877,223,942	7,205,880,096
Contract liabilities (Note 26)	2,378,690,953	–
Other noncurrent liabilities (Note 24)	32,847,365,429	28,910,996,632
Total Noncurrent Liabilities	222,389,977,840	212,075,221,674
Total Liabilities	451,809,155,295	393,034,964,516

(Forward)



	December 31	
	2018	2017
	(As restated - Note 2)	
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-up capital (Note 25)	₱30,755,866,814	₱30,755,866,814
Retained earnings (Note 25)	239,101,689,440	207,722,156,987
Equity reserve (Note 25)	29,573,169,046	29,638,831,336
Other comprehensive losses (Note 36)	(22,844,854,470)	(279,499,751)
	276,585,870,830	267,837,355,386
Non-controlling interests (Note 25)	90,891,989,709	78,582,192,615
Total Equity	367,477,860,539	346,419,548,001
	₱819,287,015,834	₱739,454,512,517

See accompanying Notes to Consolidated Financial Statements.



JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
REVENUE			
Sale of goods and services (Note 26):			
Foods	₱127,769,949,329	₱125,007,824,013	₱112,611,969,799
Air transportation	74,113,776,885	68,029,131,426	61,899,278,892
Petrochemicals	42,351,966,134	41,406,489,496	29,070,077,332
Real estate and hotels (Notes 11 and 15)	29,467,564,096	22,448,257,224	22,750,417,221
Banking	6,132,382,567	4,475,828,582	3,412,187,119
Equity in net earnings of associates and joint ventures (Note 14)	10,181,841,883	9,908,717,906	8,176,526,116
Dividend income (Note 28)	1,227,572,942	1,451,837,755	2,031,580,194
Supplementary businesses	670,963,828	717,368,505	551,082,564
	291,916,017,664	273,445,454,907	240,503,119,237
COST OF SALES AND SERVICES			
Cost of sales (Note 30)	129,734,114,999	119,176,312,217	98,124,103,023
Cost of services (Note 30)	63,858,758,345	52,378,128,769	45,970,133,223
	193,592,873,344	171,554,440,986	144,094,236,246
GROSS INCOME	98,323,144,320	101,891,013,921	96,408,882,991
OPERATING EXPENSES			
General and administrative expenses (Note 31)	52,912,530,779	49,910,047,737	43,498,208,309
Impairment losses and others (Note 34)	145,801,581	248,080,372	640,717,050
	53,058,332,360	50,158,128,109	44,138,925,359
OPERATING INCOME	45,264,811,960	51,732,885,812	52,269,957,632
OTHER INCOME (LOSSES)			
Financing costs and other charges (Note 35)	(9,635,374,773)	(7,836,137,934)	(7,461,996,870)
Foreign exchange losses	(2,854,338,888)	(902,717,961)	(2,643,312,806)
Finance income (Note 27)	1,745,547,717	1,243,424,967	1,161,245,053
Market valuation gains (losses) on financial assets at fair value through profit or loss - net (Note 9)	(683,102,223)	696,406,991	(57,676,177)
Market valuation losses on impaired available-for-sale investments (Note 10)	-	-	(16,713,629,844)
Market valuation gains (losses) on derivative financial instruments - net (Note 8)	(336,784,218)	(155,230,460)	1,738,886,004
Others (Note 29)	(459,468,426)	241,871,584	(487,955,842)
INCOME BEFORE INCOME TAX	33,041,291,149	45,020,502,999	27,805,517,150
PROVISION FOR INCOME TAX (Note 38)	5,143,793,706	5,501,468,891	5,437,906,633
NET INCOME	27,897,497,443	39,519,034,108	22,367,610,517
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX (Note 36)			
Items that may be reclassified subsequently to profit or loss:			
Cumulative translation adjustments	1,486,465,748	(1,183,796,363)	(121,183,868)
Net losses on financial assets at FVOCI (debt securities)	(2,041,409,693)	-	-
Share in the net unrealized losses on financial assets at FVOCI of associates (debt securities)	(137,490,800)	-	-
Net losses from cash flow hedges (Note 8)	(3,336,553)	(11,359,660)	(18,062,625)
Share in net unrealized gain (losses) on available-for-sale investments of an associate (Notes 10 and 14)	-	24,394,385	(104,703,835)
Net gains on available-for-sale investments (Note 10)	-	1,759,433,181	4,377,880,289
(Forward)			



	Years Ended December 31		
	2018	2017	2016
Items that will not be reclassified to profit or loss:			
Net losses on financial assets at FVOCI (equity securities) (Note 10)	(₱5,897,064,704)	₱-	₱-
Share in the net unrealized gains (losses) on financial assets at FVOCI of associates (equity securities)	(3,913,766)	-	-
Remeasurements of the net defined benefit liability (Note 37)	312,977,712	116,814,170	52,474,724
Share in remeasurements of the net defined benefit liability of associates (Note 14)	387,758,074	(326,973,548)	524,522,485
	(5,896,013,982)	378,512,165	4,710,927,170
TOTAL COMPREHENSIVE INCOME	₱22,001,483,461	₱39,897,546,273	₱27,078,537,687
NET INCOME ATTRIBUTABLE TO			
Equity holders of the Parent Company	₱19,186,040,273	₱29,369,537,456	₱10,917,978,925
Non-controlling interests (Note 25)	8,711,457,170	10,149,496,652	11,449,631,592
	₱27,897,497,443	₱39,519,034,108	₱22,367,610,517
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Equity holders of the Parent Company	₱12,843,653,219	₱30,338,629,205	₱15,861,889,256
Non-controlling interests (Note 25)	9,157,830,242	9,558,917,068	11,216,648,431
	₱22,001,483,461	₱39,897,546,273	₱27,078,537,687
Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 39)			
Basic/diluted earnings per share	₱2.68	₱4.10	₱1.52

See accompanying Notes to Consolidated Financial Statements.



JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2018, 2017 and 2016
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

	Paid-up Capital (Note 25)			Retained Earnings (Note 25)			Equity Reserve (Note 25)	Other Comprehensive Income (Note 36)							NON- CONTROLLING INTERESTS (Note 25)	TOTAL EQUITY
	Capital Stock	Additional Paid-in Capital	Total Paid-up Capital	Unrestricted Retained Earnings	Restricted Retained Earnings	Total Retained Earnings		Cumulative Translation Adjustments (Note 25)	Net Unrealized Gains (Losses) on Available-for- Sale Investments (Note 10)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 10)	Net Unrealized Losses on Cash Flow Hedge (Note 8)	Remeasurements of the Net Defined Benefit Liability (Note 37)	Total Other Comprehensive Income (Loss)	Total		
Balance at January 1, 2018	₱7,202,841,657	₱23,553,025,157	₱30,755,866,814	₱89,937,827,588	₱117,784,329,399	₱207,722,156,987	₱29,638,831,336	₱(1,302,514,721)	₱1,268,554,501	₱-	₱4,385,162	₱(249,924,693)	₱(279,499,751)	₱267,837,355,386	₱78,582,192,615	₱346,419,548,001
Effect of adoption of new accounting standards (Note 2)	-	-	-	14,354,344,677	-	14,354,344,677	-	-	(1,268,554,501)	(14,954,413,164)	-	-	(16,222,967,665)	(1,868,622,988)	(654,723,807)	(2,523,346,795)
Balance at January 1, 2018, as restated	7,202,841,657	23,553,025,157	30,755,866,814	104,292,172,265	117,784,329,399	222,076,501,664	29,638,831,336	(1,302,514,721)	-	(14,954,413,164)	4,385,162	(249,924,693)	(16,502,467,416)	265,968,732,398	77,927,468,808	343,896,201,206
Total comprehensive income	-	-	-	19,186,040,273	-	19,186,040,273	-	764,122,128	-	(7,693,257,028)	(1,843,509)	588,591,355	(6,342,387,054)	12,843,653,219	9,157,830,242	22,001,483,461
Cash dividends (Note 25)	-	-	-	(2,160,852,497)	-	(2,160,852,497)	-	-	-	-	-	-	-	(2,160,852,497)	(5,068,481,993)	(7,229,334,490)
Issuance of shares by a subsidiary	-	-	-	-	-	-	(41,366,805)	-	-	-	-	-	-	(41,366,805)	8,987,219,560	8,945,852,755
Acquisition of non-controlling interest by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	120,000,000	120,000,000
Increase in subsidiary's treasury shares	-	-	-	-	-	-	(24,295,485)	-	-	-	-	-	-	(24,295,485)	(231,921,908)	(256,217,393)
Sale of investment by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(125,000)	(125,000)
Balance at December 31, 2018	₱7,202,841,657	₱23,553,025,157	₱30,755,866,814	₱121,317,360,041	₱117,784,329,399	₱239,101,689,440	₱29,573,169,046	₱(538,392,593)	₱-	₱(22,647,670,192)	₱2,541,653	₱338,666,662	₱(22,844,854,470)	₱276,585,870,830	₱90,891,989,709	₱367,477,860,539
Balance at January 1, 2017	₱7,202,841,657	₱23,553,025,157	₱30,755,866,814	₱66,285,085,796	₱114,084,329,399	₱180,369,415,195	₱29,638,831,336	₱(673,326,887)	₱(596,224,679)	₱-	₱10,661,590	₱10,298,476	₱(1,248,591,500)	₱239,515,521,845	₱73,268,333,356	₱312,783,855,201
Total comprehensive income	-	-	-	29,369,537,456	-	29,369,537,456	-	(629,187,834)	1,864,779,180	-	(6,276,428)	(260,223,169)	969,091,749	30,338,629,205	9,558,917,068	39,897,546,273
Appropriation of retained earnings	-	-	-	(3,700,000,000)	3,700,000,000	-	-	-	-	-	-	-	-	-	-	-
Cash dividends (Note 25)	-	-	-	(2,016,795,664)	-	(2,016,795,664)	-	-	-	-	-	-	-	(2,016,795,664)	(4,245,057,809)	(6,261,853,473)
Balance at December 31, 2017	₱7,202,841,657	₱23,553,025,157	₱30,755,866,814	₱89,937,827,588	₱117,784,329,399	₱207,722,156,987	₱29,638,831,336	₱(1,302,514,721)	₱1,268,554,501	₱-	₱4,385,162	₱(249,924,693)	₱(279,499,751)	₱267,837,355,386	₱78,582,192,615	₱346,419,548,001
Balance at January 1, 2016	₱7,202,841,657	₱23,553,025,157	₱30,755,866,814	₱67,567,817,285	₱103,684,329,399	₱171,252,146,684	₱27,575,017,926	₱(702,845,286)	₱(4,984,560,896)	₱-	₱37,358,957	₱(542,454,606)	₱(6,192,501,831)	₱223,390,529,593	₱63,935,131,765	₱287,325,661,358
Total comprehensive income	-	-	-	10,917,978,925	-	10,917,978,925	-	29,518,399	4,388,336,217	-	(26,697,367)	552,753,082	4,943,910,331	15,861,889,256	11,216,648,431	27,078,537,687
Appropriation of retained earnings	-	-	-	(10,400,000,000)	10,400,000,000	-	-	-	-	-	-	-	-	-	-	-
Cash dividends (Note 25)	-	-	-	(1,800,710,414)	-	(1,800,710,414)	-	-	-	-	-	-	-	(1,800,710,414)	(4,175,979,077)	(5,976,689,491)
Reissuance of a subsidiary's treasury shares	-	-	-	-	-	-	2,063,813,410	-	-	-	-	-	-	2,063,813,410	2,292,532,237	4,356,345,647
Balance at December 31, 2016	₱7,202,841,657	₱23,553,025,157	₱30,755,866,814	₱66,285,085,796	₱114,084,329,399	₱180,369,415,195	₱29,638,831,336	₱(673,326,887)	₱(596,224,679)	₱-	₱10,661,590	₱10,298,476	₱(1,248,591,500)	₱239,515,521,845	₱73,268,333,356	₱312,783,855,201



JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱33,041,291,149	₱45,020,502,999	₱27,805,517,150
Adjustments for:			
Depreciation and amortization (Notes 15,16, 18 and 46)	20,567,280,014	18,936,739,260	17,097,541,131
Equity in net earnings of associates and joint ventures (Note 14)	(10,181,841,883)	(9,908,717,906)	(8,176,526,116)
Interest expense (Note 35)	9,377,151,320	7,635,388,645	7,298,442,812
Unrealized foreign exchange losses	2,854,338,888	902,717,961	2,638,787,064
Interest income (Note 27)	(1,745,547,717)	(1,243,424,967)	(1,161,245,053)
Dividend income (Note 28)	(1,227,572,942)	(1,451,837,755)	(2,031,580,194)
Market valuation losses (gains) on financial assets at fair value through profit or loss (Note 9)	683,102,223	(696,406,991)	57,676,177
Loss (gain) arising from changes in fair value less estimated costs to sell of swine stocks (Note 17)	467,471,975	(118,841,072)	95,596,818
Market valuation losses (gains) losses on derivative financial instruments - net (Note 8)	336,784,218	155,230,460	(1,734,360,262)
Gain on sale of investments in associates and joint ventures (Note 14)	(297,544,736)	-	-
Provision for impairment losses (Note 34)	137,853,532	245,210,325	465,267,131
Loss (gain) on sale and retirement of property, plant and equipment (Note 16)	(37,107,773)	(357,609,567)	361,736,125
Gain on sale of financial assets at fair value through OCI	(34,208,528)	-	-
Inventory obsolescence and market decline (Note 34)	7,948,049	2,870,047	175,449,919
Loss on sale of available-for-sale investments (Note 29)	-	(14,747,467)	(452,510)
Gain on retirement and disposal of investment properties (Note 15)	-	(5,323,947)	(7,281,855)
Market valuation loss on impaired AFS investments (Note 10)	-	-	16,713,629,844
Operating income before changes in working capital accounts	53,949,397,789	59,101,750,025	59,598,198,181
Changes in operating assets and liabilities:			
Decrease (increase) in			
Receivables	(2,659,365,975)	(20,539,411,718)	(13,115,882,483)
Inventories	(6,160,883,910)	(4,420,618,310)	(2,691,296,655)
Other current assets	(15,845,215,858)	(2,917,451,126)	(2,049,042,735)
Financial assets at fair value through profit or loss	10,357,763,247	1,083,366,574	795,718,122
Derivative assets	712,613,827	(139,646,082)	(598,570,188)
Biological assets	(272,030)	(262,992,645)	(16,952,605)
Increase (decrease) in			
Accounts payable and accrued expenses	14,830,290,358	18,070,891,006	22,756,800,392
Unearned revenue	2,060,166,577	908,598,728	1,169,998,030
Other current liabilities	12,235,065,367	(123,854,705)	324,910,308
Net cash generated from operations	69,479,559,392	50,760,631,747	66,173,880,367
Interest paid	(9,179,922,623)	(7,484,610,422)	(7,220,832,524)
Income taxes paid	(5,282,816,210)	(6,091,437,965)	(5,946,033,406)
Interest received	1,622,433,282	1,118,435,799	1,064,803,275
Net cash provided by operating activities	56,639,253,841	38,303,019,159	54,071,817,712
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Notes 16 and 46)	(56,823,519,232)	(28,120,671,763)	(29,440,474,778)
Investment properties (Notes 15 and 46)	(11,500,194,701)	(15,399,228,857)	(11,088,963,635)
Investment securities at amortized cost	(12,597,089,717)	-	-
Investments in associates and joint ventures (Note 14)	(3,273,567,354)	(7,402,986,821)	(12,152,533,446)
Financial assets at fair value through other comprehensive income (Note 10)	(2,631,174,524)	-	-
Intangible assets (Note 18)	(197,000,528)	(282,472,977)	(599,648,596)
Subsidiaries, net of cash acquired (Notes 14 and 44)	(173,995,570)	-	(21,159,258,285)
Available-for-sale investments (Note 10)	-	(15,996,196,225)	(15,080,087,313)

(Forward)



	Years Ended December 31		
	2018	2017	2016
Held-to-maturity investments (Note 10)	₱–	(₱14,828,885)	(₱800,605,001)
Assets that qualified as a business (Note 44)	–	–	(1,600,000,000)
Dividends received on investments in associates and joint ventures (Note 14)	5,914,109,460	6,604,286,345	7,807,440,452
Dividends received (Note 28)	1,227,572,942	1,451,837,755	2,031,580,194
Proceeds from sale of financial assets at fair value through other comprehensive income	333,988,160	–	–
Decrease in the amounts of other noncurrent assets (Note 20)	(11,147,232,124)	(2,011,128,916)	(625,863,649)
Proceeds from sale of:			
Property, plant and equipment (Note 16)	4,783,915,239	8,948,396,503	3,214,497,371
Investment in subsidiary	56,079,593	–	–
Investment property	–	22,529,110	33,610,500
Available-for-sale investments	–	13,145,035,547	11,600,295,195
Held-to-maturity investments (Note 10)	–	308,928,275	–
Net cash used in investing activities	(86,028,108,356)	(38,746,500,909)	(67,860,010,991)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net availments (payments) of:			
Short-term debts	127,722,440,023	91,848,238,085	91,462,362,171
Long-term debts	62,986,402,288	31,243,531,210	38,600,364,183
Dividends paid to non-controlling interests (Note 25)	(5,068,481,993)	(4,245,057,809)	(4,175,979,077)
Increase in other noncurrent liabilities (Note 24)	7,405,661,745	10,326,258,863	318,729,350
Settlements of:			
Short-term debts	(138,428,074,125)	(108,257,955,312)	(65,536,414,360)
Long-term debts (Note 23)	(37,019,495,036)	(11,710,904,401)	(51,298,471,026)
Dividends paid on:			
Common shares (Note 25)	(2,148,852,497)	(2,005,595,664)	(1,790,710,414)
Preferred shares (Note 25)	(12,000,000)	(11,200,000)	(10,000,000)
Issuance of long-term negotiable certificate of deposit	–	4,182,320,000	–
Subsidiary's purchase of treasury shares	(256,217,393)	–	–
Net proceeds from stock rights offering of a subsidiary	7,745,852,755	–	–
Cash received from non-controlling interest for newly incorporated subsidiary	120,000,000	–	–
Cash received from non-controlling interest for issuance of shares by a subsidiary	1,200,000,000	–	–
Proceeds from reissuance of a subsidiary's treasury shares, net of transaction costs (Note 25)	–	–	4,356,345,647
Net cash provided by financing activities	24,247,235,767	11,369,634,972	11,926,226,474
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,141,618,748)	10,926,153,222	(1,861,966,805)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	54,336,295,189	43,410,141,967	45,272,108,772
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	₱49,194,676,441	₱54,336,295,189	₱43,410,141,967

See accompanying Notes to Consolidated Financial Statements.



JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

JG Summit Holdings, Inc. (the Parent Company) was incorporated in the Philippines on November 23, 1990 with a corporate term of 50 years from the date of incorporation. On May 8, 2014, the Board of Directors (BOD) of the Parent Company approved its amendment of Article Third of the Amended Articles of Incorporation to change the principal office address of the Parent Company from “Metro Manila, Philippines” to “43rd Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Pasig City” in accordance with Security and Exchange Commission Memorandum Circular No.6, Series of 2014.

The Parent Company, a holding company, is the ultimate parent of the JG Summit Group (the Group). The Group has business interests in branded consumer foods, agro-industrial and commodity food products, real property development, hotels, banking and financial services, telecommunications, petrochemicals, air transportation and power distribution.

The Group conducts business throughout the Philippines, but primarily in and around Metro Manila where it is based. The Group also has branded food businesses in the People’s Republic of China, in the Association of Southeast Asian Nations region, New Zealand and Australia and an interest in a property development business in Singapore.

The principal activities of the Group are further described in Note 6, *Segment Information*, to the consolidated financial statements.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL), financial assets at fair value through other comprehensive income (FVOCI), available-for-sale (AFS) investments and derivative financial instruments that are measured at fair value, and certain biological assets and agricultural produce that are measured at fair value less estimated costs to sell.

The consolidated financial statements of the Group are presented in Philippine peso (₱), the functional currency of the Parent Company. All values are rounded to the nearest peso except when otherwise stated.



A summary of the functional currencies of certain foreign subsidiaries within the Group follows:

Subsidiaries	Country of Incorporation	Functional Currency
Parent Company		
JG Summit Cayman Limited	Cayman Islands	Philippine Peso
JG Summit Philippines, Ltd. and Subsidiaries		
JG Summit Philippines, Ltd.	-do-	-do-
JGSH Philippines, Limited	British Virgin Islands	-do-
Telegraph Development, Ltd.	-do-	-do-
Summit Top Investment, Ltd.	-do-	-do-
URC Group		
Universal Robina (Cayman), Limited	Cayman Islands	-do-
URC Philippines, Limited	British Virgin Islands	-do-
URC Asean Brands Co. Ltd.	-do-	US Dollar
Hong Kong China Foods Co. Ltd.	-do-	-do-
URC International Co., Ltd.	-do-	-do-
URC China Commercial Co. Ltd.	China	Chinese Renminbi
Xiamen Tongan Pacific Food Co., Ltd.	-do-	-do-
Shanghai Peggy Foods Co., Ltd.	-do-	-do-
Guangzhou Peggy Foods Co., Ltd.	-do-	-do-
Jiangsu Acesfood Industrial Co.	-do-	-do-
Shantou SEZ Shanfu Foods Co., Ltd.	-do-	-do-
Shantou Peggy Co., Ltd.	-do-	-do-
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	-do-	-do-
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
Advanson International Pte. Ltd.	-do-	-do-
Acesfood Network Pte. Ltd.	-do-	-do-
Acesfood Holdings Pte. Ltd.	-do-	-do-
Acesfood Distributors Pte. Ltd.	-do-	-do-
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC (Myanmar) Co. Ltd.	Myanmar	Myanmar Kyats
URC Hong Kong Company Limited	Hong Kong	Hong Kong Dollar
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	-do-	-do-
URC Central Co. Ltd.	-do-	-do-
Ricellent Sdn. Bhd.	Malaysia	Malaysian Ringgit
URC Snack Foods (Malaysia) Sdn. Bhd.	-do-	-do-
URC Oceania Company Ltd.	British Virgin Islands	US Dollar
URC New Zealand Holding Company Ltd.	New Zealand	New Zealand Dollar
URC New Zealand Finance Company Ltd.	-do-	-do-
Griffin's Foods Limited	-do-	-do-
Nice & Natural Limited	-do-	-do-
URC Australia Holding Company Ltd.	Australia	Australian Dollar
URC Australia Finance Company Ltd.	-do-	-do-
Consolidated Snacks Pty Ltd	-do-	-do-
Snack Brands Australia Partnership	-do-	-do-
RLC Group		
Robinsons (Cayman) Limited	Cayman Islands	US Dollar
RLC Resources Ltd	British Virgin Islands	-do-
Land Century Holdings, Ltd.	Hong Kong	Hong Kong Dollar
World Century Enterprise Ltd.	-do-	-do-
First Capital Development, Ltd	-do-	-do-
Chengdu Xin Yao Real Estate Development, Co. Ltd	China	Chinese Renminbi

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).



Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following wholly and majority owned subsidiaries:

Subsidiaries	Country of Incorporation	Principal Place of Business	Effective Percentage of Ownership	
			2018	2017
Food				
Universal Robina Corporation (URC) and Subsidiaries	Philippines*	8 th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	55.25	55.25
CFC Clubhouse Property, Inc. (CCPI)	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	—	55.25
CFC Corporation	-do-	-do-	55.25	55.25
Bio-Resource Power Generation Corporation	-do-	Manjuyod, Negros Oriental	55.25	55.25
Nissin-URC	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	28.17**	28.17**
Calbee-URC, Inc (CURCI)	-do-	8th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	55.25	—
Hunt - URC (HURC)	-do-	8th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	55.25	—
URC Philippines, Limited (URCPL)	British Virgin Islands	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	55.25	55.25
URC International Co. Ltd. (URCICL) and Subsidiaries	-do-	-do-	55.25	55.25
Universal Robina (Cayman), Ltd. (URCL)	Cayman Islands	Maples and Calder, P.O. Box 309, Uglan House, South Church Street, Grand Cayman, Cayman Islands, British West Indies	55.25	55.25
URC China Commercial Co., Ltd.	China	318 Shangcheng Road, Room 1417 Lian You Bldg., Pudong, Shanghai, China	55.25	55.25
Air Transportation				
CP Air Holdings, Inc. (CPAHI) and Subsidiaries	Philippines	2nd Floor, Doña Juanita Marquez Lim Building, Osmeña Boulevard, Cebu City	100.00	100.00
Cebu Air, Inc. (CAI) and Subsidiaries	-do-	-do-	67.64	67.23
Real Estate and Hotels				
Robinsons Land Corporation (RLC) and Subsidiaries	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	60.97	60.97
Robinson's Inn, Inc.	-do-	-do-	60.97	60.97
Robinsons Realty and Management Corporation	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	60.97	60.97
Robinsons (Cayman) Limited	Cayman Islands	Maples and Calder, P.O. Box 309, Uglan House, South Church Street, Grand Cayman, Cayman Islands	60.97	60.97
Robinsons Properties Marketing and Management Corporation	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Artigas Center, Pasig City	60.97	60.97
Manhattan Buildings and Management Corp	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Artigas Center, Pasig City	60.97	60.97
Altus Angeles, Inc.	-do-	McArthur Highway, Balisage, Angeles City, Pampanga	31.09**	31.09**
Altus San Nicolas Corporation	-do-	Bogy. 1 San Francisco, San Nicolas, Ilocos Norte	60.97	60.97
Go Hotels Davao, Inc.	-do-	Lanang, Davao City	31.09**	31.09**
Lingkod Pinoy Bus Liner, Inc.	-do-	Philippines	—	48.78
RLC Resources Ltd	British Virgin Islands	British Virgin Islands	60.97	60.97

(Forward)



Subsidiaries	Country of Incorporation	Principal Place of Business	Effective Percentage of Ownership	
			2018	2017
Land Century Holdings, Ltd.	Hong Kong	Hong Kong	60.97	60.97
World Century Enterprise Ltd.	Hong Kong	Hong Kong	60.97	60.97
First Capital Development, Ltd	Hong Kong	Hong Kong	60.97	60.97
Chengdu Xin Yao Real Estate Development Co. Ltd.	China	China	60.97	60.97
Bacoor R and F Land Corporation (BRFLC)	Philippines	Philippines	42.68	-
Bonifacio Property Ventures, Inc.	Philippines	Philippines	60.97	-
Altus Mall Ventures, Inc.	Philippines	Philippines	60.97	-
Petrochemicals				
JG Summit Petrochemical Corporation (JGSPC)	Philippines	Ground Floor, Cybergate Tower 1, EDSA corner, Pioneer Street, Mandaluyong City	100.00	100.00
JG Summit Olefins Corporation (JGSOC)	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	100.00	100.00
Banking				
Robinsons Bank Corporation (RBC) and a Subsidiary	-do-	17th floor, Galleria Corporate Center EDSA corner Ortigas Avenue, Quezon City	60.00	60.00
Legazpi Savings Bank, Inc. (LSB)	-do-	Rizal Street, Barangay Sagpon, Albay, Legazpi City	60.00	60.00
Supplementary Businesses				
Express Holdings, Inc. (EHI) and a Subsidiary	-do-	29th Floor, Galleria Corporate Center, EDSA, Quezon City	100.00	100.00
JG Digital Capital Pte. Ltd (JDCPL)	Singapore	168 Tagore Lane Singapore	100.00	-
JG Summit Capital Services Corp. (JGSCSC)				
and Subsidiaries	-do-	40th Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City	100.00	100.00
JG Summit Capital Markets Corporation (JGSMC)	-do-	-do-	100.00	100.00
Summit Internet Investments, Inc.	-do-	-do-	100.00	100.00
JG Summit Cayman, Ltd. (JGSCL)	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands	100.00	100.00
JG Summit Philippines Ltd. (JGSPL) and Subsidiaries	-do-	-do-	100.00	100.00
	British	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola,		
JGSH Philippines, Limited	Virgin Islands	British Virgin Islands	100.00	100.00
Telegraph Development, Ltd.	-do-	-do-	100.00	100.00
Summit Top Investment, Ltd.	-do-	-do-	100.00	100.00
Unicon Insurance Brokers Corporation (UIBC)	Philippines	CFC Bldg., E. Rodriguez Avenue, Bagong Ilog, Pasig City	100.00	100.00
JG Summit Infrastructure Holdings Corporation	-do-	43 rd Floor Robinsons Equitable Tower, ADB avenue, Corner Poveda Road, Pasig City	100.00	100.00
Merbau Corporation	-do-	Ground floor Cybergate Tower 1 Edsa cor Pioneer St. Mandaluyong City	100.00	100.00
Batangas Agro-Industrial Development Corporation (BAID) and Subsidiaries	-do-	5th Floor Citibank Center, Makati	100.00	100.00
Fruits of the East, Inc.	-do-	Citibank Center, Paseo de Roxas, Makati	100.00	100.00
Hometel Integrated Management Corporation	-do-	-do-	100.00	100.00
King Leader Philippines, Inc.	-do-	5th Floor Citibank Center, Makati	100.00	100.00
Tropical Aqua Resources	-do-	-do-	100.00	100.00
United Philippines Oil Trading, Inc.	-do-	-do-	100.00	100.00
Samar Commodities Trading and Industrial Corporation	-do-	-do-	100.00	100.00

* Certain subsidiaries are located in other countries, such as China, Malaysia, Singapore, Thailand, Vietnam, etc.

** These are majority-owned subsidiaries of the Parent Company's directly-owned subsidiaries.



Merger of CCPI

On March 10, 2015 and May 27, 2015, the BOD and stockholders of URC, respectively, approved the plan to merge CCPI with URC. On April 25, 2017 and June 28, 2017, the BOD and stockholders of URC, approved the revised Plan of Merger and Articles of Merger between CCPI and URC. On April 24, 2018, the SEC approved the merger.

Acquisition of CURCI and HURC

In September 2018, URC entered into separate share purchase agreements with its joint venture partners, Calbee, Inc., and ConAgra Grocery Products Company, LLC., to purchase their 50% equity interest in CURCI and HURC, respectively. As a result, CURCI and HURC became wholly-owned subsidiaries of URC.

Sale of LPBLI

On April 20, 2018, the BOD of RLC approved the sale of RLC's 80% share in LPBLI to Gran Cruiser Bus Corp.

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 statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

PFRS 10, prescribes guidance on the consolidation of SPE. Under PFRS 10, special purpose entities (SPE) should be consolidated when the substance of the relationship between the company and the SPE indicates that the SPE is controlled by the company. Control over an entity may exist when one entity is exposed, or has the rights to variable returns from its involvement with the SPE and has the ability to affect those returns through its power over the SPE. In accordance with PFRS 10, the Group's consolidated financial statements include the accounts of SPEs namely: Boracay Leasing Limited (BLL), Surigao Leasing Limited (SLL), Panatag One Aircraft Leasing Limited (POALL), Panatag Two Aircraft Leasing Limited (PTALL), Panatag Three Aircraft Leasing Limited (PTHALL), Summit C Aircraft Leasing Limited (SCALL), Tikgi One Aviation Designated Activity Company (TOADAC), Summit D Aircraft Leasing Limited (SDALL) and CAI Limited (CL). BLL, SLL, POALL, PTALL and PTHALL are SPEs in which the Group does not have equity interest. BLL, SLL, POALL, PTALL, PTHALL, SCALL, TOADAC, SDALL and CL acquired the passenger aircraft for lease to CAI under finance lease arrangements and funded the acquisitions through long-term debt.



In April 2018, Cebu Aircraft Leasing Limited (CALL) and Sharp Aircraft Leasing Limited (SALL) were dissolved due to the sale of aircraft to third parties.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intragroup transactions, balances, income and expenses are eliminated in the consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Group.

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related other comprehensive income recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss in the consolidated statement of comprehensive income.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss in the consolidated statement of comprehensive income as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant PFRS. Changes in the fair value of contingent consideration classified as equity are not recognized.

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



that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

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

Goodwill

Goodwill arising on the acquisition of a subsidiary is recognized as an asset at the date the control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest, if any, in the entity over the net fair value of the identifiable net assets recognized.

If after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest, if any, the excess is recognized immediately in profit or loss in the consolidated statement of comprehensive income as a bargain purchase gain.

Goodwill is not amortized, but is reviewed for impairment at least annually. Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards and amendments effective as of January 1, 2018. The Group did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

In 2018, the Group adopted PFRS 9, *Financial Instruments*, which was applied using the transitional relief allowed by the standard, thereby resulting in the following impact:

- Comparative information for prior periods was not restated. The classification and measurement requirements previously applied in accordance with PAS 39, *Financial Instruments: Recognition and Measurement* and disclosures required in PFRS 7, *Financial Instruments: Disclosures* were retained for the comparative periods. Accordingly, the information presented for 2017 does not reflect the requirements of PFRS 9.
- The cumulative effect on previous periods as a result of retrospective application of the standard were recognized in the January 1, 2018 Retained Earnings or other components of equity, as appropriate.



Further, the Group adopted PFRS 15, *Revenue from Contracts with Customers*, which was applied using the modified retrospective approach under which the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to contracts that are not completed as at January 1, 2018. The cumulative effect of initially applying PFRS 15 is recognized at January 1, 2018 as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related interpretations.

As comparative information is not restated, the Group is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with PAS 1, *Presentation of Financial Statements*.

The impact on the Group's retained earnings, other comprehensive income (OCI) and non-controlling interests upon the adoption of PFRS 9 and 15 as at January 1, 2018 are as follows (*in thousands*):

Net changes in Retained Earnings	
Closing balance under previous PFRSs (December 31, 2017)	₱207,722,157
Impact of PFRS 9	
<i>Classification and measurement:</i>	
Reversal of impairment of AFS equity investments reclassified to financial assets at FVOCI	16,713,630
Reclassification of net market valuation losses to OCI (FVPL to FVOCI)	82,639
Reversal of net unrealized losses (FVPL to investment securities at amortized cost)	731
	<u>16,797,000</u>
<i>Expected credit losses (ECL):</i>	
ECL recognition on loans and receivables	(2,070,058)
ECL recognition on financial assets at FVOCI	(355)
ECL recognition on investment securities at amortized cost	(16)
	<u>(2,070,429)</u>
Impact of PFRS 15	
Deferral of ancillary revenues	(423,641)
Capitalization of sales commission	51,415
	<u>(372,226)</u>
Total impact	14,354,345
Opening balance under PFRS 9 and 15	₱222,076,502

* Amounts exclude share of non-controlling interests

Net changes in Other Comprehensive Income (Loss)	
Closing balance under PAS 39 (December 31, 2017)	(₱279,500)
Impact of PFRS 9	
Reversal of impairment of AFS equity investments reclassified to financial assets at FVOCI	(16,713,630)
Reclassification of net unrealized losses on AFS (AFS to investment securities at amortized cost)	564,054
Reclassification of net market valuation losses to OCI (FVPL to FVOCI)	(82,639)
Reclassification from amortized cost to FVOCI	9,248
Total impact	(16,222,967)
Opening balance under PFRS 9	(₱16,502,467)

* Amounts exclude share of non-controlling interests

** PFRS 15 had no impact on OCI



Net changes in Non-controlling Interests

Closing balance under previous PFRSs (December 31, 2017)	₱78,582,193
Impact of PFRS 9	
<i>Classification and measurement:</i>	
Reclassification of net unrealized losses on AFS (AFS to investment securities at amortized cost)	376,035
Reversal of net unrealized losses (FVPL to investment securities at amortized cost)	486
Reclassification from amortized cost to FVOCI	5,920
	382,441
<i>Expected credit losses (ECL):</i>	
ECL recognition on loans and receivables	(863,378)
ECL recognition on financial assets at FVOCI	(237)
ECL recognition on investment securities at amortized cost	(10)
	(863,625)
Impact of PFRS 15	
Deferral of ancillary revenues	(206,450)
Capitalization of sales commission	32,910
	(173,540)
Total impact	(654,724)
Opening balance under PFRS 9 and 15	₱77,927,469

In 2016, the Group recorded a total of ₱16.7 billion impairment on its PLDT investments classified as AFS investments following significant decline in the market value of the shares as of December 31, 2016 from acquisition cost. The cumulative net unrealized loss previously recycled to profit or loss was reversed to opening balance of retained earnings.

Refer to the succeeding discussions for the explanation on each impact on the Group's retained earnings, non-controlling interests, and OCI.

- PFRS 9, *Financial Instruments*
Effective January 1, 2018, PFRS 9 replaces PAS 39. PFRS 9 also supersedes all earlier versions of the standard, thereby bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

The Group adopted the classification and measurement, impairment and hedge accounting requirements of PFRS 9 as follows:

Financial Instruments - Classification and Measurement

Classification of financial assets

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- financial assets measured at amortized cost;
- financial assets measured at fair value through profit or loss;
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are reclassified to profit or loss; and
- financial assets measured at fair value through other comprehensive income, where cumulative gains or losses previously recognized are not reclassified to profit or loss.



Contractual cash flows characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding. Instruments that do not pass this test are automatically classified at FVPL.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

Business model

The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, rather it refers to how it manages its financial assets in order to generate cash flows.

The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the portfolio and the financial assets held within that portfolio are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the portfolio (and the financial assets held within that portfolio) and how these risks are managed and how managers of the business are compensated.

Investment securities at amortized cost

A debt financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the Effective Interest Rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the consolidated statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Impairment losses' in the consolidated statement of comprehensive income.

Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets at FVOCI include debt and equity securities. After initial measurement, investment securities at AFVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of financial assets at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statements of comprehensive income as 'Fair value reserves on financial assets at FVOCI.'



Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatements on foreign currency-denominated debt securities at FVOCI, is reported in the consolidated statements of comprehensive income. Interest earned on holding debt securities at debt securities at FVOCI are reported as interest income using the effective interest method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the consolidated statements of comprehensive income is recognized in profit or loss. The ECL arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Impairment losses and others' in the consolidated statements of comprehensive income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the consolidated statements of comprehensive income as 'Dividend income' when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statements of comprehensive income is reclassified to 'Retained earnings' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are measured at FVTPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity and debt investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of comprehensive income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of debt instruments classified as FVOCI and investments securities at amortized cost.

Classification of financial liabilities

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;



- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3, *Business Combinations*.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income with the remainder recognized in profit or loss unless it will create or enlarge an accounting mismatch.

Reclassifications of financial instruments

The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

The following table shows the Group's financial instruments from their previous classification and measurement category in accordance with PAS 39 to their new classification and measurement categories upon transition to PFRS on January 1, 2018:

Financial assets	PAS 39 Measurement		Adjustments	PFRS 9 Measurement	
	Category	Amount		Amount	Category
Cash and cash equivalents	L&R	₱54,336	₱-	₱54,336	AC
FVPL					
Debt securities	FVPL	9,900,453	(9,900,453)	-	
		-	9,852,352	9,852,352	FVOCI
		-	49,317	49,317	AC
Equity		2,112,007	-	2,112,007	FVPL
Investment in convertible note		1,876,775	-	1,876,775	FVPL
Derivatives		467,898	-	467,898	FVPL
		14,357,133	1,216	14,358,349	
AFS investments	AFS				
Debt		21,033,225	(21,033,225)	-	
		-	10,081,382	10,081,382	FVOCI
		-	11,891,932	11,891,932	AC
Equity		26,032,176	(26,032,176)	-	
		-	26,032,176	26,032,176	FVOCI
		47,065,401	940,089	48,005,490	
Loans and receivables	L&R	88,672,707	-	88,672,707	AC
		1,591,199	21,668	1,612,867	FVOCI
		90,263,906	21,668	90,285,574	
Total		₱151,740,776	₱962,973	₱152,703,749	

The following explains how applying the new classification requirements of PFRS 9 led to changes in classification of certain financial assets of the Group on January 1, 2018:

- The Group elected to present in OCI changes in the fair value of the following investments:
 - Debt securities with carrying amount of ₱9.85 billion previously classified as financial assets at FVPL. The net market valuation losses on those securities amounting to ₱82.6 million were reclassified from retained earnings to OCI.



- A portion of debt instruments and all of equity securities previously classified as AFS investments with carrying amounts of ₱10.1 billion and ₱26.0 billion, respectively. This resulted in the reclassification of net unrealized losses on AFS investments amounting to ₱86.6 million to net unrealized losses on FVOCI.
- Certain lease-to-own receivables previously classified as Loans and receivables as at December 31, 2017 was reclassified to financial assets at FVOCI in compliance with the defined business model of held to collect and sell. This resulted in the fair value adjustment in OCI of ₱15.2 million.
- The following investments were reclassified to investment securities at amortized cost since the business model is to collect contractual cash flows up until their corresponding maturities:
 - Debt securities with carrying amount of ₱48.1 million previously classified as at FVPL. The net market valuation losses on those securities amounting to ₱1.2 million were reclassified out of retained earnings.
 - A portion of debt instruments previously classified as AFS investments with carrying amount of ₱11.0 billion. As a result, net unrealized loss amounting to ₱940.1 million was reclassified out of OCI.

Impairment of financial assets

PFRS 9 requires the Group to record ECL for all loans and other debt financial assets not classified as at FVPL, together with loan commitments and financial guarantee contracts.

Incurring loss versus expected credit loss methodology

The impairment requirements under PAS 39 (incurred loss model) are significantly different from those under PFRS 9 (expected loss model). Under the incurred loss model, loan and investment assets are regarded as impaired if there is no longer reasonable assurance that the future cash flows related to them will be either collected in their entirety or when due. Under the expected loss methodology, impairment is more forward looking, in that a credit event (or impairment 'trigger') no longer has to occur before credit losses are recognized. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

Staging assessment

PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The Group recognizes a 12-month ECL for Stage 1 financial instruments.



- Stage 2 is comprised of all financial instruments which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Stage 3 is comprised of all financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Group recognizes a lifetime ECL for Stage 3 financial instruments.

Definition of “default” and “restored”

The Group eventually classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days. As part of a qualitative assessment of whether a customer is in default, the Group considers a variety of instances that may indicate unlikeliness to pay. In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted.

An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

Credit risk at initial recognition

The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

Significant increase in credit risk

The assessment of whether there has been a significant increase in credit risk is based on an increase in the probability of a default occurring since initial recognition. The SICR criteria vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group’s internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. For exposures without internal credit grades, if contractual payments are more than a specified days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

ECL parameters and methodologies

ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.



The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL 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.

For the trade receivables of other segments of the Group, the standard's simplified approach was applied where ECLs are calculated based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk of these receivables, 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 the debtors and the economic environment.

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

- The application of the ECL methodology based on the stages of impairment assessment resulted in the recognition of allowance for credit losses for trade and other receivables, FVOCI and investment securities at amortized cost. This was charged against the opening balance of Retained Earnings account.

The adoption of PFRS 9 changed the Group's accounting for impairment for financial assets to ECL approach. The adoption of PFRS 9 as at January 1, 2018 resulted in a reduction of retained earnings and non-controlling interests amounting to ₱2.1 billion and ₱0.9 billion, respectively.



Hedge Accounting

The new hedge accounting model under PFRS 9 aims to simplify hedge accounting, align the accounting for hedge relationship more closely with an entity's risk management activities and permit hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks eligible for hedge accounting. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships.

Beginning January 1, 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is 'an economic relationship' between the hedged item and the hedging instrument;
 - the effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
 - the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.
- PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Revenue under milling contracts

With the effectivity of PFRS 15 on January 1, 2018, as approved by the Financial Reporting Standards Council (FRSC), the Philippine Interpretations Committee (PIC) issued PIC Q&A 2019-3, *Revenue Recognition Guidance for Sugar Millers*, to assist the companies operating in the sugar industry in the adoption of PFRS 15. The interpretation states that a miller should recognize revenue arising from its sugar milling operation under either an output sharing agreement or cane purchase agreement, and that providing free storage constitutes a separate performance obligation in the case of an output sharing agreement.

In response to concerns raised by the sugar industry on the implementation and adoption of the PIC Q&A, the SEC issued MC No. 06 on April 4, 2019, deferring the application of the provisions of the above-mentioned PIC Q&A for a period of one (1) year.

Effective January 1, 2019, the Philippine sugar millers will adopt PIC Q&A No. 2019-3 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.



The Group availed of the deferral of adoption of the above specific provisions. Had these provisions been adopted, it would have affected retained earnings as at January 1, 2018 and revenue from milling, cost of sales, cost of milling and raw sugar inventories for 2018. Currently, revenue is recognized upon sale of raw sugar arising from the output sharing agreements.

With the deferral of the implementation of certain provisions of PIC Q&A 2019-3, the adoption of PFRS 15 did not have any significant impact to the consolidated financial statements.

Rewards points program on credit card business

The banking segment of the Group has a rewards program for its credit card business available points earned by the credit card holder. Prior to adoption of PFRS 15, the rewards program offered by the banking segment resulted in recognition of miscellaneous expense and accrued expense in relation to estimated points issued but not yet redeemed or expired. The banking segment concluded that under PFRS 15 these rewards points constitute a separate performance obligation because they provide a material right to credit card customers and a portion of the service fee was allocated to the rewards points earned by the customers. However, the change did not have a material impact on the deferred revenue related to the amount attributable to earned rewards points. There were no adjustments recognized to the opening balances of retained earnings as at January 1, 2018 as the adoption of PFRS 15 did not materially impact on the Group's accounting of revenues from service charges, and fees and commissions.

Revenue from contracts with customers of real estate segment

On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. On October 25, 2018 and February 8, 2019, the SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of three years until December 31, 2020:

- a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E;
- b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D, and;
- c. Accounting for Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H.

Under the same SEC Memorandum Circular No. 3 Series of 2019, the adoption of PIC Q&A No. 2018-14: PFRS 15 - Accounting for Cancellation of Real Estate Sales was also deferred until December 31, 2020.

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

- a. The accounting policies applied.
- b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
- c. Qualitative discussion of the impact to the consolidated financial statements had the concerned application guideline in the PIC Q&A has been adopted.



- d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

Except for the CUSA charges discussed under PIC Q&A No. 2018-12-H which applies to leasing transactions, the above deferral will only be applicable for real estate sales transactions.

Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

As the Group already excludes land and uninstalled materials in the determination of POC, it availed of the deferral of adoption of provisions (b) and (c) of PIC Q&As. Had these provisions been adopted, it would have the following impact in the consolidated financial statements:

- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
- The Group is acting as a principal for the provision of air-conditioning services. This would have resulted in the gross presentation of the related revenue and the related expenses and cost. Currently, the related revenue is presented net of costs and expenses. These would not result in any adjustment in the retained earnings as of January 1, 2018 and net income for 2018.
- Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2018. Currently, the Group records the repossessed inventory at its original carrying amount and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss.

The effects of adopting PFRS 15 as at January 1, 2018 are as follows (*in thousands*):

	As previously reported at December 31, 2017	Reference	Adjustment	As adjusted at January 1, 2018
Receivables	P9,341,007	a	(P6,855,943)	P2,485,064
Prepaid expenses	-	b	353,719	353,719
Contract assets	-	a	6,855,943	6,855,943
Accrued expenses	-	a	269,394	269,394
Contract liabilities *	-	a	2,424,999	2,424,999
Deposit from real estate buyers *	12,111,703	a	(2,424,999)	9,686,704
Unearned transportation revenue *	9,050,351	c	630,091	9,680,442
Retained earnings	207,722,157	b,c	(372,226)	207,349,931
Non-controlling interest	78,582,193	b,c	(173,540)	78,408,653

* Presented under 'Other current liabilities'



Set out below are the amounts by which each consolidated financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on OCI or the Group's operating, investing and financing cash flows.

The first column shows amounts prepared under PFRS 15 and the second column shows what the amounts would have been had PFRS 15 not been adopted.

Impact on the Consolidated Statement of Comprehensive Income for the year ended December 31, 2018 follows (*in thousands*):

	Reference	Amounts prepared under		Increase/ (Decrease)
		PFRS 15	Previous PFRSs	
Sale of goods and services				
Foods	d	₱127,769,949	₱129,515,091	(₱1,745,142)
Air transportation	c	74,113,777	75,626,162	(1,512,385)
Cost of sales and services	b,d	(18,719,559)	(20,464,701)	1,745,142
Gross income	b,c	183,164,167	184,676,552	(1,512,385)
General and administrative expenses	b	(48,503)	–	(48,503)
Operating income	b,c,	₱183,115,664	₱184,676,552	(₱1,560,888)

Impact on the Consolidated Statement of Financial Position as at December 31, 2018 follows (*in thousands*):

	Reference	Amounts prepared under		Increase/ (Decrease)
		PFRS 15	Previous PFRSs	
ASSETS				
Current Assets				
Receivables	a	₱43,865,353	₱48,953,710	(₱5,088,357)
Other current assets	a, b	29,654,956	24,282,349	5,372,607
Total Current Assets		73,520,309	73,236,059	284,250
Noncurrent Assets				
Receivables	a	49,661,486	56,106,481	(6,444,995)
Other noncurrent assets	a	18,586,697	12,141,702	6,444,995
Total Noncurrent Assets		68,248,183	68,248,183	–
Total Assets		₱141,768,492	₱141,484,242	₱284,250
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	b	₱132,904,262	₱132,655,835	₱248,427
Other current liabilities	a, c	25,865,025	24,352,640	1,512,385
Total Current Liabilities		158,769,287	157,008,475	1,760,812
Noncurrent Liabilities				
Other noncurrent liabilities	a	36,773,649	36,773,649	–
Total Liabilities		₱195,542,936	₱193,782,124	₱1,760,812

The nature of the adjustments as at January 1, 2018 and the reasons for the significant changes in the consolidated statement of financial position as at December 31, 2018 and the consolidated statement of comprehensive income for the year ended December 31, 2018 are described below:

- a. Before the adoption of PFRS 15, contract assets are not presented separately from trade receivables while contract liabilities are presented as deposits from real estate buyers. Upon adoption, the Group reclassified as contract asset (instead of installment contract receivables) under “Other current and noncurrent assets” any excess of progress of work over the right to an amount of consideration that is unconditional. Meanwhile, the excess of collection over progress of work is recorded as contract liability under “Other current and noncurrent liabilities.”



These did not result in any adjustment in the retained earnings as of January 1, 2018 and net income for the year ended December 31, 2018.

- b. The Group has sales agents who are responsible for the marketing and sale of its real estate projects. These real estate sales agents typically receive sales commission equivalent to a certain percentage of the total contract price, paid based on milestone of payments by the customers. These are recorded as contract cost and are fully accrued based on the total expected payment. Contract cost is amortized using the percentage of completion method consistent with the measure of progress for revenue recognition. Before PFRS 15, the sales commissions are expensed as paid and there is no accrual for the unpaid portion of the total expected payment upon entering into the contract.

The adoption resulted in increase in accrued expenses under 'Accounts payable and accrued expenses' of ₱269.4 million, increase in prepaid expenses under 'Other current assets' of ₱353.7 million, increase in retained earnings of ₱51.4 million and increase in non-controlling interest of ₱32.9 million in the consolidated statements of financial position as of January 1, 2018.

As of December 31, 2018, PFRS 15 resulted in (1) increase in prepaid expenses under 'Other current assets' of ₱284.2.0 million; (2) increase in accrued expenses under 'Accounts payable and accrued expenses' of ₱248.4 million; and (3) decrease in net income of ₱48.5 million.

- c. Before the adoption of PFRS 15, certain ancillary service fees are recognized at the time of booking. Upon the adoption of PFRS 15, these ancillary fees are deferred until the service has been rendered to the passengers according to flight schedule.

The above resulted in an increase in unearned transportation revenues under 'Other current liabilities' and a decrease in retained earnings of ₱630.4 million as of January 1, 2018.

As of December 31, 2018, PFRS 15 resulted in an increase in unearned transportation revenues and a decrease in net income of ₱1,512.4 million, respectively.

- d. The Group pays various consideration payable to customers and accounts for each type of consideration separately either treated as contra-revenue (discount) or an expense under the old revenue standard. Under PFRS 15, the Group shall account for a consideration payable to customer as a reduction in revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfer to the entity wherein the consideration payable to the customer shall be treated as an expense.

These did not result in any adjustment in the retained earnings as of January 1, 2018 and net income for the year ended December 31, 2018.



PIC Q&A on Advances to Contractors and PIC Q&A on Land Classification

The Parent Company adopted PIC Q&A 2018-11, Classification of Land by Real Estate Developer and PIC Q&A 2018-15, *PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current* starting January 1, 2018. The impact of adoption is applied retrospectively which resulted in the following reclassifications in the consolidated statement of financial position.

January 1, 2017	Reference	Reclassified to (from)	
		Inventories/ Current Assets	Land Held for Future Development/ Noncurrent Assets
Land held for future development	(a)	₱2,310,382,571	(₱2,310,382,571)
Advances to contractors and suppliers	(b)	(1,579,225,818)	1,579,225,818
Advances to lot owners	(c)	(1,019,856,796)	1,019,856,796

- a.) Land held for future development previously presented as non-current asset includes land which the BOD has previously approved to be developed into residential development for sale. Before the adoption of PIC Q&A 2018-11, the classification was based on the Group's timing to start the development of the property. This was reclassified under inventories in the consolidated statement of financial position. Land with undetermined future use was retained in investment properties (see Notes 11 and 15).
- b.) Advances to contractors and suppliers previously presented under current assets, representing prepayments for the construction of investment property was reclassified to noncurrent asset. Before the adoption of PIC Q&A 2018-15, the classification of the Group is based on the timing of application of these advances against billings and timing of delivery of goods and services. This interpretation aims to classify the prepayment based on the actual realization of such advances based on the determined usage/realization of the asset to which it is intended for (e.g. inventory, investment property, property plant and equipment) (see Notes 12 and 20).
- c.) Advances to lot owners previously presented under current assets consist of advance payments to land owners which will be applied against the costs of the real properties that will be acquired. Before the adoption of PIC Q&A 2018-15, the classification of the Group is based on the timing of the application of these advances which is expected to be within twelve (12) months after the reporting date. This interpretation aims to classify the prepayment based on the actual realization of such advances based on the determined usage/realization of the asset to which it is intended for (e.g. inventory, investment property).

These reclassifications have no impact on the prior year net income, equity, total assets, total liabilities and cash flows. Accordingly, no third consolidated statement of financial position has been presented and accounts affected have been disclosed.

The adoption of the following pronouncements did not have any significant impact on the Group's financial position or performance:

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised



as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018.
- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.



Significant Accounting Policies

Fair Value Measurement

For measurement and disclosure purposes, the Group determines the fair value of an asset or liability at initial measurement or at each statement of financial position date. 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 by 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.

Foreign Currency Translation

The Group's consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities in their respective functional currencies at the foreign exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated using the closing foreign exchange rate prevailing at the reporting date. All differences are charged to profit or loss in the consolidated statement of comprehensive income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in statement of income.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies

As of reporting date, the assets and liabilities of foreign subsidiaries, with functional currencies other than the functional currency of the Parent Company, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and their respective income and expenses are translated at the monthly weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in other comprehensive income. On



disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation shall be recognized in profit or loss.

Cash and Cash Equivalents

Cash represents 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 the dates of placement, and that are subject to an insignificant risk of changes in value.

Financial Instruments

For all periods up to and including the year ended December 31, 2017, the Group accounted for financial instruments under PAS 39, *Financial Instruments: Recognition and Measurement*. For the year ended December 31, 2018, the Group accounted for financial instruments in accordance with, *Financial Instruments*.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of equity instrument of another entity.

Financial instruments prior to January 1, 2018

Date of recognition

Financial instruments within the scope of PAS 39 are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments

Financial instruments are recognized initially at fair value. Except for financial instruments carried at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets into the following categories: financial assets at FVPL, AFS investments, loans and receivables, or as derivatives designated as a hedging instrument, in an effective hedge. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an 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 variables used are made of data which is not observable, the difference between the transaction price and model value is only recognized in the 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.



Financial assets and financial liabilities at FVPL

Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading purposes, derivative financial instruments or those designated upon initial recognition at FVPL.

Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term.

Derivatives are also classified under financial assets or liabilities at FVPL, unless they are designated as hedging instruments in an effective hedge.

Financial assets or liabilities may be designated by management on initial recognition as at FVPL when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are reflected in profit or loss under 'Market valuation gain (loss) on financial assets at FVPL.' Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded in other operating income according to the terms of the contract, or when the right to receive payment has been established.

Derivatives classified as FVPL

The Group is a counterparty to derivative contracts, such as interest rate swaps, currency forwards, cross currency swaps, currency options, commodity swaps and zero cost collar. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. Such derivative financial instruments (including bifurcated embedded derivatives) are initially recorded at fair value on the date at which the derivative contract is entered into or bifurcated and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly in profit or loss as 'Market valuation gain (loss) on derivative financial instruments.' Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair values of the Group's derivative instruments are calculated by using certain standard valuation methodologies and quotes obtained from third parties.

Embedded derivatives

Embedded derivatives are bifurcated from their host contracts, when the following conditions are met: (a) the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets at FVPL; (b) when their economic risks and characteristics are not closely related to those of their respective host contracts; and (c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.



The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows that would otherwise be required.

Derivatives designated as accounting hedges

For the purpose of hedge accounting, hedges are classified primarily as either: (a) a hedge of the fair value of an asset, liability or a firm commitment (fair value hedge); (b) a hedge of the exposure to variability in cash flows attributable to an asset or liability or a forecasted transaction (cash flow hedge); or (c) a hedge of a net investment in a foreign operation (net investment hedge). Hedge accounting is applied to derivatives designated as hedging instruments in a fair value, cash flow or net investment hedge provided certain criteria are met.

Hedge accounting

At the inception of a hedging relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedge

Cash flow hedges are hedges of the exposure to variability in cash flows that are attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect the profit or loss. The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized as 'Net gains (losses) on cash flow hedges' in other comprehensive income. Any gain or loss in fair value relating to an ineffective portion is recognized immediately in profit or loss.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods in which the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognized in other comprehensive income is eventually recycled in profit or loss.

Hedge effectiveness testing

To qualify for hedge accounting, the Group is required that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness), and demonstrate actual effectiveness (retrospective effectiveness) on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method that the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. The Group applies the dollar-offset method using hypothetical derivatives in performing hedge effectiveness testing. For actual effectiveness to be achieved, the changes in fair



value or cash flows must offset each other in the range of 80 to 125 percent. Any hedge ineffectiveness is recognized in profit or loss.

Current versus noncurrent classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or noncurrent or separated into a current and noncurrent portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as noncurrent (or separated into current and noncurrent portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cashflows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a noncurrent portion only if a reliable allocation can be made.

HTM investments

HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments before their maturity, the entire category would be tainted and reclassified as AFS investments. Once tainted, the Group is not permitted to classify any of its financial assets as HTM investments for the next two fiscal years after the year of reclassification.

After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). Gains and losses are recognized in profit or loss when the HTM investments are derecognized and impaired, as well as through the amortization process. The effects of restatement of foreign currency-denominated HTM investments are recognized in profit or loss.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS investments or financial assets at FVPL. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the EIR and transaction costs. The amortization is included under 'Interest income' in profit or loss in the consolidated statement of comprehensive income. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.



AFS investments

AFS investments are those nonderivative investments which are designated as such or do not qualify to be classified as designated financial assets at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in profit or loss. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from profit or loss in the consolidated statement of comprehensive income and are reported under 'Net unrealized gain (loss) on available-for-sale investments' under other comprehensive income in the consolidated statement of comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized in profit or loss in the consolidated statement of comprehensive income. Interest earned on holding AFS investments are reported as interest income using the effective interest method. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Dividends earned on holding AFS investments are recognized in profit or loss in the consolidated statement of comprehensive income when the right to receive payment has been established.

The losses arising from impairment of such investments are recognized under 'Impairment losses and others' in the consolidated statement of comprehensive income.

Other financial liabilities

Issued financial instruments or their components, which are not designated as at FVPL, are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned with the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees and debt issue costs that are an integral part of the EIR. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

This accounting policy applies primarily to the Group's short-term and long-term debt, accounts payable and accrued expenses and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension liabilities).

Reclassification of Financial Assets

A financial asset is reclassified out of the financial assets at FVPL category when the following conditions are met:

- the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and
- there is a rare circumstance.



The Group evaluates its AFS investments whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the ability and intention to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset to maturity.

For a financial asset reclassified out of the AFS category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Impairment of Financial Assets

Policies applicable prior to January 1, 2018

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on a financial asset carried at amortized cost (i.e., receivables or HTM investments) has been incurred, the amount of the loss is



measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account. The loss is recognized in the consolidated statement of comprehensive income as 'Impairment losses and others'. The asset, together with the associated allowance account, is written-off when there is no realistic prospect of future recovery.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

The Group performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment loss.

The review is accomplished using a combination of specific and collective assessment approaches, with the impairment loss being determined for each risk grouping identified by the Group.

AFS investments

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity investments classified as AFS investments, objective evidence would include a 'significant' or 'prolonged' decline in the fair value of the investments below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. The Group treats 'significant' generally as 20% and 'prolonged' as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit and loss, is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss in the consolidated statement of comprehensive income. Increases in fair value after impairment are recognized as part of other comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss. Such accrual is recorded as part of 'Interest income' in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the profit or loss.



Derecognition of Financial Instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have 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 a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership and retained control of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or 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.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset 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 of default, and event of solvency or bankruptcy of the Group and all of the counterparties.

Inventories

Inventories, including work-in-process, are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV for materials, spare parts and other supplies represents the related replacement costs. In determining the NRV, the Group deducts from cost 100.0% of the carrying value of slow-moving items and nonmoving items for more than one year.

When inventories are sold, the carrying amounts of those inventories are recognized under ‘Cost of sales and services’ in profit or loss in the period when the related revenue is recognized.

Some inventories may be allocated to other asset accounts, for example, inventory used as a component of a self-constructed property, plant or equipment. Inventories allocated to another asset in this way are recognized as an expense during the useful life of that asset.



Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Finished goods, work-in-process, raw materials and packaging materials

a. *Petrochemicals*

Cost is determined using the FIFO costing method. Under this method, items that are purchased first or are produced first are sold first and items remaining at the end of the period are those most recently purchased or produced. Cost of finished goods and work-in-process includes direct materials and labor and a proportion of manufacturing overhead costs based on actual goods processed and produced.

b. *Branded consumer foods, agro-industrial and commodity food products*

Cost is determined using the weighted average method. Under the weighted average costing method, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. Cost of finished goods and work-in-process include direct materials and labor and a proportion of manufacturing overhead costs based on actual goods processed and produced, but excluding borrowing costs.

Subdivision land and condominium and residential units for sale

Subdivision land, condominium and residential units for sale in the ordinary course of business are carried at the lower of cost and NRV. Cost includes land costs, costs incurred for development and improvement of the properties and borrowing costs on loans directly attributable to the projects which were capitalized during construction.

NRV is the estimated selling price in the ordinary course of business less cost of completion and estimated costs necessary to make the sale.

The cost of inventory recognized in the consolidated statement of comprehensive income is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Factory supplies and spare parts

Cost is determined using the weighted average method.

Investments in Associates and Joint Ventures

Associates pertain to all 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 is not control or joint control over those policies. In the consolidated financial statements, investment in associates is accounted for under the equity method of accounting.

The Group also has interests in joint ventures. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The Group's investments in its associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investments in associates and joint ventures are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associates and joint ventures. The consolidated statement of comprehensive income reflects the share of the results of operations of the associates and joint ventures. Where there has been a change recognized in the investees' other comprehensive income, the Group recognizes its share of any changes and discloses this, when applicable, in the other comprehensive income. Profits and losses arising from transactions between the Group and the associate are eliminated to the extent of the interest in the associates and joint ventures.



The Group's investments in certain associates and joint ventures include goodwill on acquisition, less any impairment in value. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is not amortized.

Where necessary, adjustments are made to the financial statements of associates to bring the accounting policies used in line with those used by the Group.

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

Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and those which are not occupied by entities in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and impairment loss, if any. Land is carried at cost less impairment loss, if any. Investment properties are measured initially at cost, including transaction costs. Transaction costs represent nonrefundable taxes such as capital gains tax and documentary stamp tax that are for the account of the Group. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are classified under investment properties upon: a) entry of judgment in case of judicial foreclosure; b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or c) notarization of the Deed of Dacion in case of dation in payment (dacion en pago).

The Group's investment properties are depreciated using the straight-line method over their estimated useful lives (EUL) as follows:

Land improvements	5 to 10 years
Buildings and improvements	10 to 30 years

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

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in profit or loss in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. 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.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under 'Property, plant and equipment' up to the date of change in use.



Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of investment properties are capitalized during the construction period. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Property, Plant and Equipment

Property, plant and equipment, except land which is stated at cost less any impairment in value, are carried at cost less accumulated depreciation, amortization and impairment loss, if any.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes: (a) interest and other financing charges on borrowed funds used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction; and (b) asset retirement obligation (ARO) relating to property, plant and equipment installed/constructed on leased properties or leased aircraft.

Subsequent replacement costs of parts of property, plant and equipment are capitalized when the recognition criteria are met. Significant refurbishments and improvements are capitalized when it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond the originally assessed standard of performance. Costs of repairs and maintenance are charged as expense when incurred.

Foreign exchange differentials arising from the acquisition of property, plant and equipment are charged against profit or loss in the consolidated statement of comprehensive income and are no longer capitalized.

Depreciation and amortization of property, plant and equipment commences once the property, plant and equipment are available for use, and are computed using the straight-line method over the EUL of the assets, regardless of utilization.

The EUL of property, plant and equipment of the Group follow:

	EUL
Land and improvements	10 to 40 years
Buildings and improvements	10 to 30 years
Machinery and equipment	4 to 50 years
Leasehold improvements	15 years
Passenger aircraft	15 years
Other flight equipment	5 years
Transportation, furnishing and other equipment	3 to 5 years

Leasehold improvements are amortized over the shorter of their EULs or the corresponding lease terms.

The assets' residual values, useful lives and methods of depreciation and amortization are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Any change in the expected residual values, useful lives and methods of depreciation are adjusted prospectively from the time the change was determined necessary.



Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use. Assets under construction are reclassified to a specific category of property, plant and equipment when the construction and other related activities necessary to prepare the properties for their intended use are completed and the properties are available for use.

Major spare parts and stand-by equipment items that the Group expects to use over more than one period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Depreciation and amortization on these major spare parts and stand-by equipment commence once these have become 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 the Group).

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

ARO

The Group is contractually required under various lease contracts to either restore certain leased aircraft to its original condition at its own cost or to bear a proportionate cost of restoration at the end of the contract period. The event that gives rise to the obligation is the actual flying hours, flying cycles or calendar months of the asset as used, as the usage determines the timing and nature of the overhaul and restoration work required or the amount to be contributed at the end of the lease term. For certain lease agreements, the Group provides for these costs over the terms of the leases through contribution to a maintenance reserve fund (MRF) which is recorded as outright expense. If the estimated cost of restoration is expected to exceed the cumulative MRF, an additional obligation is accounted on an accrual basis. Regular aircraft maintenance is accounted for as expense when incurred.

If there is a commitment related to maintenance of aircraft held under operating lease arrangements, a provision is made during the lease term for the lease return obligations specified within those lease agreements. The provision is made based on historical experience, manufacturers' advice and if relevant, contractual obligations, to determine the present value of the estimated future major airframe inspections cost and engine overhauls.

Advance payment for materials for the restoration of the aircraft is initially recorded under 'Advances to supplier' account in the consolidated statement of financial position. This is recouped when the expenses for restoration of aircraft have been incurred.

The Group regularly assesses the provision for ARO and adjusts the related liability.

Borrowing Costs

Interest and other finance costs incurred during the construction period on borrowings used to finance property development are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress, and expenditures and borrowing costs are being incurred. The capitalization of these borrowing costs ceases when substantially all the activities necessary to prepare the asset for sale or its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on the applicable weighted average borrowing rate for general borrowings. For specific borrowings, all borrowing costs are eligible for capitalization.



Borrowing costs which do not qualify for capitalization are expensed as incurred.

Interest expense on loans is recognized using the effective interest method over the term of the loans.

Biological Assets

The biological assets of the Group are divided into two major categories with sub-categories as follows:

Swine livestock	-	Breeders (livestock bearer)
	-	Sucklings (breeders' offspring)
	-	Weanlings (comes from sucklings intended to be breeders or to be sold as fatteners)
	-	Fatteners/finishers (comes from weanlings unfit to become breeders; intended for the production of meat)
	-	
Poultry livestock	-	Breeders (livestock bearer)
	-	Chicks (breeders' offspring intended to be sold as breeders)

Biological assets are measured on initial recognition and at each reporting date at its fair value less estimated costs to sell, except for a biological asset where fair value is not clearly determinable. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

Agricultural produce is the harvested product of the Group's biological assets. A harvest occurs when agricultural produce is either detached from the bearer biological asset or when a biological asset's life processes cease. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated costs to sell is recognized in the consolidated statement of income in the period in which it arises. The agricultural produce in swine livestock is the suckling that transforms into weanling then into fatteners/finishers, while the agricultural produce in poultry livestock is the hatched chick and table eggs.

A gain or loss on initial recognition of a biological asset at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of a biological asset are included in the consolidated statement of income in the period in which it arises.

Goodwill

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's operating segments as determined in accordance with PFRS 8, *Operating Segments*.

Following initial recognition, goodwill is measured at cost, less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see Impairment of Nonfinancial Assets).



Where goodwill forms part of a cash-generating unit 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 cash-generating unit retained.

Bank Licenses

Bank licenses arise from the acquisition of branches of a local bank by the Group and commercial bank license. The Group's bank licenses have indefinite useful lives and are subject to annual individual impairment testing.

Intangible Assets

Intangible assets (other than goodwill) acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the acquisition date. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment loss, if any.

The EUL of intangible assets are assessed to be either finite or indefinite.

The useful lives of intangible assets with finite lives are assessed at the individual asset level. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives.

The period and the method of amortization of an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized under 'Cost of sales and services' and 'General and administrative expenses' in profit or loss in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset. Intangible assets with finite lives are assessed for impairment, whenever there is an indication that the intangible assets may be impaired.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level (see further discussion under Impairment of Nonfinancial Assets). Such intangibles are not amortized. The intangible asset with an indefinite useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If the indefinite useful life is no longer appropriate, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Costs incurred to acquire computer software (which are not an integral part of its related hardware) and costs to bring it to its intended use are capitalized as intangible assets. Costs directly associated with the development of identifiable computer software that generate expected future benefits to the Group are also recognized as intangible assets. All other costs of developing and maintaining computer software programs are recognized as expense when incurred.

A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and is recognized in profit or loss in the consolidated statement of comprehensive income when the asset is derecognized.



A summary of the policies applied to the Group’s intangible assets follows:

	Technology Licenses	Licenses	Product Formulation and Brands	Software Costs	Customer Relationship	Trademarks
EUL	Finite (12 to 13.75 years)	Indefinite	Indefinite	Finite (5 years)	Finite (35 years)	Indefinite
Amortization method used	Amortized on a straight-line basis over the EUL of the license	No amortization	No amortization	Amortized on a straight-line basis over the EUL of the software cost	Straight line amortization	No amortization
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired	Acquired	Acquired

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group’s ‘Investments in associates and joint ventures’, ‘Investment properties’, ‘Property, plant and equipment’, ‘Biological assets at cost’, ‘Intangible assets’, ‘Goodwill’ and ‘Deferred subscriber acquisition and retention costs’.

Except for goodwill and intangible assets with indefinite lives which are tested for impairment annually, the Group assesses at each reporting date whether there is an indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset’s (or cash-generating unit’s) fair value less costs to sell and its value in use, and 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, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

Impairment losses from continuing operations are recognized under ‘Impairment losses and others’ in profit or loss.

The following criteria are also applied in assessing impairment of specific assets:

Property, plant and equipment, investment properties, intangible assets with definite useful lives and costs

For property, plant and equipment, investment properties, intangible assets with definite useful lives, an assessment is 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 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statement of comprehensive income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.



Goodwill

Goodwill is 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. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

The Group performs its impairment test of goodwill every reporting date.

Investments in associates and joint ventures

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in associates and joint ventures. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount under 'Impairment losses and others' in profit or loss.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are tested for impairment annually as of year-end either individually or at the cash-generating unit level, as appropriate.

Equity

Common and preferred stocks are classified as equity and are recorded at par. Proceeds in excess of par value are recorded as 'Additional paid-in capital' in the consolidated statement of changes in equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Retained earnings represent the cumulative balance of periodic net income/loss, dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

Treasury Shares

Treasury shares are recorded at cost and are presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (a) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued, and (b) retained earnings. No gain or loss is recognized in profit or on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Significant Accounting Policies Generally Applicable to Foods, Agro-Industrial and Commodities and Petrochemicals

Revenue Recognition (Upon adoption of PFRS 15 beginning January 1, 2018)

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



Sales of goods

Revenue from sale of goods and services is recognized at the point in time when control of the goods or services is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods and services, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any.

Sale of sugar

Sale of raw sugar is recognized upon (a) endorsement and transfer of quedans for quedan-based sales and (b) shipment or delivery and acceptance by the customers for physical sugar sales. Sale of refined sugar and alcohol is recognized upon shipment or delivery and acceptance by the customers. Sale of molasses warehouse receipts, which represents ownership title over the molasses inventories.

Rendering of tolling services

Revenue derived from tolling activities is recognized as revenue at a point in time when the related services have been rendered.

Revenue Recognition (Prior to adoption of PFRS 15)

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements.

Sale of goods

Revenue from sale of goods is recognized upon delivery, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any trade discounts, prompt payment discounts and volume rebates.

Rendering of tolling services

Revenue derived from tolling activities is recognized as revenue when the related services have been rendered.

Significant Accounting Policies Generally Applicable to Air Transportation

Revenue Recognition (Upon adoption of PFRS 15 beginning January 1, 2018)

Revenue from contracts with passengers and cargo customers, and any related revenue from services incidental to the transportation of passengers, is recognized when carriage is provided or when the passenger is lifted in exchange for an amount that reflects the consideration to which the Group expects to be entitled to.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of air transportation services

Passenger ticket and cargo waybill sales are initially recorded as contract liabilities under 'Unearned transportation revenue' account in the consolidated statement of financial position until earned and recognized under 'Revenue' account in the consolidated statement of comprehensive income when carriage is provided or when the passenger is lifted or flown.



Prior to the adoption of PFRS 15, passenger ticket and cargo waybill sales, excluding portion relating to awards under Lifestyle Rewards Program, are initially recorded under 'Unearned transportation revenue' account in the consolidated statement of financial position until earned and recognized under 'Revenue' account in the consolidated statement of comprehensive income when carriage is provided or when the passenger is lifted.

Flight and booking services

Revenue from services incidental to the transportation of passengers such as excess baggage, inflight sales and rebooking and website administration fees are initially recognized as contract liabilities under 'Unearned transportation revenue' account in the consolidated statement of financial position until the services are rendered.

Before the adoption of PFRS 15, ancillary fees (that is, baggage and booking fees) are recognized at the time of booking.

Other ancillary revenue

Other revenue such as refund surcharges, service income and cancellation fees are recognized when the services are provided.

Liability under Lifestyle Rewards Program

The Group operates a lifestyle rewards program called 'Getgo'. A portion of passenger revenue attributable to the award of Getgo points, which is estimated based on expected utilization of these benefits, is deferred until utilized. The fair value of the consideration received in respect of the initial sale is allocated to the award credits based on its fair value. The deferred revenue is included under 'Other noncurrent liabilities' account in the consolidated statement of financial position. Any remaining unutilized benefits are recognized as revenue upon redemption or expiry.

There have been no changes in the accounting policy on the deferral and subsequent recognition of passenger revenue related to the award of Getgo points as effect of the adoption of PFRS 15.

Significant Accounting Policies Generally Applicable to Real Estate and Hotels

Revenue Recognition (Upon adoption of PFRS 15 beginning January 1, 2018)

Revenue from Contract with Customers

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

The following specific recognition criteria must also be met before revenue is recognized:

Real estate sales – Philippines Operations – Performance obligation is satisfied over time

The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.



In measuring the progress of its performance obligation over time, the Group uses input method. Input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual resources used. Input method exclude the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Estimated development costs of the real estate project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as residential and development receivables, under trade receivables, is included in the "contract asset" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized trade receivables and contract assets is included in the "contract liabilities" account in the liabilities section of the consolidated statement of financial position.

Real estate sales – Philippines Operations – Performance obligation is satisfied at a point in time

The Group also derives real estate revenue from sale of parcels of raw land. Revenue from the sale of these parcels of raw land are recognized at a point in time (i.e., upon transfer of control to the buyer) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use but the Group does not have an enforceable right to payment for performance completed to date. The Group is only entitled to payment upon delivery of the land to the buyer and if the contract is terminated, the Group has to return all payments made by the buyer.

Real estate sales – China Operations

Taking into account the contract terms per house purchase and sales contract, Chengdu Xin Yao's business practice and the legal and regulatory environment in China, most of the property sales contracts in China do not meet the criteria for recognizing revenue over time and therefore, revenue from property sales continues to be recognized at a point in time, while some property sales contracts meet the criteria for recognizing revenue over time as the properties have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from customer for performance completed to date. Under PFRS 15, revenue from property sales is generally recognized when the property is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

Rental income

The Group leases its commercial and office real estate properties to others through operating leases. Rental income on leased properties is recognized on a straight-line basis over the lease term and may include contingent rents based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

Amusement income

Revenue is recognized upon rendering of services or at a point in time.



Revenue from hotel operations

Revenue from hotel operations is recognized when services are rendered or at a point in time. Revenue from banquets and other special events are recognized when the events take place or at a point in time. Rental income on leased areas of the hotel is recognized on a straight-line basis over the lease term. Revenue from food and beverage are recognized when these are served. Other income from transport, laundry, valet and other related hotel services are recognized when services are rendered.

Interest income

Interest income is recognized as the interest accrues using the effective interest rate (EIR) method.

Other income

Other income is recognized when earned.

Costs Recognition (Upon adoption of PFRS 15 beginning January 1, 2018)

Cost of Real Estate Sales

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Costs and General and Administrative Expense

Costs and expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the consolidated statement of comprehensive income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Contract Balances

Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).



Contract assets

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

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 or 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.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Costs to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of income.

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

Contract fulfillment assets

Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group's contract fulfillment assets pertain to connection fees and land acquisition costs.

Amortization, de-recognition and impairment of capitalized costs to obtain a contract

The Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within general and administrative expenses.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.



At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Revenue Recognition (Prior to adoption of PFRS 15)

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the consideration received or receivable, taking into the account contractually defined terms of payment and excluding taxes or duty.

The following specific recognition criteria must also be met before revenue is recognized:

Real estate sales

Revenue from sales of real estate and cost from completed projects is accounted for using the percentage of completion (POC). In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-1, the POC is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to buyer and the costs incurred or to be incurred can be measured reliably. Under the POC method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion by reference to the actual costs incurred to date over the estimated total costs of project.

Revenue recognition commences when the construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the required buyer's equity is met. Buyer's equity represents the percentage of collection over the total selling price that the buyer has paid the Group and it is at this collection level that the Group assesses that it is probable that the economic benefits will flow to the Group because of certainty of collection of the remaining balance of the selling price. This gives the buyer, a stake in the property, the level of which is sufficient enough to mitigate the risks of loss through default which would motivate the buyer to honor its obligations to the Group.

If any of the criteria under the percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Deposits from real estate buyers" account which is shown as part of the "Deposits and other current liabilities" and "Deposits and other noncurrent liabilities" account in the liabilities section of the consolidated statement of financial position.



Penalties are recognized as income when cash is received and forfeitures from cancelled sales and reservation fees are recognized as income when the cancellation of sales and reservation fees of buyers has been determined and established.

Rental income

The Group leases its commercial and office real estate properties to others through operating leases. Rental income on leased properties is recognized on a straight-line basis over the lease term and may include contingent rents based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

Revenue from hotel operations

Revenue from hotel operations is recognized when services are rendered. Revenue from banquets and other special events are recognized when the events take place. Rental income on leased areas of the hotel is recognized on a straight-line basis over the lease term. Revenue from food and beverage are recognized when these are served. Other income from transport, laundry, valet and other related hotel services are recognized when services are rendered.

Costs Recognition (Prior to adoption of PFRS 15)

Cost of Real Estate Sales

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Costs and General and Administrative Expense

Costs and expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the consolidated statement of comprehensive income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.



Significant Accounting Policies Generally Applicable to Banking

The following revenues which are generally applicable to the banking segment are outside of the scope of PFRS 15:

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVOCI and AFS investments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income'.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis. Under PAS 39, once the recorded value of a financial asset or group of similar financial assets carried at amortized cost has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Unearned discount is recognized as income over the terms of the receivables using the effective interest method and is shown as a deduction from loans.

Service fees and commission income

The Group earns fees and commission income from the diverse range of services it provides to its customers. Fees earned for the provision of services over a period of time are accrued over that period. These fees include investment fund fees, custodian fees, fiduciary fees, portfolio fees, credit-related fees and other service and management fees. Fees on deposit-related accounts are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collection.

Trading and securities gain (loss)

Trading and securities gain (loss) represents results arising from trading activities, including all gains losses from changes in the fair values of FVPL investments. It also includes gains and losses realized from sale of debt securities at FVOCI and AFS investments.

Gain from sale of properties, investments and other assets

Gain from sale of properties, investments and other assets is recognized upon completion of the earning process and the collectibility of the sales price is reasonably assured.

Other Income of the Group (Outside of Scope of PFRS 15)

Rental income

The Group leases its commercial and office real estate properties to others through operating leases. Rental income on leased properties is recognized on a straight-line basis over the lease term and may include contingent rents based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.



Dividend income

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

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense under 'Financing costs and other charges' account in the consolidated statement of comprehensive income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

Contingencies

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

Pension Costs

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

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

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

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

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.

Employee leave entitlement

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

Income Taxes

Current tax

Current 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 as of reporting date.

Deferred tax

Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- Where the deferred tax liability arises from the initial recognition of goodwill or 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 or loss; and



- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused 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 future taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference 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 future taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and 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 as of reporting date.

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

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

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or an extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.



Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and is included in the consolidated statement of financial position under 'Property, plant and equipment' with the corresponding liability to the lessor included under 'Long-term debt'. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss in the consolidated statement of comprehensive income. Capitalized leased assets are depreciated over the shorter of the EUL of the assets or the respective lease terms, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense under 'Cost of sales and services' and 'General administrative expenses' in profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

A sale and leaseback transaction includes the sale of an asset and the leasing back of the same asset. If the leaseback is classified as an operating lease, then, any gain is recognized immediately in the profit or loss if the sale and leaseback terms are demonstrably at fair value. Otherwise, the sale and leaseback are accounted for as follows:

- If the sale price is below the fair value, then, the gain or loss is recognized immediately other than to the extent that a loss is compensated for by future rentals at below market price, then the loss is deferred and amortized over the period that the asset is expected to be used.
- If the sale price is above the fair value, then, any gain is deferred and amortized over the period that the asset is expected to be used.
- If the fair value of the asset is less than the carrying amount of the asset at the date of the transaction, then that difference is recognized immediately as a on the sale.

Group as a 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.

Joint Operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognize in relation to its interest in a joint operation its assets, including its share of any assets held jointly; liabilities, including its share of any liabilities incurred jointly; revenue from the sale of its share of the output arising from the joint operation; share of the revenue from the sale of the output by the joint operation; and expenses, including its share of any expenses incurred jointly.



Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the period attributable to the ordinary equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the Parent Company (after deducting interest of the preferred shares, if any) by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on the conversion of all the dilutive potential common shares into common shares.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Parent Company in the case of cash dividends, and the BOD and shareholders of the Parent Company in the case of stock dividends.

Segment Reporting

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements.

Subsequent Events

Any post-year-end event up to the date of approval of the BOD of the consolidated financial statements that provides additional information about the Group's position at the reporting date (adjusting event) is reflected in the consolidated financial statements. Any post-year-end event that is not an adjusting event is disclosed in the notes to the consolidated financial statements, when material.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

The Group is currently assessing the impact of the amendments.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition



exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

These amendments are not expected to have any significant impact on the consolidated financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.



The Group is currently assessing the impact of adopting this interpretation.

- *Annual Improvements to PFRSs 2015-2017 Cycle*

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in consolidated statement of income, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.



Effective beginning on or after January 1, 2020

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

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

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments may apply on future business combinations of the Group.

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

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

Deferred effectivity

- Amendments to PFRS 10 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, *Business Combinations*. 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.



3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. 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 and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

a. *Revenue and cost recognition on real estate sales (beginning January 1, 2018)*

Revenue recognition method and measure of progress

For the revenue from real estate sales in the Philippines, the Group concluded that revenue is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

The Group has determined that input method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Principal versus agent considerations

The contract for the mall retail spaces and office spaces leased out by the Group to its tenants includes the right to charge for the electricity usage, water usage, air conditioning charges and common usage service area (CUSA) like maintenance, janitorial and security services.

For the electricity and water usage and CUSA, the Group determined that it is acting as an agent because the promise of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company and to provide services such as maintenance, janitorial and security services. The utility and service companies, and not the real estate developer, are primary responsible for the provisioning of the utilities while the Group, administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities. The Group does not have the discretion on the pricing of the services provided since the price is based on the actual rate charged by the utility providers.

For the provision of air conditioning, the Group acts as a principal. This is because it is the Group who retains the right to direct the service provider of air conditioning to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the air conditioning charges. However, since the Group has availed of the relief to the



real estate industry by deferring the application of accounting to CUSA charges discussed in PIC Q&A No. 2018-12-H, the Group retained its current assessment and accounting for air conditioning charges.

Revenue and cost recognition

The Group's real estate sales is recognized overtime and the percentage-of-completion is determined using input method measured principally based on total actual cost of resources consumed such as materials, labor hours expended and actual overhead incurred over the total expected project development cost. Actual costs also include incurred costs but not yet billed which are estimated by the project engineers. Expected project development costs include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

b. Revenue recognition on sale of goods from the food business

Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint; and (d) recognition of revenue as the Group satisfies the performance obligation.

i. Existence of a contract

The Group enters into a contract with customer through an approved purchase order which constitutes a valid contract as specific details such as the quantity, price, contract terms and their respective obligations are clearly identified. In the case of sales to key accounts and distributors, the combined approved purchase order and trading terms agreement / exclusive distributorship agreement constitute a valid contract. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the goods sold that will be transferred to the customer.

ii. Identifying performance obligation

The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

Based on management assessment, other than the sale of goods and services, no other performance obligations were identified except in the case of milling revenue.

iii. Recognition of revenue as the Group satisfies the performance obligation

The Group recognizes its revenue from the food business at a point in time, when the goods are sold and delivered and when services are already rendered.



c. *Classification of financial assets (Beginning January 1, 2018)*

As discussed in Note 2, beginning January 1, 2018, the Group classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial assets are SPPI on the principal amount outstanding.

The Group performs the business model assessment based on observable factors such as:

- Performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- Compensation of business units whether based on the fair value of those assets managed or on the contractual cash flows collected
- Expected frequency, value, and timing of sales

d. *Determination of fair values of financial instruments*

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any change in fair value of these financial assets and liabilities would affect the consolidated statements of comprehensive income.

Where the fair values of certain financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives. Refer to Note 5 for the fair value measurements of financial instruments.

e. *Revenue from real estate sales (Prior to January 1, 2018)*

Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgment based on, among others:

- buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment (buyer's equity); and
- stage of completion of the project determined using cost-to-cost method.

The Group has set a certain percentage of collection over the total selling price in determining buyer's commitment on the sale. It is when the buyer's investment is considered adequate to meet the probability criteria that economic benefits will flow to the Group.

f. *Classification of leases*

Operating Lease

Operating lease commitments - Group as lessee

The Group has entered into leases on premises it uses for its operations. The Group has determined, based on evaluation of the terms and conditions of the lease agreements that the significant risk and rewards of ownership to these properties did not transfer to the Group. In determining this, the Group considers the following:

- the lease does not transfer the ownership of the asset to the lessee by the end of the lease term; and



- the related lease term does not approximate the EUL of the assets being leased.

Operating lease commitments - Group as lessor

Based on the evaluation of the terms and conditions of the arrangements, the Group has determined that it retains all significant risks and rewards of ownership to these properties. In determining this, the Group considers, the following:

- the leases do not provide for an option to purchase or transfer ownership of the property at the end of the lease; and
- the related lease term does not approximate the EUL of the assets being leased.

Finance Lease

Group as lessor

The Group has determined based on evaluation of terms and conditions of the lease arrangements (i.e., present value of minimum lease payments receivable amounts to at least substantially all of the fair value of leased asset, lease term if for the major part of the economic useful life of the asset, and lessor's losses associated with the cancellation are borne by the lessee) that it has transferred all significant risks and rewards of ownership of the properties it leases out on finance leases.

Group as lessee

The Group has determined based on evaluation of terms and conditions of the lease arrangements (i.e., present value of minimum lease payments payable amounts to at least substantially all of the fair value of leased asset, lease term if for the major part of the economic useful life of the asset, and lessor's losses associated with the cancellation are borne by the lessee) that it has obtained all significant risks and rewards of ownership of the properties it leased on finance leases.

Refer to Note 42 for the disclosure on the Group's leases.

g. *Distinction between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property is not occupied substantially for use by, or in operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property, only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

h. *Consolidation of SPEs*

The Group periodically undertakes transactions that may involve obtaining the right to control or significantly influence the operations of other companies. These transactions include the purchase of aircraft and assumption of certain liabilities. In all such cases, management makes an assessment as to whether the Group has: (a) power over the SPEs; (b) the right over the returns of its SPEs; and (c) the ability to use power over the SPEs to affect the amount of the Group's return, and based on these assessments, the SPEs are consolidated as a subsidiary or associated company. In making



these assessments, the management considers the underlying economic substance of the transaction and not only the contractual terms. The Group has assessed that it will benefit from the economic benefits of the SPEs' activities and it will affect the returns for the Group. The Group is directly exposed to the risks and returns from its involvement with the SPEs. Such rights and risks associated with the benefits and returns are indicators of control. Accordingly, the SPEs are consolidated.

Upon loss of control, the Group derecognizes the assets and liabilities of its SPEs and any surplus or deficit is recognized in profit or loss.

i. Determination of functional currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine an entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, each entity in the Group considers the following:

- a. the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- b. the currency in which funds from financing activities are generated; and
- c. The currency in which receipts from operating activities are usually retained.

In the case of an intermediate holding company or finance subsidiary, the principal consideration of management is whether it is an extension of the Parent Company and performing the functions of the Parent Company - i.e., whether its role is simply to hold the investment in, or provide finance to, the foreign operation on behalf of the Parent Company or whether its functions are essentially an extension of a local operation (e.g., performing selling, payroll or similar activities for that operation) or indeed it is undertaking activities on its own account. In the former case, the functional currency of the entity is the same with that of the Parent Company; while in the latter case, the functional currency of the entity would be assessed separately.

j. Significant influence over an associate with less than 20.0% ownership

In determining whether the Group has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.0% to 50.0% of the voting rights of an investee is presumed to give the Group a significant influence.

There are instances that an investor exercises significant influence even if its ownership is less than 20.0%. The Group applies significant judgment in assessing whether it holds significant influence over an investee and considers the following: (a) representation on the board of directors or equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions between the investor and the investee; (d) interchange of managerial personnel; or (e) provision of essential technical information.

k. Contingencies

The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's consolidated financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 43).



Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

a. Impairment of AFS equity investments (Prior to January 1, 2018)

The Group treats AFS equity investments as impaired, when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is ‘significant’ or ‘prolonged’ requires judgment. The Group treats ‘significant’ generally as 20.0% or more and ‘prolonged’ as greater than 12 months for quoted equity securities. In addition, the Group evaluates other factors, including the normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

In 2016, the Group recognized impairment loss on its AFS equity instruments amounting to ₱16.7 billion. In 2017, the Group did not recognize impairment losses on its AFS equity investments.

The carrying value of the Group’s AFS equity investments is disclosed in Note 10 to the consolidated financial statements.

b. Impairment of goodwill and intangible assets

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of reporting date. The recoverable amounts of the intangible assets were determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The following assumptions were also used in computing value in use:

Growth rate estimates - growth rates include long-term growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Value-in-use is the most sensitive to changes in revenue growth rates and discount rates.

As of December 31, 2018 and 2017, the balance of the Group’s goodwill and intangible assets, net of accumulated depreciation, amortization and impairment loss follow:

	2018	2017
Goodwill (Note 19)	₱32,005,604,356	₱32,023,183,943
Intangible assets (Note 18)	13,954,424,592	14,021,031,196

c. Expected credit losses on receivables (Beginning January 1, 2018)

For loans and receivables from the banking business, ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- Segmentation of the portfolio, where the appropriate ECL approach and/or model is used, including whether assessment should be done individually or collectively.



- Quantitative and qualitative criteria for determining whether there have been SICR as at a given reporting date and the corresponding transfers between stages.
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of correlations and interdependencies between risk factors, macroeconomic scenarios and economic inputs, such as inflation, policy rates and collateral values, and the resulting impact to PDs, LGDs and EADs.
- Selection of forward-looking information and determination of probability weightings to derive the ECL

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

For other receivables, provision matrix was used to calculate ECLs. The provision rates are based on historical default rates days past due for groupings of various segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions (i.e., gross domestic product and inflation rate) 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.

Refer to Note 11 for the carrying amount of receivables subject to ECL and the related allowance for credit losses as of December 31, 2018.

d. Estimation of allowance for impairment losses on receivables (Prior to January 1, 2018)

The Group reviews its finance receivables at each statement of financial position date to assess whether a credit loss should be recorded in the statement of income. The Group determines the provision for credit losses on finance receivables on an individual basis for individually significant finance receivables, and collectively for finance receivables that are not individually significant. The identification of impairment and the determination of the recoverable amount involve various assumptions and factors, including the financial condition of the counterparty, estimated future cash flows, observable market prices, estimated net realizable value of the collateral, historical loss rates, and net flow rates when determining the level of allowance required.

The Group maintains allowances for impairment losses on trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of the receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Group provides full allowance for trade and other receivables that it deems uncollectible.



Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. An increase in the allowance for impairment losses on receivables would increase recorded operating expenses and decrease either current or non-current assets.

Provisions for impairment losses on receivables, included in 'Impairment losses and others' in profit or loss in the consolidated statements of comprehensive income are disclosed in Notes 11 and 34 to the consolidated financial statements.

The carrying value of the Group's total receivables, net of allowance for impairment losses, is disclosed in Note 11 to the consolidated financial statements.

e. Revenue and cost recognition from the real estate business

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue and cost from real estate where performance obligation is satisfied over time and recognized based on the percentage of completion is measured principally on the basis of the estimated completion by reference to the actual costs incurred to date over the estimated total costs of the project. For the years ended December 31, 2018, 2017 and 2016, the real estate sales recognized over time amounted to ₱8.3 billion, ₱6.0 billion and ₱7.0 billion, respectively, while the related cost of real estate sales amounted to ₱4.5 billion, ₱3.1 billion and ₱4.2 billion, respectively.

f. Determination of the fair value of intangible assets and property, plant and equipment acquired in a business combination

The Group measures the identifiable assets and liabilities acquired in a business combination at fair value at the date of acquisition.

The fair value of the intangible assets acquired in a business combination is determined based on the net sales forecast attributable to the intangible assets, growth rate estimates and royalty rates using comparable license agreements. Royalty rates are based on the estimated arm's length royalty rate that would be paid for the use of the intangible assets. Growth rate estimate includes long-term growth rate and terminal growth rate applied to future cash flows beyond the projection period.

The fair value of property, plant and equipment acquired in a business combination is determined based on comparable properties after adjustments for various factors such as location, size and shape of the property. Cost information and current prices of comparable equipment are also utilized to determine the fair value of equipment.

The Group's acquisitions are discussed in Note 44 to the consolidated financial statements.

g. Determination of NRV of inventories

The Group, in determining the NRV, considers any adjustment necessary for obsolescence which is generally providing a 100.0% write down for nonmoving items for more than one year. The Group adjusts the cost of inventory to the recoverable value at a level considered adequate to reflect any market decline in the value of the recorded inventories. The Group reviews the classification of the inventories and generally provides adjustments for recoverable values of new, actively sold and slow-moving inventories by reference to prevailing values of the same inventories in the market.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in inventory obsolescence and market decline would increase recorded operating expenses and decrease current assets.



Inventory obsolescence and market decline included under 'Impairment losses and others' in profit or loss in the consolidated statements of comprehensive income are disclosed in Notes 12 and 34 to the consolidated financial statements.

The carrying value of the Group's inventories, net of inventory obsolescence and market decline, is disclosed in Note 12 to the consolidated financial statements.

h. Estimation of ARO

The Group is contractually required under certain lease contracts to restore certain leased passenger aircraft to stipulated return condition or to bear a proportionate cost of restoration at the end of the contract period. The contractual obligation includes regular aircraft maintenance, overhaul and restoration of the leased aircraft to its original condition. Since the first operating lease entered by the Group in 2001, these costs are accrued based on an internal estimate which includes certain overhaul, restoration, and redelivery costs at the end of the operating aircraft lease. Regular aircraft maintenance is accounted for as expense when incurred, while overhaul and restoration are accounted on an accrual basis. Calculations of such costs includes assumptions and estimates in respect of the anticipated rate of aircraft utilization which includes flying hours and flying cycles and calendar months of the asset as used.

Assumptions and estimates used to compute ARO are reviewed and updated annually by the Group. As of December 31, 2018 and 2017, the cost of restoration is computed based on the Group's assessment on expected future aircraft utilization.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. The recognition of ARO would increase other noncurrent liabilities and repairs and maintenance expense.

The carrying values of the Group's ARO (included under 'Other noncurrent liabilities' in the consolidated statements of financial position) is disclosed in Note 24 to the consolidated financial statements.

i. Estimation of useful lives of property, plant and equipment, investment properties, intangible assets with finite life and biological assets at cost

The Group estimates the useful lives of its depreciable property, plant and equipment, investment properties, intangible assets with finite life and biological assets at cost based on the period over which the assets are expected to be available for use. The EUL of the said depreciable assets are reviewed at least annually and are updated, if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the EUL of the depreciable property, plant and equipment, investment properties and intangible assets would increase depreciation and amortization expense and decrease noncurrent assets.

The carrying balances of the Group's depreciable assets are disclosed in Notes 15, 16, 17 and 18 to the consolidated financial statements.

j. Determination of fair values less estimated costs to sell of biological assets

The fair values of biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell costs include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transportation and other costs necessary to get the biological assets to the market. The fair values are reviewed and updated, if expectations differ from previous estimates due to changes brought by both physical change and



price changes in the market. It is possible that future results of operations could be materially affected by changes in these estimates brought about by the changes in factors mentioned.

The Group recognized gain (loss) arising from changes in the fair value of biological assets amounting to (P467.5 million), P118.8 million and (P95.6 million) (included in 'Cost of sales and services' in profit or loss in the consolidated statements of comprehensive income) in 2018, 2017 and 2016, respectively (see Note 17).

The carrying value of the Group's biological assets carried at fair values less estimated costs to sell is disclosed in Note 17 to the consolidated financial statements.

k. Estimation of pension and other benefits costs

The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates (see Note 37). Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date.

As of December 31, 2017 and 2016, the balance of the Group's present value of defined benefit obligations and other employee benefits is shown in Note 37 to the consolidated financial statements.

l. Assessment of impairment of nonfinancial assets

The Group assesses impairment on its nonfinancial assets (i.e., property, plant and equipment, investment properties, investments in associates and joint ventures, biological assets carried at cost and goodwill and other intangible assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value in use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance



the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

In the case of goodwill and intangible assets with indefinite lives, at a minimum, such assets are subject to an annual impairment test and more frequently whenever there is an indication that such asset may be impaired. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for impairment losses on nonfinancial assets recognized in 2018, 2017 and 2016 is disclosed in Note 34 to the consolidated financial statements.

As of December 31, 2018 and 2017, the balance of the Group's nonfinancial assets, net of accumulated depreciation, amortization and impairment loss are shown in Notes 14, 15, 16 and 18 to the consolidated financial statements.

m. Recognition of deferred tax assets

The Group reviews the carrying amounts of its deferred tax assets at each reporting date and reduces the deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized.

The Group's recognized deferred tax assets are shown in Note 38.

The Group has certain subsidiaries which enjoy the benefits of an income tax holiday (ITH). As such, no deferred tax assets were set up on certain gross deductible temporary differences that are expected to reverse or expire within the ITH period (see Note 38).

The total amount of temporary differences for which the Group did not recognize any deferred tax assets are shown in Note 38.

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivative financial instruments, comprise cash and cash equivalents, financial assets at FVPL, HTM investments, AFS investments, interest-bearing loans and borrowings and payables and other financial liabilities. The main purpose of these financial instruments is to finance the Group's operations and related capital expenditures. The Group has various other financial assets and financial liabilities, such as trade receivables and payables which arise directly from its operations. Also, the Parent Company and certain subsidiaries are counterparties to derivative contracts, such as interest rate swaps, currency forwards, cross currency swaps, currency options and commodity swaps and options. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures.

The BOD of the Parent Company and its subsidiaries review and approve the policies for managing each of these risks which are summarized below, together with the related risk management structure.



Risk Management Structure

The BOD of the Parent Company and the respective BODs of each subsidiary are ultimately responsible for the oversight of the Group's risk management processes that involve identifying, measuring, analyzing, monitoring and controlling risks.

The risk management framework encompasses environmental scanning, the identification and assessment of business risks, development of risk management strategies, design and implementation of risk management capabilities and appropriate responses, monitoring risks and risk management performance, and identification of areas and opportunities for improvement in the risk management process.

Each BOD has created the board-level Audit Committee (AC) to spearhead the managing and monitoring of risks.

AC

The AC shall assist the Group's BOD in its fiduciary responsibility for the over-all effectiveness of risk management systems and the internal audit functions of the Group. Furthermore, it is also the AC's purpose to lead in the general evaluation and to provide assistance in the continuous improvements of risk management, control and governance processes.

The AC also aims to ensure that:

- a. financial reports comply with established internal policies and procedures, pertinent accounting and audit standards and other regulatory requirements;
- b. risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management;
- c. audit activities of internal auditors are done based on plan, and deviations are explained through the performance of direct interface functions with the internal auditors; and
- d. the Group's BOD is properly assisted in the development of policies that would enhance the risk management and control systems.

Enterprise Risk Management Group (ERMG)

The ERMG was created to be primarily responsible for the execution of the enterprise risk management framework. The ERMG's main concerns include:

- a. recommendation of risk policies, strategies, principles, framework and limits;
- b. management of fundamental risk issues and monitoring of relevant risk decisions;
- c. support to management in implementing the risk policies and strategies; and
- d. development of a risk awareness program.

Corporate Governance Compliance Officer

Compliance with the principles of good corporate governance is one of the objectives of the Group's BOD. To assist the Group's BOD in achieving this purpose, the Group's BOD has designated a Compliance Officer who shall be responsible for monitoring the actual compliance of the Group with the provisions and requirements of good corporate governance, identifying and monitoring control compliance risks, determining violations, and recommending penalties for such infringements for further review and approval of the Group's BOD, among others.



Day-to-day risk management functions

At the business unit or company level, the day-to-day risk management functions are handled by four different groups, namely:

1. Risk-taking Personnel. This group includes line personnel who initiate and are directly accountable for all risks taken.
2. Risk Control and Compliance. This group includes middle management personnel who perform the day-to-day compliance check to approved risk policies and risk mitigation decisions.
3. Support. This group includes back office personnel who support the line personnel.
4. Risk Management. This group pertains to the business unit's Management Committee which makes risk-mitigating decisions within the enterprise-wide risk management framework.

Enterprise Resource Management (ERM) Framework

The Parent Company's BOD is also responsible for establishing and maintaining a sound risk management framework and is accountable for risks taken by the Parent Company. The Parent Company's BOD also shares the responsibility with the ERMG in promoting the risk awareness program enterprise-wide.

The ERM framework revolves around the following eight interrelated risk management approaches:

1. Internal Environmental Scanning. It involves the review of the overall prevailing risk profile of the business unit to determine how risks are viewed and addressed by management. This is presented during the strategic planning, annual budgeting and mid-year performance reviews of the Group.
2. Objective Setting. The Group's BOD mandates the business unit's management to set the overall annual targets through strategic planning activities, in order to ensure that management has a process in place to set objectives which are aligned with the Group's goals.
3. Event Identification. It identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.
4. Risk Assessment. The identified risks are analyzed relative to the probability and severity of potential loss which serves as a basis for determining how the risks should be managed. The risks are further assessed as to which risks are controllable and uncontrollable, risks that require management's attention, and risks which may materially weaken the Group's earnings and capital.
5. Risk Response. The Group's BOD, through the oversight role of the ERMG, approves the business unit's responses to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.
6. Control Activities. Policies and procedures are established and approved by the Group's BOD and implemented to ensure that the risk responses are effectively carried out enterprise-wide.
7. Information and Communication. Relevant risk management information are identified, captured and communicated in form and substance that enable all personnel to perform their risk management roles.
8. Monitoring. The ERMG, Internal Audit Group, Compliance Office and Business Assessment Team constantly monitor the management of risks through risk limits, audit reviews, compliance checks, revalidation of risk strategies and performance reviews.



Risk management support groups

The Group's BOD created the following departments within the Group to support the risk management activities of the Parent Company and the other business units:

1. Corporate Security and Safety Board (CSSB). Under the supervision of ERMG, the CSSB administers enterprise-wide policies affecting physical security of assets exposed to various forms of risks.
2. Corporate Supplier Accreditation Team (CORPSAT). Under the supervision of ERMG, the CORPSAT administers enterprise-wide procurement policies to ensure availability of supplies and services of high quality and standards to all business units.
3. Corporate Management Services (CMS). The CMS is responsible for the formulation of enterprise-wide policies and procedures.
4. Corporate Planning (CORPLAN). The CORPLAN is responsible for the administration of strategic planning, budgeting and performance review processes of business units.
5. Corporate Insurance Department (CID). The CID is responsible for the administration of the insurance program of business units concerning property, public liability, business interruption, money and fidelity, and employer compensation insurances, as well as, in the procurement of performance bonds.

Risk Management Policies

The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk, such as foreign currency risk, commodity price risk, equity price risk and interest rate risk. The Group's policies for managing the aforementioned risks are summarized below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group transacts only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group continuously provides credit notification and implements various credit actions, depending on assessed risks, to minimize credit exposure. Receivable balances of trade customers are being monitored on a regular basis and appropriate credit treatments are executed for overdue accounts. Likewise, other receivable balances are also being monitored and subjected to appropriate actions to manage credit risk.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVPL, financial assets at FVOCI, investment securities at amortized cost, AFS investments and certain derivative investments, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.



The Group has a counterparty credit risk management policy which allocates investment limits based on counterparty credit ratings and credit risk profile.

a. Credit risk exposure

The Group's maximum exposure to on-balance sheet credit risk is equal to the carrying value of its financial assets except for the following accounts:

	2018			
	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Interbank loans receivable	₱2,123,675,000	₱2,123,675,000	₱2,123,675,000	₱-
Loans and receivables:				
Finance receivables:				
Commercial	43,838,017,355	220,667,548	48,478,249	43,789,539,106
Real estate	13,882,037,460	19,985,094,892	13,800,023,230	82,014,230
Consumption	7,231,736,279	8,129,980,920	5,113,241,660	2,118,494,619
Other receivables	12,128,501,001	2,821,806,322	2,810,163,052	9,318,337,949
Total credit risk exposure	₱79,203,967,095	₱33,281,224,682	₱23,895,581,191	₱55,308,385,904
	2017			
	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Interbank loans receivable	₱423,750,000	₱423,844,353	₱423,750,000	₱-
Loans and receivables:				
Finance receivables:				
Commercial	40,294,044,244	10,181,242,298	9,841,819,271	30,452,224,973
Real estate	9,037,386,206	10,927,401,185	7,750,150,309	1,287,235,897
Consumption	6,673,196,745	2,684,242,392	2,625,793,460	4,047,403,285
Other receivables	34,003,066	58,665,845	2,735,398	31,267,668
Total credit risk exposure	₱56,462,380,261	₱24,275,396,073	₱20,644,248,438	₱35,818,131,823

Collateral and other credit enhancements

The Group holds collateral in the form of real estate and chattel mortgages, government securities and standby letters of credit. The amount and type of collateral required depends on an assessment of credit risk. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. It is the Group's policy to dispose of repossessed properties in an orderly fashion. In general, the proceeds are used to reduce or repay the outstanding claim, and are not occupied for business use.

b. Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.



The Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. In order to avoid excessive concentrations of risks, identified concentrations of credit risks are controlled and managed accordingly.

i. Concentration by geographical location

The Group's credit risk exposures as of December 31, 2018 and 2017, before taking into account any collateral held or other credit enhancements, is categorized by geographic location as follows:

	December 31, 2018					
	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	Total
Cash and cash equivalents**	₱38,852,897,061	₱5,307,185,058	₱-	₱250,044,195	₱2,255,507,539	₱46,665,633,853
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Government	8,206,143	-	-	-	-	8,206,143
Investment in convertible notes	-	1,806,085,829	-	-	-	1,806,085,829
	8,206,143	1,806,085,829	-	-	-	1,814,291,972
Derivative assets:						
Designated as accounting hedges	-	-	-	-	6,389,048	6,389,048
	-	-	-	-	6,389,048	6,389,048
Financial assets at FVOCI						
Debt securities:						
Government	7,567,173,337	2,706,138,184	-	-	-	10,273,311,521
Private	7,251,421,434	2,670,734,213	1,334,309,226	1,663,733,566	44,460,919	12,964,659,358
	14,818,594,771	5,376,872,397	1,334,309,226	1,663,733,566	44,460,919	23,237,970,879
Investment securities at amortized cost:						
Debt securities:						
Government	9,290,428,591	1,232,898,193	-	-	-	10,523,326,784
Private	1,937,862,238	101,335,974	-	34,564,721	-	2,073,762,933
	11,228,290,829	1,334,234,167	-	34,564,721	-	12,597,089,717
Receivables:						
Finance receivables	66,897,077,529	-	-	-	-	66,897,077,529
Trade receivables	13,881,964,250	3,681,875,425	367,769,745	173,038,197	2,895,514,716	21,000,162,333
Due from related parties	957,644,153	616,848,658	-	-	-	1,574,492,811
Interest receivable	926,083,274	44,724,170	12,592,656	21,795,521	101,216	1,005,296,837
Other receivables***	2,344,453,411	242,588,179	-	1,127,248	34,186,060	2,622,354,898
	85,007,222,617	4,586,036,432	380,362,401	195,960,966	2,929,801,992	93,099,384,408
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	811,586,864	203,244,020	-	-	-	1,014,830,884
	₱150,726,798,285	₱18,613,657,903	₱1,714,671,627	₱2,144,303,448	₱5,236,159,498	₱178,435,590,761

* Others include South American countries (i.e., Argentina and Mexico), New Zealand and Australia

** Excludes cash on hand amounting to ₱2,529,042,588

*** Excludes claims receivable of JGSPC and JGSOC amounting to ₱ 457,257,191



December 31, 2017

	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	Total
Cash and cash equivalents**	₱42,958,461,075	₱6,826,784,494	₱-	₱199,606,403	₱2,548,328,738	₱52,533,180,710
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	1,563,206,003	2,780,141,650	1,636,742,608	2,023,520,874	102,048,532	8,105,659,667
Government	1,029,525,516	765,267,349	-	-	-	1,794,792,865
Derivatives	454,432,958	-	13,464,723	-	-	467,897,681
	3,047,164,477	3,545,408,999	1,650,207,331	2,023,520,874	102,048,532	10,368,350,213
Investment in convertible note	-	1,876,775,033	-	-	-	1,876,775,033
	3,047,164,477	5,422,184,032	1,650,207,331	2,023,520,874	102,048,532	12,245,125,246
Derivative assets:						
Designated as accounting hedges	-	-	-	-	11,023,146	11,023,146
	-	-	-	-	11,023,146	11,023,146
AFS investments:						
Debt securities:						
Government	12,360,718,311	1,469,925,220	-	-	-	13,830,643,531
Private	6,022,441,196	1,072,721,084	-	107,419,402	-	7,202,581,682
	18,383,159,507	2,542,646,304	-	107,419,402	-	21,033,225,213
Receivables:						
Finance receivables	56,615,488,928	-	-	-	-	56,615,488,928
Trade receivables	18,171,842,727	6,431,979,349	21,092,431	256,746,177	2,952,477,348	27,834,138,032
Due from related parties	989,922,413	616,848,658	-	-	-	1,606,771,071
Interest receivable	777,262,836	58,266,582	20,939,512	25,617,368	96,104	882,182,402
Other receivables***	1,702,465,397	125,867,888	-	-	16,470,559	1,844,803,844
	78,256,982,301	7,232,962,477	42,031,943	282,363,545	2,969,044,011	88,783,384,277
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	941,938,573	30,639,912	-	-	-	972,578,485
	₱143,587,705,933	₱22,055,217,219	₱1,692,239,274	₱2,612,910,224	₱5,630,444,427	₱175,578,517,077

* Others include South American countries (i.e., Argentina and Mexico), New Zealand and Australia

** Excludes cash on hand amounting to ₱1,803,114,479

*** Excludes claims receivable of JGSPC and JGSOC amounting to ₱1,480,521,369



ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of December 31, 2018 and 2017, before taking into account any collateral held or other credit enhancements.

	2018										
	Manufacturing	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Financial Intermediaries	Transportation, Storage and Communication	Agricultural, Hunting and Forestry	Electricity, Gas and Water	Construction	Public Administration	Others*	Total
Cash and cash equivalents**	₱-	₱-	₱-	₱30,469,306,635	₱-	₱-	₱-	₱-	₱16,196,327,218	₱-	₱46,665,633,853
Financial assets at FVPL:											
Held-for-trading:											
Debt securities:											
Government	-	-	-	-	-	-	-	-	8,206,143	-	8,206,143
Investment in convertible notes	-	-	-	93,122,837	1,665,756,475	-	-	-	-	47,206,517	1,806,085,829
	-	-	-	93,122,837	1,665,756,475	-	-	-	8,206,143	47,206,517	1,814,291,972
Derivative financial assets:											
Designated as an accounting hedge	6,389,048	-	-	-	-	-	-	-	-	-	6,389,048
	6,389,048	-	-	-	-	-	-	-	-	-	6,389,048
Financial assets at FVOCI											
Debt securities:											
Government	-	-	-	130,987,296	-	-	-	-	7,268,522,839	2,873,801,386	10,273,311,521
Private	157,277,296	6,168,357,346	-	2,057,046,706	428,127,918	-	1,470,349,155	-	-	2,683,500,937	12,964,659,358
	157,277,296	6,168,357,346	-	2,188,034,002	428,127,918	-	1,470,349,155	-	7,268,522,839	5,557,302,323	23,237,970,879
Investment securities at amortized cost											
Debt securities:											
Government	-	-	-	-	-	-	-	-	10,523,326,784	-	10,523,326,784
Private	-	2,073,762,933	-	-	-	-	-	-	-	-	2,073,762,933
	-	2,073,762,933	-	-	-	-	-	-	10,523,326,784	-	12,597,089,717
Receivables:											
Finance receivables	7,039,016,469	17,861,994,049	9,825,206,920	3,596,048,985	5,591,120,738	826,517,599	7,130,295,735	1,121,392,388	54,595,695	13,850,888,951	66,897,077,529
Trade receivables	15,716,636,572	3,086,884,922	-	-	2,102,234,497	-	-	-	-	94,406,342	21,000,162,333
Due from related parties	44,910,646	203,563,354	-	256,984,564	371,577,340	-	-	-	-	697,456,907	1,574,492,811
Interest receivable	2,765,235	7,046,218	-	887,566,554	6,619,282	-	15,071,384	-	-	86,228,164	1,005,296,837
Other receivables***	1,010,424,891	264,589,538	-	-	131,058,080	-	-	-	-	1,216,282,389	2,622,354,898
	23,813,753,813	21,424,078,081	9,825,206,920	4,740,600,103	8,202,609,937	826,517,599	7,145,367,119	1,121,392,388	54,595,695	15,945,262,753	93,099,384,408
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	4,091,266	800,012,050	-	-	203,244,020	-	-	-	-	7,483,548	1,014,830,884
	₱23,981,511,423	₱30,466,210,410	₱9,825,206,920	₱37,491,063,577	₱10,499,738,350	₱826,517,599	₱8,615,716,274	₱1,121,392,388	₱34,050,978,679	₱21,557,255,141	₱178,435,590,761

* Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.

** Excludes cash on hand amounting to P 2,529,042,588

*** Excludes claims receivable of JGSPC and JGSOC amounting to P 457,257,191



	2017										
	Manufacturing	Real Estate, Renting and Related Business Activities	Wholesale and Retail Trade	Financial Intermediaries	Transportation, Storage and Communication	Agricultural, Hunting and Forestry	Electricity, Gas and Water	Construction	Public Administration	Others*	Total
Cash and cash equivalents**	₱-	₱-	₱-	₱34,070,330,356	₱-	₱-	₱-	₱-	₱18,462,850,354	₱-	₱52,533,180,710
Financial assets at FVPL:											
Held-for-trading:											
Debt securities:											
Private	162,627,003	212,760,518	-	3,384,355,744	459,804,571	-	1,396,158,468	-	-	2,489,953,363	8,105,659,667
Government	-	-	-	-	-	-	-	-	1,794,792,865	-	1,794,792,865
Derivatives	-	-	-	13,497,593	454,400,088	-	-	-	-	-	467,897,681
	162,627,003	212,760,518	-	3,397,853,337	914,204,659	-	1,396,158,468	-	1,794,792,865	2,489,953,363	10,368,350,213
Investment in convertible note	-	-	-	-	1,876,775,033	-	-	-	-	-	1,876,775,033
	162,627,003	212,760,518	-	3,397,853,337	2,790,979,692	-	1,396,158,468	-	1,794,792,865	2,489,953,363	12,245,125,246
Derivative financial assets:											
Designated as an accounting hedge	11,023,146	-	-	-	-	-	-	-	-	-	11,023,146
	11,023,146	-	-	-	-	-	-	-	-	-	11,023,146
AFS investments:											
Debt securities:											
Government	-	-	-	-	-	-	-	-	13,830,643,531	-	13,830,643,531
Private	801,818,230	3,206,306,338	-	1,735,745,147	420,331,226	-	611,583,515	-	-	426,797,226	7,202,581,682
	801,818,230	3,206,306,338	-	1,735,745,147	420,331,226	-	611,583,515	-	13,830,643,531	426,797,226	21,033,225,213
Receivables:											
Finance receivables	6,279,176,942	13,265,499,453	9,139,820,259	5,262,059,470	5,546,788,601	813,446,925	5,819,216,124	804,226,335	46,128,842	9,639,125,977	56,615,488,928
Trade receivables	17,114,817,702	8,625,452,265	-	-	1,691,835,670	-	-	-	-	402,032,395	27,834,138,032
Due from related parties	580,026,268	44,606,422	283,502,492	477,461,938	121,454,858	-	-	-	-	99,719,093	1,606,771,071
Interest receivable	111,369,862	157,501,332	107,063,735	133,301,452	72,263,152	9,528,707	83,836,538	9,420,697	540,353	197,356,574	882,182,402
Other receivables***	729,567,496	227,315,070	-	69,827,216	96,482,972	-	-	-	-	721,611,090	1,844,803,844
	24,814,958,270	22,320,374,542	9,530,386,486	5,942,650,076	7,528,825,253	822,975,632	5,903,052,662	813,647,032	46,669,195	11,059,845,129	88,783,384,277
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	7,499,357	884,452,164	-	-	30,665,112	-	-	-	-	49,961,852	972,578,485
	₱25,797,926,006	₱26,623,893,562	₱9,530,386,486	₱45,146,578,916	₱10,770,801,283	₱822,975,632	₱7,910,794,645	₱813,647,032	₱34,134,955,945	₱14,026,557,570	₱175,578,517,077

* Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.

** Excludes cash on hand amounting to ₱1,803,114,479

*** Excludes claims receivable of JGSPC and JGSOC amounting to ₱1,480,521,369



c. Credit quality per class of financial assets

The table below shows the credit quality by class of financial assets gross of allowance for impairment losses:

	2018							
	Neither Past Due Nor Individually Impaired				Unrated	Past Due but not Individually Impaired	Individually Impaired	Total
	High Grade	Standard Grade	Substandard Grade	₱-				
Cash and cash equivalents*	₱25,358,245,227	₱21,307,388,626	₱-	₱-	₱-	₱-	₱46,665,633,853	
Financial assets at FVPL:								
Held-for-trading:								
Debt securities:								
Government	8,206,143	-	-	-	-	-	8,206,143	
Investment in convertible notes	1,806,085,829	-	-	-	-	-	1,806,085,829	
	1,814,291,972	-	-	-	-	-	1,814,291,972	
Derivative financial assets designated as accounting hedges	6,389,048	-	-	-	-	-	6,389,048	
	6,389,048	-	-	-	-	-	6,389,048	
Financial assets at FVOCI:								
Debt securities:								
Private	7,317,345,914	5,647,313,444	-	-	-	-	12,964,659,358	
Government	3,004,788,682	7,268,522,839	-	-	-	-	10,273,311,521	
	10,322,134,596	12,915,836,283	-	-	-	-	23,237,970,879	
Investment securities at amortized cost:								
Debt securities:								
Government	-	10,523,326,784	-	-	-	-	10,523,326,784	
Private	-	2,073,762,933	-	-	-	-	2,073,762,933	
		12,597,089,717	-	-	-	-	12,597,089,717	
Receivables:								
Finance receivables	63,230,311,472	-	-	-	3,941,758,059	1,106,857,710	68,278,927,241	
Trade receivables	15,325,825,883	-	-	-	5,674,336,450	279,302,415	21,279,464,748	
Due from related parties	957,644,153	616,848,658	-	-	-	-	1,574,492,811	
Interest receivable	880,323,807	-	-	-	124,973,030	-	1,005,296,837	
Other receivables**	1,754,935,215	403,943,068	36,757,560	-	567,790,926	208,974,866	2,972,401,635	
	82,149,040,530	1,020,791,726	36,757,560	-	10,308,858,465	1,595,134,991	95,110,583,272	
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	1,003,256,070	7,483,548	-	-	4,091,266	-	1,014,830,884	
	₱120,653,357,443	₱47,848,589,900	₱36,757,560	₱-	₱10,312,949,731	₱1,595,134,991	₱180,446,789,625	

* Excludes cash on hand amounting to ₱2,529,042,588

** Excludes claims receivable of JGSPC and JGSOC amounting to ₱457,257,191



	2017							
	Neither Past Due Nor Individually Impaired				Unrated	Past Due but not Individually Impaired	Individually Impaired	Total
	High Grade	Standard Grade	Substandard Grade	P-				
Cash and cash equivalents*	₱29,355,902,586	₱23,177,278,124	₱-	₱-	₱-	₱-	₱52,533,180,710	
Financial assets at FVPL:								
Held-for-trading:								
Debt securities:								
Private	8,105,659,667	-	-	-	-	-	8,105,659,667	
Government	1,794,792,865	-	-	-	-	-	1,794,792,865	
Derivatives	467,897,681	-	-	-	-	-	467,897,681	
	10,368,350,213	-	-	-	-	-	10,368,350,213	
Investment in convertible notes	1,876,775,033	-	-	-	-	-	1,876,775,033	
	12,245,125,246	-	-	-	-	-	12,245,125,246	
Derivative financial assets designated as accounting hedges	11,023,146	-	-	-	-	-	11,023,146	
	11,023,146	-	-	-	-	-	11,023,146	
AFS investments:								
Debt securities:								
Government	13,830,643,531	-	-	-	-	-	13,830,643,531	
Private	757,791,604	6,444,790,078	-	-	-	-	7,202,581,682	
	14,588,435,135	6,444,790,078	-	-	-	-	21,033,225,213	
Receivables:								
Finance receivables	23,077,786,575	32,235,309,718	1,177,747,822	88,142,510	506,143,989	616,080,009	57,701,210,623	
Trade receivables	23,657,775,438	-	-	-	4,176,362,594	555,449,421	28,389,587,453	
Due from related parties	1,425,164,568	-	-	-	181,606,503	-	1,606,771,071	
Interest receivable	340,018,719	443,212,787	7,026,052	623,711	72,788,703	18,512,430	882,182,402	
Other receivables**	788,705,729	686,417,401	31,775,924	-	430,187,614	242,677,650	2,179,764,318	
	49,289,451,029	33,364,939,906	1,216,549,798	88,766,221	5,367,089,403	1,432,719,510	90,759,515,867	
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	914,974,776	50,104,352	-	-	7,499,357	-	972,578,485	
	₱106,404,911,918	₱63,037,112,460	₱1,216,549,798	₱88,766,221	₱5,374,588,760	₱1,432,719,510	₱177,554,648,667	

* Excludes cash on hand amounting to ₱1,803,114,479

** Excludes claims receivable of JGSPC and JGSOC amounting to ₱1,480,521,369

Classification of Financial Assets by Class used by the Group except for the Banking Segment

High grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in foreign and local banks belonging to the top 10 banks in the Philippines in terms of resources and profitability.

Other high grade accounts are considered to be of high value since the counterparties have a remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.



Classification of Financial Assets by Class used by the Banking Segment

For loans and receivables from customers, the Banking Segment's internal credit risk rating (ICCR) system was approved in 2007 and further enhanced to reflect latest updates. Last enhancement was made in 2018 for the ICRRS covering corporate credit exposures as defined by BSP Circular 439, initially for those borrowers with asset size of more than ₱15.0 million. In compliance with BSP Circular 855, the Banking Segment also developed another ICRRS in 2017 for those borrowers with asset size of ₱15.0 million and below which was also enhanced in 2018.

The Banking Segment's internal credit risk rating is as follows:

Grades	Categories	Description
High grade		
<i>Risk rating 1</i>	Excellent	Lowest probability of default; exceptionally strong capacity for financial commitments; highly unlikely to be adversely affected by foreseeable events.
<i>Risk rating 2</i>	Super Prime	Very low probability of default; very strong capacity for payment of financial commitments; less vulnerable to foreseeable events.
<i>Risk rating 3</i>	Prime	Low probability of default; strong capacity for payment of financial commitments; may be more vulnerable to adverse business/economic conditions.
<i>Risk rating 4</i>	Very Good	Moderately low probability of default; more than adequate capacity for payment of financial commitments; but adverse business/economic conditions are more likely to impair this capacity.
<i>Risk rating 5</i>	Good	More pronounced probability of default; business or financial flexibility exists which supports the servicing of financial commitments; vulnerable to adverse business/economic changes
Standard		
<i>Risk rating 6</i>	Satisfactory	Material probability of default is present, but a margin of safety remains; financial commitments are currently being met although the capacity for continued payment is vulnerable to deterioration in the business/economic condition.
<i>Risk rating 7</i>	Average	Greater probability of default which is reflected in the volatility of earnings and overall performance; repayment source is presently adequate; however, prolonged unfavorable economic period would create deterioration beyond acceptable levels.
<i>Risk rating 8</i>	Fair	Sufficiently pronounced probability of default, although borrowers should still be able to withstand normal business cycles; any prolonged unfavorable economic/market conditions would create an immediate deterioration of cash flow beyond acceptable levels.



Grades	Categories	Description
Sub-standard grade		
<i>Risk rating 9</i>	Marginal	Elevated level of probability of default, with limited margin; repayment source is adequate to marginal.
<i>Risk rating 10</i>	Watch list	Unfavorable industry or company specific risk factors represent a concern, financial strength may be marginal; will find it difficult to cope with significant downturn.
<i>Risk rating 11</i>	Special mention	Loans have potential weaknesses that deserve close attention; borrower has reached a point where there is a real risk that the borrower's ability to pay the interest and repay the principal timely could be jeopardized due to evidence of weakness in the borrower's financial condition.
<i>Risk rating 12</i>	Substandard	Substantial and unreasonable degree of risk to the institution because of unfavorable record or unsatisfactory characteristics; with well-defined weaknesses that jeopardize their liquidation e.g. negative cash flow, case of fraud.
Past due and impaired		
<i>Risk rating 13</i>	Doubtful	Weaknesses similar to "Substandard", but with added characteristics that make liquidation highly improbable.
<i>Risk rating 14</i>	Loss	Uncollectible or worthless.

The Banking Segment's internal credit risk rating system intends to provide a structure to define the corporate credit portfolio, and consists of an initial rating for the borrower risk later adjusted for the facility risk. Inputs include an assessment of management, credit experience, financial condition, industry outlook, documentation, security and term.

Aging analysis of receivables by class

The aging analysis of the Group's receivables as of December 31, 2018 and 2017 follow:

	2018						
	Neither Past Due Nor Impaired	Less than 30 Days	Past Due But Not Impaired			Past Due and Impaired	Total
			30 to 60 Days	61 to 90 Days	Over 90 Days		
Finance receivables	P63,230,311,472	P2,832,232,325	P570,377,781	P241,643,940	P297,504,013	P1,106,857,710	P68,278,927,241
Trade receivables	15,326,024,846	4,334,281,548	537,184,437	132,751,848	670,118,617	279,302,415	21,279,663,711
Due from related parties	1,574,492,811	-	-	-	-	-	1,574,492,811
Interest receivable	880,323,807	37,681,746	15,182,748	9,648,998	62,459,538	-	1,005,296,837
Others	2,195,436,880	266,602,291	19,393,912	43,843,973	237,950,750	208,974,866	2,972,202,672
	P83,206,589,816	P7,470,797,910	P1,142,138,878	P427,888,759	P1,268,032,918	P1,595,134,991	P95,110,583,272

	2017						
	Neither Past Due Nor Impaired	Less than 30 Days	Past Due But Not Impaired			Past Due and Impaired	Total
			30 to 60 Days	61 to 90 Days	Over 90 Days		
Finance receivables	P56,578,986,625	P42,814,855	P20,512,712	P27,202,641	P415,613,781	P616,080,009	P57,701,210,623
Trade receivables	23,657,775,438	2,248,189,014	521,399,773	156,577,549	1,250,196,258	555,449,421	28,389,587,453
Due from related parties	1,425,164,568	181,606,503	-	-	-	-	1,606,771,071
Interest receivable	790,881,269	2,524,067	1,352,940	3,937,961	64,973,735	18,512,430	882,182,402
Others	1,506,899,054	255,026,927	4,403,064	5,147,592	165,610,031	242,677,650	2,179,764,318
	P83,959,706,954	P2,730,161,366	P547,668,489	P192,865,743	P1,896,393,805	P1,432,719,510	P90,759,515,867



Liquidity risk

Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or payment of asset purchases as they fall due. The Group's liquidity management involves maintaining funding capacity to finance capital expenditures and service maturing debts, and to accommodate any fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital market conditions. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include obtaining bank loans and capital market issues both onshore and offshore.

The tables below summarize the maturity profile of the Group's financial assets and liabilities based on the applicable undiscounted contractual payments as of December 31, 2018 and 2017:

	2018					Total
	On Demand	Up to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	
Financial Assets						
Cash and cash equivalents	₱17,308,168,404	₱29,368,376,786	₱23,500,000	₱-	₱-	₱46,700,045,190
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Government	8,206,143	-	-	-	-	8,206,143
	8,206,143	-	-	-	-	8,206,143
Equity securities:						
Quoted	527,400,278	-	1,308,832,273	-	-	1,836,232,551
	527,400,278	-	1,308,832,273	-	-	1,836,232,551
Investment in convertible note	-	-	-	1,806,085,829	-	1,806,085,829
	535,606,421	-	1,308,832,273	1,806,085,829	-	3,650,524,523
Derivative financial assets designated as accounting hedges	-	-	6,389,048	-	-	6,389,048
Financial assets at FVOCI:						
Debt securities:						
Private	-	-	7,331,706,086	5,632,953,272	-	12,964,659,358
Government	-	-	3,004,788,682	-	7,268,522,839	10,273,311,521
	-	-	10,336,494,768	5,632,953,272	7,268,522,839	23,237,970,879
Equity securities:						
Quoted	50,300,000	-	371,191,210	19,457,411,625	-	19,878,902,835
Unquoted	-	-	256,208,787	-	-	256,208,787
	50,300,000	-	627,399,997	19,457,411,625	-	20,135,111,622
	50,300,000	-	10,963,894,765	25,090,364,897	7,268,522,839	43,373,082,501
Investment securities at amortized cost:						
Debt securities:						
Government	-	-	-	-	10,523,326,784	10,523,326,784
Private	-	-	-	1,427,512,166	646,250,767	2,073,762,933
	-	-	-	1,427,512,166	11,169,577,551	12,597,089,717
Receivables:						
Trade receivables	3,774,011,263	15,285,523,340	699,484,032	1,200,135,528	320,310,585	21,279,464,748
Finance receivables	6,054,300,530	5,584,725,299	6,986,013,290	17,488,441,348	32,334,805,081	68,448,285,548
Due from related parties	1,574,492,811	-	-	-	-	1,574,492,811
Interest receivable	845,846,472	17,716,834	141,733,531	-	-	1,005,296,837
Other receivables	1,361,024,537	1,491,760,267	119,467,809	-	149,022	2,972,401,635
	13,609,675,613	22,379,725,740	7,946,698,662	18,688,576,876	32,655,264,688	95,279,941,579
Refundable security deposits	215,166,327	-	7,483,548	558,738,138	233,442,871	1,014,830,884
	₱31,718,916,765	₱51,748,102,526	₱20,256,798,296	₱47,571,277,906	₱51,326,807,949	₱202,621,903,442



	2018					
	On Demand	Up to 3 Months	4 to 12 Months	1 to 5 Years	More Than 5 Years	Total
Financial Liabilities						
Accounts payable and accrued expenses (including noncurrent portion booked under 'Other noncurrent liabilities' in the consolidated statement of financial position but excluding 'Deposit liabilities' and 'Due to related parties')	₱35,758,783,520	₱21,910,159,746	₱6,033,744,008	₱908,418,034	₱2,925,262,168	₱67,536,367,476
Short-term debt	20,947,554,201	9,466,224,812	12,476,461,528	-	-	42,890,240,541
Deposit liabilities (included under 'Accounts payable and accrued expenses' and 'Other noncurrent liabilities' in the consolidated statements of financial position)	46,356,421,580	6,149,949,819	2,607,566,823	8,718,041,782	1,770,739,538	65,602,719,542
Due to related parties (included under 'Accounts payable and accrued expense' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	119,849,940	31,922,803	-	-	-	151,772,743
Deposits from lessees (included under 'Other current liabilities' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	1,057,031,997	269,565,385	1,332,081,610	1,847,971,470	802,800,443	5,309,450,905
Long-term debt (including current portion)	-	1,329,430,653	3,385,029,642	95,191,717,276	88,448,784,265	188,354,961,836
Derivative liabilities	-	-	-	763,322,060	-	763,322,060
	₱104,239,641,238	₱39,157,253,218	₱25,834,883,611	₱107,429,470,622	₱93,947,586,414	₱370,608,835,103
	2017					
	On Demand	Up to 3 Months	3 to 12 Months	1 to 5 Years	More Than 5 Years	Total
Financial Assets						
Cash and cash equivalents	₱36,587,518,064	₱17,767,785,719	₱-	₱-	₱-	₱54,355,303,783
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	-	-	8,105,659,667	-	-	8,105,659,667
Government	48,101,461	-	1,746,691,404	-	-	1,794,792,865
Derivatives	-	13,464,723	32,870	454,400,088	-	467,897,681
	48,101,461	13,464,723	9,852,383,941	454,400,088	-	10,368,350,213
Equity securities:						
Quoted	731,032,721	-	1,380,970,629	-	-	2,112,003,350
Unquoted	-	-	3,745	-	-	3,745
	731,032,721	-	1,380,974,374	-	-	2,112,007,095
Investment in convertible note	-	-	1,876,775,033	-	-	1,876,775,033
	779,134,182	13,464,723	13,110,133,348	454,400,088	-	14,357,132,341
Derivative financial assets designated as accounting hedges	-	-	11,023,146	-	-	11,023,146
AFS investments:						
Debt securities:						
Government	-	12,546,456,413	1,284,187,118	-	-	13,830,643,531
Private	-	5,820,800,519	1,381,781,163	-	-	7,202,581,682
	-	18,367,256,932	2,665,968,281	-	-	21,033,225,213
Equity securities:						
Quoted	45,980,000	180,172,373	184,424,622	25,597,305,960	-	26,007,882,955
Unquoted	-	23,605,700	687,671	-	-	24,293,371
	45,980,000	203,778,073	185,112,293	25,597,305,960	-	26,032,176,326
	45,980,000	18,571,035,005	2,851,080,574	25,597,305,960	-	47,065,401,539
Receivables:						
Trade receivables	4,036,315,417	18,917,494,880	1,659,828,584	2,577,739,263	1,198,209,309	28,389,587,453
Finance receivables	191,453,056	12,515,779,494	8,908,082,851	24,121,610,776	20,540,795,502	66,277,721,679
Due from related parties	1,606,771,071	-	-	-	-	1,606,771,071
Interest receivable	37,489,424	579,250,895	265,442,083	-	-	882,182,402
Other receivables	809,840,615	891,704,277	478,219,426	-	-	2,179,764,318
	6,681,869,583	32,904,229,546	11,311,572,944	26,699,350,039	21,739,004,811	99,336,026,923
Refundable security deposits	17,488,429	-	130,000	716,064,597	241,230,491	974,913,517
	₱44,111,990,258	₱69,256,514,993	₱27,283,940,012	₱53,467,120,684	₱21,980,235,302	₱216,099,801,249



	2017					Total
	On Demand	Up to 3 Months	4 to 12 Months	1 to 5 Years	More Than 5 Years	
Financial Liabilities						
Accounts payable and accrued expenses (including noncurrent portion booked under 'Other noncurrent liabilities' in the consolidated statement of financial position but excluding 'Deposit liabilities' and 'Due to related parties')	₱24,356,148,277	₱19,240,869,749	₱4,926,447,045	₱571,857,563	₱1,505,456,413	₱50,600,779,047
Short-term debt	-	38,391,406,440	7,630,772,957	-	-	46,022,179,397
Deposit liabilities (included under 'Accounts payable and accrued expenses' and 'Other noncurrent liabilities' in the consolidated statements of financial position)	24,837,560,992	33,372,598,454	5,555,447,123	16,803,658,856	5,000,000	80,574,265,425
Due to related parties (included under 'Accounts payable and accrued expense' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	104,073,070	-	-	-	-	104,073,070
Deposits from lessees (included under 'Other current liabilities' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	892,315,691	208,108,544	1,255,817,284	1,454,412,903	887,155,680	4,697,810,102
Long-term debt (including current portion)	-	1,112,397,796	3,337,193,384	129,191,354,738	75,828,182,390	209,469,128,308
Derivative liabilities	-	-	5,904,377	-	-	5,904,377
	₱50,190,098,030	₱92,325,380,983	₱22,711,582,170	₱148,021,284,060	₱78,225,794,483	₱391,474,139,726

Market risk

Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

The following discussion covers the market risks of the Group except for its Banking Segment:

Foreign currency risk

Foreign currency risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured. The Group makes use of derivative financial instruments, such as currency swaps, to hedge foreign currency exposure (Note 8).

The Group has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the entities' functional currency. As of December 31, 2018, 2017 and 2016, approximately 34.5%, 35.5% and 32.0%, respectively, of the Group's total sales are denominated in currencies other than the functional currency. In addition, approximately 30.8% and 29.8% of total debt are denominated in US Dollar as of December 31, 2018 and 2017, respectively. The Group's capital expenditures are likewise substantially denominated in US Dollar.

The tables below summarize the Group's exposure to foreign currency risk as of December 31, 2018 and 2017:

	2018		
	US Dollar	Other Currencies*	Total
Assets			
Cash and cash equivalents	₱ 8,856,583,743	₱2,227,862,654	₱11,084,446,397
Financial assets at FVPL	2,974,588,780	-	2,974,588,780
Financial assets at FVOCI	10,322,134,596	-	10,322,134,596
Receivables	20,508,015,300	384,783,471	20,892,798,771
Other noncurrent assets	203,244,020	-	203,244,020
	42,864,566,439	2,612,646,125	45,477,212,564

(Forward)



	2018		
	US Dollar	Other Currencies*	Total
Liabilities			
Accounts payable and accrued expenses	₱21,093,997,523	₱737,901,490	₱21,831,899,013
Financial liabilities at FVPL	762,985,362	–	762,985,362
Short-term debt	9,180,819,989	1,651,127,328	10,831,947,317
Long-term debt (including current portion)	66,608,417,189	–	66,608,417,189
	97,646,220,063	2,389,028,818	100,035,248,881
Net Foreign Currency-Denominated Assets (Liabilities)	(₱54,781,653,624)	₱223,617,307	(₱54,558,036,317)

* Other currencies include Hong Kong Dollar, Singaporean Dollar, Chinese Yuan, Malaysian ringgit, Korean won, New Taiwan dollar, Japanese yen, Australian dollar and Euro

	2017		
	US Dollar	Other Currencies*	Total
Assets			
Cash and cash equivalents	₱12,964,785,838	₱2,011,385,496	₱14,976,171,334
Financial assets at FVPL	13,564,500,566	–	13,564,500,566
AFS investments	2,041,978,722	–	2,041,978,722
Receivables	4,745,235,242	368,316,038	5,113,551,280
Derivative assets	13,464,723	–	13,464,723
Other noncurrent assets	30,639,912	–	30,639,912
	33,360,605,003	2,379,701,534	35,740,306,537
Liabilities			
Accounts payable and accrued expenses	7,249,833,340	365,383,062	7,615,216,402
Short-term debt	8,493,090,363	–	8,493,090,363
Long-term debt (including current portion)	59,384,675,968	–	59,384,675,968
	75,127,599,671	365,383,062	75,492,982,733
Net Foreign Currency-Denominated Assets (Liabilities)	(₱41,766,994,668)	₱2,014,318,472	(₱39,752,676,196)

* Other currencies include Hong Kong Dollar, Singaporean Dollar, Chinese Yuan, Malaysian ringgit, Korean won, New Taiwan dollar, Japanese yen, Australian dollar and Euro

The exchange rates used to convert the Group's US dollar-denominated assets and liabilities into Philippine peso as of December 31, 2018 and 2017 follow:

	2018	2017
US dollar-Philippine peso exchange rate	₱52.58 to US\$1.00	₱49.93 to US\$1.00

The following table sets forth the impact of the range of reasonably possible changes in the US Dollar-Philippine peso exchange rate on the Group's income before income tax (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2018 and 2017:

Reasonably Possible Changes in Exchange rates	Change in Income Before Income Tax	
	2018	2017
₱2.0	(₱2,083,744,908)	(₱1,691,223,503)
(2.0)	2,083,744,908	1,691,223,503

Other than the potential impact on the Group's pre-tax income, the Group does not expect any other material effect on equity.

The Group does not expect the impact of the volatility on other currencies to be material.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks.



In 2018, changes in fair value of equity instruments held as financial assets at FVOCI due to a reasonably possible change in equity indices, with all other variables held constant, will increase profit by ₱289.3 million if equity prices will increase by 1.5%. A similar increase in equity indices on AFS equity instruments will also increase net unrealized gains on other comprehensive income by ₱431.2 million and ₱369.9 million as of December 31, 2017 and 2016, respectively. In 2018, 2017 and 2016, changes in fair value of equity instruments held as financial assets at FVTPL due to a reasonably possible change in equity indices, with all other variables held constant, will increase profit by ₱8.3 million, ₱83.7 million and ₱25.1 million, respectively, if equity prices will increase by 1.5%. An equal change in the opposite direction would have decreased equity and profit by the same amount.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Parent Company's and its subsidiaries' long-term debt obligations which are subject to floating rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group makes use of derivative financial instruments, such as interest rate swaps, to hedge the variability in cash flows arising from fluctuation in benchmark interest rates.



The following tables show information about the Group's long-term debt with floating interest rate presented by maturity profile:

	2018						Total (In Foreign Currency)	Total (in Philippine Peso)	Debt Issuance Costs	Carrying Value (in Philippine Peso)	Fair Value
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years					
Long-term debt											
Philippine peso											
Floating rate											
Commercial loans from banks											
Interest rate 5%-7% (PDST-R2 and BVAL)	₱2,612,028,929	₱5,224,057,858	₱5,224,057,858	₱2,612,028,929	₱2,217,526,135	₱2,971,587,120	₱20,861,286,829	₱20,861,286,829	₱-	₱20,861,286,829	₱18,333,530,913
BDO Term loan											
Interest rate (Prevailing market rate + GRT)	375,000,000	376,027,397	375,000,000	375,000,000	10,155,136,986	-	11,656,164,383	11,656,164,383	67,253,782	9,932,746,218	9,510,777,881
MBTC Term loan											
Interest rate (BVAL + 0.5%)	189,575,000	190,094,384	189,575,000	189,575,000	5,094,527,808	-	5,853,347,192	5,853,347,192	33,742,915	4,966,257,085	4,798,824,663
Foreign currencies:											
Floating rate											
US Dollar loans											
ECA-backed loans											
Interest rate 3%-5% (USD LIBOR)	US\$9,819,016	US\$18,277,415	US\$18,945,211	US\$8,903,291	US\$-	US\$-	US\$55,944,933	2,941,584,577	-	2,941,584,577	2,986,387,732
Commercial loans											
Interest rate 3%-5% (USD LIBOR)	51,420,508	105,761,290	126,584,502	56,812,864	49,187,586	55,985,704	445,752,454	23,437,663,985	-	23,437,663,985	28,557,308,374
New Zealand Dollar loans											
Interest rate (NZ BKBM+1.10%)	NZ\$12,753,563	NZ\$12,580,750	NZ\$12,649,875	NZ\$12,615,313	NZ\$12,615,313	NZ\$394,896,312	NZ\$395,000,000	13,924,974,927	210,508,867	13,714,466,060	13,770,609,805
Australian Dollar loans											
Interest rate (BBSY BID+1.25%)	AUS\$13,625,723	AUS\$13,700,180	AUS\$494,387,449	AUS-	AUS-	AUS-	AUS\$484,224,000	17,922,355,336	179,697,514	17,742,657,822	17,815,292,020
								<u>₱96,597,377,229</u>	<u>₱491,203,078</u>	<u>₱93,596,662,576</u>	<u>₱95,772,731,388</u>



	2017						Total (In Foreign Currency)	Total (in Philippine Peso)	Debt Issuance Costs	Carrying Value (in Philippine Peso)	Fair Value
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years					
Long-term debt											
Philippine peso											
<i>Floating rate</i>											
Commercial loan	₱1,778,409,798	₱1,745,234,775	₱1,710,867,422	₱1,673,501,570	₱1,636,871,320	₱6,702,912,377		₱15,247,797,262	₱-	₱15,247,797,262	₱12,656,770,112
Interest rate (3% - 5% PDST-R2)											
Foreign currencies:											
<i>Floating rate</i>											
US Dollar loans	US\$69,747,609	US\$68,527,070	US\$67,042,857	US\$66,589,271	US\$66,140,418	US\$135,384,658	US\$473,431,883	23,638,453,918	-	23,638,453,918	21,702,080,320
Interest rate 2%-5% (USD LIBOR)											
New Zealand Dollar loans	NZ\$16,205,992	NZ\$435,180,958	NZ\$-	NZ\$-	NZ\$-	NZ\$-	NZ\$451,386,950	14,808,699,804	104,771,265	14,703,928,539	14,910,608,581
Interest rate (NZ BKBM+1.60%)											
Australian Dollar loans	AUS\$13,251,758	AUS\$13,179,542	AUS\$13,215,650	AUS\$494,081,575	AUS\$-	AUS\$-	AUS\$533,728,525	18,772,656,535	250,622,686	18,522,033,849	18,491,979,928
Interest rate (BBSY BID+1.25%)											
							₱72,467,607,519	₱355,393,951	₱72,112,213,568	₱67,761,438,941	



The following table sets forth the impact of the range of reasonably possible changes in the interest rates on the Group's income from floating debt obligations before income tax:

Reasonably Possible Changes in Interest Rates	Change in Income Before Income Tax	
	2018	2017
+150 basis points (bps)	(₱2,055,973,531)	(₱1,198,003,295)
-150 bps	2,055,973,531	1,198,003,295

Price interest rate risk

The Group is exposed to the risks of changes in the value/future cash flows of its financial instruments due to its market risk exposures. The Group's exposure to interest rate risk relates primarily to the Group's financial assets at FVPL, financial assets at FVOCI and AFS investments.

Except for RBC, which uses Earnings-at -Risk (EaR) as a tool for measuring and managing interest rate risk in the banking book, the table below shows the impact on income before income tax of the estimated future yield of the related market indices of the Group's FVPL and AFS investments using a sensitivity approach.

Reasonably Possible Changes in Interest Rates	Change in Income Before Income Tax	
	2018	2017
+150 basis points (bps)	(₱109,598,149)	₱325,473,510
-150 bps	(347,205,706)	(325,473,510)

Commodity price risk

The Group enters into commodity derivatives to manage its price risks on fuel purchases. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Depending on the economic hedge cover, the price changes on the commodity derivative positions are offset by higher or lower purchase costs on fuel. A change in price by US\$10.0 per barrel of jet fuel affects the Group's fuel annual costs on pre-tax income by ₱2.5 billion in 2018, ₱2.5 billion in 2017 and ₱2.3 billion in 2016, assuming no change in volume of fuel is consumed.

The Group manages its commodity price risk through fuel surcharges which are approved by the Philippine Civil Aeronautics Board, a fuel hedge that protects the Group's fuel usage from volatile price fluctuations and certain operational adjustments in order to conserve fuel use in the way the aircraft is operated.

Banking Segment's Market Risk

Market risk is defined as the possibility of loss due to adverse movements in market factors such as rates and prices. Market risk is present in both trading and non-trading activities. These are the risk to earnings or capital arising from changes in the value of traded portfolios of financial instruments. The risk arises from market-making, dealing and position-taking in quoted debt securities and foreign exchange.

RBC observes market risk limits, which are approved by the BOD and reviewed at least annually. Limits are set in such a way as to ensure that risks taken are based on RBC's existing capital adequacy framework, and corresponding monitoring reports are prepared regularly by an independent risk management unit.



When limits are breached, approval is sought from successive levels of authority depending on the amount of the excess. Limit breaches are periodically presented to the BOD.

Value-at-Risk (VaR) is computed to estimate potential losses arising from market movements. RBC calculates and monitors VaR and profit or loss on a daily basis.

VaR objectives and methodology

VaR is used by RBC to measure market risk exposure from its trading and investment activities. VaR is an estimate of the maximum decline in value on a given position over a specified holding period in a normal market environment, with a given probability of occurrence. RBC uses the historical simulation method in estimating VaR. The historical simulation method is a non-parametric approach to VaR calculation, in which asset returns are not subject to any functional distribution assumption. VaR is estimated directly from historical data without deriving parameters or making assumptions about the entire data distribution.

In employing the historical simulation method, RBC assumes a 500 historical data (approximately 2 years) and updates its dataset on a daily basis. Per RBC’s policy, VaR is based on a 1-day holding period and a confidence level of 99%.

VaR methodology limitations and assumptions

Discussed below are the limitations and assumptions applied by RBC on its VaR methodology:

- a. VaR is a statistical estimate; thus, it does not give the precise amount of loss RBC may incur in the future;
- b. VaR is not designed to give the probability of bank failure, but only attempts to quantify losses that may arise from a RBC’s exposure to market risk;
- c. Since VaR is computed from end-of-day positions and market factors, VaR does not capture intraday market risk.
- d. VaR systems depend on historical data. It attempts to forecast likely future losses using past data. As such, this assumes that past relationships will continue to hold in the future. Therefore, market shifts (i.e., an unexpected collapse of the market) will not be captured and may inflict losses larger than VaR; and
- e. The limitation relating to the pattern of historical returns being indicative of future returns is addressed by supplementing VaR with daily stress testing reported to the RMC, ALCO and the concerned risk-takers.

VaR back testing is the process by which financial institutions periodically compare ex-post profit or loss with the ex-ante VaR figures to gauge the robustness of the VaR model. RBC performs quarterly back testing.

RBC’s VaR figures are as follows (in millions):

	2018			
	Average Daily	Highest	Lowest	December 31
Local interest rates	₱0.1622	₱1.8121	₱0.0005	–
Foreign interest rate	\$0.0018	\$0.0034	\$0.0005	\$0.0020
	2017			
	Average Daily	Highest	Lowest	December 31
Local interest rates	₱2.5082	₱8.8925	₱0.0165	₱0.5591
Foreign interest rate	–	–	–	–



Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

RBC's ALCO surveys the interest rate environment, adjusts the interest rates for RBC's loans and deposits, assesses investment opportunities and reviews the structure of assets and liabilities. RBC uses Earnings-at-Risk as a tool for measuring and managing interest rate risk in the banking book.

Earnings-at-Risk objectives and methodology

Earnings-at-Risk (EaR) is a statistical measure of the likely impact of changes in interest rates to the RBC's net interest income (NII). To do this, repricing gaps (difference between interest rate-sensitive assets and liabilities) are classified according to time to repricing and multiplied with applicable historical interest rate volatility, although available contractual repricing dates are generally used for putting instruments into time bands, contractual maturity dates (e.g., for fixed rate instruments) or expected liquidation periods often based on historical data are used alternatively. The repricing gap per time band is computed by getting the difference between the inflows and outflows within the time band. A positive repricing gap implies that RBC's net interest income could decline if interest rates decrease upon repricing. A negative repricing gap implies that RBC's net interest income could decline if interest rates increase upon repricing. Although such gaps are a normal part of the business, a significant change may bring significant interest rate risk.

To help control interest rate risk arising from repricing gaps, maximum repricing gap and EaR/NII targets are set for time bands up to one year. EaR is prepared and reported to the Risk Management Committee quarterly.

RBC's EaR figures are as follows (in PHP millions):

	2018			
	Average	High	Low	December 31
Instruments sensitive to local interest rates	₱322.01	₱392.20	₱271.40	₱392.20
Instruments sensitive to foreign interest rates	\$0.14	\$0.18	\$0.11	\$0.13
	2017			
	Average	High	Low	December 31
Instruments sensitive to local interest rates	₱162.86	₱287.07	₱116.87	₱287.07
Instruments sensitive to foreign interest rates	0.13	0.21	0.08	0.11

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The BOD has set limits on positions by currency. In accordance with the RBC's policy, positions are monitored on a daily basis and are used to ensure positions are maintained within established limits.

December 31, 2018		Statement of Income
+10% USD appreciation	USD	(₱4,692,232)
	Other Foreign Currencies*	31,755,352
-10% USD depreciation	USD	(4,692,232)
	Other Foreign Currencies*	31,755,352



December 31, 2017		Statement of Comprehensive Income
+10% USD appreciation	USD	₱81,434,122
	Other Foreign Currencies*	(26,247,025)
-10% USD depreciation	USD	(81,434,122)
	Other Foreign Currencies*	26,247,025

5. Fair Value Measurement

The following methods and assumptions were used to estimate the fair value of each asset and liability for which it is practicable to estimate such value:

Cash and cash equivalents, receivables (except for finance receivables and installment contract receivables), accounts payable and accrued expenses and short-term debt

Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

Finance receivables

Fair values of loans are estimated using the discounted cash flow methodology, using RBC's current incremental lending rates for similar types of loans. Where the instruments are repriced on a quarterly basis or have a relatively short-term maturity, the carrying amounts approximate fair values.

Installment contract receivables

Fair values of installment contract receivables are based on the discounted value of future cash flows using the applicable rates for similar types of receivables. The discount rates used range from 4.9% to 6.5% in 2018 and 3.0% to 4.7% in 2017.

Debt securities

Fair values of debt securities are generally based on quoted market prices.

Quoted equity securities

Fair values are based on quoted prices published in markets.

Unquoted equity securities

Investment in unquoted equity security classified as FVOCI include interest in unlisted preference shares of stock of a fintech company. The adjusted net asset value approach was used in estimating the fair value of the equity security where assets and liabilities are restated to current fair values.

Amounts due from and due to related parties

Carrying amounts of due from and due to related parties which are collectible/payable on demand approximate their fair values. Due from related parties are unsecured and have no foreseeable terms of repayments.

Noninterest-bearing refundable security deposits

The fair values are determined as the present value of estimated future cash flows using prevailing market rates.

Investment in convertible note

The fair of value of the convertible notes are estimated using a modified stock price binomial tree model.



Biological assets

Biological assets are measured at their fair values less costs to sell. The fair values of Level 2 biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit while Level 3 are determined based on adjusted commercial farmgate prices. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties.

The Group has determined that the highest and best use of the sucklings and weanlings is finishers while for other biological assets is their current use.

Derivative financial instruments

The fair values of the interest rate swaps and commodity swaps and options are determined based on the quotes obtained from counterparties. The fair values of forward exchange derivatives are calculated by reference to the prevailing interest differential and spot exchange rate as of valuation date, taking into account the remaining term-to-maturity of the forwards. The fair values of cross currency swaps are based on the discounted cash flow swap valuation model of a third party provider.

Investment properties

Fair value of investment properties is based on market data (or direct sales comparison) approach. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property.

The fair values of the Group's investment properties have been determined by appraisers, including independent external appraisers, in the basis of the recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time of the valuations are made.

The Group has determined that the highest and best use of the property used for the land and building is its current use.

Time deposits

Fair values are estimated using the discounted cash flow methodology using RBC's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liabilities being valued.

Long-term negotiable certificates of deposit (LTNCD)

Fair values of LTNCD are estimated using quoted market rates for the instrument.

Deposits from lessees

The fair value of customers' deposits is based on the discounted value of future cash flows using the applicable rates for similar types of loans and receivables as of reporting date. The discount rates used range from 4.9% to 6.5% in 2018 and 3.0% to 4.7% in 2017.

Long-term debt

The fair value of long-term debt is based on the discounted value of future cash flows (interests and principal) using the applicable rates for similar types of loans. The discount rates used range from 2% to 6% in 2018 and 2017.



Fair Value Hierarchy Assets and Liabilities

Assets and liabilities carried at fair value are those whose fair values are required to be disclosed.

- (a) Level 1: quoted (unadjusted) prices in an active market for identical assets or liabilities;
- (b) Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- (c) Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the Group's assets and liabilities carried at fair value:

	December 31, 2018				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair value
<i>Assets measured at fair value</i>					
Financial assets at FVPL:					
Held-for-trading:					
Debt securities:					
Government	₱8,206,143	₱8,206,143	₱-	₱-	₱8,206,143
Equity securities:					
Quoted	1,836,232,551	1,836,232,551	-	-	1,836,232,551
Investment in convertible notes	1,806,085,829	-	1,806,085,829	-	1,806,085,829
	3,650,524,523	1,844,438,694	1,806,085,829	-	3,650,524,523
Derivative financial assets designated as accounting hedges					
	6,389,048	-	6,389,048	-	6,389,048
	3,656,913,571	1,844,438,694	1,812,474,877	-	3,656,913,571
Financial assets at FVOCI					
Debt securities:					
Government	10,273,311,521	10,273,311,521	-	-	10,273,311,521
Private	12,964,659,358	12,964,659,358	-	-	12,964,659,358
	23,237,970,879	23,237,970,879	-	-	23,237,970,879
Equity securities:					
Quoted	19,878,902,835	19,828,602,835	50,300,000	-	19,878,902,835
Unquoted	256,208,787	256,208,787	-	-	256,208,787
	43,373,082,501	43,322,782,501	50,300,000	-	43,373,082,501
Biological assets	1,107,904,051	-	137,522,046	970,382,005	1,107,904,051
<i>Assets for which fair values are disclosed</i>					
Investment securities at amortized cost:					
Debt securities:					
Government	10,523,326,784	-	10,523,326,784	-	10,523,326,784
Private	2,073,762,933	-	2,073,762,933	-	2,073,762,933
	12,597,089,717	-	12,597,089,717	-	12,597,089,717
Receivables:					
Trade receivables	21,000,162,333	-	-	19,611,590,785	19,611,590,785
Finance receivables	66,897,077,529	-	-	74,067,342,941	74,067,342,941
Other receivables	2,622,354,898	-	-	2,613,815,499	2,613,815,499
Refundable deposits	1,014,830,884	-	-	969,010,794	969,010,794
Investment properties	93,816,970,875	-	-	201,397,348,388	201,397,348,388
Repossessed chattels	101,671,945	-	-	134,336,570	134,336,570
	₱185,453,068,464	₱-	₱-	₱298,793,444,977	₱298,793,444,977
Deposit liabilities					
	₱85,388,842,035	₱-	₱5,964,070,000	₱78,957,661,583	₱84,921,731,583
Derivative liabilities	763,322,060	-	763,322,060	-	763,322,060
Deposits from lessees	5,309,450,905	-	-	4,570,524,401	4,570,524,401
Long-term debt (including current portion)	210,248,967,348	-	-	177,130,372,140	177,130,372,140
	₱301,710,582,348	₱-	₱6,727,392,060	₱260,658,558,124	₱267,385,950,184



	December 31, 2017				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair value
<i>Assets measured at fair value</i>					
Financial assets at FVPL:					
Held-for-trading:					
Debt securities:					
Private	₱8,105,659,667	₱8,105,659,667	₱-	₱-	₱8,105,659,667
Government	1,794,792,865	1,794,792,865	-	-	1,794,792,865
	9,900,452,532	9,900,452,532	-	-	9,900,452,532
Equity securities:					
Quoted	2,112,003,350	2,112,003,350	-	-	2,112,003,350
	12,012,455,882	12,012,455,882	-	-	12,012,455,882
Investment in convertible note	1,876,775,033	-	1,876,775,033	-	1,876,775,033
Derivatives financial assets not designated as accounting hedges					
	467,897,681	-	467,897,681	-	467,897,681
Derivative financial assets designated as accounting hedges					
	11,023,146	-	11,023,146	-	11,023,146
	478,920,827	-	478,920,827	-	478,920,827
AFS investments:					
Debt securities:					
Government	13,830,643,531	13,830,643,531	-	-	13,830,643,531
Private	7,202,581,682	7,202,581,682	-	-	7,202,581,682
	21,033,225,213	21,033,225,213	-	-	21,033,225,213
Equity securities:					
Quoted	26,007,882,955	26,007,882,955	-	-	26,007,882,955
	47,041,108,168	47,041,108,168	-	-	47,041,108,168
Biological assets	1,678,576,389	-	477,262,840	1,201,313,549	1,678,576,389
<i>Assets for which fair values are disclosed</i>					
Receivables:					
Trade receivables	27,820,576,741	-	-	28,369,754,245	28,369,754,245
Finance receivables	56,615,488,928	-	-	61,162,000,840	61,162,000,840
Other receivables	1,858,365,135	-	-	1,860,230,707	1,860,230,707
Refundable deposits	972,578,485	-	-	980,808,430	980,808,430
Investment properties	89,244,835,261	-	-	195,098,922,273	195,098,922,273
Repossessed chattels	89,992,111	-	-	122,656,736	122,656,736
	₱239,689,672,960	₱-	₱-	₱288,795,686,780	₱350,682,209,530
Deposit liabilities					
	₱80,559,735,038	₱-	₱-	₱80,582,181,373	₱80,582,181,373
Derivative liabilities	5,904,377	-	5,904,377	-	5,904,377
Deposits from lessees	4,697,810,102	-	-	4,272,486,127	4,272,486,127
Long-term debt (including current portion)					
	181,686,814,666	-	-	191,655,347,796	191,655,347,796
	₱266,950,264,183	₱-	₱5,904,377	₱276,510,015,296	₱276,515,919,673

In 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements. Non-financial asset determined under Level 3 includes investment properties. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

Description of significant unobservable inputs to valuation:

Account	Valuation Technique	Significant Unobservable Inputs
Loans and receivables	Discounted cash flow method	4.0% - 14.75% risk premium rate
Investment in convertible note	Black-Scholes-Merton model and discounted cash flow model	Historical volatility
Biological assets	Adjusted commercial farmgate prices	Commercial farmgate prices
Investment properties	Market data approach and Cost approach	Price/cost per square meter, size, shape, location, time element, discount, replacement cost and depreciation for improvements
	Discounted cash flow method	Discount rate, capitalization rate, growth rate, occupancy rate



Account	Valuation Technique	Significant Unobservable Inputs
Refundable deposits	Discounted cash flow method	0.25% - 11.50% risk premium rate
Repossessed chattels	Market data approach	Price per unit, size, shape, location, time element and discount
Time deposits	Discounted cash flow method	0.25% - 3.90% risk premium rate
Long-term debt	Discounted cash flow method	2% - 6% discount rate

The relationship of historical volatility to the fair value of the investment in convertible bond is the higher the historical volatility, the higher the fair value of the derivative financial asset, and vice versa. If the historical volatility increases (decreases) by 500 bps, considering all other variables are held constant, the fair value of the derivative financial asset would increase (decrease) by approximately ₱15.6 million (₱14.8 million) and ₱32.6 million (₱33.0 million) as of December 31, 2018 and 2017, respectively.

Significant increases (decreases) in reasonable profit margin applied would result in a significantly higher (lower) fair value of the biological assets, considering all other variables are held constant.

Significant Unobservable Inputs

Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Risk premium	The return in excess of the risk-free rate of return that an investment is expected to yield.
Reasonable profit margin	Mark up of biological assets at different stages of development.
Historical volatility	The degree of variation of the underlying stock's trading price over time. Historical volatility is measured from the date of initial public offering until December 31, 2018.
Adjusted commercial farmgate prices	Fair value based on commercial farmgate prices, adjusted by considering the age, breed and genetic merit



6. Segment Information

Operating Segments

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

The industry segments where the Group operates are as follows:

- Foods, agro-industrial and commodities businesses - manufacturing of snack foods, granulated coffee and pre-mixed coffee, chocolates, candies, biscuits, instant noodles, ice cream and frozen novelties, pasta and tomato-based products and canned beans; raising of hog, chicken and manufacturing and distribution of animal feeds, corn products and vegetable oil and the synthesis of veterinary compound; and sugar milling and refining and flour milling.
- Air transportation - air transport services, both domestic and international, for passengers and cargoes.
- Real estate and hotels - ownership, development, leasing and management of shopping malls and retail developments; ownership and operation of prime hotels in major Philippine cities; development, sale and leasing of office condominium space in office buildings and mixed-use developments including high rise residential condominiums; and development of land into residential subdivisions and sale of subdivision lots and residential houses and the provision of customer financing for sales.
- Petrochemicals - manufacturer of polyethylene (PE) and polypropylene (PP), polymer grade ethylene, polymer grade propylene, partially hydrogenated pyrolysis gasoline and pyrolysis fuel oil.
- Banking - commercial banking operations, including deposit-taking, lending, foreign exchange dealing and fund transfers or remittance servicing.
- Other supplementary businesses - asset management, insurance brokering, foreign exchange and securities dealing. This also includes dividend income from PLDT and equity in net earnings of Meralco and GBPC.

No operating segments have been aggregated to form the above reportable operating business segments.

The Group does not have a single external major customer (which represents 10.0% of Group's revenues).

Management monitors the operating results of each segment. The measure presented to manage segment performance is the segment operating income (loss). Segment operating income (loss) is based on the same accounting policies as the consolidated operating income (loss) except that intersegment revenues are eliminated only at the consolidation level. Group financing (including finance cost and other charges), finance income, market valuation gains(losses) on financial assets at FVPL and derivatives, foreign exchange gains (losses), other operating income, general and administrative expenses, impairment losses and others and income taxes are managed on a group basis and are not allocated to operating segments. Transfer pricing between operating segments are on arm's length basis in a manner similar to transactions with third parties.



The Executive Committee (Excom) is actively involved in planning, approving, reviewing, and assessing the performance of each of the Group's segments. The Excom oversees Group's decision making process. The Excom's functions are supported by the heads of each of the operating segments, which provide essential input and advice in the decision-making process. The Excom is the Group's chief operating decision maker.

The following tables present the financial information of each of the operating segments in accordance with PFRS except for 'Core earnings', EBIT' and EBITDA' as of and for the years ended December 31, 2018, 2017 and 2016. Core earnings pertain to income before income tax excluding market valuation gains (losses) on financial assets at FVPL and impaired AFS investments, market valuation gains (losses) on derivative financial instruments and foreign exchange gains (losses).



The Group's operating segment information follows:

	December 31, 2018							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue								
Sale of goods and services:								
External customers	₱127,769,949,329	₱74,113,776,885	₱29,467,564,096	₱42,351,966,134	₱6,132,382,567	₱670,963,828	₱-	₱280,506,602,839
Intersegment revenues	-	-	77,749,795	1,424,297,376	-	-	(1,502,047,171)	-
Dividend income (Note 28)	127,769,949,329	74,113,776,885	29,545,313,891	43,776,263,510	6,132,382,567	670,963,828	(1,502,047,171)	280,506,602,839
Equity in net earnings of associates and joint ventures (Note 14)	32,302,870	-	-	-	11,212,315	1,185,257,167	(1,199,410)	1,227,572,942
	(132,407,965)	136,264,174	3,213,224,264	-	-	6,970,712,104	(5,950,694)	10,181,841,883
Total revenue	127,669,844,234	74,250,041,059	32,758,538,155	43,776,263,510	6,143,594,882	8,826,933,099	(1,509,197,275)	291,916,017,664
Cost of sales and services (Note 30)	90,332,569,588	48,039,492,056	13,668,592,264	40,917,554,303	2,275,281,099	-	(1,640,615,966)	193,592,873,344
Gross income	₱37,337,274,646	₱26,210,549,003	₱19,089,945,891	₱2,858,709,207	₱3,868,313,783	₱8,826,933,099	₱131,418,691	98,323,144,320
General and administrative expenses (Note 31)								52,912,530,779
Impairment losses and others (Note 34)								145,801,581
Operating income								45,264,811,960
Financing cost and other charges (Note 35)								(9,635,374,773)
Finance income (Note 27)								1,745,547,717
Other operating income (Note 29)								(459,468,426)
Core earnings								36,915,516,478
Market valuation gains (losses) on financial assets								(1,019,886,441)
Foreign exchange gains (losses)								(2,854,338,888)
Income before income tax								33,041,291,149
Provision for income tax (Note 38)								5,143,793,706
Net income								₱27,897,497,443
Net income attributable to equity holders of the Parent								
Company	₱5,085,554,061	₱2,653,143,265	₱8,248,872,579	₱1,054,195,029	₱190,609,473	₱2,358,536,287	(₱404,870,421)	₱19,186,040,273
EBIT	₱13,380,612,790	₱7,049,885,460	₱11,880,368,758	₱1,529,162,830	₱437,211,655	₱10,987,570,467	₱-	₱45,264,811,960
Depreciation and amortization (Notes 15, 16, 18 and 33)	6,369,775,844	7,479,321,315	4,456,732,645	1,848,781,422	318,332,674	94,336,114	-	20,567,280,014
EBITDA	₱19,750,388,634	₱14,529,206,775	₱16,337,101,403	₱3,377,944,252	₱755,544,329	₱11,081,906,581	₱-	₱65,832,091,974
Other information								
Non-cash expenses other than depreciation and amortization (Note 34):								
Impairment losses on receivables (Note 11)	₱17,774,108	₱-	₱-	₱-	₱99,575,581	₱-	₱-	₱117,349,689
Inventory obsolescence and market decline (Note 12)	7,948,049	-	-	-	-	-	-	7,948,049
Property, plant and equipment	1,699,792	-	-	-	-	-	-	1,699,792
Impairment losses on other assets	17,579,587	-	-	-	1,224,464	-	-	18,804,051
	₱45,001,536	₱-	₱-	₱-	₱100,800,045	₱-	₱-	₱145,801,581



December 31, 2017

	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue								
Sale of goods and services:								
External customers	₱125,007,824,013	₱68,029,131,426	₱22,448,257,224	₱41,406,489,496	₱4,475,828,582	₱717,368,505	₱-	₱262,084,899,246
Intersegment revenues	-	-	68,560,406	1,190,430,306	-	-	(1,258,990,712)	-
Dividend income (Note 28)	125,007,824,013	68,029,131,426	22,516,817,630	42,596,919,802	4,475,828,582	717,368,505	(1,258,990,712)	262,084,899,246
Equity in net earnings of associates and joint ventures (Note 14)	12,921,148	-	-	-	13,399,782	1,426,716,235	(1,199,410)	1,451,837,755
Total revenue	(280,533,323)	140,330,649	3,752,117,462	-	-	6,310,746,773	(13,943,655)	9,908,717,906
Cost of sales and services (Note 30)	124,740,211,838	68,169,462,075	26,268,935,092	42,596,919,802	4,489,228,364	8,454,831,513	(1,274,133,777)	273,445,454,907
Gross income	85,693,355,234	40,626,822,232	10,626,386,640	34,811,743,595	1,183,714,020	-	(1,387,580,735)	171,554,440,986
General and administrative expenses (Note 31)	₱39,046,856,604	₱27,542,639,843	₱15,642,548,452	₱7,785,176,207	₱3,305,514,344	₱8,454,831,513	₱113,446,958	101,891,013,921
Impairment losses and others (Note 34)								49,910,047,737
Operating income								248,080,372
Financing cost and other charges (Note 35)								51,732,885,812
Finance income (Note 27)								(7,836,137,934)
Other operating income (Note 29)								1,243,424,967
Core earnings								241,871,584
Market valuation gains (losses) on financial assets								45,382,044,429
Foreign exchange gains (losses)								541,176,531
Income before income tax								(902,717,961)
Provision for income tax (Note 38)								45,020,502,999
Net income								5,501,468,891
Net income attributable to equity holders of the Parent Company	₱6,015,871,239	₱5,316,821,268	₱7,338,007,677	₱5,991,258,470	₱184,325,780	₱4,581,345,354	(₱58,092,332)	₱29,369,537,456
EBIT	₱14,952,166,760	₱10,134,278,023	₱8,562,414,443	₱6,518,388,803	₱355,398,353	₱11,210,239,430	₱-	₱51,732,885,812
Depreciation and amortization (Notes 15, 16, 18 and 33)	6,104,063,359	6,839,363,607	3,914,114,101	1,697,187,358	285,278,308	96,732,527	-	18,936,739,260
EBITDA	₱21,056,230,119	₱16,973,641,630	₱12,476,528,544	₱8,215,576,161	₱640,676,661	₱11,306,971,957	₱-	₱70,669,625,072
Other information								
Non-cash expenses other than depreciation and amortization (Note 34):								
Impairment losses on receivables (Note 11)	₱18,553,155	₱173,269	₱-	₱-	₱217,183,385	₱-	₱-	₱235,909,809
Inventory obsolescence and market decline (Note 12)	2,870,047	-	-	-	-	-	-	2,870,047
Impairment losses on other assets	-	-	-	-	9,300,516	-	-	9,300,516
	₱21,423,202	₱173,269	₱-	₱-	₱226,483,901	₱-	₱-	₱248,080,372



December 31, 2016

	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue								
Sale of goods and services:								
External customers	₱112,611,969,799	₱61,899,278,892	₱22,750,417,221	₱29,070,077,332	₱3,412,187,119	₱551,082,564	₱-	₱230,295,012,927
Intersegment revenues	-	-	37,495,297	889,958,295	-	-	(927,453,592)	-
Dividend income (Note 28)	112,611,969,799	61,899,278,892	22,787,912,518	29,960,035,627	3,412,187,119	551,082,564	(927,453,592)	230,295,012,927
Equity in net earnings of associates and joint ventures (Note 14)	12,813,084	-	-	-	6,917,794	2,013,048,726	(1,199,410)	2,031,580,194
Total revenue	(166,719,320)	178,308,843	2,790,366,394	-	-	5,376,658,316	(2,088,117)	8,176,526,116
Total revenue	112,458,063,563	62,077,587,735	25,578,278,912	29,960,035,627	3,419,104,913	7,940,789,606	(930,741,119)	240,503,119,237
Cost of sales and services (Note 30)	76,403,953,654	34,262,194,205	11,011,098,421	22,753,221,449	696,840,597		(1,033,072,080)	144,094,236,246
Gross income	₱36,054,109,909	₱27,815,393,530	₱14,567,180,491	₱7,206,814,178	₱2,722,264,316	₱7,940,789,606	₱102,330,961	96,408,882,991
General and administrative expenses (Note 31)								43,498,208,309
Impairment losses and others (Note 34)								640,717,050
Operating income								52,269,957,632
Financing cost and other charges (Note 35)								(7,461,996,870)
Finance income (Note 27)								1,161,245,053
Other operating income (Note 29)								(487,955,842)
Core earnings								45,481,249,973
Market valuation gains (losses) on financial assets								(15,036,945,759)
Foreign exchange gains (losses)								(2,638,787,064)
Income before income tax								27,805,517,150
Provision for income tax (Note 38)								5,437,906,633
Net income								₱22,367,610,517
Net income attributable to equity holders of the Parent Company	₱7,172,181,138	₱6,549,733,816	₱6,294,414,833	₱5,125,794,521	₱153,989,567	(₱14,312,364,434)	(₱65,770,516)	₱10,917,978,925
EBIT	₱15,759,516,726	₱12,251,198,185	₱8,276,963,246	₱5,813,705,056	₱384,998,860	₱9,783,575,559	₱-	₱52,269,957,632
Depreciation and amortization (Notes 15, 16, 18 and 33)	5,645,120,618	5,998,695,417	3,774,153,608	1,318,457,917	290,172,266	70,941,305	-	17,097,541,131
EBITDA	₱21,404,637,344	₱18,249,893,602	₱12,051,116,854	₱7,132,162,973	₱675,171,126	₱9,854,516,864	₱-	₱69,367,498,763
Other information								
Non-cash expenses other than depreciation and amortization (Note 34):								
Impairment losses on receivables (Note 11)	₱10,144,972	₱-	₱ 4,673	₱-	₱138,969,094	₱300,000,000	₱-	₱449,118,739
Inventory obsolescence and market decline (Note 12)	175,449,919	-	-	-	-	-	-	175,449,919
Impairment losses on other assets	-	-	-	-	16,148,392	-	-	16,148,392
	₱185,594,891	₱-	₱4,673	₱-	₱155,117,486	₱300,000,000	₱-	₱640,717,050



Other information on the Group's operating segments follow:

December 31, 2018

	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Consolidated
Investments in associates and joint ventures (Note 14)	P520,917,510	P943,781,695	P50,364,656,041	P-	P-	P93,085,241,987	P-	P144,914,597,233
Segment assets	P151,935,713,410	P129,589,739,922	P174,158,160,285	P98,142,227,756	P121,509,063,300	P192,420,794,526	(P48,468,683,365)	P819,287,015,834
Short-term debt (Note 23)	P8,480,998,575	P-	P896,700,000	P-	P-	P5,062,308,755	P-	P14,440,007,330
Long-term debt (Note 23)	P31,457,123,882	P53,797,546,261	P36,488,539,001	P-	P-	P88,505,758,204	P-	P210,248,967,348
Segment liabilities	P67,942,234,140	P90,905,166,290	P80,238,443,780	P42,975,790,820	P106,163,467,794	P106,145,084,629	(P42,561,032,158)	P451,809,155,295
Capital expenditures (Notes 15 and 16)	P8,641,730,098	P26,030,449,395	P14,083,962,187	P19,870,115,618	P282,544,066	P37,112,569	(P622,200,000)	P68,323,713,933

December 31, 2017

	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Consolidated
Investments in associates and joint ventures (Note 14)	P404,647,575	P840,972,437	P46,365,842,599	P-	P-	P90,779,861,628	P-	P138,391,324,239
Segment assets	P147,493,293,568	P109,245,863,713	P147,528,320,430	P69,409,114,388	P104,926,584,835	P209,817,783,530	(P49,114,026,661)	P739,306,933,803
Short-term debt (Note 23)	P5,164,505,591	P-	P15,693,400,000	P5,714,393,097	P-	P19,275,514,773	P-	P45,847,813,461
Long-term debt (Note 23)	P33,225,962,388	P40,982,210,752	P35,661,162,154	P-	P-	P71,817,479,372	P-	P181,686,814,666
Segment liabilities	P65,807,280,971	P69,761,176,242	P80,155,702,670	P15,302,675,696	P92,833,429,203	P111,870,754,089	(P42,843,633,069)	P392,887,385,802
Capital expenditures (Notes 15 and 16)	P8,011,626,579	P14,776,336,747	P23,851,531,485	P3,090,406,047	P229,685,485	P104,674,277	(P6,544,360,000)	P43,519,900,620

December 31, 2016

	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	Consolidated
Investments in associates and joint ventures (Note 14)	P301,582,060	P805,801,372	P42,613,725,137	P-	P-	P84,231,127,139	P-	P127,952,235,708
Segment assets	P142,669,975,956	P100,665,363,677	P123,330,412,832	P63,016,837,736	P77,854,969,207	P215,598,681,564	(P56,824,924,086)	P666,311,316,886
Short-term debt (Note 23)	P5,985,992,111	P-	P16,010,000,000	P6,982,613,256	P-	P32,905,909,210	P-	P61,884,514,577
Long-term debt (Note 23)	P31,366,592,785	P42,810,437,630	P23,361,477,678	P-	P-	P61,649,247,507	P-	P159,187,755,600
Segment liabilities	P63,777,329,559	P67,079,106,744	P60,598,091,112	P14,891,419,804	P65,875,566,403	P126,120,587,307	(P44,814,639,244)	P353,527,461,685
Capital expenditures (Notes 15 and 16)	P7,657,219,437	P19,126,054,236	P12,731,165,668	P1,973,324,669	P317,506,229	P47,758,548	P-	P41,853,028,787



Reconciliation of Income Before Income Tax to EBITDA and Core Earnings

	2018	2017	2016
Income before income tax	₱33,041,291,149	₱45,020,502,999	₱27,805,517,150
Finance income	(1,745,547,717)	(1,243,424,967)	(1,161,245,053)
Financing cost and other charges	9,635,374,773	7,836,137,934	7,461,996,870
Other operating income	459,468,426	(241,871,584)	487,955,842
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	1,019,886,441	(541,176,531)	15,032,420,017
Foreign exchange losses	2,854,338,888	902,717,961	2,643,312,806
EBIT	45,264,811,960	51,732,885,812	52,269,957,632
Depreciation and amortization	20,567,280,014	18,936,739,260	17,097,541,131
EBITDA	₱65,832,091,974	₱70,669,625,072	₱69,367,498,763
Income before income tax	₱33,041,291,149	₱45,020,502,999	₱27,805,517,150
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	1,019,886,441	(541,176,531)	15,032,420,017
Foreign exchange losses	2,854,338,888	902,717,961	2,643,312,806
Core earnings	₱36,915,516,478	₱45,382,044,429	₱45,481,249,973



The table below presents the consolidated statement of financial position of the Group broken down between industrial and banking components:

	December 31, 2018			December 31, 2017		
	Industrial*	Banks*	Consolidated	Industrial*	Banks*	Consolidated
ASSETS						
Current Assets						
Cash and cash equivalents	₱25,510,651,426	₱23,684,025,015	₱49,194,676,441	₱29,519,716,475	₱24,816,578,714	₱54,336,295,189
Financial assets at fair value through profit and loss	3,642,318,380	8,206,143	3,650,524,523	14,308,998,010	48,134,331	14,357,132,341
Financial assets at fair value through other comprehensive income	10,818,456,393	13,097,214,483	23,915,670,876	–	–	–
Available-for-sale investments	–	–	–	2,273,071,015	19,195,024,564	21,468,095,579
Receivables - net	23,189,216,734	20,486,136,539	43,675,353,273	28,582,733,808	19,031,459,759	47,614,193,567
Inventories - net	63,472,037,028	–	63,472,037,028	54,757,779,634	–	54,757,779,634
Biological assets - net	741,719,637	–	741,719,637	1,180,266,509	–	1,180,266,509
Contract assets	5,088,356,660	–	5,088,356,660	–	–	–
Other current assets	24,437,130,173	129,469,039	24,566,599,212	12,688,943,385	172,425,132	12,861,368,517
Total current assets	156,899,886,431	57,405,051,219	214,304,937,650	143,311,508,836	63,263,622,500	206,575,131,336
Noncurrent Assets						
Financial assets at fair value through other comprehensive income	19,457,411,625	–	19,457,411,625	–	–	–
Available-for-sale investments	–	–	–	25,597,305,960	–	25,597,305,960
Receivables - noncurrent	1,432,956,759	48,418,529,405	49,851,486,164	3,775,948,572	38,873,763,507	42,649,712,079
Investments at amortized cost	–	12,597,089,717	12,597,089,717	–	–	–
Investments in associates and JVs - net	144,914,597,233	–	144,914,597,233	138,538,902,953	–	138,538,902,953
Investments properties - net	93,475,897,324	341,073,551	93,816,970,875	86,738,961,707	284,458,762	87,023,420,469
Contract assets	6,444,995,326	–	6,444,995,326	–	–	–
Property, plant and equipment - net	217,650,662,391	622,992,836	218,273,655,227	181,069,052,242	591,112,077	181,660,164,319
Biological assets - bearer	366,184,414	–	366,184,414	498,309,880	–	498,309,880
Goodwill - net	31,761,277,350	244,327,006	32,005,604,356	31,778,856,937	244,327,006	32,023,183,943
Intangibles - net	12,627,357,949	1,327,066,643	13,954,424,592	12,694,146,088	1,326,885,108	14,021,031,196
Other noncurrent assets	12,746,725,732	552,932,923	13,299,658,655	10,524,934,507	342,415,875	10,867,350,382
Total Noncurrent Assets	540,878,066,103	64,104,012,081	604,982,078,184	491,216,418,846	41,662,962,335	532,879,381,181
	₱697,777,952,534	₱121,509,063,300	₱819,287,015,834	₱634,527,927,682	₱104,926,584,835	₱739,454,512,517

*Balances are after elimination of intercompany balances between industrial and banking components



	December 31, 2018			December 31, 2017		
	Industrial*	Banks*	Consolidated	Industrial*	Banks*	Consolidated
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable and accrued expenses	₱55,995,766,742	₱76,660,068,675	₱132,655,835,417	₱48,093,589,682	₱65,785,218,569	₱113,878,808,251
Short-term debt	35,453,723,993	–	35,453,723,993	45,847,813,461	–	45,847,813,461
Current portion of long-term debt	30,962,269,832	–	30,962,269,832	5,728,469,720	–	5,728,469,720
Derivative liabilities	585,770,498	336,698	586,107,196	1,809,511,201	–	1,809,511,201
Contract liabilities	12,931,513,843	–	12,931,513,843	–	–	–
Income tax payable	1,775,407,604	1,365,637	1,776,773,241	–	–	–
Other current liabilities	15,052,570,233	383,700	15,639,061,129	13,688,829,840	6,310,369	13,695,140,209
Total current liabilities	152,757,022,745	76,662,154,710	229,419,177,455	115,168,213,904	65,791,528,938	180,959,742,842
Noncurrent liabilities						
Long-term debt - net of current portion	179,286,697,516	–	179,286,697,516	175,958,344,946	–	175,958,344,946
Deferred tax liabilities - net	7,877,223,942	–	7,877,223,942	7,205,880,096	–	7,205,880,096
Contract liabilities	2,378,690,953	–	2,378,690,953	–	–	–
Other noncurrent liabilities	13,683,739,481	19,163,625,948	32,847,365,429	12,025,653,348	16,885,343,284	28,910,996,632
Total noncurrent liabilities	203,226,351,892	19,163,625,948	222,389,977,840	195,189,878,390	16,885,343,284	212,075,221,674
Total Liabilities	355,983,374,637	95,825,780,658	451,809,155,295	310,358,092,294	82,676,872,222	393,034,964,516
Stockholders' equity	267,378,513,527	9,207,357,303	276,585,870,830	260,581,462,007	7,255,893,379	267,837,355,386
Minority interest in consolidated subsidiaries	84,753,751,506	6,138,238,203	90,891,989,709	73,744,930,362	4,837,262,253	78,582,192,615
	₱708,115,639,670	₱111,171,376,164	₱819,287,015,834	₱644,684,484,663	₱94,770,027,854	₱739,454,512,517

*Balances are after elimination of intercompany balances between industrial and banking components



Intersegment Revenues

Intersegment revenues are eliminated at the consolidation level.

Segment Results

Segment results pertain to the net income (loss) of each of the operating segments adjusted by the subsequent take up of significant transactions of operating segments with fiscal year-end and the capitalization of borrowing costs at the consolidated level for qualifying assets held by a certain subsidiary. The chief decision maker also uses the 'Core earnings', 'EBIT' and 'EBITDA' in measuring the performance of each of the Group's operating segments. The Group defines each of the operating segment's 'Core earnings' as the total of the 'Operating income', 'Finance income' and 'Other operating income' deducted by the 'Financing cost and other charges'. EBIT is equivalent to the Group's operating income while EBITDA is computed by adding back to the EBIT the depreciation and amortization expenses during the period. Depreciation and amortization include only the depreciation and amortization of plant and equipment, investment properties and intangible assets.

Depreciation and amortization

In 2018, 2017 and 2016, the amount of reported depreciation and amortization includes depreciation for investment properties and property, plant and equipment, and amortization of intangible assets.

Segment Assets

Segment assets are resources owned by each of the operating segments with the exclusion of intersegment balances, which are eliminated, and adjustment of significant transactions of operating segment with fiscal year-end.

Segment Liabilities

Segment liabilities are obligations incurred by each of the operating segments excluding intersegment balances which are eliminated. The Group also reports, separately, to the chief operating decision maker the breakdown of the short-term and long-term debt of each of the operating segments.

Capital Expenditures

The components of capital expenditures reported to the chief operating decision maker are the acquisitions of investment property and property, plant and equipment during the period, including those acquired through business combination.

Geographical Information

The Group operates in the Philippines, Thailand, Malaysia, Indonesia, China, Hong Kong, Singapore, Vietnam, Myanmar, New Zealand and Australia.

The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	2018	2017	2016
Domestic	₱191,174,505,599	₱177,183,896,798	₱163,546,437,410
Foreign	100,741,512,064	96,261,558,109	76,956,681,827
	₱291,916,017,663	₱273,445,454,907	₱240,503,119,237

The Group has no significant customer which contributes 10.0% or more of the consolidated revenues of the Group.



The table below shows the Group's carrying amounts of noncurrent assets per geographic location excluding noncurrent financial assets, deferred tax assets and pension assets:

	2018	2017
Domestic	₱400,084,128,785	₱351,606,822,118
Foreign	113,164,190,898	109,820,667,509
	₱513,248,319,683	₱461,427,489,627

7. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	₱2,529,042,588	₱1,803,114,479
Cash in banks (Note 40)	26,297,373,536	29,672,232,553
Cash equivalents (Note 40)	20,368,260,317	22,860,948,157
	₱49,194,676,441	₱54,336,295,189

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents represent money market placements made for varying periods depending on the immediate cash requirements of the Group, and earn annual interest ranging from 0.01% to 6.5%, from 0.05% to 6.50% and from 0.01% to 6.50% in 2018, 2017 and 2016, respectively (Note 27).

8. Derivative Financial Instruments

The tables below show the fair value of the Group's outstanding derivative financial instruments, reported as assets or liabilities, together with their notional amounts as of December 31, 2018 and 2017. The notional amount is the basis upon which changes in the value of derivatives are measured.

	December 31, 2018			
	Notional Amounts (in Millions)		Derivative Assets (Note 13)	Derivative Liabilities (Note 24)
	Japanese Yen	New Zealand Dollar		
Derivatives Not Designated as				
Accounting Hedges (Notes 9 and 22)				
Freestanding:				
Zero cost collars *			₱-	₱762,985,362
Foreign currency swaps	JPY0.54		-	336,698
			₱-	₱763,322,060
Derivatives Designated as				
Accounting Hedges (Note 13)				
Currency options		NZ\$28.20	₱6,389,048	₱-
			₱6,389,048	₱-
Presented in the consolidated				
statements of financial position as:				
Current			₱6,389,048	₱586,107,196
Noncurrent			₱-	₱177,214,864

*Notional quantity amounted to 2,100,000 US barrels as of December 31, 2018



December 31, 2017				
	Notional Amounts (in Millions)		Derivative	Derivative
	US Dollar	New Zealand Dollar	Assets (Notes 9 and 13)	Liabilities (Note 22)
Derivatives Not Designated as Accounting Hedges (Notes 9 and 22)				
Freestanding:				
Zero cost collars*			P454,400,088	P-
Interest rate swaps	US\$250.0		13,464,723	-
Foreign currency swaps	US\$17.1		32,870	5,904,377
			P467,897,681	P5,904,377
Derivatives Designated as Accounting Hedges (Note 13)				
Currency options		NZ\$28.2	P11,023,146	P-
			P11,023,146	P-
Presented in the consolidated statements of financial position as:				
Current			P478,920,827	P5,904,377
Noncurrent			P-	P-

*Notional quantity amounted to 1,740,000 US barrels as of December 31, 2017

Derivatives not designated as accounting hedges

The Group's derivatives not designated as accounting hedges include transactions to take positions for risk management purpose.

- Commodity swaps and zero cost collars

CAI enters into fuel derivatives to manage its exposure to fuel price fluctuations. Such fuel derivatives are not designated as accounting hedges. The gains or losses on these instruments are accounted for directly as a charge against or credit to profit or loss. As of December 31, 2018 and 2017, CAI has outstanding fuel hedging transactions. The notional quantity is the amount of the derivatives' underlying asset or liability, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The swaps and collars can be exercised at various calculation dates with specified quantities on each calculation date. The collars have various maturity dates through 2019 until 2020.

In 2018, 2017 and 2016, CAI recognized net changes in fair value of derivatives amounting to P289.0 million loss, P135.9 million loss and P1.6 billion gain, respectively under 'Market valuation gains (losses) on derivative financial instruments' account in the consolidated statements of comprehensive income.

- Interest rate swap

On December 18, 2012, JGSPL entered into an interest rate swap transaction with a notional amount of US\$250.0 million effective January 16, 2013. The swap is intended to hedge the interest rate exposure due to the movements in the benchmark LIBOR on the US\$ 250.0 million JGSPL 5-year Guaranteed Notes. In October 2016, JGSPL prepaid the notes and de-designated the interest rate swap as a cashflow hedge of the related notes. Accordingly, the changes in the fair value of the interest rate swap accumulated in other comprehensive income was recycled to profit or loss in 2016. In 2017 and 2016, JGSPL recognized net changes in fair value of derivatives amounting to P22.7 million loss and P34.1 million gain, respectively.



- Foreign currency forwards

In 2018 and 2017, CAI entered into foreign currency forward transactions which matured in the same year and recognized realized loss of ₱16.2 million and ₱14.1 million, respectively. For the years ended December 31, 2018, 2017 and 2016, CAI recognized net changes in fair value of derivatives amounting to ₱33.6 million loss, ₱3.3 million gain and ₱6.7 million gain, respectively. The realized gain is recognized under 'Market valuation gains (losses) on derivative financial instruments - net' account in the consolidated statements of comprehensive income.

In 2016, CAI entered into foreign currency forward contracts which were pre-terminated in the same year, where it recognized realized gain amounting to ₱6.7 million

- Foreign currency swaps

RBC entered into foreign currency swap transactions with negative fair values of ₱0.34 million as of December 31, 2018 and positive and negative fair values of ₱0.03 million and ₱5.9 million as of December 31, 2017. In 2018, 2017 and 2016, RBC recognized net changes in fair value of derivatives amounting to ₱1.5 million loss, ₱15.3 million gain and ₱12.3 million gain, respectively.

Derivatives designated as accounting hedges

As part of its asset and liability management, the Group uses derivatives, particularly interest rate swaps and currency options, as cash flow hedges in order to reduce its exposure to market risks that is achieved by hedging portfolios of floating rate financial instruments.

The accounting treatment explained in Note 2 to the consolidated financial statements, *Hedge Accounting*, varies according to the nature of the hedged item and compliance with the hedge criteria. Hedges entered into by the Group which provide economic hedges but do not meet the hedge accounting criteria are included under derivatives not designated as accounting hedges.

- Currency options

The Group's currency options have a total notional amount of NZD28.2 million and initial fair value of ₱7.5 million with positive fair value amounting to ₱6.4 million and ₱26.8 million as of December 31, 2018 and 2017, respectively. The swap is intended to hedge the foreign currency denominated future purchases and cash outflows of URC.

Hedge Effectiveness Results

The hedge is assessed to be effective as the critical terms of the hedging instrument match the terms of the hedged item.

Fair value changes in derivatives

Fair value changes of derivatives designated as accounting hedges

The net movements in fair value of the Group's derivative financial instruments designated as accounting hedges follow:

	2018	2017
Beginning balance	₱11,023,146	₱26,800,472
Net changes shown in other comprehensive income (Note 36):		
Net changes in fair value of derivatives taken to other comprehensive income	(3,336,553)	(11,359,660)
Fair value of settled instruments	(1,297,545)	(4,417,666)
	₱6,389,048	₱11,023,146



Net changes in fair value of derivatives taken to other comprehensive income are recorded under 'Net gains (losses) from cash flow hedges' in the consolidated statement of comprehensive income.

Fair value changes of derivatives not designated as accounting hedges

The net movements in fair value of the Group's derivative financial instruments not designated as accounting hedges follow:

	2018	2017
Balance at beginning of year:		
Derivative assets	₱467,897,681	₱478,956,361
Derivative liabilities	(5,904,377)	(5,947,386)
	461,993,304	473,008,975
Net losses from changes in fair value of derivatives taken to profit or loss	(338,299,836)	(139,886,091)
Fair value of settled instruments	(887,015,528)	128,870,420
	(₱763,322,060)	₱461,993,304
Balance at end of year:		
Derivative assets	₱-	₱467,897,681
Derivative liabilities	763,322,060	5,904,377

The net changes in fair value of derivatives taken to profit or loss are included under 'Market valuation gains (losses) on derivative financial instruments' in the consolidated statements of comprehensive income, except for the foreign currency swaps of RBC, where the net changes in fair value are taken to profit or loss under 'Trading and securities gains' (see Note 26).

9. Financial Assets at Fair Value through Profit or Loss

This account consists of the following:

	2018	2017
Debt securities:		
Private	₱140,329,354	₱8,105,659,667
Government	8,206,143	1,794,792,865
	148,535,497	9,900,452,532
Equity securities:		
Quoted	1,695,903,197	2,112,003,350
Unquoted	-	3,745
	1,695,903,197	2,112,007,095
Investment in convertible notes	1,806,085,829	1,876,775,033
Derivatives (Note 8)	-	467,897,681
	₱3,650,524,523	₱14,357,132,341

On April 13, 2017, JGSPL invested in a convertible note from Sea Limited in the amount of US\$25.0 million (or ₱1.3 billion). The Principal Amount excluding any accrued and unpaid interest may be converted into fully paid and non-assessable voting ordinary shares of Sea Limited. As of December 31, 2018 and 2017, unrealized gain on the investment in convertible note amounted to ₱0.3 billion and ₱0.6 billion, respectively.

On December 14, 2018, EHI entered into a Securities Exchange Agreement with ORT Philippines Holdings Pte. Ltd. (ORT Philippines), wherein EHI sold to the latter all its shares (including deposit



for future subscription) in Oriente Techsystem Philippines Corporation (OETC) and Paloo Financing Inc. (Paloo). Also, ORT Philippines transferred to EHI 6,627,087 Series A-2 Preferred shares of Oriente Finance Group Limited (OFGL) and a convertible note with a face value of \$1.975 million. The convertible note of OFGL is classified under financial assets at fair value through profit or loss while the preferred shares are classified under financial assets at FVOCI. The group recorded gain from the disposal of its investment in OETC and Paloo amounting to ₱198.1 million.

As of December 31, 2018, 2017 and 2016, unrealized gain on debt securities recognized amounted to nil, ₱157.7 million and ₱35.9 million, respectively.

As of December 31, 2018, 2017 and 2016, unrealized loss on equity securities recognized amounted to ₱683.1 million, ₱95.7 million and ₱93.6 million, respectively.

In 2018, 2017 and 2016, the Group recognized net market valuation gains (losses) on financial assets at FVPL (excluding derivatives) amounting to (₱683.1 million), ₱696.4 million and (₱57.7 million), respectively, included under 'Market valuation gains (losses) on financial assets at fair value through profit or loss' in the consolidated statements of comprehensive income.

Interest income on financial assets at FVPL consists of (see Note 27):

	2018	2017	2016
Debt securities:			
Private	₱474,106,446	₱536,802,342	₱528,821,679
Government	130,079,434	113,969,006	110,301,242
	₱604,185,880	₱650,771,348	₱639,122,921

10. Investment Securities

Financial Assets at Fair Value through Other Comprehensive Income

As at December 31, 2018, this account consists of investments in:

Debt securities:	
Government	₱10,273,311,521
Private	12,964,659,358
	23,237,970,879
Equity securities:	
Quoted	19,878,902,835
Unquoted	256,208,787
	20,135,111,622
	₱43,373,082,501

Breakdown of financial assets at FVOCI investments as shown in the consolidated statements of financial position as at December 31, 2018 follows:

Current portion	₱23,915,670,876
Noncurrent portion	19,457,411,625
	₱43,373,082,501



Available-for-Sale Investments

As at December 31, 2017, this account consists of investments in:

Debt securities:	
Government	₱13,830,643,531
Private	7,202,581,682
	<u>21,033,225,213</u>
Equity securities:	
Quoted	26,007,882,955
Unquoted	24,293,371
	<u>26,032,176,326</u>
	<u><u>₱47,065,401,539</u></u>

Breakdown of AFS investments as shown in the consolidated statements of financial position as at December 31, 2017 follows:

Current portion	₱21,468,095,579
Noncurrent portion	25,597,305,960
	<u><u>₱47,065,401,539</u></u>

The Group has classified its 17.3 million PLDT shares representing 8.0% ownership interest as financial assets at FVOCI/AFS investments which have a carrying values of ₱19.5 billion, ₱25.6 billion and ₱23.6 billion as of December 31, 2018, 2017 and 2016, respectively.

In 2016, the Group recognized impairment losses on its AFS investments amounting to ₱16.7 billion. No impairment in value of its AFS investments was recognized in 2017 (Note 2).

Interest income on debt financial assets at FVOCI/AFS debt securities follows (Note 27):

	2018	2017	2016
Debt securities:			
Government	₱448,401,992	₱458,963,998	₱331,913,646
Private	374,775,163	370,841,736	200,960,934
	<u>₱823,177,155</u>	<u>₱829,805,734</u>	<u>₱532,874,580</u>

The range of the Group's effective interest rate on government securities are as follows:

	2018	2017	2016
Peso-denominated securities	3.62%-7.20%	1.38%-5.19%	2.57%-4.71%
Foreign currency-denominated securities	3.16%-6.47%	2.75%-5.18%	2.80%-4.86%

The range of the Group's effective interest rate on the private bonds are as follows:

	2018	2017	2016
Peso-denominated securities	4.20%-7.82%	3.90%-6.63%	3.89%-5.27%
Foreign currency-denominated securities	4.01%-6.02%	3.86%-5.90%	3.56%-7.10%



The movements in net unrealized gains (losses) on financial assets at FVOCI/AFS investments follow:

	2018		
	Parent Company	Non-controlling Interests	Total
Balance at beginning of year, as previously reported	₱-	₱-	₱-
Effect of adoption of PFRS 9	(14,954,413,164)	181,701,765	(14,772,711,399)
Balance at January 1, 2018, as restated	(14,954,413,164)	181,701,765	(14,772,711,399)
Net changes shown in other comprehensive income (Note 36):			
Fair value changes during the period on financial assets at FVOCI of the Parent Company and its subsidiaries	(7,517,643,934)	(386,621,935)	(7,904,265,869)
Realized gain on sale of financial assets at FVOCI (Note 29)	(34,208,528)	-	(34,208,528)
	(22,506,265,626)	(204,920,170)	(22,711,185,796)
Share in net changes in fair value of financial assets at FVOCI of an associate (Note 14)	(141,404,566)		(141,404,566)
Balance at end of year	(₱22,647,670,192)	(₱204,920,170)	(₱22,852,590,362)
	2017		
	Parent Company	Non-controlling Interests	Total
Balance at beginning of year	(₱596,224,679)	(₱119,301,795)	(₱715,526,474)
Net changes shown in other comprehensive income (Note 36):			
Fair value changes during the period on AFS investments of the Parent Company and its subsidiaries	1,855,132,262	(80,951,614)	1,774,180,648
Realized gain on sale of AFS investments (Note 29)	(14,747,467)	-	(14,747,467)
	1,840,384,795	(80,951,614)	1,759,433,181
Share in net changes in fair value of AFS investments of an associate (Note 14)	24,394,385	-	24,394,385
Balance at end of year	₱1,268,554,501	(₱200,253,409)	₱1,068,301,092
	2016		
	Parent Company	Non-controlling Interests	Total
Balance at beginning of year	(₱4,984,560,896)	(₱4,142,032)	(₱4,988,702,928)
Net changes shown in other comprehensive income (Note 36):			
Fair value changes during the period on AFS investments of the Parent Company and its subsidiaries	(12,220,137,282)	(115,159,763)	(12,335,297,045)
Realized gain on sale of AFS investments (Note 29)	(452,510)	-	(452,510)
Reclassification of unrealized loss to profit or loss due to impairment	16,713,629,844	-	16,713,629,844
	4,493,040,052	(115,159,763)	4,377,880,289
Share in net changes in fair value of AFS investments of an associate (Note 14)	(104,703,835)	-	(104,703,835)
Balance at end of year	(₱596,224,679)	(₱119,301,795)	(₱715,526,474)



Investment Securities at Amortized Cost

The investment securities at amortized cost of the Group consist of the following as of December 31, 2018:

Government securities	₱10,673,679,979
Private bonds	1,923,410,533
	12,597,090,512
Less allowance for impairment losses	795
	₱12,597,089,717

The effective interest rates for peso-denominated investment securities at amortized cost of the Group ranges from 2.08% to 6.00% in 2018. The effective interest rates for foreign currency-denominated investment securities at amortized cost of the Group ranges from 2.76% to 5.31% in 2018.

Held-to-Maturity Investment

In 2017, RBC disposed portion of its HTM investments with carrying value of ₱300.0 million for a total consideration of ₱308.9 million. Total trading gains on disposal of these HTM investments amounted to ₱8.9 million, included in 'Trading and securities gain' (Note 26). Accordingly, the remaining HTM investments portfolio of the Group with carrying values amounting to ₱3.2 billion and ₱3.0 billion, respectively, were reclassified to AFS investments and carried at fair value amounting to ₱3.2 billion and ₱3.0 billion, respectively.

Interest income on HTM debt securities amounted to ₱23.7 million and ₱170.4 million in 2017 and 2016, respectively (see Note 27).

11. Receivables

This account consists of:

	2018	2017
Finance receivables	₱67,862,863,368	₱57,465,698,853
Trade receivables	21,279,464,748	28,389,587,453
Due from related parties (Note 40)	1,574,492,811	1,606,771,071
Interest receivable	1,005,296,837	882,182,402
Other receivables	3,429,658,825	3,690,087,848
	95,151,776,589	92,034,327,627
Less allowance for impairment losses	1,624,937,152	1,770,421,981
	₱93,526,839,437	₱90,263,905,646

Total receivables shown in the consolidated statements of financial position follow:

	2018	2017
Current portion	₱43,675,353,273	₱47,614,193,567
Noncurrent portion	49,851,486,164	42,649,712,079
	₱93,526,839,437	₱90,263,905,646



Noncurrent receivables consist of:

	2018	2017
Finance receivables	₱48,418,529,405	₱38,873,763,507
Trade receivables	1,432,956,759	3,775,948,572
	₱49,851,486,164	₱42,649,712,079

Finance Receivables

Breakdown of finance receivables, which represent receivables from customers of RBC and its subsidiary, follows:

	2018	2017
Receivables from customers:		
Commercial	₱44,523,131,006	₱40,925,026,335
Real estate	14,376,289,959	9,430,388,922
Consumption	8,545,058,560	6,847,265,413
Domestic bills purchased	834,447,716	498,529,953
	68,278,927,241	57,701,210,623
Less unearned interest and discounts	416,063,873	235,511,770
	₱67,862,863,368	₱57,465,698,853

Interest income on finance receivables and sales contract receivable included under 'Banking revenue' in profit or loss in the consolidated statements of comprehensive income, consists of (see Notes 26 and 27):

	2018	2017	2016
Receivables from customers:			
Commercial	₱2,488,181,208	₱1,691,903,926	₱1,062,179,726
Consumption	1,334,075,467	1,016,984,816	944,289,657
Real estate	741,540,449	480,287,737	314,683,992
Domestic bills purchased	278,928	304,453	455,965
Others	6,224,286	4,705,429	12,526,920
	₱4,570,300,338	₱3,194,186,361	₱2,334,136,260

Others consist of sales contract receivables and lease receivables.

Restructured receivables which do not meet BSP the requirements are to be as nonperforming loans. Restructured receivables as of December 31, 2018 and 2017 amounted to ₱247.6 million and ₱314.5 million, respectively.

Trade Receivables

Included in trade receivables are installment contract receivables of the real estate segment of the Group amounting to ₱10.7 billion and ₱7.3 billion as of December 31, 2018 and 2017. These are collectible in monthly installments over a period of between one year to ten years. The title of the real estate property, which is the subject of the installment contract receivable due beyond 12 months, passes to the buyer once the receivable is fully paid. Revenue from real estate and hotels includes interest income earnings from installment contract receivables amounting to ₱0.9 billion, ₱1.7 billion, and ₱476.6 million in 2018, 2017, and 2016 respectively, and is recorded under 'Sale of goods and service' on the consolidated statements of comprehensive income.

Other trade receivables are noninterest-bearing and generally have 30 to 90-day terms.



Others

Other receivables include claims receivables and other non-trade receivables. As of December 31, 2018 and 2017 claims receivables amounted to ₱0.6 billion and ₱1.6 billion, respectively.

Allowance for Impairment Losses on Receivables

Changes in the allowance for impairment losses on receivables follow:

	2018				2017			
	Trade Receivables	Finance Receivables	Other Receivables	Total	Trade Receivables	Finance Receivables	Other Receivables	Total
Balance at beginning of year	₱555,449,421	₱850,209,925	₱364,762,635	₱1,770,421,981	₱560,147,335	₱785,143,321	₱357,577,185	₱1,702,867,841
Impact of adoption of PFRS 9	–	35,224,497	2,898,211,235	2,933,435,732	–	–	–	–
Balance at beginning, as adjusted	555,449,421	885,434,422	3,262,973,870	4,703,857,713	560,147,335	785,143,321	357,577,185	1,702,867,841
Provision for impairment losses (Note 34)	17,774,108	83,887,054	15,688,527	117,349,689	18,726,424	193,565,277	18,876,157	231,167,858
Unrealized foreign exchange gains	1,981,496	–	–	1,981,496	6,487,481	–	–	6,487,481
Reclassification/Others	(295,902,610)	(3,535,637)	(2,898,813,499)	(3,198,251,746)	(29,911,819)	(128,498,673)	(11,690,707)	(170,101,199)
Balance at end of year	₱279,302,415	₱965,785,839	₱379,848,898	₱1,624,937,152	₱555,449,421	₱850,209,925	₱364,762,635	₱1,770,421,981

Provision for impairment losses on receivables for the years ended December 31, 2018, 2017 and 2016 amounted to ₱97.8 million, ₱231.2 million and ₱449.1 million, respectively.

Allowance for credit losses on other receivables includes credit losses on non-trade receivables, advances to officers and employees and other receivables. Allowance for credit losses on advances to officers and employees amounted to ₱19.6 million as of December 31, 2018 and 2017. Allowance for credit losses on other receivables amounted to ₱189.3 million as of December 31, 2018 and 2017.

12. Inventories

This account consists of inventories at cost held as follows:

	2018	2017 (As restated - Note 2)
Subdivision land, condominium and residential units for sale	₱31,464,454,298	₱28,854,049,360
Raw materials	11,519,075,356	9,640,292,896
Spare parts, packaging materials and other supplies	10,572,850,617	8,956,965,274
Finished goods	8,739,717,461	6,323,116,493
Work-in-process	1,169,383,710	976,357,941
By-products	6,555,586	6,997,670
	₱63,472,037,028	₱54,757,779,634



Summary of the movements in real estate inventory follows:

	2018	2017 (As restated - Note 2)
Balance at beginning of year	₱28,854,049,360	₱25,983,487,629
Reclassification from investment properties	-	2,310,382,571
Balance at beginning of year, as restated	28,854,049,360	28,293,870,200
Construction and development costs incurred	5,868,091,167	4,846,756,065
Costs of real estate sales (Note 30)	(4,931,427,825)	(3,143,037,387)
Transfers from (to) investment properties and property and equipment (Notes 15 and 16)	1,673,741,596	(1,143,539,518)
Balance at end of year	₱31,464,454,298	₱28,854,049,360

Land held for future development previously presented as non-current asset includes land which the BOD has previously approved to be developed into residential development for sale. Before the adoption of PIC Q&A 2018-11, the classification was based on the Group's timing to start the development of the property. This was reclassified under inventories in the consolidated statement of financial position. Land with undetermined future use was retained to investment properties.

Borrowing cost capitalized amounted to ₱548.0 million and ₱490.0 million in 2018 and 2017, respectively. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2018 and 2017 is 4.50% and 4.02%, respectively. This amount was included in the construction and development costs incurred.

Under the terms of agreements covering liabilities under trust receipts amounting to ₱6.0 billion and ₱3.2 billion as of December 31, 2018 and 2017, respectively, certain inventories which approximate the trust receipts payable, have been released to the Group under trust receipt agreement with the banks (see Note 23). The Group is accountable to the banks for the value of the trustee inventories or their sales proceeds.

The Group recognized impairment losses on its inventories included under 'Impairment losses and others' amounting to ₱7.9 million, ₱2.9 million and ₱175.4 million in 2018, 2017 and 2016, respectively (see Note 34).

The land use right (included in 'Subdivision land, condominium and residential units for sale') amounting to ₱13.8 billion and ₱11.7 billion as at December 31, 2018 and 2017, respectively, is pledged as security to the Renminbi (RMB)216 million (₱1,651 million) loan from Agricultural Bank of China (Note 16). Other than this, there are no subdivision land, condominium and residential units for sale that are pledged as security to liabilities as of December 31, 2018 and 2017.



13. Other Current Assets

This account consists of:

	2018	2017 (As restated - Note 2)
Restricted cash	₱7,607,799,241	₱4,257,265
Advances to suppliers (Note 2)	5,949,470,490	3,501,976,781
Input value-added tax (VAT)	5,866,368,778	5,600,375,496
Prepaid expenses	2,684,249,213	1,767,150,037
Creditable withholding tax	1,614,910,944	1,203,616,654
Advances to lot owners and joint operations	748,273,145	665,791,569
Derivative assets under hedge accounting (Note 8)	6,389,048	11,023,146
Utility deposits	7,831,041	9,989,072
Others	81,307,312	97,188,497
	₱24,566,599,212	₱12,861,368,517

Input VAT

As of December 31, 2018 and 2017, the gross amount of output VAT deducted from input VAT amounted to ₱22.7 billion and ₱17.8 billion, respectively. The Group believes that the amount of input VAT is fully realizable in the future.

Advances to Suppliers

Advances to suppliers include advance payments for the acquisition of raw materials, spare parts, packaging materials and other supplies. This also includes prepayments for the construction of investment properties and property and equipment.

Advances to Lot Owners and Joint Operations

Advances to lot owners consist of advance payments to land owners which will be applied against the acquisition cost of the real properties that will be acquired. The application is expected to be within twelve (12) months after the reporting date.

This also includes deposit to various joint operations partners representing share in an ongoing real estate development which will be liquidated at the end of the joint venture agreement. This deposit will be realized through RLC's share in the completed units or share in the sales proceeds of the units, depending on the agreement with the other party.

Prepaid Expenses

This account consists of prepayments on rent, insurance, taxes, and office supplies.

Restricted cash

RLC has restricted cash - escrow which pertains to cash placed in escrow funds earmarked for the acquisition of parcels of land, pursuant to the memorandum of agreement (MOA) with various sellers. Said amount shall be released to RLC upon fulfillment of certain conditions set forth in MOA.



14. Investments in Associates and Joint Ventures

Details of this account follow:

	2018	2017
Acquisition cost:		
Balance at beginning of year	₱115,132,972,597	₱107,169,574,445
Additional investments	3,273,567,354	7,963,398,152
Disposal of investment	(448,735,025)	-
Reclassification to investment in subsidiaries due to step-up acquisition	(328,250,000)	-
Balance at end of year	117,629,554,926	115,132,972,597
Accumulated equity in net earnings:		
Balance at beginning of year	23,183,588,136	20,291,989,192
Equity in net earnings	10,181,841,883	10,056,296,620
Reclassification to investment in subsidiaries due to step-up acquisition	105,478,327	-
Accumulated equity in net losses (earnings) of disposed investment	297,544,736	-
Elimination of unrealized gains on downstream sales	(990,497,652)	-
Dividends received	(5,914,109,460)	(7,164,697,676)
Balance at end of year	26,863,845,970	23,183,588,136
Share in net unrealized gains (losses) on AFS investments of an associate:		
Balance at beginning of year	(78,818,206)	(103,212,591)
Effect of adoption of PFRS 9	78,818,206	-
Balance at beginning of year, as restated	-	-
Share in net changes in fair value of AFS investments of an associate (Notes 10 and 36)	-	24,394,385
Balance at end of year	-	(78,818,206)
Share in unrealized gain (loss) on financial assets at fair value thru other comprehensive income (FVOCI) of associates:		
Balance at beginning of year	-	-
Share in net changes in fair value of financial assets at FVOCI of associates	(141,404,566)	-
Balance at end of year	(141,404,566)	-
Share in remeasurements of the net defined benefit liability of associates:		
Balance at beginning of year	198,173,021	525,146,569
Share in net changes in remeasurements of the net defined benefit liability of associates	387,758,074	(326,973,548)
	585,931,095	198,173,021
Cumulative translation adjustment	274,120,205	400,437,802
	145,212,047,630	138,836,353,350
Less allowance for impairment losses	297,450,397	297,450,397
	₱144,914,597,233	₱138,538,902,953

Equity in net earnings amounting to ₱10.1 billion in 2017 excludes the excess of the share in net loss over the investment in a joint venture amounting to ₱147.6 million (presented in 'Other noncurrent liabilities).



The composition of the carrying value of the Group's investments in associates and joint ventures and the related percentages of effective ownership interest are shown below:

	Effective Ownership		Carrying Value	
	2018	2017	2018	2017
			(In Million Pesos)	
Associates				
Domestic:				
Manila Electric Company (Meralco)	29.56	29.56	₱79,942.0	₱77,668.6
Global Business Power Corporation (GBPC)	30.00	30.00	12,126.0	12,223.4
Oriental Petroleum and Mining Corporation (OPMC)	19.40	19.40	791.6	743.0
Cebu Light Industrial Park, Inc. (CLIP)	20.00	20.00	61.3	68.2
G2M Solutions Philippines Pte. Ltd (G2M)	0.00	–	160.5	–
RHK Land Corporation	36.58	–	1,383.3	–
1Aviation Groundhandling Services Corp	27.05	–	25.0	–
Shang Robinsons Properties, Inc.	30.49	–	–	–
Foreign:				
United Industrial Corp., Limited (UICL)	37.05	37.06	48,981.3	46,365.8
Air Black Box (ABB)	10.15	10.09	43.7	43.7
			143,514.7	137,112.7
Joint Ventures				
Domestic:				
SIA Engineering (Philippines) Corp. (SIAEP)	23.67	23.53	425.7	379.2
Aviation Partnership (Philippines) Corp. (APPC)	33.14	32.95	252.4	229.3
Philippine Academy for Aviation Training (PAAT)	33.82	33.62	197.0	188.7
Calbee - URC, Inc. (CURCI)	–	27.63	–	184.2
Oriente Express Techsystem Corporation (Oriente)	–	50.00	–	67.0
Hunt Universal Robina Corporation (HURC)	–	27.63	–	56.8
Vitasoy-URC, Inc (VURCI)	27.63	27.63	195.8	31.6
Paloo Financing, Inc	–	50.00	–	6.0
MPIC-JGS Airport Holdings, Inc.	41.25	41.25	3.8	3.8
Danone Universal Robina Beverages, Inc. (DURBI)	27.63	27.63	–	–
Foreign:				
Calbee – URC Malaysia Sdn. Bhd (CURM)	27.63	–	31.8	–
Proper Snack Foods Limited (PSFL)	27.68	27.68	293.3	279.6
			1,399.8	1,426.2
			₱144,914.5	₱138,538.9

Material investees

Investment in Meralco

On June 14, 2017, the Parent Company acquired an additional 27,500,000 common shares of Meralco for a total cost of ₱6.9 billion. After this transaction, the total number of shares held by the Parent Company is 333,189,397 representing 29.56% of Meralco's total outstanding common shares.



Investment in OPMC

The Group accounts for its investment in OPMC as an associate although the Group holds less than 20.00% of the issued share capital, as the Group has the ability to exercise significant influence over the investment, due to the Group's voting power (both through its equity holding and its representation in key decision-making committees) and the nature of the commercial relationships with OPMC.

Investment in UICL

UICL, a company incorporated in Singapore is engaged in residential property management. UICL follows the fair value model in measuring investment properties while the Group follows the cost model in measuring investment properties. The financial information of UICL below represents the adjusted amounts after reversal of the effect of revaluation and depreciation on the said assets.

In 2017, the Group elected to receive 5,272,126 ordinary shares under the UIC Scrip Dividend Scheme in lieu of cash dividend at the issue price of S\$2.99 per share.

Fair value of investments in listed associates

As of December 31, 2018 and 2017, the Group's investments in the following listed investee companies have fair values of:

	Exchange Listed	2018	2017
Meralco	Philippine Stock Exchange	₱116,161,970,860	₱107,953,364,628
UICL	Singapore Exchange Limited	66,734,036,905	65,623,456,660
OPMC	Philippine Stock Exchange	504,506,623	465,698,420

As of December 31, 2018 and 2017, the breakdown of the total fair market value of the Group's investment in OPMC follows:

	2018	2017
Class A Common Stock	₱117,136,910	₱108,126,378
Class B Common Stock	387,369,713	357,572,042
	₱504,506,623	₱465,698,420

The fair value is based on the quoted price prevailing as of the reporting date.



Summarized below is the financial information of the significant associates of the Group:

- Summarized statements of financial position of the Group's significant associates as of December 31, 2018 and 2017:

	2018				2017			
	Meralco	GBPC	UICL	OPMC	Meralco	GBPC	UICL	OPMC
Current assets	₱115,344,000,000	₱22,316,013,410	₱42,351,633,909	₱2,800,190,595	₱98,432,000,000	₱24,232,449,977	₱30,418,860,996	₱916,673,658
Noncurrent assets	220,907,000,000	54,186,310,779	254,084,326,293	2,055,096,503	204,923,000,000	57,411,862,419	277,212,181,039	3,684,742,279
Current liabilities	115,517,000,000	10,857,020,220	50,308,105,990	137,639,214	105,839,000,000	11,565,603,710	11,769,326,095	32,630,114
Noncurrent liabilities	137,847,000,000	34,459,556,763	4,247,430,935	–	123,084,000,000	38,446,900,367	22,294,704,246	101,620,282
Equity	₱82,887,000,000	₱31,185,747,206	₱241,880,423,277	₱4,717,647,884	₱74,432,000,000	₱31,631,808,319	₱273,567,011,694	₱4,467,165,541
Group's carrying amount of the investment	₱79,941,986,898	₱12,126,046,658	₱48,981,302,371	₱791,595,964	₱77,668,545,132	₱12,223,412,529	₱46,365,842,599	₱743,002,387

As of December 31, 2018 and 2017, the Group's share in Meralco's net assets amounted to ₱24.5 billion and ₱22.0 billion, respectively. As of December 31, 2018 and 2017, the excess of the carrying value over the Group's share in Meralco's net assets is attributable to the notional goodwill and the difference between the fair value and carrying value of Meralco's net assets.

As of December 31, 2018 and 2017, the Group's share in GBPC's net assets amounted to ₱9.4 billion and ₱9.5 billion, respectively. The excess of the Group's share in the carrying value of GBPC's net assets over the carrying value of the investment is attributable to the notional goodwill and the difference between the fair value and carrying value of GBPC's net assets.

As of December 31, 2018 and 2017, the Group's share in UICL's net assets amounted to ₱89.6 billion and ₱101.4 billion, respectively. The excess of the Group's share in the carrying value of UICL's net assets over the carrying value of the investment is attributable to the difference between the fair value and carrying value of UICL's net assets.

As of December 31, 2018 and 2017, the Group's share in OPMC's net assets amounted to ₱915.2 million and ₱866.6 million, respectively. The excess of the Group's share in the carrying value of OPMC's net assets over the carrying value of the investment is attributable to the difference between the fair value and carrying value of OPMC's net assets.



- Summarized statements of comprehensive income of the Group's significant associates for the period ended December 31, 2018, 2017 and 2016:

	2018				2017			
	Meralco	GBPC	UICL	OPMC	Meralco	GBPC	UICL	OPMC
Revenue	₱306,484,000,000	₱27,219,494,275	₱26,398,495,164	₱546,215,154	₱283,382,000,000	₱23,980,615,078	₱48,056,937,031	₱498,684,483
Expenses	276,737,000,000	20,342,220,593	16,158,971,353	390,232,352	256,178,000,000	17,192,603,211	34,646,705,537	376,981,707
Finance costs (income)	(798,000,000)	2,239,282,564	9,696,634	–	658,000,000	1,776,083,291	426,294,642	–
Profit before tax	30,545,000,000	4,637,991,118	10,229,827,177	155,982,802	26,546,000,000	5,011,928,576	12,983,936,852	121,702,776
Income tax expense	7,443,000,000	1,120,985,283	1,486,108,349	35,520,914	7,363,000,000	1,239,464,976	1,815,520,951	2,874,004
Profit for the year (continuing operations)	₱23,102,000,000	₱3,517,005,835	₱8,743,718,828	₱120,461,888	₱19,183,000,000	₱3,772,463,600	₱11,168,415,901	₱118,828,772
Other comprehensive income for the year	480,000,000	–	–	–	470,000,000	(54,211,548)	–	16,272,503
Total comprehensive income for the year (continuing operations)	₱23,582,000,000	₱3,517,005,835	₱8,743,718,828	₱120,461,888	₱19,653,000,000	₱3,718,252,052	₱11,168,415,901	₱135,101,275
Group's share of profit for the year	₱6,588,285,540	₱621,783,963	₱3,239,372,942	₱22,017,011	₱5,601,657,500	₱719,181,542	₱3,752,117,462	₱8,831,693

	2016			
	Meralco	GBPC	UICL	OPMC
Revenue	₱261,186,000,000	₱9,026,093,325	₱35,839,290,575	₱656,345,619
Expenses	233,151,000,000	5,863,240,155	25,237,685,045	288,951,142
Finance costs	1,343,000,000	1,008,892,704	316,620,895	–
Profit before tax	26,692,000,000	2,153,960,466	10,284,984,635	367,394,477
Income tax expense	7,352,000,000	26,610,580	1,704,881,742	–
Profit for the year (continuing operations)	₱19,340,000,000	₱2,127,349,886	₱8,580,102,893	₱367,394,477
Total comprehensive income for the year (continuing operations)	3,233,000,000	16,330,538	(412,701,096)	–
Total comprehensive income for the year (continuing operations)	₱22,573,000,000	₱2,143,680,424	₱8,167,401,797	₱367,394,477
Group's share of profit for the year	₱4,980,696,000	₱356,430,766	₱2,790,366,394	₱37,617,071



Individually immaterial investees

CLIPi

As of December 31, 2018 and 2017, the Group has deposit for future stock subscription in CLIPi amounting to ₱10.0 million. These represents 20.0% of CLIPi's proposed increase in authorized capital stock.

G2M

On September 20, 2018, the Parent Company invested in G2M's convertible note amounting to \$5.9 million. The Parent Company paid \$2.97 million to G2M as first installment payment and will pay the remaining \$2.97 million note when certain conditions are met. The convertible note gives the Parent Company the right to convert to 14.90% of the outstanding stock of G2M. The Parent Company has one representation on the BOD of the G2M.

PAAT

Investment in PAAT pertains to CAI's 60.00% investment in shares of the joint venture. However, the joint venture agreement between the CAI and CAE International Holdings Limited (CAE) states that CAI is entitled to 50.00% share on the net income/loss of PAAT. As such, the CAI recognizes equivalent 50.00% share in net income and net assets of the joint venture.

As of December 31, 2018 and 2017, CAI's investment in PAAT amounted to ₱188.7 million.

CURCI

In September 2018, URC entered into a share purchase agreement with its joint venture partner, Calbee, Inc., to acquire the latter's 50% equity interest in CURCI for a total consideration of ₱171.0 million, which approximates the fair values of identifiable net assets acquired. The purchase of the additional 50% shares will allow URC to have full control of CURCI, consistent with its agenda of driving an aligned and scalable snacking category growth. As a result of the sale, CURCI became a wholly-owned subsidiary. The purchase of the additional 50% shares will allow the Parent Company to have full control of CURCI, consistent with its agenda of driving an aligned and scalable snacking category growth. As a result of the sale, CURCI became a wholly-owned subsidiary of the Parent Company.

Oriente

On July 14, 2017, EHI entered into a joint venture with ORT Company (Singapore) Private Limited to invest in Oriente Express Techsystem Corporation (the "JV Company") in order to assist the JV Company in the expansion of its business and distribution of its products and services. The joint venture is setting up a digital financial services marketplace that will enable Filipinos to tap into credit facilities to bridge their ever-growing needs, whether to pay for tuition, unexpected medical expenses or even finance a small business. EHI contributed 50.00% interest in the joint venture amounting to ₱100.00 million.

On December 14, 2018, EHI entered into a Securities Exchange Agreement with ORT Philippines, wherein EHI sold to the latter all its shares (including deposit for future subscription) in Oriente Express Techsystem Philippines Corporation and Paloo Financing Inc (Note 9).

HURC

URC has an equity interest in HURC, a domestic joint venture which is a jointly controlled entity. HURC manufactures and distributes food products under the "Hunt's" brand name, which is under exclusive license to HURC in the Philippines. In 2017, URC entered into certain agreements with a third party to sell its rights, title, and interest in the assets used in manufacturing the Hunt's business,



well as pre-termination of the right to manufacture, sell, and distribute Hunt's products (see Note 16). Subsequent to the sale HURC remains to exist as a jointly controlled entity.

In September 2018, URC entered into a share purchase agreement with its joint venture partner, ConAgra Grocery Products Company, LLC., to acquire its 50% equity interest in HURC for a total consideration of ₱3.2 million. The acquisition of the HURC shares made HURC a wholly-owned subsidiary of URC.

Paloo Financing, Inc.

On November 16, 2017, the Company entered into a joint venture agreement with ORT Company (Singapore) Private Limited to form Paloo Financing, Inc., a company organized to extend facilities to consumers and to industrial, commercial or agricultural enterprises. The Company contributed 50.00% interest in the joint venture amounting to ₱6.00 million.

On December 14, 2018, EHI entered into a Securities Exchange Agreement with ORT Philippines, wherein EHI sold to the latter all its shares (including deposit for future subscription) in Oriente Express Techsystem Philippines Corporation and Paloo Financing Inc (Note 9).

DURBI

In 2018, URC made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 5,000,000 common shares for a total cost of ₱82.5 million. The capital infusion was not presented as additional investment but was applied to the 2017 excess of the share in net loss over the investment.

PSFL

On June 30, 2017, Griffin's Food Limited (Griffin's) purchased 50.1% of the shares in Proper Snack Foods Ltd (a Nelson, New Zealand based business with the 49.9% shareholder being an individual) for a total consideration of approximately NZ\$8.0 million, or ₱282.1 million. PSFL manufactures and distributes crisps.

Calbee-URC Malaysia

On August 23, 2017, URC Malaysia entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form Calbee – URC Malaysia Sdn Bhd (CURM), a corporation registered with the Companies Commission of Malaysia organized to manufacture savoury snack products. Total consideration amounted to MYR2.7 million (₱34.3 million).

Shang Properties, Inc

On November 13, 2017, the Parent Company's BOD approved the agreement with Shang Properties, Inc. (SPI) to form a joint venture corporation (JVC).

On May 23, 2018, Shang Robinsons Properties, Inc., the JVC, was incorporated. Both RLC and SPI each own 50% of the outstanding shares in the JVC. The office address of the JVC is at Lower Ground Floor, Cyber Sigma Building, Lawton Avenue, Fort Bonifacio Taguig.

RLC and SPI, through the JVC, shall build and develop a property situated at McKinley Parkway corner 5th Avenue and 21st Drive at Bonifacio Global City, Taguig, Metro Manila. The project is intended to be a mixed-use development and may include residential condominium units, serviced apartments and commercial retail outlets. The JVC also plans to pursue other development projects.



Hong Kong Land Group

On February 5, 2018, the Parent Company's BOD approved the agreement with Hong Kong Land Group (HKLG) represented by Hong Kong Land International Holdings, Ltd. and its subsidiary Ideal Realm Limited to form a joint venture corporation (JVC).

On June 14, 2018, RHK Land Corporation, the JVC, was incorporated. RLC and HKLG owns 60% and 40%, respectively, of the outstanding shares in the JVC. The principal office of the JVC is at 12F Robinsons Cyberscape Alpha, Sapphire and Garnet Roads, Ortigas Center, Pasig City.

RLC and HKLG, through the JVC, shall engage in the acquisition, development, sale and leasing of real property. The JVC shall initially undertake the purchase of a property situated in Block 4 of Bridgetowne East, Pasig City, develop the property into a residential enclave and likewise carry out the marketing and sales of the residential units. The JVC also plans to pursue other development projects.

On October 2018, the Parent Company entered into a Shareholder Loan Agreement with the JVC to make available a loan facility of ₱1.4 billion which the JVC may draw from time to time subject to the terms and conditions set out in the agreement.

Aggregate information of associates and joint ventures that are not individually material follows:

	2018		2017	
	Associates	Joint Venture	Associates	Joint Venture
Group's share of:				
Profit (loss) for the year	(₱50,019,834)	(₱239,597,739)	₱209,494	(₱173,279,785)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	(₱50,019,834)	(₱239,597,739)	₱209,494	(₱173,279,785)
Group's share of dividends for the year	₱4,000,000	₱11,748,764,004	₱4,000,000	₱123,659,585
Group's carrying amount of the investment	₱1,469,685,159	₱ 1,603,980,183	₱68,202,645	₱1,469,897,661

Investment in Subsidiaries

As of December 31, 2018 and 2017, the Parent Company has the following percentage ownership of shares in its wholly-owned and partially-owned subsidiaries as follows:

Name of Subsidiaries	Country of Incorporation	Effective Percentage of Ownership	
		December 31, 2018	December 31, 2017
Food			
Universal Robina Corporation and Subsidiaries	Philippines	55.25	55.25
Air Transportation			
CP Air Holdings, Inc. and Subsidiaries	-do-	100.00	100.00
Cebu Air, Inc. (CAI) and Subsidiaries	-do-	67.64	67.23
Real Estate and Hotels			
Robinsons Land Corporation and Subsidiaries	Philippines	60.97	60.97
Petrochemicals			
JG Summit Petrochemical Corporation (JGSPC)	-do-	100.00	100.00
JG Summit Olefins Corporation	-do-	100.00	100.00
Banking			
Robinsons Bank Corporation	-do-	60.00	60.00

(Forward)



Name of Subsidiaries	Country of Incorporation	Effective Percentage of Ownership	
		December 31, 2018	December 31, 2017
Supplementary Businesses			
Express Holdings, Inc. and Subsidiaries	-do-	100.00	100.00
Summit Forex Brokers Corporation	-do-	100.00	100.00
JG Summit Capital Services Corp. and Subsidiaries	-do-	100.00	100.00
JG Summit Capital Markets Corp.	-do-	100.00	100.00
Summit Point Services, Ltd.	-do-	100.00	100.00
Summit Internet Investments, Inc.	-do-	100.00	100.00
JG Summit Cayman, Ltd. (JGSCCL)	Cayman Islands	100.00	100.00
JG Summit Philippines, Ltd. And Subsidiaries	-do-	100.00	100.00
JG Summit Holdings Philippines, Ltd.	British Virgin Islands	100.00	100.00
JG Summit Infrastructure Holdings Corporation	Philippines	100.00	100.00
Merbau Corporation	-do-	100.00	100.00
Multinational Finance Group, Ltd.	British Virgin Islands	100.00	100.00
Telegraph Development, Ltd.	-do-	100.00	100.00
Summit Top Investment, Ltd.	-do-	100.00	100.00
JG Summit Limited (JGSL)	-do-	100.00	100.00
Batangas Agro-Industrial Development Corporation (BAID and Subsidiaries.)	Philippines	100.00	100.00
Fruits of the East, Inc.	-do-	100.00	100.00
Hometel Integrated Management Corporation	-do-	100.00	100.00
King Leader Philippines, Inc.	-do-	100.00	100.00
Samar Commodities Trading and Industrial Corporation	-do-	100.00	100.00
Tropical Aqua Resources	-do-	100.00	100.00
United Philippines Oil Trading, Inc.	-do-	100.00	100.00
Unicon Insurance Brokers Corporation	-do-	100.00	100.00

Financial information of subsidiaries that have material non-controlling interest is provided below:

- Portion of equity interest held by non-controlling interest

Name of Subsidiary	Country of Incorporation and Operation	December 31, 2018	December 31, 2017
Universal Robina Corporation (URC)	Philippines	44.75	44.75
Robinsons Land Corporation (RLC)	Philippines	39.03	39.03
Cebu Air, Inc. (CAI)	Philippines	32.36	32.77
Robinsons Bank Corporation (RBC)	Philippines	40.00	40.00

- Accumulated balances of material non-controlling interest:

Name of Subsidiary	2018	2017
URC	₱36,827,746,372	₱36,198,230,247
RLC	36,908,401,233	26,469,695,942
CAI	12,976,390,179	13,035,790,451
RBC	6,003,170,626	4,702,194,676

- Profit allocated to material non-controlling interest:

Name of Subsidiary	2018	2017
URC	₱4,100,336,857	₱5,137,050,094
RLC	3,214,464,948	2,298,547,742
CAI	1,269,582,383	2,591,014,962
RBC	127,072,982	122,883,854



The summarized financial information of subsidiaries with material non-controlling interest are provided below. This information is based on amounts before inter-company eliminations.

- Summarized statement of financial position as at December 31, 2018:

	URC	RLC	CAI	RBC
Current assets	₱54,227,359,437	₱53,149,287,037	₱25,944,665,488	₱70,002,140,936
Noncurrent assets	97,525,978,928	119,850,798,189	103,446,817,028	51,506,922,364
Current liabilities	31,968,500,498	29,388,816,245	34,702,883,709	86,870,748,394
Noncurrent liabilities	35,973,733,642	49,961,670,427	54,586,465,528	19,292,719,400

- Summarized statement of financial position as at December 31, 2017:

	URC	RLC	CAI	RBC
Current assets	₱53,681,316,532	₱40,290,382,217	₱21,691,072,624	₱63,263,622,500
Noncurrent assets	93,790,615,905	107,085,341,092	87,385,595,654	41,662,962,335
Current liabilities	27,802,881,167	35,156,889,557	29,245,857,666	75,948,085,919
Noncurrent liabilities	38,004,399,804	44,834,917,280	40,045,231,246	16,885,343,284

- Summarized statements of comprehensive income for 2018:

	URC	RLC	CAI	RBC
Revenue	₱127,769,949,329	₱29,467,564,096	₱74,113,776,885	₱6,132,382,567
Profit for the year from continuing operations	9,462,786,222	8,223,964,585	3,922,744,538	316,925,033
Total comprehensive income	11,304,232,869	8,244,577,443	3,929,651,955	1,355,316,836
Dividends paid to non-controlling interests	3,445,317,586	729,728,560	893,435,847	-

- Summarized statements of comprehensive income for 2017:

	URC	RLC	CAI	RBC
Revenue	₱124,740,211,838	₱22,539,608,260	₱68,029,131,426	₱5,203,953,347
Profit for the year from continuing operations	11,152,921,333	5,884,437,957	7,907,846,625	311,137,769
Total comprehensive income	9,779,867,728	6,103,133,145	7,946,678,505	5,330,803,110
Dividends paid to non-controlling interests	3,123,891,519	575,177,717	545,988,573	-

- Summarized statements of comprehensive income for 2016:

	URC	RLC	CAI	RBC
Revenue	₱112,458,063,518	₱22,875,513,363	₱59,909,327,246	₱3,830,510,373
Profit for the year from continuing operations	13,082,873,919	5,744,373,694	9,745,687,660	298,777,409
Total comprehensive income	13,232,239,647	5,613,769,735	9,753,535,488	6,929,890
Dividends paid to non-controlling interests	3,203,718,761	575,177,717	397,082,599	-

- Summarized statements of cash flows for 2018:

	URC	RLC	CAI	RBC
Operating	₱14,657,595,147	₱13,290,007,948	₱15,287,432,831	₱8,912,846,377
Investing	(8,680,124,323)	(17,232,445,256)	(22,906,778,155)	(3,913,532,234)
Financing	(7,451,886,703)	4,410,823,612	8,459,574,791	-
Effect of exchange rate changes	-	-	438,876,572	9,239,981
Net cash flows	(₱1,474,415,879)	₱468,386,304	₱1,279,106,039	₱5,008,554,124



▪ Summarized statements of cash flows for 2017:

	URC	RLC	CAI	RBC
Operating	₱14,271,726,970	₱15,283,487,273	₱17,853,155,512	₱4,749,143,471
Investing	(8,407,662,532)	(24,438,297,427)	(8,788,669,399)	(3,922,909,374)
Financing	(6,714,248,567)	9,794,054,100	(3,747,183,911)	4,182,320,000
Net cash flows	(₱850,184,129)	₱639,243,946	₱5,317,302,202	₱5,008,554,097

▪ Summarized statements of cash flows for 2016:

	URC	RLC	CAI	RBC
Operating	₱5,661,726,391	₱3,768,887,539	₱19,583,851,457	₱8,082,499,376
Investing	(2,045,083,670)	(4,573,585,334)	(17,059,884,283)	(4,365,060,088)
Financing	(4,387,967,343)	1,091,743,424	(3,066,185,076)	-
Net cash flows	(₱771,324,622)	₱287,045,629	(₱542,217,902)	₱3,717,439,288

15. Investment Properties

Movements in this account follow:

	2018			
	Land and Land Improvements	Buildings and Improvements	Construction In-Progress	Total
Cost				
Balance at beginning of year	₱31,604,452,318	₱74,859,786,709	₱9,421,994,196	₱115,886,233,223
Additions	2,267,039,561	4,211,032,313	5,022,122,827	11,500,194,701
Disposals/transfers and other adjustments	(1,149,869,483)	8,192,142,176	(8,129,529,435)	(1,087,256,742)
Balance at end of year	32,721,622,396	87,262,961,198	6,314,587,588	126,299,171,182
Accumulated Depreciation and Amortization				
Balance at beginning of year	228,654,456	28,589,131,604	-	28,817,786,060
Depreciation and amortization	19,795,874	3,711,402,192	-	3,731,198,066
Disposals/transfers and other adjustments	(89,468,648)	(11,974,667)	-	(101,443,315)
Balance at end of year	158,981,682	32,288,559,129	-	32,447,540,811
Allowance for Impairment Losses				
Balance at beginning of year	33,581,998	11,444,696	-	45,026,694
Transfers/other adjustments	(10,367,198)	-	-	(10,367,198)
Balance at end of year	23,214,800	11,444,696	-	34,659,496
Net Book Value at End of Year	₱32,539,425,914	₱54,962,957,373	₱6,314,587,588	₱93,816,970,875

	2017 (As restated - Note 2)			
	Land and Land Improvements	Buildings and Improvements	Construction In-Progress	Total
Cost				
Balance at beginning of year	₱30,364,482,183	₱65,903,480,098	₱4,717,861,720	₱100,985,824,001
Reclassification to inventories (Note 12)	(2,310,382,571)	-	-	(2,310,382,571)
Balance at beginning of year, as restated	28,054,099,612	65,903,480,098	4,717,861,720	98,675,441,430
Additions	2,913,598,389	1,367,205,964	11,118,424,504	15,399,228,857
Disposals/transfers and other adjustments	636,754,317	7,589,100,647	(6,414,292,028)	1,811,562,936
Balance at end of year	31,604,452,318	74,859,786,709	9,421,994,196	115,886,233,223
Accumulated Depreciation and Amortization				
Balance at beginning of year	167,454,607	25,371,578,108	-	25,539,032,715
Depreciation and amortization	18,574,350	3,263,230,277	-	3,281,804,627
Disposals/transfers and other adjustments	42,625,499	(45,676,781)	-	(3,051,282)
Balance at end of year	228,654,456	28,589,131,604	-	28,817,786,060
Allowance for Impairment Losses				
Balance at beginning of year	30,418,916	-	-	30,418,916
Provision for impairment losses (Note 34)	-	1,885,207	-	1,885,207
Transfers/other adjustments	3,163,082	9,559,489	-	12,722,571
Balance at end of year	33,581,998	11,444,696	-	45,026,694
Net Book Value at End of Year	₱31,342,215,864	₱46,259,210,409	₱9,421,994,196	₱87,023,420,469



Investment properties consist mainly of land held for appreciation, and shopping malls or commercial centers and office buildings that are held to earn rentals. Also included under this account are the properties acquired by the Group's banking segment through foreclosures. Most of the Group's properties are in prime locations across the Philippines.

Construction in progress amounting to ₱6.3 billion and ₱9.4 billion as of December 31, 2018 and 2017, respectively, represents the cost of ongoing construction and development of malls and office buildings for lease.

Borrowing costs capitalized amounted to ₱0.3 billion and ₱0.5 billion in 2018 and 2017, respectively. These amounts were included in the consolidated statements of cash flows under additions to investment properties. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2018 and 2017 were 4.50% and 4.02%, respectively.

Consolidated rent income from investment properties included under 'Real estate and hotels revenue' in the consolidated statements of comprehensive income amounted to ₱13.5 billion, ₱11.6 billion and ₱10.7 billion in 2018, 2017 and 2016, respectively.

Property operations and maintenance costs arising from investment properties amounted to ₱791.0 million, ₱710.0 million and ₱504.0 million for the year ended December 31, 2018, 2017 and 2016, respectively.

Gain on sale or retirement and disposal of investment properties amounted to nil, ₱5.3 million and ₱7.3 million for the year ended December 31, 2018, 2017 and 2016, respectively.

Depreciation and Amortization

The breakdown of consolidated depreciation and amortization on investment properties follows:

	2018	2017	2016
Depreciation and amortization expense included			
under:			
Cost of services (Note 33)	₱3,699,469,319	₱3,252,290,952	₱3,087,950,727
General and administrative expenses (Note 33)	31,728,747	29,513,675	60,188,582
	₱3,731,198,066	₱3,281,804,627	₱3,148,139,309

Collaterals

As of December 31, 2018 and 2017, the Group has no investment properties that are pledged as collateral.



16. Property, Plant and Equipment

The composition of and movements in this account follow:

	December 31, 2018							
	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Transportation, Furnishing and Other Equipment	Passenger Aircraft and Other Flight Equipment	Construction In-progress	Equipment In-transit	Total
Cost								
Balance at beginning of year	₱7,102,838,110	₱29,781,967,423	₱121,468,952,851	₱10,583,845,248	₱85,908,358,248	₱24,866,859,950	₱3,183,030,492	₱282,895,852,322
Additions	131,066,892	3,408,373,724	4,531,062,886	1,162,349,518	6,634,126,741	39,600,286,916	1,356,252,555	56,823,519,232
Additions from acquisition of subsidiaries	–	–	181,982,136	10,703,067	–	55,718	–	192,740,921
Transfers, disposals and other adjustments	208,939,597	(16,853,350)	112,626,352	(269,743,422)	12,147,306,906	(20,114,738,794)	381,309,123	(7,551,153,588)
Balance at end of year	7,442,844,599	33,173,487,797	126,294,624,225	11,487,154,411	104,689,791,895	44,352,463,790	4,920,592,170	332,360,958,887
Accumulated Depreciation and Amortization								
Balance at beginning of year	1,256,596,074	12,957,564,896	58,047,227,054	7,559,417,359	21,384,569,881	–	–	101,205,375,264
Depreciation and amortization	215,316,062	1,388,834,667	6,640,689,832	958,605,009	7,311,617,724	–	–	16,515,063,294
Additions from acquisition of subsidiaries	–	–	(66,706,309)	(8,407,032)	–	–	–	(75,113,341)
Disposals, transfers and other adjustments	(1,091,293)	56,470,868	(36,082,421)	2,673,918	(3,612,005,160)	–	–	(3,590,034,088)
Balance at end of year	1,470,820,843	14,402,870,431	64,585,128,156	8,512,289,254	25,084,182,445	–	–	114,055,291,129
Allowance for impairment losses								
Balance at beginning of year	7,742,527	4,574,411	17,716,473	279,328	–	–	–	30,312,739
Provision for impairment losses (Note 34)	–	–	1,699,792	–	–	–	–	1,699,792
Balance at end of year	7,742,527	4,574,411	19,416,265	279,328	–	–	–	32,012,531
Net Book Value at End of Year	₱5,964,281,229	₱18,766,042,955	₱61,690,079,804	₱2,974,585,829	₱79,605,609,450	₱44,352,463,790	₱4,920,592,170	₱218,273,655,227



	December 31, 2017							
	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Transportation, Furnishing and Other Equipment	Passenger Aircraft and Other Flight Equipment	Construction In-progress	Equipment In-transit	Total
Cost								
Balance at beginning of year	₱6,765,742,667	₱26,852,152,074	₱115,044,806,328	₱9,332,218,575	₱90,798,387,471	₱20,163,665,563	₱1,794,350,119	₱270,751,322,797
Additions	265,575,198	2,128,929,472	3,099,455,469	1,291,681,840	6,625,238,707	13,164,726,074	1,545,065,003	28,120,671,763
Transfers, disposals and other adjustments	71,520,245	800,885,877	3,324,691,054	(40,055,167)	(11,515,267,930)	(8,461,531,687)	(156,384,630)	(15,976,142,238)
Balance at end of year	7,102,838,110	29,781,967,423	121,468,952,851	10,583,845,248	85,908,358,248	24,866,859,950	3,183,030,492	282,895,852,322
Accumulated Depreciation and Amortization								
Balance at beginning of year	918,194,444	11,425,573,747	52,030,829,341	6,357,201,741	24,339,093,589	–	–	95,070,892,862
Depreciation and amortization	232,318,477	1,320,786,079	6,217,492,513	1,016,897,653	6,576,619,362	–	–	15,364,114,084
Disposals, transfers and other adjustments	106,083,153	211,205,070	(201,094,800)	185,317,965	(9,531,143,070)	–	–	(9,229,631,682)
Balance at end of year	1,256,596,074	12,957,564,896	58,047,227,054	7,559,417,359	21,384,569,881	–	–	101,205,375,264
Allowance for impairment losses								
Balance at beginning of year	–	–	17,716,473	–	–	–	–	17,716,473
Provision for impairment losses (Note 34)	–	4,434,696	–	279,328	–	–	–	4,714,024
Disposals, transfers and other adjustments	7,742,527	139,715	–	–	–	–	–	7,882,242
Balance at end of year	7,742,527	4,574,411	17,716,473	279,328	–	–	–	30,312,739
Net Book Value at End of Year	₱5,838,499,509	₱16,819,828,116	₱63,404,009,324	₱3,024,148,561	₱64,523,788,367	₱24,866,859,950	₱3,183,030,492	₱181,660,164,319



In July 2018, CFC Corporation executed a Memorandum of Agreement and Deed of Absolute Sale with a related party, selling its parcel of land costing ₱3.4 million at ₱622.2 million selling price. Gain on disposal attributable to sale was ₱581.5 million, which was recognized under 'Other income (loss) - net' in the consolidated statements of comprehensive income.

In May 2017, Century Pacific Food Inc. (CNPF) entered into an asset purchase agreement with URC to purchase the machineries and equipment used in manufacturing the Hunt's branded products for a total consideration of ₱145.1 million, net of tax. The Group recognized gain on disposal amounting to ₱117.0 million, under 'Other income (losses)' in the consolidated statements of comprehensive income. The sale was completed on August 31, 2017.

CNPF also entered into a Compensation Agreement with URC to acquire the exclusive right to manufacture and sell Hunt's branded products amounting to ₱214.2 million. The Group recognized gain of the same amount under 'Other income (losses)' in the consolidated statements of comprehensive income.

In January 2017, URC executed a Memorandum of Agreement and Deed of Absolute Sale with a related party, selling its three parcels of land costing ₱1.0 million for a total consideration of ₱111.3 million. Gain on disposal attributable to sale amounted to ₱110.3 million, which was recognized under 'Other income (loss) - net' in the consolidated statements of comprehensive income.

Construction in-progress

CAI

Construction in-progress represents the cost of aircraft and engine modifications in progress and buildings and improvements and other ground property under construction. Construction in-progress is not depreciated until such time when the relevant assets are completed and available for use. As of December 31, 2018 and 2017, the Group's pre-delivery payments capitalized as construction in-progress amounted to ₱14.3 billion and ₱15.9 billion, respectively.

URC

Construction-in-progress amounting to ₱7.8 billion and ₱5.9 billion as of December 31, 2018 and 2017, respectively represents costs of ongoing expansion and constructions of plants.

JGSOC

Construction-in-progress amounting to ₱9.1 billion and ₱1.0 billion as of December 31, 2018 and 2017, respectively, represents the construction costs of the Naphtha Cracker Plant. The plant is intended for the production primarily of polymer grade ethylene, polymer grade propylene, partially hydrogenated pyrolysis gasoline and pyrolysis fuel oil.

JGSPC

Construction in progress amounting to ₱12.7 billion and ₱1.9 billion as of December 31, 2018 and 2017, respectively, represents the expansion and rehabilitation of polypropylene and polyethylene plant.

Depreciation and Amortization

The breakdown of consolidated depreciation and amortization on property, plant and equipment follows:

	2018	2017	2016
General and administrative expenses (Note 33)	₱8,491,559,939	₱7,970,903,733	₱6,849,226,440
Cost of sales (Note 33)	7,266,240,029	6,731,387,202	6,170,348,732
Cost of services (Note 33)	757,263,326	661,823,149	686,202,881
	₱16,515,063,294	₱15,364,114,084	₱13,705,778,053



Property, Plant and Equipment Pledged as Collateral

Passenger aircraft held as securing assets under various loans

CAI entered into various Export Credit Agency (ECA) loans and commercial loan facilities to finance the purchase of its aircraft and engines. As of December 31, 2018 and 2017, the Group's passenger aircraft and engines held as securing assets under various loans are as follows:

	2018		2017	
	ECA Loans	Commercial Loans	ECA Loans	Commercial Loans
Airbus A320	3	17	6	17
ATR 72-500	2	–	7	–
A321 CEO	–	7	–	–
ATR 72-600	–	12	–	8
Airbus A330	–	2	–	2
Engines	–	–	–	5
	5	38	13	32

Under the terms of the ECA loan and commercial loan facilities (Note 23), upon the event of default, the outstanding amount of loan (including accrued interest) will be payable by the SPEs or by the guarantors, which are CPAHI and JGSHI. CPAHI and JGSHI are guarantors to loans entered into by CALL, BLL and SLL. Under the terms of commercial loan facilities from local banks, upon event of default, the outstanding amount of loan will be payable, including interest accrued by the Parent Company. Failure to pay the obligation will allow the respective lenders to foreclose the securing assets.

As of December 31, 2018 and 2017, the carrying amounts of the securing assets (included under the 'Property and equipment' account) amounted to ₱67.1 billion and ₱54.9 billion, respectively.

Forward Sale Agreement

On February 23, 2015, CAI signed a forward sale agreement with a subsidiary of Allegiant Travel Company (collectively known as "Allegiant") covering CAI's sale of six (6) Airbus A319 aircraft. The aircrafts were delivered on various dates in 2015 until 2016.

In 2016, CAI delivered the remaining four out of six airbus A319 aircraft to Allegiant and recognized ₱962.6 million loss on sale recorded under 'Other expenses' in the consolidated statements of comprehensive income (Note 29).

Three (3) of the four Airbus A319 were delivered to Allegiant in 2017 and the last Airbus A319 aircraft was delivered in 2018. CAI recognized ₱156.7 million and ₱532.9 million loss on sale in the consolidated statements of comprehensive income in 2018 and 2017, respectively.

On December 18, 2018, the Parent Company signed another forward sale agreement with Allegiant covering three (3) A320 aircraft. The aircraft are scheduled for delivery on various dates within 2019.

Sale and Operating Leaseback

In May and November 2017, the Group entered into a sale and operating leaseback transactions with Ibon Leasing Limited (ILL) and JPA No. 78/79/80/81 Co., Ltd. covering two and four Airbus A320, respectively. The sale of aircraft required the prepayment of outstanding balance of the loan facility attributed to the sold Airbus A320 aircraft. The total amount of loans and breakage costs paid amounted to ₱4,162.6 million and ₱12.32 million, respectively. The Group recognized gain on sale of aircraft amounting to ₱635.5 million from these transactions.



In July and August 2018, CAI entered into a sale and operating leaseback transaction with JPA No. 117/118/119 Co., Ltd. covering three (3) Airbus A320. CAI recognized gain on sale of aircraft amounting to ₱110.2 million from these transactions in 2018.

Operating Fleet

As of December 31, 2018 and 2017, the Group's operating fleet follows:

	2018	2017
Owned (Note 23):		
Airbus A320	20	23
ATR 72-500	8	8
ATR 72-600	12	8
Airbus A321 CEO	7	
Airbus A330	2	2
Airbus A319	-	1
Under operating lease (Note 42):		
Airbus A320	16	13
Airbus A330	6	6
	71	61

Gain (loss) on sale or retirement of property, plant and equipment amounted to (₱49.2 million), ₱357.6 million and (₱361.7 million) in 2018, 2017 and 2016, respectively.

As of December 31, 2018 and 2017, the gross amount of fully depreciated property and equipment which are still in use by the Group amounted to ₱4.0 billion and ₱2.9 billion, respectively.

17. Biological Assets

Total biological assets shown in the consolidated statements of financial position follow:

	2018	2017
Current portion	₱741,719,637	₱1,180,266,509
Noncurrent portion	366,184,414	498,309,880
	₱1,107,904,051	₱1,678,576,389

These biological assets consist of:

	2018	2017
Swine		
Commercial	₱709,045,374	₱1,137,959,568
Breeder	278,316,362	435,698,306
Poultry		
Commercial	32,674,263	42,306,941
Breeder	87,868,052	62,611,574
	₱1,107,904,051	₱1,678,576,389



The rollforward analysis of this account follows:

	2018	2017
Balance at beginning of year	₱1,678,576,389	₱1,383,379,248
Additions	3,200,666,651	3,113,809,005
Disposals	(3,303,867,014)	(2,937,452,936)
Gains (loss) arising from changes in fair value less estimated costs to sell	(467,471,975)	118,841,072
	₱1,107,904,051	₱1,678,576,389

As of December 31, 2018 and 2017, the Group has about 232,724 and 239,438 heads of swine, respectively, and about 731,177 and 488,218 heads of poultry, respectively.

18. Intangible Assets

The composition and movements in this account follow:

	2018						Total
	Technology Licenses	Bank licenses and others	Software Costs	Trademarks and Brands	Product Formulation	Customer Relationship	
Cost							
Balance at beginning of year	₱552,331,752	₱1,764,958,905	₱891,744,947	₱9,564,461,252	₱425,000,000	₱2,201,281,165	₱15,399,778,021
Additions	-	817,441	196,183,087	-	-	-	197,000,528
Disposals/reclassification/ others	-	-	(64,948,203)	-	-	-	(64,948,203)
Balance at end of year	552,331,752	1,765,776,346	1,022,979,831	9,564,461,252	425,000,000	2,201,281,165	15,531,830,346
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	552,331,752	-	426,653,503	201,524,581	-	198,236,989	1,378,746,825
Amortization	-	-	138,683,706	-	-	78,862,555	217,546,261
Disposals/reclassifications	-	-	(13,675,060)	-	-	(5,212,272)	(18,887,332)
Balance at end of year	552,331,752	-	551,662,149	201,524,581	-	271,887,272	1,577,405,754
Net Book Value at End of Year	₱-	₱1,765,776,346	₱471,317,682	₱9,362,936,671	₱425,000,000	₱1,929,393,893	₱13,954,424,592
2017							
	Technology Licenses	Bank licenses and others	Software Costs	Trademarks and Brands	Product Formulation	Customer Relationship	Total
Cost							
Balance at beginning of year	₱552,331,752	₱1,763,344,748	₱714,445,807	₱9,564,461,252	₱425,000,000	₱2,201,281,165	₱15,220,864,724
Additions	-	1,814,157	280,658,820	-	-	-	282,472,977
Disposals/reclassification/ others	-	(200,000)	(103,359,680)	-	-	-	(103,559,680)
Balance at end of year	552,331,752	1,764,958,905	891,744,947	9,564,461,252	425,000,000	2,201,281,165	15,399,778,021
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	552,331,752	-	189,483,985	201,524,581	-	118,520,913	1,061,861,231
Amortization	-	-	126,801,991	-	-	77,381,982	204,183,973
Disposals/reclassifications	-	-	110,367,527	-	-	2,334,094	112,701,621
Balance at end of year	552,331,752	-	426,653,503	201,524,581	-	198,236,989	1,378,746,825
Net Book Value at End of Year	₱-	₱1,764,958,905	₱465,091,444	₱9,362,936,671	₱425,000,000	₱2,003,044,176	₱14,021,031,196

Technology Licenses

Technology licenses represent the cost of JGSPC's technology and licensing agreements which cover the construction, manufacture, use and sale of PE and PP lines. JGSPC's technology licenses were fully impaired in 2006.



Bank Licenses and Others

Bank licenses pertain to RBC's branch licenses amounting to ₱0.9 billion in 2018 and 2017. Others include intangible assets which arose from the acquisition of Cebgo, Inc. These assets represent CAI's costs to establish brand and market opportunities under the strategic alliance with Cebgo, Inc. amounting to ₱852.2 million (Note 44)

Bank licenses have been allocated to the cash-generating units (CGU)/branches for impairment testing.

The recoverable amount of the CGU has been determined based on value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period.

Key assumptions in value-in-use calculation of CGUs follow:

- **Balance sheet items**
Deposit levels are based on projected bank-wide plan, with varying growth of 5.0% to 20.0% depending on product type. Cash on hand is based on 3.0% of total deposits derived from historical average. Loan levels are based on historical growth, assuming a linear trend function. Past due receivables and/or real and other properties are a function of loan levels, while other assets are a function of fund source levels. Reserve requirements include 18.0% of peso deposits.
- **Income statement items**
Historical or average interest rates are used for loan interest income. For theoretical income from branch funds, peso-denominated accounts are pegged on the average high cost rate while foreign currency-denominated accounts use average interest derived from blended foreign currency-denominated funds. Other income is based on incremental growth ratios derived from the market's perceived response and assumed marketing efforts on the bank's products and services. Interest expense is computed using 0.3% for current and savings accounts, 4.8% for time deposits and special savings accounts, and 0.9% for foreign currency deposits. Operating expenses have 7% benchmark for increments.
- **Net present value computation**
Terminal value is the growth rate based on the bank-wide average balance sheet spread, plus weighted average cost of capital. The discount rate is the weighted average cost of capital derived using actual levels.

Trademarks, Product Formulation, Brands and Customer Relationships

Trademarks and product formulation were acquired from General Milling Corporation in 2008. Total intangible assets acquired from the acquisition of CSPL and Griffin's in 2016 and 2015, respectively, were composed of brands of ₱9.3 billion, customer relationships of ₱2.2 billion and software costs of ₱56.3 million.



19. Goodwill

Movements in the Group's goodwill account follow:

	2018	2017
Cost		
Balance at beginning of year	₱32,276,536,238	₱32,276,536,238
Additions due to business combinations (Note 44)	–	–
Balance at end of year	32,276,536,238	32,276,536,238
Accumulated Impairment Losses		
Balance at beginning	253,352,295	253,352,295
Impairment loss	17,579,587	–
Balance at end of year	270,931,882	253,352,295
Net Book Value at End of Year	₱32,005,604,356	₱32,023,183,943

The Group's goodwill pertains to: (a) the acquisition of LSB in December 2012, (b) the acquisition of Advanson in December 2007, (c) the acquisition of Acesfood in May 2007, (d) the excess of the acquisition cost over the fair values of the net assets acquired by Hongkong China Foods Co., Ltd. (HCFCL) and URC Asean Brands Co., Ltd. (UABCL) in 2000, (e) the acquisition of Southern Negros Development Corporation (SONEDCO) in 1998, (f) the acquisition of Cebgo, Inc. (formerly Tiger Airways Philippines (TAP)) and Griffin's Good Limited (Griffin's) in 2014, (g) acquisition of Balayan Sugar Mill and Consolidated Snacks Pty Ltd. (CSPL) in 2016.

Goodwill is not amortized and is non-deductible for tax purposes.

Acquisition of CSPL/Griffin's

Goodwill arising from the acquisition of CSPL (amounting to ₱16.5 billion) and Griffin's (amounting ₱13.9 billion) is mainly attributable to synergies formed between URC and CSPL, and URC and Griffin's, respectively.

Key assumptions used to determine the recoverable amounts of the aforementioned significant CGUs as at December 31, 2018 and 2017 are as follows:

	December 31, 2018		December 31, 2017	
	CSPL	Griffin's	CSPL	Griffin's
Forecast period	5 years	5 years	5 years	5 years
Long-term growth rate	2.5%	2.0%	2.5%	2.0%
Revenue and operating margin growth rate	3.0%	13.4%	3.0%	13.4%
Discount rate	9.5%	7.8%	9.5%	7.8%

Acquisition of Cebgo

Goodwill arising from the acquisition of Cebgo is attributable to the following:

Achievement of Economic Scale

Using CAI's network of suppliers and other partners to improve cost and efficiency of Cebgo, thus, improving Cebgo's overall profit, given its existing market share.

Defensive Strategy

Acquiring a competitor enables CAI to manage overcapacity in certain geographical areas/markets.



20. Other Noncurrent Assets

This account consists of:

	2018	2017 (As restated - Note 2)
Advances to suppliers - net of current portion	₱6,069,214,435	₱4,645,742,669
Deferred tax assets (Note 38)	1,965,060,255	1,443,214,144
Advances to lot owners - net of current portion	1,471,892,243	1,408,448,709
Security and miscellaneous deposits	1,223,107,715	915,984,716
Utility deposits	792,181,009	874,345,792
Others	1,778,202,998	1,579,614,352
	₱13,299,658,655	₱10,867,350,382

Advances to Suppliers

Advances to suppliers pertain to RLC's advance payments to suppliers or contractors which will be applied against the final billing. As of December 31, 2018 and 2017, these advances amount to ₱1.9 billion and ₱819.6 million, respectively.

As of December 31, 2018 and 2017, advances made for the purchase of various aircraft parts, service maintenance and restoration costs of the aircraft which are expected to be consumed beyond one year from the reporting date amounting to ₱4.1 billion and ₱2.5 billion, respectively.

Security Deposits

Security deposits include deposits provided to lessors and maintenance providers for aircraft under operating lease.

Utility Deposits

Utility deposits consist primarily of bid bonds and meter deposits.

Advances to Lot Owners

Advances to lot owners consist of advance payments to land owners which will be applied against the acquisition cost of the real properties that will be acquired.

Others

As of December 31, 2018, others include deferred input VAT, prepaid rent, and repossessed chattels amounting to ₱634.3 million, ₱436.0 million, and ₱101.7 million, respectively.

As of December 31, 2017, others include deferred input VAT, prepaid rent, deposits to various joint venture partners, and repossessed chattels amounting to ₱666.0 million, ₱382.8 million, ₱133.4 million, and ₱90.0 million, respectively.



21. Accounts Payable and Accrued Expenses

This account consists of:

	2018	2017
Deposit liabilities	₱66,322,620,879	₱63,756,016,649
Trade payables	30,421,768,693	22,949,510,709
Accrued expenses	19,460,690,833	18,837,213,636
Bills payable	7,436,904,315	724,047,158
Airport and other related fees payable	3,684,830,069	3,255,283,618
Output VAT	802,677,597	1,410,700,196
Withholding taxes payable	421,234,392	804,782,841
Due to related parties (Note 40)	151,772,743	104,073,070
Dividends payable	43,304,321	40,990,210
Other payables	3,910,031,575	1,996,190,164
	₱132,655,835,417	₱113,878,808,251

Deposit Liabilities

Deposit liabilities represent the savings, demand and time deposit liabilities of RBC and LSB. Of the total deposit liabilities of the RBC and LSB as of December 31, 2018 and 2017, 60.53% and 57.04%, respectively, are subject to periodic interest repricing. Remaining deposit liabilities of the RBC and LBC bear annual fixed interest rates ranging from nil to 4.50% in 2018 and nil to 2.88% in 2017.

As of December 31, 2018 and 2017, the liquidity and statutory reserves of RBC and LSB amounted to ₱16.1 billion in 2018 and ₱15.5 billion in 2017.

The details of 'Interest expense' on 'Deposit liabilities', which are included in the 'Cost of services - Banking' in profit or loss in the consolidated statements of comprehensive income are as follows (see Note 30):

	2018	2017	2016
Savings	₱1,519,637,039	₱707,442,241	₱327,306,744
Time	327,159,604	318,812,552	319,618,028
Demand	3,062,044	2,456,744	1,938,352
LTNCD	221,343,421	96,808,815	-
	₱2,071,202,108	₱1,125,520,352	₱648,863,124

Long-Term Negotiable Certificates of Deposit (LTNCD)

On May 4, 2017, the BSP approved RBC's issuance of the ₱3.00 billion LTNCD. On June 16, 2017, RBC listed its LTNCD issuance amounting to ₱4.18 billion through the Philippine Dealing and Exchange Corporation. The minimum investment was ₱50,000 with increments of ₱10,000 thereafter. The peso-denominated issue will mature on December 16, 2022 with nominal interest rate of 4.125% and EIR of 4.29%, payable every quarter. The proceeds were used to diversify RBC's maturity profile and funding sources and general corporate purposes.

Trade Payables

Trade payables are noninterest-bearing and are normally settled on 30- to 60-day terms. Trade payables arise mostly from purchases of inventories, which include raw materials and indirect materials (i.e., packaging materials) and supplies, for use in manufacturing and other operations. Trade payables also include importation charges related to raw materials purchases, as well as occasional acquisitions of production equipment and spare parts. Obligations arising from purchase of inventories necessary for



the daily operations and maintenance of aircraft which include aviation fuel, expendables and consumables, equipment and in-flight supplies, and unpaid billings from suppliers and contractors related to construction activities, are also charged to this account.

Accrued Expenses

This account consists of accruals for the following:

	2018	2017
Advertising and promotions	₱5,232,164,541	₱5,465,609,049
Landing and take-off, navigational charges, and other aircraft-related expenses	2,618,424,662	2,846,666,677
Compensation and benefits	2,577,599,999	2,475,275,937
Accrued interest payable	2,366,866,687	2,169,637,990
Contracted services	1,286,968,397	1,140,269,273
Rental expense	1,326,495,687	1,356,665,739
Import bills payable	1,156,436,744	1,065,641,006
Taxes and licenses	1,020,969,297	1,076,004,287
Utilities	457,336,465	375,918,613
Freight and handling costs	376,676,211	336,634,916
Insurance	71,167,953	79,038,159
Royalties	24,210,375	17,179,354
Other accrued expenses	945,373,815	432,672,636
	₱19,460,690,833	₱18,837,213,636

Other accrued expenses include accruals for travel and transportation, commission, communication, repairs and maintenance and other professional and legal fees.

Airport and Other Related Fees Payable

Airport and other related fees payable are amounts payable to the Philippine Tourism Authority and Air Transportation Office Mactan-Cebu International Airport and Manila International Airport Authority arising from aviation security, terminal fees and travel taxes.

Other Payables

As of December 31, 2018 and 2017, 'Other payables' consist of management bonus and other non-trade payables.

22. Other Current Liabilities

This account consists of:

	2018	2017
Unearned transportation revenue	₱11,110,518,032	₱9,050,351,455
Deposit from lessees (Notes 24 and 42)	2,658,678,992	2,356,241,519
Advances from agents and others	787,104,397	483,419,341
Derivative liabilities	586,107,196	5,904,377
Customer's deposits	496,652,512	402,157,793
Deposits from real estate buyers (Note 24)	-	1,397,065,724
	₱15,639,061,129	₱13,695,140,209



Unearned Transportation Revenue

Passenger ticket and cargo waybill sales are initially recorded under 'Unearned transportation revenue' in the consolidated statements of financial position, until these are recognized under 'Air transportation revenue' in profit or loss in the consolidated statements of comprehensive income, when the transportation service is rendered by the Group (or once tickets are flown).

Advances from Agents and Others

Advances from agents and others represent cash bonds required from major sales and ticket offices or agents. This account also includes commitment fees received for the sale and purchase agreement of aircraft.

23. Short-term and Long-term Debts

Short-term Debts

Short-term debts consist of:

	2018	2017
Parent Company:		
Philippine Peso - with interest rates ranging from 2.5% to 3.0% in 2017	₱—	₱12,445,000,000
	—	12,445,000,000
Subsidiaries:		
Foreign currencies - unsecured with interest rates ranging from 2.3221% to 3.4% in 2018 and from 0.8% to 4.4% in 2017	11,042,205,125	10,502,408,274
Philippine Peso - with interest rates of 2.85% to 3.4% in 2018 and 2.6% to 3.0% in 2017	24,411,518,868	22,900,405,187
	35,453,723,993	33,402,813,461
	₱35,453,723,993	₱45,847,813,461

As of December 31, 2018 and 2017, short-term debt of certain subsidiaries denominated in foreign currency and peso include trust receipts payable amounting to ₱27.0 billion and ₱5.6 billion, respectively. The trust receipts payable are secured by the trustee inventories for the same amount (see Note 12).

In 2018, 2017 and 2016, the Group has incurred interest expense on short-term notes amounting to ₱1.1 billion, ₱780.4 million and ₱407.4 million, respectively (see Note 35).



Long-term Debts

Long-term debts (net of debt issuance costs) consist of:

	Maturities	Interest Rates	2018	2017	Condition
Parent Company:					
Fixed Rate Retail Bonds:					
P30.0 billion Fixed Rate Retail Bonds					
P24.5 billion bonds	2019	5.23%	₱24,501,988,135	₱24,451,863,188	Unsecured
P5.3 billion bonds	2021	5.24%	5,295,848,929	5,288,516,867	Unsecured
P0.2 billion bonds	2024	5.30%	175,385,189	175,228,915	Unsecured
Term Loans					
P5.0 billion Term Loan	2022	4.65%	4,981,826,469	4,977,185,221	Unsecured
P5.0 billion Term Loan	2024	4.93%	4,979,548,422	4,976,415,465	Unsecured
		BDO's 30-day prime rate			
P10.0 billion Term Loan	2023	(5.75%)	9,932,746,218	–	Unsecured
P5.0 billion Term Loan	2023	Floating (6.118%)	4,966,257,085	–	Unsecured
			54,833,600,447	39,869,209,656	
Subsidiaries:					
Foreign currencies:					
JGSPL					
US\$750.0 million guaranteed notes	2023	4.38%	33,672,157,757	31,948,269,716	Guaranteed
CAI					
ECA loans (Note 15)	2024	2-6%; 1-2% (US\$ Libor)	2,988,657,085	6,491,078,408	Secured
Commercial loan from foreign banks	2025	3-6%; 1-2% (US\$ Libor)	29,947,602,347	20,945,327,844	- do -
URC					
NZ\$420.0 million term loan	2019	NZ BKBM+1.60%	13,714,466,044	14,703,928,540	Guaranteed
AUS\$484.2 million term loan	2021	AU 3.04% (BBSY BID+1.25%)	17,742,657,838	18,522,033,848	- do -
RLC					
RMB60 million term loan	2022	RMB 4.75%	1,268,921,932	458,325,660	Secured
RMB50 million term loan	2019	RMB 4.75%	382,205,400	381,938,050	Unsecured
			99,716,668,403	93,450,902,066	
Philippine Peso:					
RLC					
P10.6 billion loan facility	2022	4.80%	10,586,697,383	10,572,734,836	Unsecured
P1.4 billion loan facility	2025	4.93%	1,355,939,617	1,354,785,206	- do -
P4.5 billion loan facility	2027	4.95%	4,475,914,536	4,479,057,874	- do -
P7.0 billion loan facility	2024	4.75%	6,972,884,097	6,968,413,235	- do -
P6.5 billion loan facility	2021	3.83%	6,482,437,308	6,475,938,594	- do -
P5.0 billion loan facility	2023	3.89%	4,963,538,728	4,969,968,699	- do -
CAI					
Commercial loans	2027	2-3% (PDST-R2)	20,861,286,829	13,545,804,500	Guaranteed
			55,698,698,498	48,366,702,944	
			210,248,967,348	181,686,814,666	
Less current portion			30,962,269,832	5,728,469,720	
			₱179,286,697,516	₱175,958,344,946	

The foreign exchange rate used to revalue the foreign currency borrowings was ₱52.58 to US\$1.00 and ₱49.93 to US\$1.00 as of December 31, 2018 and 2017, respectively.

Long-term debt to foreign banks is shown net of unamortized debt issuance costs totaling ₱536.1 million and ₱520.8 million as of December 31, 2018 and 2017, respectively. Unamortized debt issuance cost related to peso-denominated long-term debt amounted to ₱166.4 million and ₱299.9 million as of December 31, 2018 and 2017, respectively.

Repayments of the long-term debt (gross of debt issuance costs) follow:

	2018	2017
Due in:		
2019	₱44,715,621,809	₱5,969,257,624
2020	6,409,024,635	–
Thereafter	279,737,843,083	176,538,250,996
	₱330,862,489,527	₱182,507,508,620



The details of the Group's long-term debt follow:

Subsidiaries' Foreign Currency Loans

JGSPL 4.375% Senior Unsecured Notes Due 2023

On January 24, 2013, JGSHPL issued US\$750.0 million, 4.375% senior unsecured notes due 2023. The notes are unconditionally and irrevocably guaranteed by the Parent Company.

JGSPL 5-year Guaranteed Notes

On January 16, 2013, JGSHPL, a wholly owned subsidiary of JGSPL, issued US\$250.0 million, US\$ LIBOR plus 2.2% margin, 5-year guaranteed notes. The notes are unconditionally and irrevocably guaranteed by the Parent Company. These notes are hedged items in a cash flow hedge. In October 2016, JGSHPL prepaid the notes under Clause 7.1 of the underlying Term Loan Facility Agreement. Total payment amounted to US\$251.8 million (₱12.5 billion).

CAI Commercial Loans from Foreign Banks

On various dates from 2007 to 2016, CAI entered into a commercial loan facility to partially finance the purchase of 19 Airbus A320 aircraft, one CFM 565B4/P engine, two CFM 565B5/P engines and one QEC Kit. The security trustee of the commercial loan facility established SPEs, namely ILL, PTALL, PTHALL, SAALL, SBALL and SCALL, which purchased the aircraft from the supplier and leases such aircraft to CAI pursuant to a: (a) 10-year finance lease arrangement for the Airbus A320 aircraft, (b) six-year finance lease arrangement for the engines and (c) five-year finance lease arrangement for the QEC Kit. The quarterly and semi-annual rental payments of CAI to those SPEs correspond to the principal and interest payments made by these SPEs to the commercial lenders and are guaranteed by CAI. CAI has the option to purchase the aircraft, the engines and the QEC Kit for a nominal amount at the end of such leases.

The terms of the CAI commercial loans from foreign banks follow:

- Term of ten years starting from the delivery date of each aircraft.
- Combination of annuity style and equal principal repayments made on a quarterly and semi-annual basis for the aircraft and engines.
- Interests on loans are a mix of fixed and variable rates. Interest rates ranges from 2.00% to 5.00%.
- The facilities provide for material breach as an event of default, upon which, the outstanding amount of loan will be payable, including interest accrued. The lenders will foreclose on secured assets, namely the aircraft.

As of December 31, 2018 and 2017, the total outstanding balance of the US dollar commercial loans amounted to ₱29.9 billion (US\$569.6 million) and ₱20.9 billion (US\$419.5 million), respectively. Interest expense amounted to ₱1.1 billion, ₱780.6 million and ₱751.9 million in 2018, 2017 and 2016 respectively.

CAI's ECA Loans

On various dates from 2005 to 2012, CAI entered into ECA-backed loan facilities to partially finance the purchase of ten Airbus A319 aircraft, seven ATR 72-500 turboprop aircraft and ten Airbus A320 aircraft. The security trustee of the ECA loans established SPEs, namely CALL, BLL, SLL, SALL, VALL and POALL, which purchased the aircraft from the supplier and leases such aircraft to CAI pursuant to (a) ten-year finance lease arrangement for the ATR 72-500 turboprop aircraft and (b) twelve-year finance lease arrangement for the Airbus A319 and A320 aircraft. The quarterly and semi-annual rental payments made by CAI to these SPEs correspond to the principal and interest payments made by the SPEs to the ECA-backed lenders. The quarterly and semi-annual lease rentals to the SPEs



are guaranteed by CPAHI and CAI. CAI has the option of purchasing the aircraft for a nominal amount at the end of such leases.

In 2015 to 2017, CAI exercised the purchase option on ten Airbus A319 aircraft, which were then sold to a third party as part of a forward sale arrangement. The purchase required the prepayment of the balance of the loan facility attributed to the sold Airbus A319 aircraft.

In 2017, CAI prepaid the ECA Loans covering four (4) Airbus A320. In 2018, CAI exercised the option to purchase five (5) ATR 72-500 aircraft upon maturity and full payment of their corresponding loan facilities and prepaid the ECA loans covering three (3) Airbus A320.

As of December 31, 2018 and 2017, the terms of the remaining ECA-backed facilities follow:

- Term of 12 years starting from the delivery date of each Airbus A320 aircraft and ten years for each ATR 72-500 turboprop aircraft.
- Combination of annuity style and equal principal repayments for the ATR 72-500 turboprop aircraft and Airbus A320 aircraft. Principal repayments shall be made on a semi-annual basis for ATR 72-500 turboprop aircraft. Principal repayments shall be made on a quarterly basis for A320 aircraft.
- Mixed interest rates with fixed annual interest rates ranges from 3.00% to 5.00% and variable rates based on US dollar LIBOR plus margin.
- Other than what is permitted by the transaction documents or the ECA administrative parties, the SPEs cannot create or allow to exist any other security interest.
- Upon default, the outstanding amount of loan plus accrued interest will be payable, and the ECA lenders will foreclose on secured assets, namely the aircraft.

As of December 31, 2018 and 2017, the total outstanding balance of the ECA loans amounted to ₱2,988.7 million (US\$56.8 million) and ₱6,491.1 million (US\$130.0 million), respectively. Interest expense amounted to ₱176.4 million, ₱291.6 million and ₱401.0 million in 2018, 2017 and 2016, respectively.

CAI Commercial Loans from Domestic Banks

From 2016 to 2017, the Group entered into Philippine peso commercial loan facilities to partially finance the acquisition of eight (8) ATR 72-600 and two (2) Airbus A330 aircraft.

In 2018, the Group entered into Philippine peso commercial loan facilities to partially finance the acquisition of four (4) ATR 72-600 aircraft and refinance four (4) Airbus A320 aircraft.

As of December 31, 2018 and 2017, the terms of the commercial loan facilities follow:

- Term of seven to ten years starting from the delivery dates of each aircraft.
- Twenty-eight to forty equal consecutive principal repayments made on a quarterly basis.
- Interests on loans are variable rates based on Philippines Bloomberg Valuation (PH BVAL) and PDST-R2 in 2018 and 2017, respectively.
- Upon default, the outstanding amount of loan plus accrued interest will be payable, and the lenders will foreclose on secured assets, namely the aircraft.

As of December 31, 2018 and 2017, the total outstanding Philippine Peso commercial loans amounted to ₱20,861.3 million and ₱13,545.8 million, respectively. Interest expense incurred from these loans amounted to ₱826.4 million, ₱349.3 million and ₱17.3 million in 2018, 2017 and 2016, respectively.



The Group is not in breach of any terms on the ECA and commercial loans.

The total future minimum lease payments of the operating aircraft leases guaranteed by the Parent Company amounted to ₱38.5 billion and ₱29.8 billion in 2018 and 2017, respectively.

URC NZ Finance Company Limited NZD395 Million Term Loan due 2023

On October 22, 2018, URC NZ FinCo entered into a term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to NZ\$395.0 million (₱14.4 billion), with various banks for payment of the NZ\$420 million term loan due in 2019. The loan obtained bears a market interest rate plus a certain spread, payable quarterly, and maturing on October 22, 2023.

URC NZ Finance Company Limited NZD420 Million Term Loan due 2019

On November 13, 2014, URC New Zealand Holding Finance Company, Ltd. (URC NZ FinCo) entered into a secured term loan facility agreement payable in five (5) years, amounting to NZD420.0 million (₱12.6 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, NZ Snack Foods Holdings Limited. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on November 13, 2019. This long-term loan is guaranteed by URC Parent Company.

In October 2018, URC NZ FinCo prepaid its 5-year term loan under Clause 7.1 of the underlying Facility Agreement at face value plus accrued interest. Total payment amounted to NZ\$423.8 million (approximately ₱15.5 billion), which includes accrued interest. The prepayment resulted in the recognition of the unamortized debt issue costs of US\$1.7 million (approximately ₱61.6 million) as expense presented under 'Finance costs' which represents the difference between the settlement amount and the carrying value of the loan at the time of settlement.

URC Oceania Company Limited NZD322 Million Term Loan due 2019

On November 13, 2014, URC Oceania entered into a secured term loan facility agreement payable in five (5) years, amounting to NZD322.0 million (₱9.6 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, NZ Snack Foods Holdings Limited. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on November 13, 2019.

On February 16, 2016, URC Oceania prepaid its 5-year term loan under Clause 7.1 of the underlying Facility Agreement. Total payment amounted NZ\$326.0 million (approximately ₱10.1 billion), including interest.

URC Australia Finance Company Limited Term Loan US\$484.2 Million

On September 30, 2016, URC AU FinCo entered into a secured syndicated term loan facility agreement payable in five (5) years, amounting to AU\$484.2 million (₱17.9 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, CSPL. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on September 30, 2021. This long-term loan is guaranteed by URC Parent Company.

URC NZ FinCo NZ\$395 Million Term Loan due 2023

On October 22, 2018, URC NZ FinCo entered into a term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to NZ\$395.0 million (₱14.4 billion), with various banks for payment of the NZ\$420 million term loan due in 2019. The loan obtained bears a market interest rate plus a certain spread, payable quarterly, and maturing in November 2023



RLC Five-year loan from Agricultural Bank of China (ABC) maturing in August 2022

In 2017, Chengdu Xin Yao entered into a facility loan agreement with ABC amounting to RMB500.0 million. On August 22, 2017, RLC made a drawdown amount to ₱459.6 million or RMB60.0 million which is payable after a period of 5 years. Interest on the loan shall be based on the rates released by the People's Bank of China which is 4.75% per annum as of loan agreement date. This long-term loan is guaranteed with RLC's land use rights in China under Chengdu Xin Yao.

Three-year entrusted loan from Chengdu Ding Feng Real Estate Development Co. Ltd. Maturing in December 2019

In 2017, Chengdu Xin Yao entered into a loan agreement with Chengdu Ding Feng Real Estate Development Co. Ltd. amounting to RMB50.0 million. Interest on the loan is 4.75%.

Parent Company's Philippine Peso Loans

Parent Company ₱30.0 Billion Fixed Rate Retail Bonds

On February 28, 2014, the Parent Company issued a ₱30.0 billion fixed rate retail bonds. The bond was issued in three series: (1) Five-year bond amounting to ₱24.5 billion fixed at 5.23% due 2019; (2) Seven-year bond amounting to ₱5.3 billion fixed at 5.24% due 2021; and (3) Ten-year bond amounting to ₱176.3 million fixed at 5.30% due 2024. Interest is calculated on a 30/360-day count basis and is payable semi-annually starting August 27, 2014 and the 27th day of February and August of each year thereafter. Net proceeds from the bond issuance were used to partially finance its acquisition of Meralco shares and for general corporate purposes.

Parent Company ₱7.5 Billion and ₱1.5 Billion Term Loan Facilities

On December 10 and 11, 2014, the Parent Company entered into a ₱7.5 billion and a ₱1.5 billion term loan facility, respectively. The loans bear a floating interest rate based on the applicable three (3)-month PDST-R1 plus 0.75% spread. The interest is calculated based on the actual number of days lapsed over a 365-day calendar year count and are payable quarterly starting December 10, 2015 until December 10, 2016, the maturity of the loans.

On June 10, 2015, the Parent Company prepaid the ₱1.5 billion loan facility. The interest rate basis for the ₱7.5 billion loan was also changed to the current SDA rates. The Parent Company deemed the change as not a substantial modification of the previous loan terms.

On June 10, 2016, the Parent Company partially prepaid the ₱2.0 billion of the ₱7.5 billion term loan facility. The Parent Company paid ₱2.05 billion representing ₱2.0 billion for principal and ₱48.6 million for interest. On December 10, 2016, the Parent Company settled the remaining ₱5.5 billion term loan facility. The Parent Company paid ₱5.5 billion representing ₱5.5 billion for principal and ₱36.1 million for interest.

Parent Company ₱9.0 Billion Term Loan Facility

On November 20, 2014, the Parent Company entered into a ₱9.0 billion term loan facility. The loan bears a fixed rate of 4.5% calculated based on the actual number of days lapsed over a 365-day calendar year count and is payable quarterly starting November 20, 2014 until November 20, 2019, the maturity of the loans.

On December 14, 2015, the Parent Company partially prepaid the ₱4.1 billion term loan facility. The Parent Company paid ₱4.2 billion representing ₱4.1 billion for principal, ₱26.1 million for interest and ₱41.0 million as prepayment fee.

On May 20, 2016, the Parent Company prepaid the remaining balance of ₱4.9 billion. The Parent Company paid ₱4.98 billion representing ₱4.9 billion for principal, ₱53.3 million for interest and ₱24.5 million as prepayment fee. The related loss on the derecognition of the loan that was partially



prepaid was included under “Financing Cost and Other Charges” in the consolidated statement of comprehensive income.

Parent Company ₱5.0 Billion Term Loan with BPI due in July 2022

On July 6, 2017, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with BPI with a fixed rate at 4.65% per annum and shall be payable quarterly in arrears.

Parent Company ₱5.0 Billion Term Loan with MBTC due in July 2024

On July 13, 2017, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with MBTC with a fixed rate at 4.93% per annum and shall be payable quarterly in arrears.

Parent Company ₱10.0 Billion Term Loan with BDO due in June 2023

On June 8, 2018, the Company borrowed ₱10.0 billion under Term Loan Facility Agreement with BDO. Interest for the six months ended June 30, 2018 amounted to ₱22.9 million.

Parent Company ₱5.0 Billion Term Loan with MBTC due in June 2023

On June 14, 2018, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with MBTC. Interest for the six months ended June 30, 2018 amounted to ₱8.4 million.

Subsidiaries’ Philippine Peso Loans

RLC ₱10.0 Billion Term Loan due in July 2019

On July 8, 2014, RLC borrowed ₱9.0 billion and ₱1.0 billion under a Term Loan Facility Agreement with BDO Unibank, Inc. and BDO Leasing and Finance, Inc., respectively.

The ₱9.0 billion loan was released in two tranches amounting to ₱5.0 billion and ₱4.0 billion on July 14, 2014 and August 27, 2014, respectively. The interest rate is at 5.04% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

The ₱1.0 billion loan was released on July 14, 2014 with interest rate at 5.04% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

The interest rate for both loans was fixed based on the applicable five (5) - year PDSTF plus 1% spread determined one (1) banking day prior to the initial borrowing and inclusive of gross receipts tax, but subject to a floor rate of 4.50% per annum. The market rate at the date of inception is above the floor rate of 4.50% and management assessed that the interest rate floor is clearly and closely related to the host contract and is not required to be separately valued.

RLC may, subject to the penalty of one percent (1.00%), prepay the loan in part or in full together with accrued interest thereof to prepayment date. RLC has assessed that the embedded derivative related to this prepayment option is clearly and closely related to the host contract thus was not separately valued. On October 17, 2016, RLC pre-terminated the outstanding balance of the ₱10.0 billion loan and paid a prepayment charge amounting to ₱147.0 million.

RLC ₱10.6 Billion Term Loan due in February 2022

On February 23, 2015, RLC issued ₱10.6 billion bonds constituting direct, unconditional, unsubordinated, and unsecured obligation obligations of RLC and shall at all times rank pari-passu and without preference among themselves and among any present and future unsubordinated and unsecured obligations of RLC, except for any statutory preference or priority established under Philippine law. The net proceeds of the issue shall be used by RLC to refinance existing debt obligations and to partially fund investment capital expenditures.



Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on February 23 and August 23 of each year at which the bonds are outstanding. Interest rate is 4.80% per annum.

RLC ₱1.4 Billion Term Loan due in February 2025

On February 23, 2015, RLC issued ₱1.4 billion bonds constituting direct, unconditional, unsubordinated, and unsecured obligation obligations of RLC and shall at all times rank pari-passu and without preference among themselves and among any present and future unsubordinated and unsecured obligations of RLC, except for any statutory preference or priority established under Philippine law. The net proceeds of the issue shall be used by RLC to refinance existing debt obligations and to partially fund investment capital expenditures.

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on February 23 and August 23 of each year at which the bonds are outstanding. Interest rate is 4.93% per annum.

RLC ₱6.5 Billion Term Loan due in July 2021

On July 8, 2016, RLC borrowed ₱6.5 billion under Term Loan Facility Agreements with BDO Unibank, Inc.

The loan was released on July 8, 2016 amounting to ₱3.0 billion and on September 27, 2016 amounting to ₱3.5 billion with interest rate at 3.83% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

RLC ₱5.0 Billion Term Loan due in August 2023

On August 10, 2016, RLC borrowed ₱5.0 billion under Term Loan Facility Agreements with Bank of the Philippine Islands. The ₱5.0 billion loan was released on August 10, 2016 with interest rate at 3.89% per annum and shall be payable quarterly, computed on the basis of a 360-day year and on the actual number of days elapsed.

RLC ₱7.0 Billion Term Loan due in March 2024

On March 15, 2017, RLC borrowed ₱7.0 billion million under Term Loan Facility Agreements with Metropolitan Bank & Trust Company. The loan was released on March 15, 2017 amounting to ₱7.0 billion with interest rate at 4.75% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

RLC ₱4.5 Billion Term Loan due February 2027

On February 10, 2017, RLC borrowed ₱4.5 billion under Term Loan Facility Agreements with Bank of the Philippine Islands. The loan was released on February 10, 2017 amounting to ₱4.5 billion with interest rate at 4.95% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

CAI Philippine Peso Commercial Loans

In 2016, CAI entered into a Philippine peso commercial loan facility to partially finance the acquisition of two ATR 72-600 aircraft and one Airbus A330 aircraft.

In 2017, CAI entered into a Philippine peso commercial loan facility to partially finance the acquisition of six ATR 72-600 aircraft and one Airbus A330 aircraft.



The terms of the commercial loans follow:

- Term of ten years starting from the delivery date of each aircraft.
- Forty equal consecutive principal repayments made on a quarterly basis
- Interests on loans are variable rates. Interest rates ranges from 2.00% to 3.00%.
- The facilities provide that, upon event of default, the outstanding amount of loan will be payable, including interest accrued. The lenders will foreclose mortgaged assets, namely the aircraft.

In 2018, 2017 and 2016, total interest expense on long-term debt amounted to ₱8.0 billion, ₱6.6 billion and ₱6.5 billion, respectively (see Note 35).

In 2018, 2017 and 2016 and 2015, the Group recognized amortization of bond issue costs amounting to ₱105.2 million, ₱84.2 million and ₱209.3 million, respectively (see Note 35).

Debt Covenants

Certain loan agreements contain provisions which, among others, require the maintenance of specified financial ratios at certain levels and impose negative covenants which, among others, prohibit a merger or consolidation with other entities, dissolution, liquidation or winding-up, except with any of its subsidiaries; and prohibit the purchase or redemption of any issued shares or reduction of registered and paid-up capital or distribution of assets resulting in capital base impairment.

For the Parent Company's ₱9.0 Billion, ₱5.0 Billion, ₱10.0 Billion, ₱5.0 Billion and ₱5.0 Billion Term Loan Facilities, the Group is required to maintain a financial ratio of Group's total borrowings to Group's shareholders' equity not exceeding 2.0:1.0.

For the Parent Company's ₱30.0 Billion Fixed Rate Retail Bonds, the Group is required to maintain the following financial ratios:

- the Group's current ratio of not less than 0.5:1.0;
- the Group's debt-to-equity ratio of not greater than 2.0:1.0

For the RLC's ₱10.6 Billion Retail Bonds due in February 2022, ₱1.4 Billion Retail Bonds due in February 2025, ₱10.0 Billion Term Loan due in July 2019, ₱6.5 Billion Term Loan due in July 2021, ₱5.0 Billion Term Loan due in August 2023, ₱4.5 Billion Term Loan due in February 2027 and ₱7.0 Billion Term Loan due in March 2024, RLC is required to maintain a debt-to-equity ratio not exceeding 2:1 as referenced from its consolidated financial statement as of its year end December 31 and consolidated interim financial statements as of March 31. These loans were not guaranteed by the Parent Company.

For the RLC's RMB60 million loan from Agricultural Bank of China (ABC) maturing in August 2022, Chengdu Xin Yao is required to maintain the following financial indicators: (a) actual revenue in its operating period which should not be lower than 20%; (b) asset-liability ratio should not equal or exceed 70%; (c) the borrower should not have a bad credit; and (d) borrower contingent liability ratio should not exceed 4%. Chengdu Xin Yao has complied with the debt covenant as of December 31, 2017.

For CEB's ECA loans, the Group is required to maintain the following financial ratios:

- Consolidated EBITDA to consolidated interest payable ratio should not be less than 3:1 ratio;
- Consolidated total borrowings to consolidated equity should not exceed 2:1 ratio; and
- Consolidated current liabilities should not exceed consolidated current assets.

The agreements for the ECA loans also include conditions that has to be met prior to declaring CAI or the Parent Company in default or in breach of the related debt covenants, such as but not limited to, written notice of default and lapse of the relevant grace period.



For JGSPL's US\$750.0 million Senior Unsecured Notes due in 2023, the guarantor shall procure:

- Consolidated Current Assets to Consolidated Current Liabilities is not at any time less than 0.5:1.0; and
- Consolidated Total Borrowings to Consolidated Stockholders' Equity does not at any time exceed 2:1.

For JGSPL's US\$250.0 million loans due in 2018, the guarantor shall procure that the ratio of Consolidated Total Borrowings to Consolidated Shareholders' Equity does not at any time exceed 2:1.

For the NZ and AU Term loans, these loans contain negative covenants which include, among others, maintenance of a debt to equity ratio of not greater than 2.5 to 1.0.

The Group has complied with all of its debt covenants as of December 31, 2018 and 2017.

24. Other Noncurrent Liabilities

This account consists of:

	2018	2017
Deposit liabilities - net of current portion	₱19,066,221,156	₱16,803,718,389
ARO	5,982,197,580	3,824,447,419
Deposit from lessees - net of current portion (Note 42)	2,650,771,913	2,341,568,583
Accrued rent expense	1,608,663,933	1,458,843,803
Pension liabilities (Note 37)	1,231,409,604	1,431,166,804
Deferred revenue on rewards program	954,057,251	720,229,576
Derivative liabilities	177,214,864	-
Deposits from real estate buyers - net of current portion	-	1,443,705,475
Others	1,176,829,128	887,316,583
	₱32,847,365,429	₱28,910,996,632

Deposit Liabilities

Deposit liabilities represent time deposit liabilities of RBC and LSB with maturities of beyond 12 months from reporting date.

ARO

CAI is legally required under certain lease contracts to restore certain leased passenger aircraft to stipulated return conditions and to bear the costs of restoration at the end of the contract period. These costs are accrued based on estimates made by CAI's engineers, which include estimates of future aircraft utilization and certain redelivery costs at the end of the lease period (see Note 3).

URC also has obligations to restore the leased manufacturing sites, warehouses and offices at the end of the respective lease terms. These provisions are calculated as the present value of the estimated expenditures required to remove any leasehold improvements. These costs are currently capitalized as part of the cost of the plant and equipment and are amortized over the shorter of the lease term and the useful life of assets.



The rollforward analysis of the Group's ARO follows:

	2018	2017
Balance at beginning of year	₱3,824,447,419	₱2,606,050,631
Provision for ARO	2,157,750,161	1,218,396,788
Balance at end of year	₱5,982,197,580	₱3,824,447,419

In 2018, 2017 and 2016, ARO expenses included as part of repairs and maintenance under 'Cost of Sales' amounted to ₱2.1 billion, ₱1.2 billion and ₱1.3 billion, respectively (Note 30).

Deposits from Lessees

Deposits from lessees (including the current portion shown in Note 22) represent cash received from tenants representing three to six months' rent which shall be refunded to tenants at the end of the lease term. These are initially recorded at fair value, which is obtained by discounting its future cash flows using the applicable rates of similar types of instruments. The accretion expense on these deposits recorded as part of cost of rental services on the discount amounted to ₱73.0 million, ₱56.0 million and ₱88.1 million in 2018, 2017 and 2016, respectively (Note 30). The deposits from lessees were discounted using PDST-F rate plus 2.0% spread.

The unearned rental income (included under 'Deposit from lessees') amounted to ₱604.0 million and ₱373.0 million as of December 31, 2018 and 2017, respectively. The rental income on amortization of unearned rental income amounted to ₱97.0 million, ₱64.0 million and ₱16.0 million in 2018, 2017 and 2016, respectively.

Accrued Rent

Accrued rent expense represents the portion of the lease as a consequence of recognizing expense on a straight-line basis. These pertain to various lease of land entered by the Group where the malls are located.

Deposits from Real Estate Buyers

Deposits from real estate buyers (including the current portion shown in Note 22) represent cash received in advance from buyers which shall be applied against the total contract price of the subdivision land, condominium and residential units that are for sale as soon as the contractual obligation of the real estate buyer has begun. The deposits from buyers which are expected to be applied to the contract price within one year are classified as current (see Note 22).

Deposits from real estate buyers also include cash collections in excess of the installment contract receivables recognized under the percentage-of-completion method.

Deferred Revenue on Rewards Program

This account pertains to estimated liability under the Getgo lifestyle rewards program.

The rollforward analyses of deferred revenue follow:

	2018	2017
Balance at beginning of year	₱720,229,576	₱376,960,459
Add: Estimated liability on issued points	691,673,529	600,627,712
Subtotal	1,411,903,105	977,588,171
Less: Estimated liability on redeemed points	178,326,243	132,853,613
Estimated liability on expired points	279,519,611	124,504,982
Balance at end of year	₱954,057,251	₱720,229,576



Others

Others include retention payable which represents amounts withheld from payments to contractors as guaranty for any claims against them. These are noninterest-bearing and will be remitted to contractors at the end of the contracted work.

25. Equity

Details of the Parent Company's authorized capital stock as of December 31, 2018 and 2017 follow:

	Par Value	Shares	Amount
Common shares	₱1.00	12,850,800,000	₱12,850,800,000
Preferred voting shares	0.01	4,000,000,000	40,000,000
Preferred non-voting shares	1.00	2,000,000,000	2,000,000,000
		18,850,800,000	₱14,890,800,000

The paid-up capital of the Group consists of the following:

Capital stock:	
Common shares - ₱1 par value	₱7,162,841,657
Preferred voting shares - ₱0.01 par value	40,000,000
	7,202,841,657
Additional paid-in capital	23,553,025,157
Total paid-up capital	₱30,755,866,814

Preferred Voting Shares

The preferred voting shares have, among others, the following rights, privileges and preferences:

- Entitled to vote on all matters involving the affairs of the Parent Company requiring the approval of the stockholders. Each share shall have the same voting rights as a common share.
- The shares shall be non-redeemable.
- Entitled to dividends at the rate of 1/100 of common shares, such dividends shall be payable out of the surplus profits of the Parent Company so long as such shares are outstanding.
- In the event of liquidation, dissolution, receivership or winding up of affairs of the Parent Company, holders shall be entitled to be paid in full at par, or ratably, in so far as the assets of the Parent Company will permit, for each share held before any distribution is made to holders of the common shares.

Preferred Non-voting Shares

The preferences, privileges and voting powers of the preferred non-voting shares shall be as follows:

- May be issued by the BOD of the Parent Company for such amount (not less than par), in such series, and purpose or purposes as shall be determined by the BOD of the Parent Company.
- The shares shall be non-convertible, non-voting, cumulative and non-participating.
- May be redeemable at the option of the Parent Company at any time, upon payment of their aggregate par or issue value, plus all accrued and unpaid dividends, on such terms as the BOD of the Parent Company may determine at the time of issuance. Shares so redeemed may be reissued by the Parent Company upon such terms and conditions as the BOD of the Parent Company may determine.
- The holders of shares will have preference over holders of common stock in the payment of dividends and in the distribution of corporate assets in the event of dissolution, liquidation or winding up of the Parent Company, whether voluntary or involuntary. In such an event, the holders of the shares shall be paid in full or ratably, insofar as the assets of the Parent Company will permit,



the par or issue value of each share held by them, as the BOD of the Parent Company may determine upon their issuance, plus unpaid cumulated dividends up to the current period, before any assets of the Parent Company shall be paid or distributed to the holders of the common shares.

- e. The holders of shares shall be entitled to the payment of current as well as any accrued or unpaid dividends on the shares before any dividends can be paid to the holders of common shares.
- f. The holders of shares shall not be entitled to any other or further dividends beyond that specifically payable on the preferred non-voting shares.
- g. The holders of shares shall not be entitled to vote (except in those cases specifically provided by law) or be voted for.
- h. The holders of shares shall have no pre-emptive rights, options or any other similar rights to subscribe or receive or purchase any or all issues or other disposition of common or other preferred shares of the Parent Company.
- i. The shares shall be entitled to receive dividends at a rate or rates to be determined by the Parent Company's BOD upon their issuance.

Record of Registration of Securities with the SEC

Summarized below is the Parent Company's track record of registration of securities under the Securities Regulation Code.

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and outstanding shares
June 30, 1993	Registration of authorized capital stock	-	₱1.00	₱-	12,850,800,000 common shares and 2,000,000,000 preferred non-voting shares	-
June 30, 1993	Initial public offering (IPO)	1,428,175,000 common shares	1.00	4.40	-	1,428,175,000 common shares
June 30, 1994	Conversion of convertible bonds into common shares	428,175,000 common shares	1.00	13.75	-	3,725,457 common shares
July 3, 1998	Stock rights offering (1:2)	2,060,921,728 common shares	1.00	2.00	-	2,060,921,728 common shares

The table below provides information regarding the number of stockholders of the Parent Company as of December 31, 2018, 2017 and 2016:

	2018	2017	2016
Common shares	1,017	1,033	1,043
Preferred voting shares	1	1	1

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities. No changes have been made in the objective, policies and processes as they have been applied in previous years.

The Group monitors its use of capital structure using a debt-to-capital ratio which is gross debt divided by total capital. The Group includes within gross debt all interest-bearing loans and borrowings and derivative liabilities, while capital represents total equity.



The Group's computation of debt-to-capital ratio follows:

	2018	2017
(a) Gross debt		
Short-term debt (Note 23)	₱35,453,723,993	₱45,847,813,461
Current portion of long-term debt (Note 23)	44,715,621,809	5,728,469,720
Long-term debt, net of current portion (Note 23)	165,533,345,539	175,958,344,946
Derivative liabilities (Note 8)	763,322,060	5,904,377
	₱246,466,013,401	₱227,540,532,504
(b) Capital	₱367,477,860,539	₱346,419,548,001
(c) Debt-to-capital ratio (a/b)	0.67:1	0.66:1

The Group's policy is to ensure that the debt-to-capital ratio would not exceed the 2.0:1.0 level.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of RBC's compliance with regulatory requirements and ratios is based on the amount of the parent company's 'unimpaired capital' (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies. In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent company and subsidiaries engaged in financial allied undertakings). Qualifying capital and risk-weighted assets are computed based on BSP regulations.

The regulatory Gross Qualifying Capital of RBC consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprises share capital, retained earnings (including current year profit) and non-controlling interest less required deductions such as deferred tax and unsecured credit accommodations to directors, officers, stockholders, and their related interests (DOSRI). Tier 2 capital includes unsecured subordinated note, revaluation reserves and general loan loss provision. Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to equity investments in unconsolidated subsidiary banks and other financial allied undertakings, but excluding investments in debt capital instruments of unconsolidated subsidiary banks (for solo basis) and equity investments in subsidiary nonfinancial allied undertakings.

Risk-weighted assets are determined by assigning defined risk weights to statement of financial position exposures and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 125.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors.

The CAR of RBC as reported to the BSP as of December 31, 2018 and 2017 follows:

	2018	2017
CET 1 Capital	₱10,274	₱10,475
Additional Tier 1 Capital	-	-
Tier 1 capital	10,274	10,475
Tier 2 capital	632	491
Total qualifying capital	₱10,906	₱10,966



	2018	2017
Credit risk-weighted assets (RWA)	₱66,962	₱49,862
Market RWA	347	1,340
Operational RWA	5,399	4,696
Total RWA	₱72,708	₱55,898
Common Equity Tier 1 Ratio 1	14.13%	18.74%
Additional Tier 1 Ratio	0.00%	0.00%
Tier 1 capital ratio	14.13%	18.74%
Tier 2 capital ratio	0.87%	0.88%
Risk-based CAR	15.00%	19.62%

As of December 31, 2018 and 2017, RBC was in compliance with the required CAR.

Retained Earnings

As of December 31, 2018 and 2017, the Group has a total retained earnings of ₱239.1 billion and ₱207.7 billion, respectively. Out of this, ₱117.8 billion were restricted as of December 31, 2018 and 2017.

The details of the Group's restricted retained earnings follow:

Parent Company

As of December 31, 2017 and 2018, the ₱100.7 billion restricted retained earnings of the Parent Company is earmarked for the following: (a) settlement of a certain subsidiary's loan obligations guaranteed by the Parent Company; (b) funding of capital expenditure commitments of certain wholly owned subsidiaries; (c) capital investment related to Digital venture businesses; (d) capital investments related to the Clark International Airport expansion project and (e) and general corporate purposes.

The details of the loan obligations follow:

	Subsidiary	Amount	Settlement
Loan obligations:			
4.375% senior unsecured notes	JGSH Philippines, Limited	US\$750.0 million	10 years maturing in 2023
Term Loans	Parent Company	₱25.0 billion	Maturing in 2022 and 2024
Retail Bonds	Parent Company	₱30.0 billion	Maturing in 2019, 2021 and 2024

As part of its debt covenant, the Parent Company has to maintain certain financial ratios such as: (a) the Group's current ratio of not lesser than 1.0:1.0; and (b) the Group's debt-to-equity ratio of not greater than 2.0:1.0. A portion of the Parent Company's retained earnings is restricted to maintain these financial ratios.

A corresponding amount of appropriated retained earnings will be reversed to unappropriated retained earnings once the foregoing loan obligations are settled. In addition, the capital expenditure programs for several projects are expected to be completed in 2020.

URC

On September 27, 2016, the BOD approved the reversal of the previously appropriated retained earnings amounting to ₱1.0 billion, which has been used to complete portions of the snack foods and beverage business projects across branded foods group. On the same date, the BOD approved the additional appropriation of retained earnings amounting to ₱2.0 billion for capital expenditure



commitments to expand capacities across branded consumer and commodity foods businesses, which are expected to be completed within the next two years.

On December 15, 2017, the BOD approved the additional appropriation of retained earnings amounting to ₱1.5 billion for capital expenditure commitments to expand capacities in the snack foods and beverage businesses across branded consumer food operations, which are expected to be completed within the next two years.

On December 18, 2018, the BOD approved the reversal of the appropriation of retained earnings in the aggregate amount of ₱2.5 billion, which was approved by the BOD in its resolutions adopted on September 27, 2016 and December 15, 2017.

RLC

On December 12, 2017, the BOD approved the reversal of the retained earnings it appropriated in 2016 amounting to ₱16.0 billion as the related projects to which the retained earnings were earmarked were completed already. The amount was originally earmarked for the continuing capital expenditures of the Group for subdivision land, condominium and residential units for sale, investment properties and property and equipment.

On the same date, the BOD also approved the appropriation of ₱24.5 billion, out of the unappropriated retained earnings, to support the capital expenditure requirements of the Group for various projects approved by the Executive Committee during meetings held in September 2016. These projects and acquisitions are expected to be completed in various dates in 2018 to 2022.

On December 14, 2018, the BOD approved the reversal of the retained earnings it appropriated in 2017 amounting to ₱24,500 million as the related projects to which the retained earnings were earmarked were completed already. The amount was originally earmarked for the continuing capital expenditures of the Group for subdivision land, condominium and residential units for sale, investment properties and property and equipment.

On the same date, the BOD also approved the appropriation of ₱27,000 million, out of the unappropriated retained earnings, to support the capital expenditure requirements of the Group for various projects approved by the Executive Committee during meetings held in December 2018. These projects and acquisitions are expected to be completed in various dates in 2019 up to 2023.

CAI

On December 12, 2018, December 15, 2017 and November 10, 2016, the Parent Company's BOD appropriated ₱22.0 billion, ₱18.3 billion and ₱6.6 billion, respectively, from its unrestricted retained earnings for purposes of the Group's re-fleeting program. Appropriations as of December 31, 2017 and 2016 were reversed in the following year. The appropriated amount as of December 31, 2018 will be used for the settlement of pre-delivery payments and aircraft lease commitments in 2019. As of December 31, 2018 and 2017, CAI has appropriated retained earnings totaling ₱22.0 billion and ₱18.3 billion, respectively.

RBC

As of December 31, 2013 and 2012, RBC's surplus reserve amounted to ₱133.7 million and ₱112.2 million, respectively, which were appropriated for self-insurance and for its trust operations.

In 2017 and 2016, RBC's BOD approved to appropriate reserves for trust reserves amounting to ₱0.64 million and ₱0.93 million, respectively. In 2017, the Parent Company's BOD approved to reverse appropriation of reserves for self-insurance amounting to ₱106.95 million.



Accumulated equity in net earnings of the subsidiaries and associates

A portion of the Group's retained earnings corresponding to the net earnings of the subsidiaries and accumulated equity in net earnings of the associates and joint ventures amounting to ₱96.0 billion, ₱86.7 billion and ₱71.5 billion as of December 31, 2018, 2017 and 2016, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of cash dividends from the investees.

Cash Dividends

Parent Company

Details of the Parent Company's dividend declarations on its common stock follow:

	2018	2017	2016
Date of declaration	May 28, 2018	June 27, 2017	June 9, 2016
Dividend per share	₱0.30	₱0.28	₱0.25
Total dividends	₱2.1 billion	₱2.0 billion	₱1.8 billion
Date of record	June 18, 2018	July 17, 2017	June 29, 2016
Date of payment	July 12, 2018	August 10, 2017	July 25, 2016

Details of the Parent Company's dividend declarations on its preferred stock follow:

	2018	2017	2016
Date of declaration	May 28, 2018	June 27, 2017	June 9, 2016
Dividend per share	₱0.0030	₱0.0028	₱0.0025
Total dividends	₱12.0 million	₱11.2 million	₱10.0 million
Date of record	June 18, 2018	July 17, 2017	June 29, 2016
Date of payment	July 12, 2018	August 10, 2017	July 25, 2016

The following tables summarize the dividends declared by significant subsidiaries of the Parent Company:

URC

Details of URC's dividend declarations follow:

	2018	2017	2016
Date of declaration	February 5, 2018	February 15, 2017	February 9, 2016
Dividend per share	₱3.15	₱3.15	₱3.15
Total dividends	₱6.9 billion	₱6.9 billion	₱6.9 billion
Date of record	February 26, 2018	March 1, 2017	February 29, 2016
Date of payment	March 22, 2018	March 27, 2017	March 28, 2016

RLC

Details of RLC's dividend declarations follow:

	2018	2017	2016
Date of declaration	April 6, 2018	March 3, 2017	March 9, 2016
Dividend per share	₱0.36	₱0.36	₱0.36
Total dividends	₱1.5 billion	₱1.5 billion	₱1.5 billion
Date of record	April 26, 2018	April 3, 2017	March 29, 2016
Date of payment	May 23, 2018	May 2, 2017	April 22, 2016



CAI

Details of CAI's dividend declarations follow:

	2018	2017	2016
Date of declaration	May 19, 2018	May 19, 2017	May 20, 2016
Dividend per share - regular	₱2.88	₱1.00	₱1.00
Total dividends - regular	₱1,745.1 million	₱606.0 million	₱606.0 million
Dividend per share - special	₱1.62	₱1.75	₱1.00
Total dividends - special	₱981.6 million	₱1,060.5 million	₱606.0 million
Date of record	June 14, 2018	June 9, 2017	June 9, 2016
Date of payment	July 10, 2018	July 5, 2017	July 5, 2016

Equity Reserve

On September 27, 2016, URC reissued 22.7 million common shares previously held as treasury shares by way of block sale at a selling price of ₱193.45 per share, with a total selling price amounting to ₱4.4 billion, net of transaction costs amounting to ₱27.2 million. As a result of the sale, the equity interest of the Parent Company over URC changed from 55.83% to 55.25%. The excess of the total consideration received over the carrying value of the interest transferred to the non-controlling interest is included under "Equity Reserve" in the 2016 consolidated statements of changes in equity.

In December 2014, URC entered into a share purchase agreement with Nissin to sell 14.0% of its equity interest in NURC. As a result of the sale, the equity interest of URC changed from 65% to 51%. The gain from the sale amounting to ₱239.8 million is included under 'Equity reserve' in the 2014 consolidated statements of financial position.

Non-controlling Interests

Below is the rollforward of non-controlling interests:

	2018	2017	2016
Beginning balance	₱78,582,192,615	₱73,268,333,356	₱63,935,131,765
Effect of adoption of new accounting standards	(654,723,807)	-	-
Beginning balance, as restated	77,927,468,808	73,268,333,356	63,935,131,765
Total comprehensive income:			
Net income attributable to non-controlling interests	8,711,457,170	10,149,496,652	11,449,631,592
Other comprehensive income attributable to non-controlling interests:			
Net unrealized gains (losses) on financial assets at FVOCI (Note 10)	(386,621,935)	-	-
Cumulative translation adjustments	722,343,620	(554,608,529)	(150,702,267)
Remeasurements due to defined benefit liability (Note 37)	112,144,431	50,063,791	24,244,127
Gain (loss) on cashflow hedge	(1,493,044)	(5,083,232)	8,634,742
Net unrealized gains (losses) on AFS investments (Note 10)	-	(80,951,614)	(115,159,763)
	9,157,830,242	9,558,917,068	11,216,648,431
Deposit for future subscription of shares by non-controlling interest in a subsidiary Issuance of shares by subsidiaries	8,987,219,560	-	-
Cash dividends paid to non-controlling interests	(5,068,481,993)	(4,245,057,809)	(4,175,979,077)
Decrease in subsidiaries' treasury shares	(231,921,908)	-	2,292,532,237
Acquisition of non-controlling interest by a subsidiary	120,000,000	-	-
Sale of investment in a subsidiary	(125,000)	-	-
	₱90,891,989,709	₱78,582,192,615	₱73,268,333,356



Deposit for future subscription of shares by non-controlling interest in a subsidiary amounting to ₱3.2 billion pertain to the additional investment by RRHI in RBC.

26. Revenue

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenues from contracts with customers and revenues not covered under PFRS 15 for the year ended December 31, 2018:

	Goods and services transferred at a point in time	Services transferred over time	Revenues outside the scope of PFRS 15	Total
Sale of goods and services:				
Foods	₱127,769,949,329	₱-	₱-	₱127,769,949,329
Air transportation	74,113,776,885	-	-	74,113,776,885
Petrochemicals	29,467,564,096	-	-	29,467,564,096
Real estate and hotels	17,950,694,402	10,853,067,524	13,548,204,208	42,351,966,134
Banking	352,463,888	-	5,779,918,679	6,132,382,567
Equity in net earnings of associates and joint ventures	-	-	1,227,572,942	1,227,572,942
Dividend income	-	-	10,181,841,883	10,181,841,883
Supplementary businesses	596,660,442	-	74,303,386	670,963,828
	₱250,251,109,042	₱10,853,067,524	₱30,811,841,098	₱291,916,017,664

Banking revenue consists of:

	2018	2017	2016
Interest income (Note 27)	₱5,761,620,534	₱4,109,285,854	₱3,092,862,946
Service fees and commission income	352,463,888	181,649,418	174,216,102
Trading and securities gains (Notes 8 and 10)	18,298,145	184,893,310	145,108,071
	₱6,132,382,567	₱4,475,828,582	₱3,412,187,119

Contract assets

As at December 31, 2018, the Group has current and noncurrent contract assets amounting to ₱5.1 billion and ₱6.4 billion, respectively.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is unconditional. This is reclassified as installment contract receivables when the monthly amortization of the customer is already due for collection. The movement in contract asset is mainly due to new real estate sales contract recognized during the period, increase in percentage of completion, less reclassification of installment contract receivable.

Contract liabilities

Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the good and services transferred by Group based on percentage of completion. Current and noncurrent contract liabilities as of December 31, 2018 is ₱12.9 billion and ₱2.4 billion, respectively. The movement in the contract liability is mainly due to reservation sales and advance payment of buyers less real estate sales recognized upon reaching the equity threshold from increase in percentage of completion.



Revenue recognized from the amounts included in contract liabilities at the beginning of the year amounted to ₱1.7 billion.

27. Interest Income

This account consists of:

	2018	2017	2016
Interest income from:			
Finance receivables and sales contract receivable (Note 11)	₱4,570,300,338	₱3,194,186,361	₱2,334,136,260
Cash and cash equivalents (Note 7)	1,145,187,459	654,200,215	574,695,922
Financial assets at FVOCI (Note 10)	823,177,155	—	—
Financial assets at FVPL (Note 9)	604,185,880	650,771,348	639,122,921
Investment securities at amortized cost (Note 10)	364,317,419	—	—
HTM investments (Note 10)	—	23,747,163	170,428,187
AFS debt securities (Note 10)	—	829,805,734	532,874,580
Others	—	—	2,850,129
	₱7,507,168,251	₱5,352,710,821	₱4,254,107,999

Interest income are included in the following accounts in the consolidated statements of comprehensive income as follows:

	2018	2017	2016
Banking revenue (Note 26)	₱5,761,620,534	₱4,109,285,854	₱3,092,862,946
Finance income	1,745,547,717	1,243,424,967	1,161,245,053
	₱7,507,168,251	₱5,352,710,821	₱4,254,107,999

28. Dividend Income

As a holding company, the Parent Company receives dividends from its strategic investments in companies that are neither consolidated nor equity-accounted in the group accounts.

This account includes dividends received from PLDT amounting to ₱1.1 billion, ₱1.3 billion and ₱1.8 billion and in 2018, 2017 and 2016, respectively. Investment in PLDT is presented under FVOCI in 2018 and AFS investments in 2017 and 2016 in the consolidated statements of financial position.



29. Other Operating Income (Expenses)

This account consists of:

	2018	2017	2016
Gain on sale of equity investments	₱198,141,335	₱—	₱—
Realized gain on sale of financial assets at FVOCI (Note 10)	34,208,528	—	—
Gain on insurance claims	22,985,311	28,397,634	208,713,905
Gain (loss) on sale of aircraft (Note 16)	(46,466,570)	102,574,043	(962,608,741)
Realized gain on sale of AFS investments (Note 10)	—	14,747,467	452,510
Others	(668,337,030)	96,152,440	265,486,484
	(₱459,468,426)	₱241,871,584	(₱487,955,842)

Others also include rent income and gain (loss) on sale of PPE.

30. Cost of Sales and Services

This account consists of:

	2018	2017	2016
Raw materials used	₱91,888,688,733	₱83,764,786,696	₱68,183,544,851
Direct labor	6,306,013,840	5,861,994,335	4,913,509,312
Overhead cost	32,911,274,997	29,252,629,291	25,784,489,519
Total manufacturing cost	131,105,977,570	118,879,410,322	98,881,543,682
Work-in-process	(228,534,317)	74,603,670	(123,486,411)
Cost of goods manufactured	130,877,443,253	118,954,013,992	98,758,057,271
Finished goods	(1,143,328,254)	222,298,225	(633,954,248)
Cost of sales	129,734,114,999	119,176,312,217	98,124,103,023
Cost of services	63,858,758,345	52,378,128,769	45,970,133,223
Cost of sales and services	₱193,592,873,344	₱171,554,440,986	₱144,094,236,246

Overhead costs consist of:

	2018	2017	2016
Utilities and fuel	₱13,733,217,586	₱13,216,743,403	₱11,590,606,501
Depreciation and amortization (Note 33)	7,369,712,417	6,818,023,778	6,266,120,217
Personnel (Note 32)	3,664,721,272	3,492,390,785	2,505,254,937
Repairs and maintenance	3,562,033,341	3,162,811,896	3,286,778,957
Taxes, licenses and fees	2,329,379,936	249,708,624	234,148,606
Security and other contracted services	765,581,653	681,266,926	610,432,143
Rental	462,677,724	414,997,425	722,979,186
Insurance	324,898,144	316,072,656	276,976,646
Handling and delivery charges	183,736,214	185,825,028	147,726,876
Research and development	87,264,821	82,777,295	78,903,939
Others	428,051,889	632,011,475	64,561,511
	₱32,911,274,997	₱29,252,629,291	₱25,784,489,519



Cost of services is composed of:

	2018	2017	2016
Air transportation	₱48,039,492,056	₱40,626,822,232	₱34,262,194,205
Real estate	11,987,104,415	9,217,080,148	9,702,256,952
Hotel operations	1,556,880,775	1,350,512,369	1,308,841,469
Banking	2,275,281,099	1,183,714,020	696,840,597
	₱63,858,758,345	₱52,378,128,769	₱45,970,133,223

Further breakdown of the 'Cost of services' account showing the nature of expenses follow:

	2018	2017	2016
Fuel and oil	₱25,431,126,363	₱19,594,980,725	₱15,821,328,265
Maintenance costs	7,341,707,601	6,836,779,366	5,878,097,172
Personnel (Note 32)	5,543,013,641	5,270,242,234	4,935,226,272
Cost of real estate sales (Note 12)	4,931,427,825	3,143,037,387	4,138,509,247
Depreciation and amortization (Note 33)	4,456,732,645	3,914,114,101	3,774,153,608
Landing and take-off	3,478,873,175	3,487,271,164	3,158,774,262
Ground handling charges	3,421,655,961	2,682,026,202	2,105,087,686
Interest expense (Note 21)	2,187,499,371	1,126,827,599	648,863,124
Reservation costs	2,038,933,190	1,811,955,992	1,522,455,857
Property operations and maintenance costs	1,216,896,943	1,097,218,241	780,823,807
Film rentals expense - amusement services	906,006,116	820,824,802	751,257,456
Contracted services	538,355,927	307,231,516	368,352,704
Cost of food and beverage - hotel operations	320,069,980	353,667,814	346,871,025
Passenger food and supplies	237,379,634	152,382,065	193,893,235
Passenger liability insurance	222,425,888	209,138,455	215,957,012
Travel and transportation	190,332,038	190,585,490	140,327,683
Interrupted/delayed trips expense	163,373,839	287,708,265	229,268,417
Service charges and commission expense	87,781,728	56,886,421	47,919,379
Pilot and crew meals	75,225,150	61,731,718	52,521,078
Customs, immigration and duties	18,629,660	34,877,755	30,562,641
Others	1,051,311,670	938,641,457	829,883,293
	₱63,858,758,345	₱52,378,128,769	₱45,970,133,223



31. General and Administrative Expenses

This account consists of:

	2018	2017	2016
Outside services	₱10,860,963,011	₱10,537,048,072	₱8,766,844,452
Personnel (Note 32)	8,742,446,729	8,091,935,699	6,542,791,378
Depreciation and amortization (Note 33)	8,740,834,947	8,204,601,381	7,057,267,306
Advertising and promotions	8,680,706,701	9,173,757,140	8,658,542,014
Aircraft and engine lease	5,650,909,510	4,635,003,450	4,253,724,294
Rental (Note 42)	1,899,162,610	2,066,485,679	1,901,708,524
Taxes, licenses and fees	1,804,907,486	1,398,172,998	1,072,903,748
Travel and transportation	1,166,014,683	1,316,855,993	1,183,698,971
Sales commission	996,168,674	731,736,670	738,284,393
Repairs and maintenance	944,420,851	534,931,956	498,762,284
Utilities and supplies	711,316,430	735,173,495	645,701,612
Insurance	576,395,623	635,478,465	511,265,268
Communication	383,953,070	348,095,166	277,733,808
Entertainment, amusement and recreation (Note 38)	195,801,882	184,657,022	198,317,165
Others	1,558,528,572	1,316,114,551	1,190,663,092
	₱52,912,530,779	₱49,910,047,737	₱43,498,208,309

Others

Other expenses include royalties, donation and contribution, and membership and subscription dues.

32. Personnel Expenses

This account consists of:

	2018	2017	2016
Salaries and wages	₱14,457,015,945	₱13,558,842,741	₱11,443,919,120
Other employee benefits	2,992,238,378	2,872,204,576	2,165,028,871
Pension expense	500,927,319	423,521,401	374,324,596
	₱17,950,181,642	₱16,854,568,718	₱13,983,272,587

The breakdown of personnel expenses follows:

	2018	2017	2016
Cost of sales and services (Note 30)	₱9,207,734,913	₱8,762,633,019	₱7,440,481,209
General and administrative expenses (Note 31)	8,742,446,729	8,091,935,699	6,542,791,378
	₱17,950,181,642	₱16,854,568,718	₱13,983,272,587



33. Depreciation and Amortization

The breakdown of depreciation and amortization on property, plant and equipment, investment properties, biological assets and intangible assets follows:

	2018	2017	2016
Cost of sales and services (Notes 15, 16 and 30)	₱11,826,445,062	₱10,732,137,879	₱10,040,273,825
General and administrative expenses (Notes 15, 16, 18, and 31)	8,740,834,952	8,204,601,381	7,057,267,306
	₱20,567,280,014	₱18,936,739,260	₱17,097,541,131

34. Impairment Losses and Others

This account consists of:

	2018	2017	2016
Provision for impairment losses on:			
Receivables (Note 11)	₱117,349,689	₱231,167,858	₱449,118,739
Goodwill	17,579,587	-	-
Inventory obsolescence and market decline (Note 12)	7,948,049	2,870,047	175,449,919
Property, plant and equipment (Note 16)	1,699,792	4,714,024	-
Other noncurrent assets	1,224,464	7,443,236	-
Investment properties (Note 15)	-	1,885,207	16,148,392
	₱145,801,581	₱248,080,372	₱640,717,050

35. Financing Costs and Other Charges

This account consists of:

	2018	2017	2016
Interest expense	₱9,377,151,320	₱7,635,388,645	₱7,298,442,812
Bank charges and others	258,223,453	200,749,289	163,554,058
	₱9,635,374,773	₱7,836,137,934	₱7,461,996,870

Sources of financing costs and other charges follow:

	2018	2017	2016
Long-term debt (Note 23)	₱8,027,885,938	₱6,642,940,617	₱6,545,503,576
Short-term debt (Note 23)	1,053,574,999	780,408,518	407,350,305
Others	448,717,516	328,574,778	299,876,101
	9,530,178,453	7,751,923,913	7,252,729,982
Amortization of debt issuance costs (Note 23)	105,196,320	84,214,021	209,266,888
	₱9,635,374,773	₱7,836,137,934	₱7,461,996,870



36. Components of Other Comprehensive Income

Below is the composition of the Group's 'Other comprehensive income':

	2018		
	Parent Company	Non-controlling Interests	Total
Net gain (loss) on FVOCI investments:			
Net changes in fair value of FVOCI of Parent and its subsidiaries			
Net changes in fair value during the period	(P7,517,643,934)	(P386,621,935)	(P7,904,265,869)
Reclassification adjustment included in profit or loss arising from disposal of FVOCI	(34,208,528)	–	(34,208,528)
	(7,551,852,462)	(386,621,935)	(7,938,474,397)
Net changes in fair value of FVOCI of an associate	(141,404,566)	–	(141,404,566)
	(7,693,257,028)	(386,621,935)	(8,079,878,963)
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to OCI	(1,843,509)	(1,493,044)	(3,336,553)
	(7,695,100,537)	(388,114,979)	(8,083,215,516)
Cumulative translation adjustments	764,122,128	722,343,620	1,486,465,748
Remeasurements due to defined benefit liability, net of tax (Note 37)			
Remeasurements of net DBL of Parent and subsidiaries	200,833,281	112,144,431	312,977,712
Share in remeasurements of net DBL of associates	387,758,074	–	387,758,074
	(P6,342,387,054)	P446,373,072	(P5,896,013,982)
	2017		
	Parent Company	Non-controlling Interests	Total
Net gains on AFS investments (Note 10):			
Net changes in fair value of AFS investments of the Parent Company and its subsidiaries:			
Net changes in fair value during the period	P1,855,132,262	(P80,951,614)	P1,774,180,648
Reclassification adjustment included in profit or loss arising from disposal of AFS investments	(14,747,467)	–	(14,747,467)
	1,840,384,795	(80,951,614)	1,759,433,181
Share in net changes in fair value of AFS investments of an associate	24,394,385	–	24,394,385
	1,864,779,180	(80,951,614)	1,783,827,566
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to OCI	(6,276,428)	(5,083,232)	(11,359,660)
	1,858,502,752	(86,034,846)	1,772,467,906
Cumulative translation adjustments	(629,187,834)	(554,608,529)	(1,183,796,363)
Remeasurements due to defined benefit liability, net of tax (Note 37)			
Remeasurements of net DBL of Parent and subsidiaries	66,750,379	50,063,791	116,814,170
Share in remeasurements of net DBL of associates	(326,973,548)	–	(326,973,548)
	P969,091,749	(P590,579,584)	P378,512,165



	2016		
	Parent Company	Non-controlling Interests	Total
Net gains on AFS investments (Note 10):			
Net changes in fair value of AFS investments of the Parent Company and its subsidiaries:			
Net changes in fair value during the period	(P12,220,137,282)	(P115,159,763)	(P12,335,297,045)
Reclassification adjustment included in profit or loss arising from disposal of AFS investments	(452,510)	–	(452,510)
Reclassification of unrealized loss to profit or loss due to impairment	16,713,629,844	–	16,713,629,844
	4,493,040,052	(115,159,763)	4,377,880,289
Share in net changes in fair value of AFS investments of an associate	(104,703,835)	–	(104,703,835)
	4,388,336,217	(115,159,763)	4,273,176,454
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to OCI	(26,697,367)	8,634,742	(18,062,625)
	4,361,638,850	(106,525,021)	4,255,113,829
Cumulative translation adjustments	29,518,399	(150,702,267)	(121,183,868)
Remeasurements due to defined benefit liability, net of tax (Note 37)			
Remeasurements of net DBL of Parent and subsidiaries	28,230,597	24,244,127	52,474,724
Share in remeasurements of net DBL of associates	524,522,485	–	524,522,485
	P4,943,910,331	(P232,983,161)	P4,710,927,170

The income tax effects relating to other comprehensive income are as follows:

	2018		
	Before tax	Tax benefit	Net of tax
Net gains on financial assets at FVOCI of Parent Company and its subsidiaries	(P7,938,474,397)	P–	(P7,938,474,397)
Cumulative translation adjustments	1,486,465,748	–	1,486,465,748
Net movement in cash flow hedge	(3,336,553)	–	(3,336,553)
Remeasurements due to defined benefit liability	447,111,017	(134,133,305)	312,977,712
Remeasurements due to defined benefit liability of associates	387,758,074	–	387,758,074
Net changes in fair value of financial assets at FVOCI of an associate (Note 10)	(141,404,566)	–	(141,404,566)
	(P5,761,880,677)	(P134,133,305)	(P5,896,013,982)

	2017		
	Before tax	Tax benefit	Net of tax
Net gains on AFS investments of Parent Company and its subsidiaries	P1,759,433,181	P–	P1,759,433,181
Cumulative translation adjustments	(1,183,796,363)	–	(1,183,796,363)
Net movement in cash flow hedge	(11,359,660)	–	(11,359,660)
Remeasurements due to defined benefit liability	(160,096,162)	(50,063,216)	(210,159,378)
Net changes in fair value of AFS investments of an associate (Note 10)	24,394,385	–	24,394,385
	P428,575,381	(P50,063,216)	P378,512,165



	2016		
	Before tax	Tax benefit	Net of tax
Net gains on AFS investments of Parent			
Company and its subsidiaries	₱4,377,880,289	₱-	₱4,377,880,289
Cumulative translation adjustments	(121,183,868)	-	(121,183,868)
Net movement in cash flow hedge	(18,062,625)	-	(18,062,625)
Remeasurements due to defined benefit liability	599,486,376	(22,489,167)	576,997,209
Net changes in fair value of AFS investments of an associate (Note 10)	(104,703,835)	-	(104,703,835)
	₱4,733,416,337	(₱22,489,167)	₱4,710,927,170

37. Employee Benefits

Pension Plans

The Group has funded, noncontributory, defined benefit pension plans covering substantially all of their regular employees, except for JGSPC that has an unfunded, noncontributory defined benefit pension plan.

The pension funds are being administered and managed through JG Summit Multi-Employer Retirement Plan (the “Plan”), with RBC as Trustee. The plans provide for retirement, separation, disability and death benefits to their members. The Group, however, reserves the right to discontinue, suspend or change the rates and amounts of their contributions at any time on account of business necessity or adverse economic conditions. The retirement plan has an Executive Retirement Committee, that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the Plan. Certain members of the BOD of the Parent Company are represented in the Executive Retirement Committee. RBC manages the plan based on the mandate as defined in the trust agreement.

The amounts recognized as pension liabilities included under ‘Other noncurrent liabilities’ in the consolidated statements of financial position follow:

	2018	2017
Present value of defined benefit obligation	₱4,078,579,993	₱4,205,872,266
Fair value of plan assets	2,862,760,085	2,774,705,462
Pension liabilities (Note 24)	₱1,215,819,908	₱1,431,166,804

Changes in net defined benefit liability of funded funds in 2018 and 2017 follows:

	2018		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability/(asset)
Balance at beginning of year	₱4,205,872,266	₱2,774,706,462	₱1,431,165,804
Net benefit cost in consolidated statement of income:			
Current service cost	430,507,184	-	430,507,184
Net interest cost	233,310,252	147,460,639	85,849,613
Subtotal	663,817,436	147,460,639	516,356,797
Benefits paid	(397,417,209)	(178,209,427)	(219,207,782)
Assets and liabilities acquired	3,841,811	1,521,558	2,320,253

(Forward)



	2018		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability/(asset)
Remeasurements in other comprehensive income:			
Return on plan assets	₱-	(₱60,262,050)	₱60,262,050
Actuarial changes arising from experience adjustments	43,865,158	-	43,865,158
Actuarial changes arising from changes in financial/demographic assumptions	(551,238,225)	-	(551,238,225)
Subtotal	(507,373,067)	(60,262,050)	(447,111,017)
Contributions paid	109,838,756	177,542,903	(67,704,147)
Balance at end of year	₱4,078,579,993	₱2,862,760,085	₱1,215,819,908
	2017		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability/(asset)
Balance at beginning of year	₱4,098,485,361	₱2,823,208,922	₱1,275,276,439
Net benefit cost in consolidated statement of income:			
Current service cost	392,543,353	-	392,543,353
Net interest cost	237,689,709	139,080,003	98,609,706
Subtotal	630,233,062	139,080,003	491,153,059
Benefits paid	(327,226,096)	(292,293,276)	(34,932,820)
Remeasurements in other comprehensive income:			
Return on plan assets	-	(23,294,759)	23,294,759
Actuarial changes arising from experience adjustments	62,858,628	(5,447,916)	68,306,544
Actuarial changes arising from changes in financial/demographic assumptions	(258,478,689)	-	(258,478,689)
Subtotal	(195,620,061)	(28,742,675)	(166,877,386)
Contributions paid	-	133,452,488	(133,452,488)
Balance at end of year	₱4,205,872,266	₱2,774,705,462	₱1,431,166,804

The fair value of plan assets by each class as at the end of the reporting period are as follow:

	2018	2017
ASSETS		
Cash and cash equivalents	₱539,604,346	₱854,815,813
Debt instruments	872,211,151	1,299,099,679
Financial assets at FVOCI/ Available-for-sale investments	936,633,095	487,489,404
Equity investments	130,728,481	12,891,549
Receivable	245,157,342	2,345,903
Accrued interest receivable	18,879,657	8,093,229
Prepayments	14,286,023	198,129
Land	143,201,000	143,201,000
	2,900,701,095	2,808,134,706
LIABILITIES		
Current liabilities	36,050,908	33,429,244
	2,864,650,187	2,774,705,462
Expected withdrawals	(1,890,102)	-
	₱2,862,760,085	₱2,774,705,462



The overall expected rates of return on assets are based on the market expectations prevailing as at the reporting date, applicable to the period over which the obligation is settled.

The average duration of the defined benefit obligation of the Group as of December 31, 2018 is 18.8 years.

The Group expects to contribute ₱430.5 million into the pension fund in 2019.

The assumptions used to determine the pension benefits of the Group follow:

2018				
	Retirement Age	Average Remaining Working Life (in years)	Salary Rate Increase	Discount Rate
Parent Company	60	16.9	5.7%	7.28%
URC	60	19.0	5.7%	7.31 to 7.40%
RLC	60	17.0	5.7%	7.22 to 7.47%
CAI	60	19.0	5.7%	7.35 to 7.36%
RBC	60	16.8	5.7%	7.30%
JGSPC	60	20.2	5.7%	7.36%
JGSOC	60	21.6	5.7%	7.39%
Unicon	60	18.9	5.7%	7.34%
Aspen	60	17.7	5.7%	7.31%
LSB	60	21.1	5.7%	7.36%

2017				
	Retirement Age	Average Remaining Working Life (in years)	Salary Rate Increase	Discount Rate
Parent Company	60	13	5.7%	5.77%
URC	60	8 to 11	5.7%	5.23 to 5.76%
RLC	60	8 to 13	5.5%	5.63 to 5.80%
CAI	60	7 to 9	5.5 to 5.7%	5.73 to 5.76%
RBC	60	6	5.7%	5.74%
JGSPC	60	10	5.7%	5.75%
JGSOC	60	10	5.7%	5.75%
Unicon	60	10	5.7%	5.72%
LSB	60	8	5.7%	5.79%

2016				
	Retirement Age	Average Remaining Working Life (in years)	Salary Rate Increase	Discount Rate
Parent Company	60	14	5.7%	5.16%
URC	60	9	5.7%	5.26%
RLC	60	15	5.0%	3.93 to 4.85%
CAI	60	11 - 18	5.5%	5.44 to 5.60%
RBC	60	6	5.7%	5.27%
JGSPC	60	10	5.7%	5.40%
Unicon	60	18	5.7%	5.62%
LSB	60	10	5.7%	5.54%



The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of December 31, 2018 and 2017, assuming if all other assumptions were held constant:

		2018									
		Parent Company	URC	RLC	CAI	RBC	LSB	JGSPC	JGSOC	ASPEN	Unicon
Discount rates											
+1.00%		₱36,928,834	(₱145,795,088)	(₱429,489,169)	₱981,606,186	₱154,331,259	₱6,065,487	₱149,596,064	₱10,343,182	₱84,109,507	₱2,922,378
(-1.00%)		43,900,563	167,001,465	495,647,840	1,157,746,082	178,837,861	7,455,683	177,352,990	12,634,421	98,299,056	3,522,982
Future salary increases											
+1.00%		44,199,142	181,429,918	498,939,922	1,165,857,113	180,030,852	7,508,279	178,621,440	12,724,639	98,959,099	3,547,296
(-1.00%)		36,617,647	(160,815,063)	(426,064,803)	973,270,554	153,097,334	6,011,542	148,304,822	10,250,795	83,421,175	2,896,639
		2017									
		Parent Company	URC	RLC	CAI	RBC	LSB	JGSPC	Unicon		
Discount rates											
+1.00%		(₱32,556,970)	(₱2,076,567,749)	(₱437,240,855)	(₱944,306,805)	(₱142,031,508)	(₱4,931,832)	(₱185,510,227)	(₱5,358,432)		
(-1.00%)		40,068,563	2,450,630,129	514,048,806	1,124,639,036	167,448,823	6,292,335	221,825,314	6,492,899		
Future salary increases											
+1.00%		40,285,672	2,463,372,088	516,880,298	1,131,113,532	168,315,856	6,323,403	223,053,180	6,527,526		
(-1.00%)		(32,313,712)	(2,062,363,264)	(434,131,727)	(937,242,141)	(141,067,257)	(4,896,076)	(184,164,171)	(5,319,152)		

Shown below is the maturity analysis of the undiscounted benefit payments of the Group:

	2018	2017
Less than 1 year	₱376,611,172	₱392,473,008
More than 1 years to 5 years	1,739,542,960	1,460,087,261
More than 5 years to 10 years	2,989,942,882	2,834,398,468
More than 10 years to 15 years	3,804,904,171	3,375,054,827
More than 15 years to 20 years	3,811,710,836	3,408,180,497
More than 20 years	10,707,386,458	9,015,819,777

38. Income Taxes

Provision for income tax from continuing operations consists of:

	2018	2017	2016
Corporate	₱5,042,144,252	₱4,751,400,034	₱4,598,138,288
Final	207,933,998	161,281,024	137,761,179
Deferred	(106,284,544)	588,787,833	702,007,166
	₱5,143,793,706	₱5,501,468,891	₱5,437,906,633

The Group recognized benefit (provision) for income tax in 'Other comprehensive income' for 'Other comprehensive income items' amounting to (₱134.1million), (₱50.1 million) and (₱22.5 million) in 2018, 2017 and 2016, respectively (see Note 36).



Republic Act (RA) No. 9337

Current tax regulations provide that the RCIT rate shall be 30.0% and interest expense allowed as a deductible expense is reduced by 33.0% of interest income subjected to final tax.

The NIRC of 1997 also provides for rules on the imposition of a 2.0% MCIT on the gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the Company commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three immediately succeeding taxable years.

Starting July 1, 2008, the Optional Standard Deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT.

Entertainment, Amusement and Recreation (EAR) Expenses

Current tax regulations define expenses to be classified as EAR expenses and set a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1.0% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses. The Group recognized EAR expenses (included under 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounting to ₱179.6 million, ₱184.7 million and ₱198.3 million in 2018, 2017 and 2016, respectively (see Note 31).

Compositions of the Group's net deferred tax assets (included in the 'Other noncurrent assets' in the consolidated statements of financial position) follow (see Note 20):

	2018	2017
Deferred tax assets on:		
Asset retirement obligation	₱1,734,415,939	₱1,102,526,240
Unrealized forex loss	880,873,115	924,946,386
Allowance for impairment losses on receivables and property and equipment	513,863,906	502,182,129
Unfunded pension liabilities	264,029,879	368,277,163
Net operating loss carry-over	243,394,030	504,740,026
Unrealized loss on net derivative liability	228,895,609	-
Foreign subsidiaries	100,068,558	33,866,381
MCIT carryforward	26,392,884	559,759,559
Others	400,152,343	339,640,078
Total	4,392,086,263	4,335,937,962
Deferred tax liabilities on:		
Double depreciation	(1,864,944,473)	(2,186,122,651)
Unrealized profit on excess of market value over cost of hog markets	(10,973,879)	(151,215,472)
Others	(551,107,656)	(555,385,675)
	(2,427,026,008)	(2,892,723,798)
Net deferred tax asset	₱1,965,060,255	₱1,443,214,164

As of December 31, 2018, deferred tax asset under 'others' include deferred revenue and accrued rent amounting to ₱286.2 million and ₱19.7 million, respectively. As of December 31, 2017, deferred tax asset under 'others' include deferred revenue and accrued rent amounting to ₱216.1 million and ₱17.4 million, respectively.



Compositions of the Group's net deferred tax liabilities reported in the consolidated statements of financial position follow:

	2018	2017
Deferred tax assets on:		
Accrued rent	₱519,347,421	₱488,680,529
Unfunded pension benefits	252,021,442	234,460,210
Accrued interest expense	242,597,937	220,795,887
Allowance for impairment losses on receivables and property, plant and equipment	14,302,980	14,302,980
MCIT carryforward	2,168,956	2,168,956
Foreign subsidiaries	-	91,431,560
Others	243,460,224	161,782,012
Total	1,273,898,960	1,213,622,134
Deferred tax liabilities on:		
Intangibles	(2,965,938,522)	(3,348,400,019)
Unamortized capitalized interest	(1,961,848,143)	(1,878,456,323)
Excess of real estate revenue based on percentage-of-completion over real estate revenue based on tax rules	(1,870,869,852)	(1,277,103,559)
Accelerated depreciation	(506,773,573)	(543,986,501)
Borrowing cost	(71,832,394)	(71,832,394)
Undistributed income of foreign subsidiaries	(708,771,887)	(651,315,255)
Foreign subsidiaries	(446,906,513)	-
Accrued rent income	(428,569,111)	(330,627,337)
Prepaid rent	(134,440,664)	(143,707,812)
Others	(55,172,243)	(174,073,030)
	(9,151,122,902)	(8,419,502,230)
Net deferred tax liability	(₱7,877,223,942)	(₱7,205,880,096)

The following are the temporary differences on which the Group did not recognize deferred tax assets:

	2018	2017
Allowance for credit and impairment losses	₱3,226,753,778	₱3,107,733,302
NOLCO	5,020,644,766	2,768,990,723
Allowance for inventory write-down	170,883,405	64,488,572
Net pension liability	96,053,605	157,562,867
Unrealized foreign exchange losses	46,678,473	71,655,305
Unearned income	34,061,408	34,061,408
Unamortized contribution of past service costs	19,924,712	25,237,968
Excess MCIT over RCIT	4,727,209	94,880,453
Accumulated depreciation of investment properties and repossessed chattels	2,288,583	20,252,729
Unrealized loss on AFS investments	-	1,026,656,867
Accrued rent	49,867,543	4,751,226
	₱8,671,883,482	₱7,376,271,420



Under Section 11 of R. A. No. 7151 (CAI's Congressional Franchise) and under Section 15 of R. A. No. 9517 (Cebgo, Inc.'s Congressional Franchise) known as the "ipso facto clause" and the "equality clause", respectively, the CAI and Cebgo, Inc. are allowed to benefit from the tax privileges being enjoyed by competing airlines. CAI's and Cebgo, Inc.'s major competitor, by virtue of PD No. 1590, is enjoying tax exemptions which are likewise being claimed by the CAI and Cebgo, Inc., if applicable, including but not limited to the following:

- a.) To depreciate its assets to the extent of not more than twice as fast the normal rate of depreciation; and
- b.) To carry over as a deduction from taxable income any net loss (NOLCO) incurred in any year up to five years following the year of such loss. Included in the Group's NOLCO and MCIT are

CAI's MCIT is follows:

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Year
2015	₱117,297,005	(₱117,297,005)	₱-	2018
2016	148,442,253	(148,442,253)	-	2019
2017	4,221,045	(4,221,045)	-	2020
	₱269,960,303	(₱269,960,303)	₱-	

Included in the Group's NOLCO and MCIT is Cebgo, Inc.'s NOLCO and MCIT as follows:

NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2013	₱853,571,166	(₱72,839,177)	(₱780,731,989)	₱-	2018
2014	685,506,938	-	-	685,506,938	2019
	₱1,539,078,104	(₱72,839,177)	(₱780,731,989)	₱685,506,938	

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Year
2015	₱8,632,361	(₱8,632,361)	₱-	2018
2016	14,152,299	-	14,152,299	2019
2017	9,021,420	-	9,021,420	2020
2018	3,184,853	-	3,184,853	2021
	₱34,990,933	(₱8,632,361)	₱26,358,572	

CAI has outstanding registrations with the BOI as a new operator of air transport on a pioneer and non-pioneer status under the Omnibus Investments Code of 1987 (Executive Order 226). On all existing registrations, the Parent Company can avail of bonus years in certain specified cases but the aggregate ITH availments (basic and bonus years) shall not exceed eight years.

As of December 31, 2018 and 2017, CAI has complied with externally imposed capital requirements set by the BOI in order to avail of the ITH incentives for aircraft of registered activity.



Reconciliation between the Group's statutory income tax rate and the effective income tax rate follows:

	2018	2017	2016
Statutory income tax rate	30.00%	30.00%	30.00%
Tax effects of:			
Income exempt from tax	(2.08)	(1.53)	(2.19)
Equity in net earnings of affiliates	(9.24)	(6.60)	(8.82)
Net income of subsidiaries with different tax rates	(0.41)	(2.56)	(5.92)
Income subjected to BOI, PEZA and ITH	(7.93)	(9.50)	(16.89)
Changes in unrecognized deferred tax assets	2.43	(2.30)	3.91
Interest income subject to final tax	(0.65)	(0.33)	(0.06)
Non-deductible items	0.73	0.58	18.94
Taxable gain on sale to a subsidiary	0.96	4.33	–
Others	1.76	0.13	0.59
Effective income tax rate	15.57%	12.22%	19.56%

39. Earnings Per Share

Basic earnings per share is calculated by dividing the net income for the year attributable to equity holders of the Parent Company divided by the weighted average number of common shares outstanding during the year (adjusted for any stock dividends).

The following tables reflect the net income and share data used in the basic/dilutive EPS computations:

Earnings per share attributable to equity holders of the Parent Company

	2018	2017	2016
Income attributable to equity holders of the Parent Company	₱19,186,040,273	₱29,369,537,456	₱10,917,978,925
Less: Dividends on preferred shares (Note 25)	12,000,000	11,200,000	10,000,000
Income attributable to holders of common shares of the Parent Company	₱19,174,040,273	₱29,358,337,456	₱10,907,978,925
Weighted average number of common shares	7,162,841,657	7,162,841,657	7,162,841,657
Basic/diluted earnings per share	₱2.68	₱4.10	₱1.52

There were no potential dilutive common shares in 2018, 2017 and 2016.

40. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties and are generally settled in cash. Due from and due to related parties are collectible/payable on demand.



In addition to the related party information disclosed elsewhere in the consolidated financial statements, the year-end balances in respect of related parties follow:

		2018					
Related Party	Category/Transaction	Amount/Volume	Outstanding Balance		Terms	Conditions	
			Statement of Financial Position	Statement of Comprehensive Income			
Subsidiaries:							
Due from related parties	Settlement of advances	(₱847,983,679)	₱397,493,502	₱-	On demand; Non-interest bearing	Unsecured; Not impaired	
	Rent receivable	(8,048,397)	69,436,672	-	On demand; Non-interest bearing	Unsecured; Not impaired	
	Rent income	127,110,159	-	127,110,159			
	Other income	439,642,623	-	439,642,623			
	Rent expense	46,165,790	-	46,165,790			
	Management fees	64,200,000	-	64,200,000			
Due to related parties	Settlement of advances	-	2,828,151,685	-	On demand; Non-interest bearing	Unsecured; Not impaired	
Cash in bank	Deposits	607,508	4,878,877	-	On demand	Unsecured	
Cash equivalents	Money market placements	1,282,658,628	1,445,086,098	-	2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04%	Unsecured	
	Interest income	3,273,543	-	3,273,543	2 to 33 days; Interest bearing with interest rate ranging from 0.5% to 1.5%		
Dividends	Dividend receivable	1,023,646,756	1,599,803,221	-	On demand	Unsecured	
	Dividend income	6,869,729,393	-	6,869,729,393			
Associate:							
Due from related parties	Settlement of advances	(110,518)	249,918	-	On demand; Non-interest bearing	Unsecured; Not impaired	
	Dividend income	5,206,741,374	-	5,206,741,374			
	Rent income	618,297	-	618,297			
	Utilities expense	9,512,374	-	9,512,374			
(Forward)							



2018

Related Party	Category/Transaction	Amount/Volume	Outstanding Balance		Terms	Conditions
			Statement of Financial Position	Statement of Comprehensive Income		
Other Related Parties:						
Due from related parties	Settlement of advances	(₱7,430,489)	₱412,886,471	₱-	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	32,498,188	32,498,188	-	On demand; Non-interest bearing	Unsecured; Not impaired
	Other income	148,322,654	-	148,322,654		
	Rent income	128,661,739	-	128,661,739		
Due to related parties	Settlement of advances	-	1,217,665	-	On demand; Non-interest bearing	Unsecured; Not impaired
Director's fees (included under 'Management and other professional fees' account in the parent company statement of comprehensive income)	Expenses	8,500,000	-	8,500,000		



2017

Related Party	Category/Transaction	Amount/Volume	Outstanding Balance		Terms	Conditions
			Statement of Financial Position	Statement of Comprehensive Income		
Subsidiaries:						
Due from related parties	Settlement of advances	₱350,490,176	₱1,245,477,181	₱-	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	49,583,786	77,485,069	-	On demand; Non-interest bearing	Unsecured; Not impaired
	Receivable	4,842,826,400	4,842,826,400	-	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	176,088,179	-	176,088,179		
	Other income	241,130,242	-	241,130,242		
	Rent expense	39,675,747	-	39,675,747		
	Management fees	105,074,286	-	105,074,286		
	Gain on sale of investment property	6,491,059,867	-	6,491,059,867		
Due to related parties	Settlement of advances	(11,690,874,584)	2,537,388,955	-	On demand; Non-interest bearing	Unsecured; Not impaired
Cash in bank	Deposits	4,131,669	4,271,369	-	On demand	Unsecured
Cash equivalents	Money market placements	(151,273,367)	162,427,470	-	2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04%	Unsecured
	Interest income	3,273,543	-	3,273,543	2 to 33 days; Interest bearing with interest rate ranging from 0.5% to 1.5%	
Dividends	Dividend receivable	367,901,000	576,156,465	-	On demand	Unsecured
	Dividend income	9,628,984,655	-	9,628,984,655		
Associate:						
Due from related parties	Settlement of advances	(108,850)	360,436	-	On demand; Non-interest bearing	Unsecured; Not impaired
	Dividend income	6,476,626,760	-	6,476,626,760		
	Rent income	588,853	-	588,853		
	Rent receivable	(103,263)	56,995	-		
	Utilities expense	7,913,620	-	7,913,620		

(Forward)



2017

Related Party	Category/Transaction	Amount/Volume	Outstanding Balance		Terms	Conditions
			Statement of Financial Position	Statement of Comprehensive Income		
Other Related Parties:						
Due from related parties	Settlement of advances	(₱4,151,841)	₱420,316,960	₱-	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	24,392,795	24,392,795	-	On demand; Non-interest bearing	Unsecured; Not impaired
	Other income	61,411,050	-	61,411,050		
	Rent income	35,977,368	-	35,977,368		
Due to related parties	Settlement of advances	(202,512)	1,217,665	-	On demand; Non-interest bearing	Unsecured; Not impaired
Director's fees (included under 'Management and other professional fees' account in the parent company statement of comprehensive income)	Expenses	8,500,000	-	8,500,000		



2016

Related Party	Category/Transaction	Amount/Volume	Outstanding Balance		Terms	Conditions
			Statement of Financial Position	Statement of Comprehensive Income		
Subsidiaries:						
Due from related parties	Settlement of advances	(₱300,376,218)	₱894,987,005	₱-	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	4,117,582	27,901,283			
	Rent income	178,757,461	-	178,757,461		
	Other income	57,450,321	-	57,450,321		
	Rent expense	34,715,145	-	34,715,145		
Due to related parties	Advances	444,690,266	14,228,263,539	-	On demand; Non-interest bearing	Unsecured; Not impaired
	Management fees	102,074,286	-	102,074,286		
	Interest expense	-	-	-	Interest bearing	
Cash in bank	Deposits	105,014	139,700	-	On demand	Unsecured
Cash equivalents	Money market placements	313,700,837	313,700,837	-	2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04%	Unsecured
	Interest income				2 to 33 days; Interest bearing with interest rate ranging from 0.5% to 1.5%	
		446,201	-	-		
Dividends	Dividend receivable	52,857,500	208,255,465	-	On demand	Unsecured
	Dividend income	5,642,292,262	-	5,642,292,262		
Associate:						
Due from related parties	Advances	161,566	469,286	-	On demand; Non-interest bearing	Unsecured; Not impaired
	Dividend income	7,666,690,077	-	7,666,690,077		
	Rent income	560,813	-	560,813		
	Rent receivable	(46,528)	160,258	-		
	Utilities expense	7,561,361	-	7,561,361		
Other Related Parties:						
Due from related parties	Settlement of advances	(1,531,274)	424,468,802	-	On demand; Non-interest bearing	
	Management fees					
	Rent income	33,160,257	-	33,160,257		



2016

Related Party	Category/Transaction	Amount/Volume	Outstanding Balance		Terms	Conditions
			Statement of Financial Position	Statement of Comprehensive Income		
Due to related parties	Advances	(₱477,995)	₱1,420,177	₱-	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	9,749,802	29,594,431	-		
Director's fees (included under 'Management and other professional fees' account in the parent company statement of comprehensive income)	Expenses	8,440,000	-	8,440,000		



The Parent Company has signed various financial guarantee agreements with third parties for the short-term and long-term loans availed by its subsidiaries as discussed in Note 23 to the consolidated financial statements. No fees are charged for these guarantee agreements. Being the centralized treasury department within the Group, the Parent Company usually receives advances from subsidiaries and in turn, makes advances to other subsidiaries.

Interest earned by the Parent Company on transactions with related parties amounted to nil in 2018 and 2017. Interest expense incurred amounted to nil in 2018 and 2017

Most of the aforementioned intercompany transactions between the Parent Company and its subsidiaries are eliminated in the accompanying consolidated financial statements.

Transactions with the retirement plan

The retirement fund of the Parent Company's employees amounted to ₱10.4 million and ₱10.2 million as of December 31, 2018 and 2017, respectively. The fund is being managed by JG Summit Multi-Employer Retirement Plan (MERP), a corporation created for the purpose of managing the funds of the Group, with RBC as the trustee.

The retirement plan under the MERP has an Executive Retirement Committee, that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the plan. Certain members of the BOD of the Parent Company are represented in the Executive Retirement Committee. RBC manages the plan based on the mandate as defined in the trust agreement.

Compensation of key management personnel

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plans.

The compensation of the Group's key management personnel by benefit type follows:

	2018	2017	2016
Short-term employee benefits	₱1,727,072,228	₱1,522,647,267	₱1,479,668,656
Post-employment benefits	222,481,457	172,508,677	131,512,625
	₱1,949,553,685	₱1,695,155,944	₱1,611,181,281

41. Registration with Government Authorities/Franchise

Certain operations of consolidated subsidiaries are registered with the BOI as preferred pioneer and non-pioneer activities, and are granted various authorizations from certain government authorities. As registered enterprises, these consolidated subsidiaries are subject to some requirements and are entitled to certain tax and non-tax incentives which are considered in the computation of the provision for income tax.



42. Leases

URC

Operating Lease Commitments - Group as a Lessee

The URC Group land where certain of its facilities are located. The operating lease agreements are for periods ranging from one to five years from the date of the contracts and are renewable under certain terms and conditions. URC's rentals incurred on these leases (included under 'Selling and distribution costs' and 'General and administrative expenses' in the consolidated statements of comprehensive income) amounted to ₱385.4 million, ₱425.5 million and ₱395.6 million in 2018, 2017 and 2016, respectively.

Future minimum lease payments under noncancellable operating leases of the URC Group follow:

	2018	2017	2016
Within one year	₱752,048,217	₱792,639,232	₱183,546,225
After one year but not more than five years	1,362,757,872	1,708,022,477	734,184,901
Five years or more	464,770,770	506,731,716	520,915,202
	₱2,579,576,859	₱3,007,393,425	₱1,438,646,328

Operating Lease Commitments - Group as a Lessor

The URC Group has entered into one-year renewable, noncancellable leases with various related parties covering certain land and buildings where office spaces are located.

Future minimum lease receivables under noncancellable operating leases of the URC Group that are due within one year amounted to ₱73.3 million, ₱63.7 million and ₱76.7 million in 2018, 2017 and 2016, respectively.

Finance Lease Commitments - Group as a Lessee

Some of the URC Group's subsidiaries were granted land usage rights from private entities. The land usage right represents the prepaid amount of land lease payments. The right is currently being amortized by the URC Group on a straight-line basis over the term of the right ranging from 30 to 50 years. The amortization on these leases (included under 'General and administrative expenses' in the consolidated statements of comprehensive income) amounted to ₱2.5 million, ₱2.4 million and ₱2.1 million in 2018, 2017 and 2016, respectively.

RLC

Operating Lease Commitments - Group as a Lessee

The RLC Group entered into long-term operating leases of land with lease terms ranging from 25 to 50 years. These leases include clauses to enable escalation of rental charges on the agreed dates. Total rent expense (included under 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱246.0 million, ₱52.0 million and ₱203.4 million in 2018, 2017 and 2016, respectively.



Future minimum lease payments under noncancellable operating leases of RLC's certain lessee subsidiaries follow:

	2018	2017	2016
Within one year	₱128,337,691	₱92,616,575	₱85,742,828
After one year but not more than five years	589,327,721	414,556,934	404,875,129
Over five years	5,953,173,907	5,823,064,725	6,389,039,513
	₱6,670,839,319	₱6,330,238,234	₱6,879,657,470

Operating Lease Commitments - Group as a Lessor

The RLC Group has entered into commercial property leases on its investment property portfolio. These noncancellable leases have remaining lease terms of between one and ten years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. The lease contracts also provide for the percentage rent, which is a certain percentage of actual monthly sales or minimum monthly gross sales, whichever is higher. Total rent income (included under 'Real estate and hotels revenue' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱13.5 billion, ₱11.6 billion and ₱10.7 billion in 2018, 2017 and 2016, respectively. Total percentage rent recognized as income amounted to ₱3.5 billion, ₱3.1 billion and ₱2.8 billion in 2018, 2017 and 2016, respectively.

Future minimum lease receivables under noncancellable operating leases of the RLC Group follow:

	2018	2017	2016
Within one year	₱11,590,512,976	₱6,263,952,404	₱4,909,033,101
After one year but not more than five years	17,971,125,898	8,250,489,462	8,407,304,291
Over five years	2,377,232,451	923,369,939	941,463,464
	₱31,938,871,325	₱15,437,811,805	₱14,257,800,856

Finance Lease Commitments - Group as a Lessor

In 2015, RLC has significantly entered into residential property leases on its residential condominium unit's portfolio. These leases have lease period of five (5) to ten (10) years and the lessee is given the right to purchase the property anytime within the lease period that the lessee any arrears in rental payment, condominium dues and other charges.

Future minimum lease payments under finance lease with the present value of future minimum lease payment as of December 31, 2018 and 2017 follow:

	2018	
	Minimum Lease Payments	Present Value of Minimum Lease Payments
Within one year	₱79,718,217	₱74,656,506
After one year but not more than five years	43,660,006	35,659,562
Over five years	11,801,022	8,398,256
Total minimum lease payments	₱135,179,245	₱118,714,324



	2017	
	Minimum Lease Payments	Present Value of Minimum Lease Payments
Within one year	₱311,429,745	₱302,265,068
After one year but not more than five years	270,312,270	238,254,749
Over five years	72,498,624	57,502,961
Total minimum lease payments	₱654,240,639	₱598,022,778

JGSPC

Operating Lease Commitments - Company as a Lessee

JGSPC has entered into contracts of lease for its Cybergate office and the shuttle bus that transports its employees from Balagtas to Batangas plant with lease term of three years and one year, respectively. Rental expense charged to operations (included under 'Cost of sales and services' and 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱45.8 million, ₱35.7 million and ₱21.4 million in 2018, 2017 and 2016, respectively.

Future minimum lease payments under the noncancellable lease of JGSPC's office space follow:

	2018	2017	2016
Within one year	₱39,678,682	₱13,337,457	₱16,523,039
After one year but not more than five years	116,096,379	17,480,912	30,628,459
	₱155,775,061	₱30,818,369	₱47,151,498

Operating Lease Commitments - Group as a Lessor

JGSPC has entered into commercial property leases. JGSPC has determined that it retains all the significant risks and rewards of ownership of these properties and accounts for them as operating leases.

Rental income amounted to ₱0.2 million for the years ended December 31, 2018 and 2017.

Future minimum rentals receivable under the non-cancellable lease as of December 31, 2017 amounted to ₱0.1 million.

CAI

Operating Aircraft Lease Commitments - Group as a Lessee

CAI entered into operating lease agreements with certain leasing companies which cover the following aircraft:

A320 aircraft

The following table summarizes the specific lease agreements on CAI's Airbus A320 aircraft:

Date of Lease Agreement	Lessors	No. of Units	Lease Term
April 2007	Inishcrean Leasing Limited (Inishcrean)	1	October 2019
March 2008	GY Aviation Lease 0905 Co. Limited	2	January 2019
March 2008	APTREE Aviation Trading 2 Co. Ltd	1	October 2019
	Wells Fargo Bank Northwest National Assoc.	1	October 2019
July 2011	SMBC Aviation Capital Limited	2	March 2020
May 2017	Ibon Leasing Limited (ILL)	2	January 2019 and February 2019
November 2017	JPA No. 78 Co., Ltd	1	August 2020



Date of Lease Agreement	Lessors	No. of Units	Lease Term
November 2017	JPA No. 79 Co., Ltd	1	October 2020
November 2017	JPA No. 80 Co., Ltd	1	January 2021
November 2017	JPA No. 81 Co., Ltd	1	February 2021
July 2018	JPA No. 117 Co., Ltd	1	September 2021
July 2018	JPA No. 118 Co., Ltd	1	December 2021
August 2018	JPA No. 119 Co., Ltd	1	June 2022

From 2007 to 2008, CAI entered into operating lease agreements with Celestial Aviation Trading 17/19/23 Limited for five (5) Airbus A320 which were delivered on various dates from 2007 to 2011. The lease agreements were later on amended to effect the novation of lease rights from the original lessors to current lessors: Inishcrean Leasing Limited for (1) Airbus A320, GY Aviation Lease 0905 Co. Limited for two (2) Airbus A320, APTREE Aviation Trading 2 Co. Limited for one (1) Airbus A320, and Wells Fargo Trust Company, N.A. for one (1) Airbus A320.

In July 2011, CAI entered into an operating lease agreement with RBS Aerospace Ltd. (RBS) for the lease of two Airbus A320 aircraft, which were delivered in March 2012. The lease agreement with RBS was amended to effect the novation of lease rights by the original lessor to current lessor, SMBC Aviation Capital Limited, as allowed under the existing lease agreements.

In 2015 to 2016, CAI extended the lease agreement with Inishcrean for three years and with GY Aviation Lease 0905 Co. Limited for two years.

In 2017, the Group entered into lease agreements with ILL for two Airbus A320 and with JPA No. 78/79/80/81 Co., Ltd for four (4) Airbus A320 (Note 13).

In 2018, CAI separately extended the lease agreements with APTREE Aviation Trading 2 Co. Ltd for two years, with Wells Fargo Trust Company, N.A for four years, and with GY Aviation Lease 0905 Co. Limited for another two years on one aircraft and three years on the other.

In July and August 2018, CAI entered into lease agreements with JPA No. 117/118/119 Co., Ltd for three (3) Airbus A320.

A320NEO aircraft

On July 26, 2018, the Group entered into 8-year lease agreements with Avolon Aerospace Leasing Limited for five (5) Airbus A320NEO for delivery on various dates within 2019.

Airbus A330 aircraft

The following table summarizes the specific lease agreements on CAI's Airbus A330 aircraft:

Date of Lease Agreement	Lessors	No. of Units	Lease Term
February 2012	Wells Fargo Bank Northwest, N.A. (not in its individual capacity but solely as Owner Trustee)	1	12 years with pre-termination option
	Wells Fargo Trust Company, N.A. (not in its individual capacity but solely as Owner Trustee)	1	
	CIT Aerospace International	1	
	Avolon Aerospace AOE 165 Limited	1	
July 2013	A330 MSN 1552 Limited and A330 MSN 1602 Limited*	2	12 years with pre-termination option

*New lessors per Deed of Novation and Amendment signed on August 2014 and March 2015



On February 21, 2012, CAI entered into a lease agreement with Wells Fargo Bank Northwest, N.A. for four Airbus A330-300 aircraft. The lease agreements for the three (3) out of the (4) Airbus A330. The lease agreements for the three (3) out of the four (4) Airbus A330 were later on amended to effect the novation of lease rights from the original lessor to their current lessors: Wells Fargo Trust Company, N.A. (not in its individual capacity but solely as Owner Trustee), CIT Aerospace International, and Avolon Aerospace AOE 165 Limited.

On July 19, 2013, CAI entered into an aircraft operating lease agreement with Intrepid Aviation for the lease of two Airbus A330-300 aircraft. The lease agreements have been amended to effect the novation of lease rights by the original lessor to current lessors, A330 MSN 1552 Limited and A330 MSN 1602 Limited.

The first two Airbus A330 aircraft were delivered in June 2013 and September 2013. Three A330 aircraft were delivered in February 2014, May 2014 and September 2014. One A330 aircraft was delivered in March 2015.

As of December 31, 2018, the Group has six (6) Airbus A330 aircraft under operating lease.

Future minimum lease payments under the above-indicated operating aircraft leases follow:

	2018		2017		2016	
	Philippine peso equivalent	US dollar	Philippine peso equivalent	US dollar	Philippine peso equivalent	US dollar
Within one year	₱6,056,939,009	US\$115,194,732	₱5,195,955,222	US\$104,064,795	₱4,416,187,364	US\$88,821,146
After one year but not more than five years	21,014,364,405	399,664,595	17,627,451,745	353,043,295	17,195,525,129	345,847,247
Over five years	11,445,938,924	217,686,172	7,008,670,575	140,369,930	10,243,241,938	206,018,543
	₱38,517,242,338	US\$732,545,499	₱29,832,077,542	US\$597,478,020	₱31,854,954,431	US\$640,686,936

Lease expenses relating to aircraft leases (included in 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱5.7 billion, ₱4.6 billion and ₱4.3 billion in 2018, 2017 and 2016, respectively (see Note 31).

Operating Non-Aircraft Lease Commitments - Group as a Lessee

CAI has entered into various lease agreements for its hangar, office spaces, ticketing stations and certain equipment. These leases have remaining lease terms ranging from one to ten years. Certain leases include a clause to enable upward revision of the annual rental charge ranging from 5.0% to 10.0%.

Future minimum lease payments under these noncancellable operating leases of CAI follow:

	2018	2017	2016
Within one year	₱211,928,140	₱201,321,805	₱167,226,528
After one year but not more than five years	891,261,764	834,940,613	710,187,772
Over five years	4,318,073,237	3,876,023,510	3,477,917,440
	₱5,421,263,141	₱4,912,285,928	₱4,355,331,740

Lease expenses relating to both cancellable and non-cancellable non-aircraft leases (allocated under different expense accounts in the consolidated statements of comprehensive income) amounted to ₱760.0 million, ₱731.0 million and ₱625.8 million in 2018, 2017 and 2016, respectively.



RBC and LSB

Operating Lease Commitments - Group as a Lessee

RBC leases its head office and branch premises for periods ranging from one (1) to ten (10) years, renewable upon mutual agreement of both parties. LSB also leases the premises occupied by its head offices and most of its branches for periods ranging from five (5) to fifteen (15) years, renewable upon mutual agreement of both parties. Various lease contracts of the Group include escalation clauses, most of which bear annual rent increase ranging from 5.00% to 10.00%.

Rent expense recognized by RBC and LSB (included under 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱315.2 million, ₱303.7 million ₱268.1 million in 2018, 2017 and 2016, respectively.

Future minimum lease payments under these noncancellable operating leases of RBC and LSB follow:

	2018	2017	2016
Within one year	₱264,987,929	₱259,731,834	₱261,639,924
After one year but not more than five years	493,544,529	417,228,668	531,101,622
Over five years	40,538,482	41,247,312	27,025,441
	₱799,070,940	₱718,207,814	₱819,766,987

Finance Lease - LSB as Lessor

LSB has entered to a lease on its investment property portfolio. The lease contract provides an option to purchase the properties the end of the lease term. The lease has a lease term of ten (10) years, from April 30, 2009 to March 31, 2019. The building being leased out has an estimated useful life of ten (10) years.

As of December 31, 2018 and 2017, the future minimum lease receivable under the finance lease as follows:

	2018			2017		
	Minimum Lease Receivable	Interest	Principal	Minimum Lease Receivable	Interest	Principal
Within one year	₱10,562,500	₱1,328,916	₱9,233,584	₱750,000	₱1,309,117	(₱559,117)
After one year but not more than five years	-	-	-	10,000,000	339,868	9,660,132
	₱10,562,500	₱1,328,916	₱9,233,584	₱10,750,000	₱1,648,985	₱9,101,015

43. Other Commitments and Contingent Liabilities

Parent Company

• *JGSOC Loan Accommodation from Private Bank*

On May 4, 2012, the BOD of the Parent Company approved and authorized the Parent Company to act as surety with respect to the credit accommodation of JGSOC from Banco de Oro Unibank, Inc. in the aggregate principal amount of ₱1.0 billion, including the extensions, renewals or modifications of such credit accommodation.



On February 4, 2014, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSOC from Banco de Oro Unibank, Inc. in the aggregate principal amount of ₱9.0 billion, including the extensions, renewals or modifications of such loan/credit accommodation.

On February 8, 2018, the BOD authorizes the Parent Company to guarantee the loan/credit accommodation of JG Summit Olefins Corporation from BDO Unibank in the aggregate principal amount of ₱15.0 billion including any extension, renewal or modification of such loan or credit accommodation.

- *JGSPC Loan Accommodation from Private Bank*

On May 8, 2014, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSPC from Banco de Oro Unibank, Inc. in the aggregate principal amount of ₱4.0 billion, including the extensions, renewals or modifications of such loan/credit accommodation.

On February 8, 2018, the BOD authorizes the Parent Company to guarantee the loan/credit accommodation of JG Summit Petrochemical Corporation from BDO Unibank in the aggregate principal amount of ₱15.0 billion including any extension, renewal or modification of such loan or credit accommodation.

CAI

Capital Expenditure Commitments

CAI's capital expenditure commitments relate principally to the acquisition of aircraft fleet, aggregating to ₱88.5 billion and ₱127.3 billion as of December 31, 2018 and 2017, respectively, which are payable over the following periods:

	December 31, 2018		December 31, 2017	
	US Dollar	Philippine Peso Equivalent	US Dollar	Philippine Peso Equivalent
Within one year	US\$427,214,639	₱22,462,945,700	US\$541,112,509	₱27,017,747,591
After one year but not more than five years	2,060,860,233	108,360,031,052	2,008,923,295	100,305,540,083
	US\$2,488,074,872	₱130,822,976,752	US\$2,550,035,804	₱127,323,287,674

Aircraft and Spare Engine Purchase Commitments

In August 2011, CAI entered in a commitment with Airbus S.A.S. to purchase firm orders of thirty-two new A321 NEO Aircraft and ten addition option orders. These aircraft are scheduled to be delivered from 2018 to 2022.

On June 28, 2012, CAI has entered into an agreement with United Technologies International Corporation Pratt & Whitney Division to purchase new PurePower® PW1100G-JM engines for its 30 firm and ten options A321 NEO aircraft to be delivered beginning 2017. The agreement also includes an engine maintenance services program for a period of ten years from the date of entry into service of each engine.

On October 20, 2015 CAI entered into a Sale and Purchase Contract with Avions Transport Regional G.I.E. to purchase 16 firm ATR 72-600 aircraft and up to 10 additional option ATR 72-600 aircraft. These aircraft are scheduled to be delivered from 2016 to 2020. Two ATR72-600 were received during 2016 and six ATR-600 during 2017.

On June 6, 2017, CAI placed an order with Airbus S.A.S to purchase seven (7) new A321 CEO Aircraft to be delivered starting 2018.



On June 14, 2018, CAI has entered into an Aircraft Conversion Services Agreement with IPR Conversions (Switzerland) Limited to convert two (2) ATR 72-500 aircraft from passenger to freighter for delivery in 2019.

On July 26, 2018, CAI entered into operating lease agreements with Avolon Aerospace Leasing Limited for five (5) Airbus A320NEO aircraft for delivery on various dates within 2019.

As of December 31, 2018, CAI is set to take delivery of thirty-two (32) Airbus A321 NEO, five (5) A320 NEO, four (4) ATR 72-600, and two (2) ATR 72-500 freighters from 2019 until 2023.

The above-indicated commitments relate to CAI's re-fleeting and expansion programs. These agreements remained in effect as of December 31, 2018.

Service Maintenance Commitments

On June 21, 2012, CAI has entered into a 10-year charge per aircraft landing (CPAL) agreement with Messier-Bulgatti-Dowty (Safran Group) to purchase wheels and brakes for its fleet of Airbus A319 and A320 aircraft. The contract covers the current fleet, as well as future aircraft to be acquired.

On June 22, 2012, CAI has entered into service contract with Rolls-Royce Total Care Services Limited (Rolls-Royce) for service support for the engines of the A330 aircraft. Rolls-Royce will provide long-term Total Care service support for the Trent 700 engines on up to eight A330 aircraft. Contract term shall be from delivery of the first A330 until the redelivery of the last A330.

On March 28, 2017, the CAI entered into a maintenance service contract with Societe Air France for the lease, repair and overhaul services of parts and components of its A319, A320 and A321 aircraft. These services include provision of access to inventories under lease basis, access to pooled components on a flat rate basis and repairs of aircraft parts and components.

URC

Milling Contracts

Milling contracts with various planters provide for a 60%-70% share to the planters (including related parties) and 30%-40% share to the Group of sugar and molasses produced from sugar canes milled. The Sugar Industry Development Act of 2015 provides that, to ensure the immediate payment of farmers and secure their income from sugarcane, farmers may enter into any payment method with the sugar mill.

Sugar under Custody but not owned

As of December 31, 2018 and 2017, the Group has in its custody sugar owned by several quedan holders with volume of 502,051 Lkg and 460,835 Lkg, respectively. The said volume of sugar is not reflected in the statement of financial position since this is not owned by the Group. The Group is accountable to both quedan holders and sugar traders for the value of these trustee sugar or their sales proceeds.

Off-Balance Sheet Items

In the normal course of RBC and LSB's operations, there are various outstanding contingent liabilities and bank guarantees which are not reflected in the accompanying consolidated financial statements. The subsidiary bank does not anticipate material unreserved losses as a result of these transactions.



Following is a summary of RBC and LSB's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2018	2017
Trust and investment group accounts	₱17,500,291,971	₱16,424,743,919
Spot exchange - foreign currency	4,857,697,000	952,213,950
Committed credit lines	3,858,396,377	337,635,067
Guarantees issued	1,957,917,773	184,930,289
Inward bills for collection	1,144,692,773	966,438,653
Outward bills for collection	529,964,368	683,173,837
Domestic standby letters of credit	382,180,629	483,189,586
Contingent - foreign currency swap	290,189,057	1,936,176,488
Late deposit/payment received	77,016,740	172,496,144
Items held for safekeeping	54,874	78,187
Other contingent account	181,357	270,701

Contingencies

The Group has various contingent liabilities arising in the ordinary conduct of business from legal proceedings which are either pending decision by the courts, under arbitration or being contested, the outcomes of which are not presently determinable. In the opinion of management and its legal counsels, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the ground that it can be expected to prejudice the outcome of these lawsuits, claims, arbitration and assessments.

44. Business Combination

Acquisition of Snack Brands Australia

On August 16, 2016, URC AU FinCo, a wholly-owned subsidiary of URCICL, entered into a Share Sale Agreement with Toccara Securities Pty Ltd and Hopkins Securities Pty Ltd for the acquisition of 100% equity interest in CSPL, which trades under the company name Snack Brands Australia (SBA), one of the leading snack food companies in Australia, subject to the approval of the Australian Foreign Investment Review Board (FIRB). The total consideration of the acquisition is approximately AU\$584.5 million (₱21.6 billion).

On September 14, 2016, the Australian FIRB approved the acquisition of SBA. Following the approval, the transaction was completed on September 30, 2016.

The Group engaged the services of a third party valuer to conduct the final purchase price allocation.



The fair values of the identifiable assets and liabilities of CSPL at the date of acquisition follow:

Purchase consideration transferred	₱21,579,202,907
Fair value of identifiable assets	
Cash	₱419,944,622
Receivables	1,608,193,555
Inventories	369,121,737
Other current assets	68,764,464
Property, plant and equipment (Note 16)	2,371,469,678
Intangibles (Note 18)	4,681,269,034
Deferred tax assets	310,964,989
Total Assets	9,829,728,079
Fair value of identifiable liabilities	
Accounts payable and other accrued liabilities	₱3,103,596,275
Deferred tax liabilities	1,514,713,029
Other noncurrent liabilities	125,070,200
Total Liabilities	4,743,379,504
Total fair value of identifiable net liabilities	5,086,348,575
Goodwill	₱16,492,854,332

Goodwill arising from the acquisition of AU Group is allocated entirely to the operations of Snack Brands. None of the goodwill recognized is expected to be deductible for income tax purposes. From the date of acquisition, the AU Group has contributed net sales of ₱2.6 billion and net income of ₱0.3 billion to the Group. If the business combination had taken place at the beginning of the year, net sales and net income of the Group in 2016 would have been ₱248.3 billion and ₱22.4 billion, respectively.

45. Subsequent Events

On February 18, 2019, the Parent Company invested in Luzon International Premiere Airport Development Corporation (LIPAD). The shares acquired represented 33% of LIPAD's total outstanding common shares. LIPAD is a corporation organized and incorporated in the Philippines to engage in the operation and maintenance of airports, whether operating as a domestic or international airport or both, including day-to-day administration, functioning, management, manning, upkeep, and repair of all facilities necessary for the use or required for the safe and proper operation of airports.

46. Supplemental Disclosures to Cash Flow Statements

Changes in liabilities arising from financing activities in 2018 follow:

	January 1, 2018	Cash Flows	Foreign Exchange Movement	Currency translation adjustment	Others*	December 31, 2018
Short-term debts	₱45,847,813,461	(₱10,705,634,102)	₱459,477,439	(₱147,932,805)	₱-	₱35,453,723,993
Long-term debts	181,686,814,666	25,966,907,252	3,096,641,381	(814,049,783)	312,653,832	210,248,967,348
	₱227,534,628,127	₱15,261,273,150	₱3,556,118,820	(₱961,982,588)	₱312,653,832	₱245,702,691,341

*Others consist of amortization and capitalization of bond issue cost.



The principal noncash activities of the Group are as follows:

- a. Movements in the cumulative translation adjustment amounted to ₱1.6 billion, (₱1.1 billion) and (₱1.9 billion) in 2018, 2017 and 2016, respectively.
- b. In 2017 and 2016, the Group foreclosed some assets, which are recorded under 'Investment properties' in the consolidated statements of financial position, amounting to ₱85.5 million and ₱91.4 million, respectively.
- c. In 2017 and 2016, the Group acquired additional investment in UICL through the script dividend scheme in lieu of cash dividends amounting to ₱560.4 million and ₱529.9 million, respectively.
- d. Acquisition of aircraft through loan financing amounting to ₱16.8 billion, ₱3.8 billion and ₱9.1 billion in 2018, 2017 and 2016, respectively

47. Approval for the Release of the Consolidated Financial Statements

The accompanying consolidated financial statements of the Group were approved and authorized for issue by the BOD on April 12, 2019.

